STADA
Arzneimittel

2008

STADA ANNUAL REPORT 2008

Key figures for the Group in € million	2008	Previous year[1]	± %
Sales	1,646.2	1,570.5	+5%
Sales in core segments, total	1,523.4	1,458.4	+4%
• Generics	1,154.5	1,154.4	0%
• Branded Products	368.9	304.0	+21%
Operating profit	176.4	215.5	-18%
Operating profit, adjusted[2]	*221.4*	*249.5*	*-11%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	255.4	288.6	-11%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[2]	*294.3*	*315.5*	*-7%*
EBIT (Earnings before interest and taxes)	175.2	186.8	-6%
EBIT (Earnings before interest and taxes), adjusted[2]	*219.0*	*249.0*	*-12%*
EBT (Earnings before taxes)	105.5	149.8	-30%
EBT (Earnings before taxes), adjusted[2]	*164.8*	*209.5*	*-21%*
Net income[3]	76.2	104.2	-27%
Net income[3], adjusted[2]	*116.0*	*144.9*	*-20%*
Cash flow (gross)	150.4	201.2	-25%
Equity capital	839.7	919.6	-9%
Capital expenditure	137.3	193.5	-29%
Depreciation/amortization	80.2	101.7	-21%
Average number of employees[4]	8,318	7,792	+7%

Key share data	2008	Previous year	± %
Market capitalization in € million (year-end)	1,204.6	2,469.2	-51%
Year-end closing price (XETRA®) in €	20.50	42.05	-51%
Number of shares (year-end)	58,759,820	58,721,100	0%
Average number of shares (without own shares)	58,632,021	58,315,643	+1%
Basic earnings per share in €[5]	1.30	1.79	-27%
Basic earnings per share in €[3], adjusted[2]	*1.98*	*2.48*	*-20%*
Diluted earnings per share in €[6]	1.28	1.72	-26%
Diluted earnings per share in €[6], adjusted[2]	*1.95*	*2.39*	*-18%*
Dividend per share in €	0.52[7]	0.71	-27%
Total dividend payments in € million	30.5[7]	41.6	-27%

1) Retroactively adjusted due to a change in the accounting treatment of BIOCEUTICALS Arzneimittel AG (see "Notes (IFRS) – 1.5.").
2) Adjusted for one-time special effects as well as effects from currency influences and interest rate hedge transactions in 2007 and 2008.
3) 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.
4) This average number includes initial consolidations on a pro-rata basis. At the end of 2008 the STADA Group had 8,299 employees as of the balance sheet date (December 31, 2007: 8,425).
5) In accordance with IAS 33.10.
6) In accordance with IAS 33.31.
7) Proposed.

STADA AT A GLANCE

STADA – the proven business model

- Strategic focus on products with off-patent active pharmaceutical ingredients in the health care and, in particular, in the pharmaceutical market
- Core segments
  - Generics (70% of Group sales)
  - Branded Products (22% of Group sales)
- Central success factors
  - Positioning in growth markets
  - Strong product development
  - International sales infrastructure
  - Flexible operating structures
  - Continuous cost optimization
  - Cautious acquisition policy

STADA – the fiscal year 2008

- Still satisfactory operating results in fiscal year 2008 in view of the very difficult environment
  - Sales € 1,646.2 million (+5%) – 13th growth year in a row
  - International business records above-average growth of 9%, contributing 66% to Group sales
  - Distinct one-time special effects as well as non operational-related effects from currency influences and interest rate hedge transactions burden key earnings figures: EBITDA € 255.4 million (-11%) and net income € 76.2 million (-27%)
  - Adjusted key earnings figures below last year's record highs, but at second highest level in STADA's history: adjusted EBITDA € 294.3 million (-7%) and adjusted net income € 116.0 million (-20%)
- Continuation of ongoing cost optimization, including the expansion of production capacities in low-cost countries
  - Opening of second production site in Vietnam in the greater Ho Chi Minh City area
  - Start of operations of a further production site in Russia in Obninsk
  - Progressive Group integration of Serbian production sites in Vrsac and Sabac
- Successful product development: 483 product launches/launch of first biosimilar SILAPO® (active ingredient Epo-zeta) in Germany
- Unchanged planned dividend ratio of approx. 40% of net income results in proposed dividend of € 0.52 per common share (previous year: € 0.71)

LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear shareholders,

In fiscal year 2008, STADA achieved operationally still generally satisfactory business results, even though in this challenging year some of the expectations held at the beginning of the year could not fully be met.

Sales in 2008, with an increase of 5% to € 1,646.2 million, reached a new record level for the 13th year in a row. STADA did not, however, achieve the peak level of the previous year in the key earnings figures; here the especially challenging regulatory and competitive market environment in fiscal year 2008 – particularly also in the German home market – as well as significant one-time special effects and non-operational related burdens from currency influences and interest rate hedge transactions made themselves noticed. Adjusted for these special effects, however, the key earnings figures are nevertheless at the second highest level in STADA's history.

Because in 2008, STADA also made a lot of progress in its operating alignment. Thus, with the opening of the second production site in the greater Ho Chi Minh City area, the starting of operations at the production site in Obninsk, Russia, as well as the increasing integration of the Serbian production sites in Vrsac and Sabac from the Hemofarm Group, which was acquired in 2006, into the STADA production network, clear progress in terms of the expansion of Group-owned production capacities in low-cost countries was made in fiscal year 2008. With the launching of 483 products in individual national markets worldwide, STADA once again proved the strength of product development. In this context the high expertise in development is also shown through the launch of the Group's first biosimilar under the brand name SILAPO® (active ingredient Epo-zeta) in Germany. And even in the currently particularly competitive German generics market clear operative progress was achieved because the Group's market share was increased in terms of sales and units sold there and, due to the preliminary awards achieved by the German Group companies in comprehensive tender processes for discount agreements at the end of 2008, further gains in market share can also be expected for 2009, however at the price of diminished margins.

We would like to thank all employees of the Group for the commitment they have shown in 2008. Our thanks also go to the Supervisory Board for the trusting and open cooperation and the Advisory Board for its advice and support.

The reaction of the capital markets to the results and outlook of STADA was and is disappointing. Since the second half of 2008, the share price development – also against the backdrop of the current global financial and economic crisis – was very volatile and strongly decreasing. The STADA share lost value to an extent that, in the view of the Executive Board, does not seem justified by the current business development.

Because STADA is not a company in crisis, rather, will again, also in fiscal year 2009, that means at the height of the current global financial and economic crisis which is also strongly shaking up STADA and those markets relevant for STADA, be clearly profitable. From today's perspective of the Executive Board, an adjusted EBITDA of at least € 250 million should be achievable in 2009. With the expected recovery of the Group business in the second half year, it is possible that 2009 can, despite the weak start to the year, reach an adjusted earnings level in the amount of the previous fiscal year. And for the coming years, from today's perspective of the Executive Board, clear growth opportunities for STADA can again be seen with the winding down of the global financial and economic crisis.

This mid and long-term optimistic assessment of the STADA Executive Board is based to equal degrees on the strategic positioning of the company as well as on the proven operational strength of the Group. In the strategic positioning, generics are and will remain the supporting pillar of STADA's business model. From our perspective, for this increasingly important segment of the pharmaceutical market, several core trends can be identified which significantly influence the perspectives of generics, which continue to be favourable, on a global scale.

In the future too, the health care market will be one of the most important and dynamic growth markets in the world – and that largely regardless of economic trends. Global population growth, increasing life expectancy in industrialized nations as well as medical progress are and will remain the major drivers in this context. This growing demand is also beneficial for the pharmaceutical market. Because in the context of a healthcare economics comparison with other types of treatments, drugs continue to be deemed particularly efficient.

In our view, generics, in particular, continue to hold high structural growth potential within the pharmaceutical market. Generics allow for a low-cost medical therapy without a reduction in quality and, as such, represent a competitive response to continuously increasing cost pressure. Therefore, further progress in the penetration of generics is expected for most national markets, which currently have widely differing characteristics. In addition, the continuous expiration of patents or other commercial property rights consistently ensures a constant automatic expansion of market potential available for generic competition.

Generics thus are and remain a growth story. Of course this continues to be inherently linked to a challenging environment, because long-term growth opportunities attract intensive competition. The continuous increase in demand in the health care and pharmaceutical market leads to constant cost pressure in many national health care systems, regularly entailing cost saving state regulation. And the global financial and economic crisis will possibly bring also for STADA a number of challenges with it.

We are nevertheless convinced that STADA, due to the continuing strategic focus on growth markets and existing operational strengths – such as, for example, continuing cost optimization, comprehensive product development, quick and flexible adjustment of the sales structures to fast-changing local framework conditions as well as the increasing internalization of the Group – has clear opportunities to be able to successfully overcome the current challenges in the mid and long term. In addition, possibilities are still being sought to complement the targeted organic Group growth with added external growth impulses such as suitable acquisitions or cooperations.

Against this backdrop, the Executive Board continues to believe that STADA's operative business model is sustainable and viable for the future and, from today's perspective, for the coming years, sees the fundamental chance, in spite of a continued challenging environment, to again be able to achieve growth in sales and net income.

Whether this, also in the environment of the current global financial and economic crisis, can be achieved in the current fiscal year 2009, is open. The possibility is still there – despite a weak start in this year. Executive Board, management and all employees will work hard for it and actively approach the challenges that lay ahead.

Hartmut Retzlaff
Chairman of the Executive Board

STADA
Arzneimittel

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STADA 2008 CONSOLIDATED FINANCIAL STATEMENTS: MANAGEMENT REPORT OF THE EXECUTIVE BOARD

STADA 2008 CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

STADA 2008 CONSOLIDATED FINANCIAL STATEMENTS: MANAGEMENT REPORT OF THE EXECUTIVE BOARD

GENERAL STATEMENTS ON BUSINESS SITUATION

5 years comparison in € million[1)]	2008	2007	2006	2005	2004
Group sales	1,646.2	1,570.5	1,245.1	1,022.1	813.5
EBITDA	255.4	288.6	232.6	161.2	122.7
EBITDA, adjusted	*294.3*	*315.5*	*233.0*	*176.6*	*118.4*
EBIT	175.2	186.8	168.7	107.1	88.2
EBIT, adjusted	*219.0*	*249.0*	*186.7*	*142.8*	*92.6*
Net income	76.2	104.2	91.8	51.6	48.5
Net income, adjusted	*116.0*	*144.9*	*102.1*	*80.5*	*51.4*

2008: overall still satisfactory operating results in particularly challenging market environment

From the Executive Board's perspective the STADA Group achieved – with a regulatory and competitive environment that was particularly challenging in various national markets, especially in Germany – generally still satisfactory operating results in fiscal year 2008, even though some of the expectations held at the beginning of the year could not be met.

Thus, in terms of Group sales, STADA, in fiscal year 2008, achieved respectively new record high in the Group's history for the 13th time in a row. Group sales rose by 5% to € 1,646.2 million; the growth rate adjusted for acquisitions, disposals and significant currency effects was 1% for Group sales in 2008.

Last year's record highs could not be repeated for the key earnings figures. Here, the particularly challenging market environment of fiscal year 2008 with a subdued growth dynamic, distinct one-time special effects as well as non-operational-related burdens from currency influences and interest rate hedge transactions were noticeable. With adjusted EBITDA of € 294.3 million (-7%) and adjusted net income of € 116.0 million (-20%) the Group key figures were nevertheless at the second highest level in STADA's history; the reported key earnings figures, EBITDA of € 255.4 million (-11%) and net income of € 76.2 million (-27%) decreased however more strongly due to burdening effects in the amount of € 59.3 million before or € 39.8 million after taxes.

In 2008 the particularly difficult market conditions affected primarily the by far larger core segment generics (share in Group sales 2008: 70%). Although this segment continues to be characterized by clear structural growth potentials, it is simultaneously exposed to far-reaching regulatory measures as well as intensive competition in individual national markets. In addition, STADA was affected here on the German market in fiscal year 2008 by a negative

1) The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see "Financial Situation – Development of the Balance Sheet"). For reasons of the practicability caveat as specified under IAS 8.43ff, the comparative figures and key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for the fiscal years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as associated company under the equity method.

patent decision, resulting in burdening one-time special effects in the amount of € 24.2 before or € 16.0 million after taxes (see "Business and General Conditions – Product Development" and "Development of Segments – Secondary Segmentation: Regional Developments – Germany").

Finally, as additional non-operational burdening effects, especially currency translation expenses from a Russian subsidiary in connection with existing loans from a previous acquisition financing in the amount of € 3.7 before or € 2.7 million after taxes as well as burdens from interest rate hedge transactions in the amount of € 15.5 million before or € 10.8 million after taxes were particularly noticeable.

STADA reacts to the markets' structural challenges by means of high operative flexibility and continuously adapts its own structures to changed local market structures – also in 2008 again in various local sales units. In Germany, despite increasing internationalization still the most significant national market for the Group with a share in Group sales of 34%, STADA achieved, also thanks to such adaptions, clear operative progress in the currently particularly competitive German generics market, because in 2008, the Group's market share went up there both in terms of sales and units sold. Beyond that, due to the preliminary awards achieved by the German Group companies in comprehensive tender processes for new discount agreements at the end of 2008 further gains in market share can also be expected for 2009 – however with lower margins.

The Group counters the clearly increased margin pressure in the generics segment by means of the consistent continuation of the continuous cost optimization. One focus in this is the expansion of Group-owned production capacities in low-cost countries. With the opening of the second plant[1)] in the greater Ho Chi Minh City area, Vietnam, the starting of operations at the plant in Obninsk, Russia, as well as the increasing integration of the Serbian plants in Vrsac and Sabac of the Hemofarm Group, which was acquired in 2006, into the STADA production network, clear progress was made here in fiscal year 2008.

With the launching of 483 products in individual national markets worldwide, STADA once again proved the strength of its product development, thus further expanding the Group's product portfolio. In this context the high expertise in development is also shown through the launch of the Group's first biosimilar under the brand name SILAPO® (active ingredient Epo-zeta) in Germany.

Financial situation and cash flow stable

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

Thus, as of December 31, 2008, the equity-to-assets ratio amounted to a good 34.0% (December 31, 2007: 36.2%). Net debt was € 1,015.7 million on the reporting date (December 31, 2007: € 958.5 million) and is mainly financed via long-term promissory notes from various international and national banks with maturities in the area of 2010–2015. In addition STADA has open credit lines of approx. € 500 million available – also for financing acquisitions.

1) Within the framework of a 50:50 joint venture with a local partner.

For fiscal year 2008, there was a gross cash flow of € 150.4 million (previous year: € 201.2 million). Cash flow from operating activities increased by 39% to € 129.3 million (previous year: € 92.9 million) or, adjusted for influences outside of the accounting period, € 151.0 million (previous year: € 92.9 million) which represents the highest value in STADA's corporate history. Free cash flow for fiscal year 2008, adjusted for influences outside of the accounting period and effects from acquisitions and disposals, improved to € 48.8 million (previous year: € 1.0 million). STADA's organic growth could thus be financed by the Group's operating cash flow.

No risks that jeopardize the continued existence of the Company discernable

STADA has 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. As a finding from this the Executive Board assumes an environment for STADA that continues to be challenging. However, from today's perspective no risks are discernable which alone or in combination could jeopardize the STADA Group's continuance.

Dividend

The Executive Board proposes to the Supervisory Board to recommend to the next Annual General Meeting on June 10, 2009 an unchanged dividend ratio as compared to the previous year of approx. 40% of net income for fiscal year 2008, resulting in a dividend proposal in the amount of € 0.52 per common share (previous year: € 0.71 per common share).

Cautious acquisition policy

Against the backdrop of the current global financial and economic crisis, STADA pursued a cautious acquisition policy in 2008. In reviewing the numerous acquisition opportunities STADA applied particularly stringent standards in terms of profitability and appropriateness of the purchase price already in the first half of 2008, i.e. still before the current global financial and economic crisis fully erupted. Therefore, the Group abstained from major acquisitions in the course of 2008 as well as in the current fiscal year 2009 to date, buying only in the product area, to increase already existing investments as well as to a small extent to expand existing businesses in individual selected national markets (Vietnam and Denmark).

Disappointing share price performance

The performance of the STADA share price was disappointing in 2008. Particularly in the second half of 2008 – also against the backdrop of the current global financial and economic crisis – the performance was very volatile and strongly decreasing. Overall, due to this the STADA share lost 51%[1)] of its value in the course of 2008, which is a scale that, from the Executive Board's perspective, seems unjustified by the current business development. This assessment also applies to the further clear price decrease in the current fiscal year 2009.

1) Comparison of year-end closing prices 2008 vs. 2007.

Outlook

The outlook of the Executive Board for the further development of the STADA Group is, on the one hand, characterized by the existing structural and operative growth opportunities, on the other hand, however, there are the continued operationally challenging environment and significant burdens from the current global financial and economic crisis to consider.

Against the backdrop of the often quick and unexpected development of this crisis, STADA is preparing, within the scope of what is possible, for all, from today's perspective, emerging or imaginable developments such as a clearly increased default risk of business partners, possible subsidies for more crisis-prone competitors that distort competition or continued strong volatility in interest rates or currency exchange rates relevant to the Group. Non-operations related burdens on earnings from currency influences and interest-rate hedging transactions in the face of ongoing expected high volatility of the financial markets for 2009, however, cannot be ruled out.

In addition, also in 2009, sales and earnings in non-euro markets, especially in the national markets important for STADA including Russia, Serbia and the United Kingdom, are laden with a significant currency risk; the contribution of these national markets to sales and net income will, also in 2009, depend to a great extent on the development of the relationship of the individual national currencies to the euro. From today's perspective, in the course of 2009, currency relationships that are more disadvantageous for the Group than in the course of 2008 are expected.

Finally, it cannot be ruled out that the Group, in case of further for STADA disadvantageous changes in currency relationships or a lasting significant weakening of demand in individual national markets or, within the scope of impairment tests, that amortization on such intangible assets must be carried out, the balance-sheet value of which for STADA is characterized by either the currency relationship at acquisition and/or on future market expectations such as, for example, the goodwill of acquired companies or product approvals.

In the Group's operating business, in the Executive Board's assessment, far-reaching regulatory interventions, intensive competition and significant margin pressure will – as detailed in the risk report – always occur in individual national markets. The latter applies in particular to the increasing volume of business in the Generics segment characterized by tenders.

Due to the strategic focus on growth markets, the further expansion of operating strengths and the intended supplementing of organic growth by means of additional external growth impulses, chances open up which, in the Executive Board's assessment, generally allow for the operating challenges and risks in individual national markets to be successfully handled at Group level.

Against this backdrop, the Executive Board continues to deem STADA's business model as sustainable and viable for the future and sees, from today's perspective, the fundamental chance to achieve growth in terms of sales and net income in the years to come regardless of conditions which remain challenging.

Whether STADA, however, under the especially difficult framework conditions of the current financial and economic crisis, can also grow in fiscal year 2009 is, from today's perspective, open and depends, in addition to the operative development in important key markets such as Germany, Russia and Serbia, also to a significant degree on non-operational factors like interest rate level and currency relations. In the first two months of the current fiscal year, the sales level as compared to the previous year period was approx. 12% lower or, adjusted for currency influences and acquisitions and disposals carried out in the meantime, approx. 2% lower.

Against this backdrop STADA's Executive Board currently expects a decreasing development in sales and earnings in the first half of 2009. Whether the expected recovery in business development in the second half of 2009 can offset the decreases from the first half year is open. From the Executive Board's current perspective, however, EBITDA, adjusted for one-time special effects and the influence of currency effects and interest rate hedge transactions, should reach at least € 250 million.

BUSINESS AND GENERAL CONDITIONS

Business Model, Core Segments and Structural Environment

Strategic focus on long-term growth markets

The increasingly international oriented business activities of STADA Arzneimittel AG and STADA's Group companies have been focused on the health care market for years. Within this market STADA focuses on the segments of the pharmaceutical and generics market, in particular.

Due to cost and risk aspects, STADA deliberately does not carry out any research into new active pharmaceutical ingredients in this context. Instead, the Group focuses on the development and marketing of products with off-patent active ingredients.

In the future too, the health care market will be globally an important and dynamic growth market – and will thereby depend to a lesser degree than other markets on economic trends. Because non-cyclical trends – global population growth, increasing life expectancy in industrialized nations as well as medical progress – are and will remain the major drivers. This continuously growing demand is also beneficial for the global pharmaceutical market. Because in a health economic cross comparison with other types of treatments, drugs continue to be deemed particularly efficient. According to market forecasts, the global pharmaceutical market, which grew in 2008 by 4.8% to a sales volume of € 508.4 billion will further grow until 2013 by 4% to 7% per year.[1)]

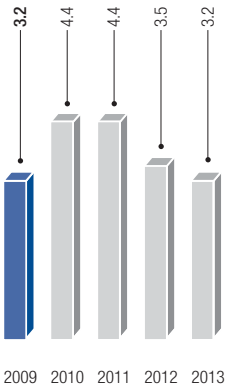
In the Executive Board's assessment, generics, in particular, hold high structural growth potentials within the pharmaceutical market. Generics allow for a low-cost medical therapy without quality cutbacks and as such represent a competitive response to the ongoing growing cost pressure. In addition, the continuous expiration of patents or other commercial property rights consistently ensures a constant automatic expansion of market potential available for generic competition.

The high growth potential of generics is also visible through current data. The sales volume of the global generics market grew by 6.1%[2)] in 2008; sales of the global generics market was approx. € 90.0 billion in 2008[3)]; the share of generics in the global pharmaceutical market is thus 17.7%. With continuously clear volume growth in the future, the sales growth of the generics market could slow due to stronger price pressure. A leading international pharmaceutical market research institute, however, continues to assume in its latest estimates a strong annual average growth rate of the generics market until 2013 of 8% to 11% annually.[2)4)]

1) Data from IMS Health (worldwide provider of information and services for the pharmaceutical industry) at ex-factory prices.
2) Data based on the 26 leading generics markets.
3) Data based on the 26 leading generics markets and a projection for the other generics markets.
4) Data from IMS Health at ex-factory prices. The market data on generics fluctuates – in some cases substantially – due to differing market definitions from source to source.

Especially for Europe, STADA's Executive Board assumes unchanged significant growth potential for the generics markets. It bases this assessment on the fact, among other things, that the sales volume for active pharmaceutical ingredients newly available for generic competition from 2009 to 2013 in the largest pharmaceutical markets in terms of sales, Germany, the United Kingdom, France and Italy, taken alone, amounts to over € 18 billion according to market research data.[1)] In addition, STADA also expects further progress in generics penetration for most European markets, which currently still is distinctly different in the individual national markets.

Newly available sales volumes for generics marketing in the four countries Germany, UK, France and Italy in € billion per year[1)]



Growth potentials with operating challenges and risks

The continuous growth of the markets in which the STADA Group is active also results, at the same time, in unavoidable operating challenges and risks (see "Risk Report").

They include high regulatory influences in particular since it is part of every state's primary requirements to give as many citizens as possible access to health care at a financial burden which is reasonable for every individual. Against this backdrop, due to the continuous growth in demand, almost all national health care systems are subject to constant cost pressure, regularly entailing cost saving state regulation.

The respective social systems of the individual national states continue to have very different framework conditions and will probably also in the future not be subject to supranational harmonization.

Since the demand mechanisms, particularly for generics, strongly depend on local regulatory framework conditions, interventions in health policy – such as in the pricing, granting of discounts, reimbursability, type and amount of patient co-payments or the question whether products with the same active ingredient can be subject to substitution in pharmacies – have correspondingly high effects on the Group's operating business. They can bring both curbing effects for STADA's business model, for example if price reductions are decreed in national health care systems, and also unfold stimulating effects if states create more intensive regulatory incentives for the prescription of low-cost generics, for example. The large range of variation of regulatory measures requires a local sales approach targeted to the, due to regulation, respectively differently shaped national framework conditions.

1) STADA estimate of sales volumes in 2008 at ex-factory prices for active pharmaceutical 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, 2009) 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.

In addition, these markets are also subject to strong competition. In this connection, there is an intensive competitive situation both between competing generics suppliers and also between generics suppliers and initial suppliers of the generically marketed active pharmaceutical ingredients. While the focus in the competition among generics suppliers is competition based on prices, conditions and services, in the competition between generics and initial supplier products legal, particularly patent law issues can also play an additional role.

The Branded Products market segment is also characterized by long-term growth potentials since here, too, major growth-promoting trends such as increasing life expectancy should be noticeable. However, this segment is more strongly dependent on economic trends in individual national markets since STADA's branded products are frequently paid for by the patients themselves and are not or only in part reimbursed. Nevertheless, Branded Products can also be affected by regulatory interventions such as changed reimbursement rules or pricing requirements, however, as experience showed at a lower frequency and with less distinct operating consequences than in the Generics segment.

Consequences of the current global financial and economic crisis for STADA

In addition to business-model specific challenges and risks, STADA is also impacted by the effects of the current global financial and economic crisis.

Against the backdrop of the often quick and unexpected development of this crisis, STADA is preparing, within the scope of what is possible, for all, from today's perspective, emerging or imaginable developments such as a clearly increased default risk of business partners, possible subsidies for more crisis-prone competitors that distort competition or continued strong volatility in interest rates or currency exchange rates relevant to the Group. Non-operations related burdens on earnings from currency influences and interest-rate hedging transactions in the face of ongoing expected high volatility of the financial markets for 2009, however, cannot be ruled out.

In addition, also in 2009, sales and earnings in non-euro markets, especially in the national markets important for STADA including Russia, Serbia and the United Kingdom, are laden with a significant currency risk; the contribution of these national markets to sales and net income will, also in 2009, depend to a great extent on the development of the relationship of the individual national currencies to the euro. From today's perspective, in the course of 2009, currency relationships that are more disadvantageous for the Group than in the course of 2008 are expected.

Finally, it cannot be ruled out that the Group, in case of further for STADA disadvantageous changes in currency relationships or a lasting significant weakening of demand in individual national markets or, within the scope of

impairment tests, amortization on such intangible assets must be carried out, the balance-sheet value of which for STADA is characterized by either the currency relationship at acquisition and/or on future market expectations such as, for example, the goodwill of acquired companies or product approvals.

In the Group's operating environment, the cyclical downturn as a consequence of the current global financial and economic crisis could significantly increase cost pressure in national health care systems and thereby the speed and extent of local regulatory measures to contain costs; in this context both reviving and subduing forms are imaginable for generics. The economic downturn in individual national markets also reduces the patients' disposition to make self-financed expenditures in the health care sector. Particularly affected by this are STADA's business activities in international markets or market segments in which primarily products for self-pay patients are sold, that means, on the one hand, primarily East-European markets and, on the other hand, the Branded Products segment.

Finally, a liquid financial market is necessary for the refinancing of STADA's acquisition policy. Thanks to its debt structure being mainly organized in the long term STADA has, however, not yet seen any indication of significant limitations to the financing of Group projects. Even positive consequences of the current global financial and economic crisis could be imaginable for STADA here if acquisition objects that, in the Executive Board's view, were overpriced in the past could now be acquired at reduced prices.

Operative alignment and monitoring

STADA has always possessed a lean and flexible operative alignment in order to make optimum use of existing growth potentials and to be able to face respective challenges.

In this context, STADA's alignment is focused on local market proximity on the one hand. Within the scope of agreed objectives, the sales and earnings responsibility in a national market lies with the management of the local sales companies. This includes extensive responsibility for the local product portfolio and the local personnel management; for the operative monitoring of the Group's individual production sites, too, responsibility lies to a large extent with the respective local management. From the Executive Board's perspective, those structures that are accounted for in a decentralized way create the indispensable market proximity and also the necessary operative flexibility to be able to react swiftly and appropriately to changes in local framework conditions which is essential for STADA's business model.

On the other hand, the Group functions with market proximity that are organized in a decentralized manner are supported, complemented and monitored by central Group functions.

In addition to the overall responsibility for the Group's strategy and result, the central responsibilities at STADA include, among others, capital procurement and financing, allocation of essential resources and investments, controlling, risk management, compliance and corporate governance as well as, generally for all products of supra-

national importance, quality management, product development, procurement and production monitoring including the responsibility for production transfers and processes of continuous cost optimization.

In the Executive Board's view, this proven operative alignment is an essential success factor for STADA because it connects the cost-optimizing consistency for important steps of the value creation chain with the necessary short-term capacity to adapt to changed local framework conditions.

In this context, the financial performance indicators used for the monitoring of the Group and of the individual corporate areas, also of the local sales companies in particular, primarily are – usually on the level of secondary segmentation according to local markets – sales, gross margin, operating profit – particularly the local level of operating profitability as compared to the Group average – as well as profit before and after taxes.

Local development of market share is used as the most important non-financial performance indicator in the scope of Group monitoring. In addition, depending on the issue to be monitored, further also non-financial performance indicators are made use of – such as possible earnings dilutions and their potential effects on the STADA share price in case of matters regarding acquisitions.

Core segments Generics and Branded Products

In the scope of STADA's strategic positioning, the Group's portfolio is focused on products with off-patent active pharmaceutical ingredients in the two core segments Generics and Branded Products, which together account for 92.5% of Group sales (previous year: 92.9%).

While the sales focus for Generics is based on a low pricing and/or a cross-product and a cross-active-ingredient marketing concept, with Branded Products the specific product characteristics and in particular the brand name of the respective product are at the forefront of sales and marketing.[1)]

In fiscal year 2008, Generics contributed 70.1% (previous year: 73.5%) to STADA's Group sales and thus continued to be the clearly larger of the two core segments. Branded Products, STADA's second core segment, contributed 22.4% to Group sales in fiscal year 2008 (previous year: 19.4%).

With a share of 90% of segment sales, prescription products continue to make up a major part of the Generics portfolio (previous year: approx. 91%), the portfolio of STADA's Branded Products in contrast, with a 64% share in segment sales, is mainly made up of non-prescription products (previous year: approx. 72%).[2)]

In the Generics segment, the Group pursues a full-portfolio concept in important national markets, in which the product portfolio usually covers all relevant active pharmaceutical ingredients with numerous dosage forms and

1) For a detailed segment definition see "Appendix [Notes IFRS] – 5.1.".

2) At a Group level prescription products contribute approx. 75% (previous year: approx. 76%) and non-prescription products approx. 25% (previous year: 24%) to Group sales (according to national categorization).

strengths – partly also with an only low significance for sales. However, in some national markets, particularly those less significant, a more selective portfolio structure can also come into consideration for the Group's generics, in which only selected active ingredients with good local marketing opportunities are sold in the respective national market.

STADA also pursues a selective portfolio concept in the Branded Products segment. Depending on availability and market attractiveness, the Group usually sells its branded products only in selected local markets. However, with STADA's increasing international alignment the number of internationally sold branded products is also gradually growing. In addition, in the Branded Products segment the STADA Group targets so-called "strong brands" with its product portfolio. Those are branded products which – due to their high degree of public awareness, ideally with a position as local market leader and through substantial promotional or sales support – preferably have a growth potential which is as independent from local market trends as possible.

Non-core activities

For STADA, non-core activities are businesses and equity interests not included in the two core segments.

In this context, activities with trading character such as commercial activities are recognized under the **Commercial Business** segment. This segment had a share of Group sales of 3.5% in 2008 (previous year: 4.4%).

Other non-core activities are grouped together under **Group holdings/other** segment at STADA. The share of this segment amounted to 3.9% of Group sales in the reporting year (previous year: 2.7%).

STADA continuously reviews the non-core activities to see whether at least in the medium term they can be expected to be able to generate a positive contribution to the core segments. Otherwise, they are possibly restructured, reduced or sold.

In fiscal year 2008 for example, this was the case for the non-core-activities of the Forum Products division taken over in the scope of the acquisition of the British pharmaceutical group Forum Bioscience (see "Business and General Conditions – Acquisitions and Disposals" and "Development of Segments – Secondary Segmentation: Regional Developments – United Kingdom"). Since its acquisition in the second half of 2007 the division, which was sold, was recognized in the Group holdings/other segment area because already on the date of the acquisition the resale was an option pursued. The Group holdings/other segment, which in 2007 and particularly in 2008 was significantly characterized by the sales and earnings contributions from this disposed business, will therefore register again clearly lower sales and earnings in 2009.

Sales and Marketing

Local market proximity – a significant STADA success factor

STADA's international sales network includes numerous nationally focused sales companies which are supported and monitored by central Group functions.

Depending on the local market structure and the demand relevance characterized by this, the focus of the respective sales and marketing activities is on various target groups such as 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 public health insurance organizations or private insurances. In this context, to differentiate sales according to target groups, STADA partly operates in individual markets also with sales companies with differing national labels operating parallel to one another. In addition, in the scope of Group guidelines, the individual sales companies can also structure their local product portfolio based on the Group portfolio in ways that differ by location.

Due to this sales concept focused on local market proximity, STADA is in a position to adapt at short notice to changed situations in individual national markets. This can for example happen in the form of a different product assignment, a diversified market presentation or a change, an expansion or a reduction of local sales structures.

In the beginning of the third quarter of 2008 STADA, for example, combined the activities of the two local labels STADApharm, one of the two German generics sales companies, and STADA GmbH, which sells the Group's pharmacy-oriented Branded Products portfolio, to be able to make optimum use of the potentials of the discount agreements for generics concluded with health insurance organizations in the pharmacy distribution channel (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany"). Beyond that, in the fourth quarter of 2008 the consolidation of the sales structures of the former labels Nizhpharm and MAKIZ under the new joint umbrella brand STADA CIS[1)] has been initiated in order to reach a stronger utilization of the sales synergies of both labels including a positive image transfer from the parent Group STADA to the local sales activities in Russia (see "Development of Segments – Secondary Segmentation: Regional Developments – Russia").

If, furthermore, complementary international sales approaches appear reasonable, individual national STADA sales companies also cooperate accordingly on a cross-national scale, for example in the framework of sales cooperations with wholesalers or in case of marketing activities for branded products of the Group that have international potentials.

1) Umbrella brand until now without its own operative business structure.

Continuous expansion of international sales network

STADA continues to pursue the objective to constantly expand the number and, if applicable, also the structure of the sales companies. Thus, the Group creates an increasingly strong international sales infrastructure in order to make optimum use of the existing growth potentials through this on the one hand and to further reduce dependence from individual national markets on the other hand. As of March 1, 2009 the Group was present in 30 countries with 45 sales companies (March 1, 2008: 46 sales companies in 30 countries).

The focus here continued to be on Europe where STADA operated with 39 sales companies in 25 national markets as of March 1, 2009. Here, the Group founded one new sales company in Slovakia and a second STADA sales company in Romania, both in 2008. Against the backdrop of a restructuring of the Group's export activities carried out in 2008 the start of national STADA sales companies in Poland and Bulgaria which was originally planned already for 2008 was however put back to the first quarter of 2009 (see "Development of Segments – Secondary Segmentation: Regional Developments" as well as "Supplementary Report").

In addition, in the Asian area, as of March 1, 2009, STADA was present with own sales companies in China, Kazakhstan, the Philippines, Thailand as well as Vietnam. In Vietnam, STADA took a shareholding of 11.2% in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company in the third quarter of 2008 (see "Development of Segments – Secondary Segmentation: Regional Developments – Asia").

As of March 1, 2009 STADA was active in the export business in more than 50 countries in which the Group usually is not present with its own local subsidiaries.

More details on the development of the Group business in the individual national markets can be found under "Development of Segments – Secondary Segmentation: Regional Developments".

STADA sales structure (as of March 1, 2009)[1]

Europe

Belgium	S.A. Eurogenerics, Brussels S.A. Neocare, Brussels
Bosnia-Herzegovina	Hemofarm Banja Luka d.o.o., Banja Luka (79.81%)
Bulgaria	STADA PHARMA Bulgaria EOOD, Sofia
Denmark	PharmaCoDane ApS[2], Copenhagen
Germany	STADApharm GmbH[3][4], Bad Vilbel STADA GmbH[4], Bad Vilbel ALIUD PHARMA GmbH, 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 Britannia Pharmaceuticals Ltd.[5], Redhill (Surrey) Crosspharma Ltd., Belfast
Ireland	Clonmel Healthcare Limited, Clonmel
Italy	EG S.p.A., Milan Crinos S.p.A., Milan
Lithuania	UAB STADA-Nizhpharm-Baltiya, Vilnius
Macedonia	Hemofarm Komerc d.o.o., Skopje (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., Warsaw
Portugal	Ciclum Farma, Unipessoal, LDA, Paco de Arcos
Romania	STADA HEMOFARM S.R.L., Temisvar
Russia	STADA CIS[6][7], Nizhny Novgorod, Moscow, Ryazanskaya OOO Hemofarm Obninsk, Obninsk
Sweden	STADApharm AB[8], Malmö
Serbia	Hemofarm A.D[9]., Vrsac
Slovakia	STADA PHARMA Slovakia s.r.o., Bratislava
Spain	Laboratorio STADA, S.L., Barcelona Laboratorio NeoCare, SLU[10], Barcelona
Czech Republic	STADA PHARMA CZ, s.r.o., Prague
Ukraine	Nizhpharm-Ukraine DO, Kiev

Asia

China	Health Vision Enterprise Ltd.[11], Hong Kong (51%) STADA Pharmaceuticals (Asia) Ltd., Hong Kong
Kazakhstan	Nizhpharm-Kazakhstan TOO DO[12], 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

Worldwide	More than 50 countries, among others, through Hemofarm A.D., Vrsac, Serbia

1) All companies with a STADA share of at least 50% have been listed. Unless indicated otherwise, the companies are wholly-owned by the STADA Group.
2) Since January 1, 2009 incl. Dermalog ApS which was acquired on January 2, 2009.
3) Including the sub-label STADA Medical, Bad Vilbel.
4) Acting as commission agents on behalf of STADA Arzneimittel AG.
5) Renamed in the course of 2008 from Forum Bioscience Holdings Ltd.
6) In the course of 2008 newly founded holding company, comprising the in terms of sales previously independently operating companies OAO Nizhpharm, ZAO Makiz-Pharma and ZAO Skopinpharm.
7) Umbrella label until now without its own operative business structure.
8) Currently not consolidated.
9) Incl. various local sub-labels.
10) Active in the market since the first quarter of 2009.
11) The company was deconsolidated as of January 1, 2009.
12) Name of the company has been translated from Cyrillic into English.

Product Development

Strategy and organization of development activities

For strategic reasons, STADA does not conduct any own research on new active pharmaceutical ingredients, but rather focuses on the development of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents.

By observing this premise, all development activities within the STADA Group are aimed at achieving market readiness for new or optimized products. In case of medical products this is usually associated with obtaining a national approval from the responsible supervisory agencies in the scope of different, partly supranational approval processes.

STADA's organic growth is based on the fact, among other things, that every year the sales companies are provided with a continuous flow of new products. This applies to the core segment Generics, in particular. Therefore the Group's development activities, especially in terms of generics, are aimed at the long term; STADA is already working on new generic products whose potential launch dates are beyond 2015. Currently the approval horizon for generics with a Group-wide significance is usually at least three years. Products which STADA plans to launch in this period have usually already been entirely developed today and are in the approval process.

In view of the great importance of a successful product development for Group success all development projects for significant new products for the Group are usually centrally organized. The individual projects are realized under central control either in the Group's various own development centers or in the scope of subcontracted development if the Group does not decide in favor of partial or full acquisition of third party dossiers and approvals. STADA thus makes use of a worldwide network of internal and external development partners – also, as is usual in the industry, by partially including competitors. One decisive success factor in this is STADA's high degree of expertise to monitor such a network in a cost-oriented and timely manner by respecting the relevant commercial property rights.

Within the context of its development strategy STADA, for several years, has continuously expanded its internal product development capacities in order to increase the number of in-house developments of strategically important and major products. At the same time, this is associated with a reduction of initial supply commitments which, in turn, entail lower procurement and production costs in the first years following the market launch of such products. An increasingly significant role in the growing number of in-house developments is played by the various Group-owned development locations in low-cost countries.

Since the Group wants to use newly developed products for international marketing if possible, particularly also in the EU, STADA makes use both of national and supranational, particularly EU-wide approval procedures. With this a multitude of national approvals of a product can be achieved simultaneously in different EU countries. If STADA conducts approval procedures outside of the EU, the Group strives for these to be conducted, if possible, on the basis of the EU dossier of the corresponding product. With this international orientation of development activities, STADA aims at generating economy of scale effects through optimized batch sizes. For this, it is necessary to be able to fall back on a uniform formulation of a product within the Group, if possible on a worldwide scale.

The other strategic objectives of the development activities differ between the two core segments due to different sales requirements.

In the core segment Generics, where in line with the sales weight STADA sets the clear focus of the Group's central development activities, these are aimed at providing, if possible, all international sales-relevant strengths or dosage forms of an active pharmaceutical ingredient for the Group portfolio as early as possible in an entirely developed form and equipped with all relevant approvals.

Depending on the local patent and approval situation as well as market strategy STADA then decides which active pharmaceutical ingredients are included in the local product portfolio of a sales company and at what point in time. In this context the launch of new generics is strived for promptly after the expiration of patents or commercial property rights because this significantly determines the long-term market success of generics.

In determining the respective concrete launch date for a generic in a national market, the Group's expertise regarding the relevant commercial property rights is of crucial importance because their scope and duration can vary greatly from market to market. Both internal and external experts contractually committed to STADA regularly provide local management and Group management with legal assessments on the relevance of commercial property rights for individual products; however, before and after the launch of new generics, legal disputes filed by initial suppliers partly occur which, in case of complicated legal matters, can in exceptional cases, contrary to STADA's assessment, also lead to a negative result for STADA.

Thus, in the German generics market, a surprising decision for STADA by the Federal Court of Justice (Bundesgerichtshof) of December 17, 2008 in the patent litigation on the product with the active pharmaceutical ingredient Olanzapine resulted in significant one-time special effects, which burden earnings, for the Group in the amount of € 24.2 million before taxes for the reporting year 2008 (see "Earnings Situation" as well as "Development of Segments – Secondary Segmentation: Regional Developments – Germany").[1)]

1) See the Company's ad hoc release of December 19, 2008.

After an earlier decision by the Federal Patent Court (Bundespatentgericht) the initial supplier's substance patent for the active pharmaceutical ingredient Olanzapine, which is used for the treatment of mental illnesses, was revoked. In its decision, the Federal Court of Justice overrode this decision by the Federal Patent Court from November 2007 and declared the initial supplier's patent legally valid; thus, this patent remains effective until 2011. The German STADA sales company ALIUD PHARMA GmbH – like numerous competitors – had marketed an Olanzapine generic based on the Federal Court of Justice's earlier decision since November 2007 up to the current judgment and the associated sales stop in Germany; the second German STADA sales company, STADApharm GmbH, which had also launched an Olanzapine generic in November 2007, had to terminate the sale of its Olanzapine generic already at the end of the second quarter of 2008 in the wake of the patent litigation. The court decision resulted in the aforementioned burdening one-time special effects for STADA in fiscal year 2008 due to the recalling of goods already in the market[1)], due to the write-down of existing inventories as well as due to provisions for damage claims by the initial supplier.

The activities for the development of new Branded Products are aimed at product and country-specific growth and/or earnings opportunities as well as compatibility with existing portfolios and Group structures. Therefore, product development in this segment can be better targeted toward individual national markets and have a more flexible time-frame.

This is complemented by individual local business units conducting their own development activities for new products that are not significant for the Group.

In addition to the clear focus of STADA's product development, the development of new products, the Group also continues to pursue development activities in other areas such as:

- Expansion of the existing product portfolio through additional dosage forms or strengths
- Internationalization of nationally successful products
- Support of transfer projects in the production area by means of know-how transfer, for example
- Optimization of products already launched in order to reduce cost of sales or achieve better application potentials

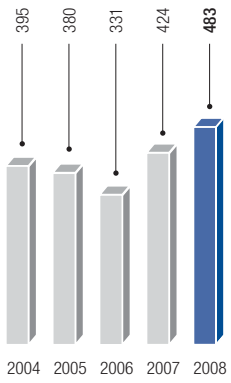
In these areas, too, individual local business units pursue their own complementary development activities for specific products from their national market environment.

1) In 2008 Olanzapine generics contributed less than 0.5% to STADA's Group sales.

The strength of STADA's product development

The Group's development and approval strength is mirrored in a constant flow of product launches. Thus, in the reporting year, 483 products in individual national markets were launched at Group level (previous year: 424 product launches). That was the highest number of product launches in the Group's history.

5-year development: number of product launches



The importance of these successes in product development becomes evident in the fact that 8% of STADA's sales are borne by products that were launched in the market[1] within the last two years[2][3]; this value is in the area of the respective previous years and is proof of the STADA Group's continuously high development performance.

In the Executive Board's view, the product pipeline continues to be well-filled, which, among other things, is visible in the fact that as of December 31, 2008, STADA conducted a total of 1,200 approval procedures for more than 130 active pharmaceutical ingredients for over 50 countries. STADA should also be able to launch numerous new products in the individual national markets in the future. This applies to generics in the EU countries in particular. But in addition the Group will also conduct further approval activities in markets outside of the EU in which it has own sales companies or is active in the export business.

In addition to this wide range of successful development projects, STADA's product development is also characterized by successes with several special projects.

Based, for example, on work done by the Group's Serbian development center, the Group achieved an FDA[4] approval for the production and the export to the USA of the product Lemod Solu® (injectable Methylprednisolone[5] in the strengths 40mg as well as 125mg in a special dual-chamber ampoule) in the fourth quarter of 2008. The feature of this product is the special application form of a dual-chamber ampoule which makes for a comfortable, i.e. quicker and safer application and which, as yet, no other generics supplier worldwide has in its product portfolio in this form. Against this backdrop there is the opportunity for the STADA Group to expand export to the USA by several million euros per year over the next years.[6]

Moreover, the market launch of the first biosimilar by sales companies of the STADA Group was particularly outstanding in 2008. A biosimilar is a biopharmaceutical product, i.e. a drug 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

1) Reporting year and previous year.
2) Without products and sales from acquisitions.
3) Without sales of generics with the active pharmaceutical ingredient Olanzapine launched in Germany in November 2007 whose sale was terminated by the German sales companies in 2008 after a negative patent decision (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany)".
4) Food and Drug Administration. (FDA): approval, supervisory and monitoring authority for the US pharmaceutical market.
5) Methylprednisolone: active ingredient from the substance class of corticoids for the emergency treatment of infectious diseases.
6) An exclusive sales license for Lemod Solu® for the USA was awarded to the US hospital products company Hospira Inc., Lake Forest, Illinois.

therapeutic equivalence. The development of biosimilar products is connected with significantly higher costs and more risks of failure than is the case for classic generics.

Against this backdrop, the Group makes use of the development of the two biosimilar products Erythropoietin-zeta (Epo-zeta)[1] and Filgrastim[2] which has been pursued since 2001 via BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital, in which, due to the initiated capital measure STADA further increased its shareholdings after completion of this capital measure in the first quarter of fiscal year 2009 to 15.44% in the course of 2008 (see "Business and General Conditions – Acquisitions and Disposals – Increased shareholding in BIOCEUTICALS Arzneimittel AG").

After the successful approval of Epo-zeta for the indications nephrology and oncology for the EU and for Serbia in the fourth quarter of 2007, STADA launched Epo-zeta as the Group's first biosimilar product via the Group-owned subsidiary cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH under the brand name SILAPO® in Germany and via the Serbian sales company Hemofarm under the brand name Eqralys® in fiscal year 2008; both sales companies hold corresponding semi-exclusive sales licenses from BIOCEUTICALS for their respective national markets (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany or Serbia" as well as "Business and General Conditions – Acquisitions and Disposals – Increased shareholding in BIOCEUTICALS Arzneimittel AG").

For the second biosimilar project Filgrastim, for which cell pharm holds an exclusive worldwide sales license, first clinical studies have been underway since the second quarter of 2007. Against the backdrop that first competitors have already received an EU-wide approval for a Filgrastim biosimilar it will, however, have to be reviewed in the remaining course of the year in view of these competitors' market data which will then be available whether the continuation of the Filgrastim project by BIOCEUTICALS and the later marketing through cell pharm remain economically promising.

In addition, STADA has begun preparatory work for the development of further biosimilar products from the product category of monoclonal antibodies, reviewing at the same time various financing models.

Finally, for the first time STADA, in fiscal year 2008, obtained approvals in six European countries for the prefilled syringe dosage form for the branded product Apo-go®, which was also purchased in the context of the acquisition of the British Forum Bioscience Group in 2007 (see "Development of Segments – Secondary Segmentation: Regional Developments – United Kingdom"); the international marketing of this branded product which has until now been primarily sold in the United Kingdom and Ireland thereby received important impulses, opening up opportunities for significant additional sales in the double digit million area with this product in the following three years.

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. Epo-alpha and Epo-beta, among others, have been on the market already for some time; the Erythropoietin biosimilar being developed by BIOCEUTICALS is Epo-zeta. Erythropoietin is used in nephrology for the treatment of renal anemia with chronic renal insufficiency and in oncology for the treatment of chemotherapy-induced anemia.

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.

Procurement and Production

Global procurement of active ingredients and auxiliary materials

Under flexibility and cost aspects, the Group has so far with strategic intention abstained from manufacturing any raw and auxiliary materials necessary for pharmaceutical production on its own, but has utilized a global network of raw materials suppliers for this. In this context STADA is increasingly focusing the procurement of active pharmaceutical ingredients in particular – to the extent that the Group-wide quality requirements are guaranteed – on low-priced suppliers from low-cost countries, particularly also from Asian countries.

However, from the Executive Board's perspective, with the growing size of the Group it becomes also imaginable as a strategic option that steps towards a stronger vertical integration within the STADA Group could be taken in the area of the production of active pharmaceutical ingredients through acquisitions or closer cooperations with equity investments.

Pharmaceutical production with high flexibility and continuous cost optimization

In view of the comprehensive product portfolio of over 800 active pharmaceutical ingredients Group-wide as well as over 10,000 product packagings sold by 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, STADA has a flexible, international network of internal and external resources in the area of pharmaceutical production.[1)]

In view of existing capacities and required volume flexibility STADA has for many years made use of external contract manufacturers in addition to in-house production that – as is the case for the suppliers of active ingredients and auxiliary materials – are as much as possible involved in the price development of individual products or markets, in form of price escalation clauses or retroactive negotiations, among others.

However, due to growth in recent years and the associated increase of production volumes as well as the expansion of internal cost-attractive production capacities as a result of acquisitions in low-cost countries, the Group now focuses increasingly on in-house production. Thereby, with the opening of the second plant in the greater Ho Chi Minh City area, Vietnam, the starting of operations at the plant in Obninsk, Russia, as well as the increasing integration of the Serbian plants in Vrsac and Sabac of the Hemofarm Group, which was acquired in 2006, into the STADA production network, clear progress in terms of the expansion of Group-owned production capacities in low-cost countries was made in fiscal year 2008.

1) Pharmaceutical production: Conversion of the active pharmaceutical ingredient into a dosage form, e.g. tablet.

As of March 1, 2009 the STADA Group thus had the following 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 in the greater metropolitan area) (Vietnam)[2]
- Moscow (2 production sites) (Russia)
- Nizhny Novgorod (Russia)
- Obninsk (Russia)
- Podgorica[3] (Montenegro)
- Ryazanskaya obl. (Russia)
- Sabac (Serbia)
- Vrsac (Serbia)

Adequate investments ensure that all STADA production facilities are constantly maintained at the level required by legal stipulations and technical production considerations which – in view of the increasing number of internal production sites – is also reflected by the fact that the investment volumes on property, plant and equipment have risen over the last years (see "Financial Situation – Cash Flow").

The South East European production sites as well as the plants in Russia and Vietnam play a special role in STADA's production strategy. More and more previously externally awarded production volumes are transferred to these Group-owned manufacturing sites in low-cost countries; this represents a significant contribution to continuous cost optimization within the Group.

Due to existing contractual commitments to previous contract manufacturers and the necessary adjustment processes in pharmaceutical legislation these, however, are long-term processes whose progress is discernable in the shrinking part of contract manufacturing in pharmaceutical production, among other things. Thereby this rate decreased in the STADA Group from the company-specific record high in the amount of approx. 70% in 2005 to approx. 46%[4] in the reporting year (previous year: approx. 55%).

The comprehensive transfer processes into own manufacturing sites should also be continued in the years to come and should thereby make a significant contribution to the Group's continuous cost optimization in the area of cost of sales in the future, too. In addition, with the increasing utilization of a uniform SAP software in the Group further efficiency reserves should be made use of; for this, the international roll-out of the SAP software which started in the German Group headquarters in 2007 was continued as planned and should, from today's perspective, be preliminarily completed in 2010.

1) A production unit which is not integrated and consolidated in the Group, solely aimed at local market demand.
2) Both production sites are operated within the framework of a 50:50 joint venture with a local partner.
3) The originally planned sale as of March 30, 2008 did not take place (see "Development of Segments – Secondary Segmentation: Regional Developments – Development in other European markets").
4) Calculated on a volume basis for the first time; all information on the previous year periods is value-based.

Acquisitions and Disposals

Cautious acquisition policy

Against the backdrop of the current global financial and economic crisis, STADA pursued a cautious acquisition policy in 2008. In reviewing the numerous acquisition opportunities the Group applied particularly stringent standards in terms of profitability and appropriateness of the purchase price already in the first half of 2008, i.e. still before the current global financial and economic crisis fully erupted.

Therefore, the Group abstained from major acquisitions in the course of 2008, buying only in the product area (Italian branded products Keritrina® and Keraflox®), to increase already existing equity stakes (in the Serbian Hemofarm Koncern-Zorka-Pharma A.D. and the German development company BIOCEUTICALS Arzneimittel AG, among others) as well as to a lesser extent to expand businesses in individual selected national markets (shareholding in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company).

In addition, in the current first quarter of 2009 STADA acquired the Danish company Dermalog ApS.

STADA will adhere to the strategy of an active, but at the same time cautious acquisition policy also in the future. In this context, the Executive Board also does not rule out cooperations with significant equity investments. The imaginable objectives in this connection continue to be a further expansion of the international sales structure in Eastern Europe, for example, as well as the opening up of additional earnings potentials in the form of economy of scale effects and synergies by means of product acquisitions or in the area of the production of active pharmaceutical ingredients, for example. To create a sufficient financial framework for corresponding acquisition projects as well as cooperations with equity investments, appropriate capital measures continue to be imaginable if such acquisitions too strongly burdened the equity-to-assets ratio.

Expansion of already existing majority interests

In the course of the year STADA expanded the following already existing majority interests:

- Hemofarm Koncern-Zorka-Pharma A.D., Serbia
- OAO Nizhpharm, Russia
- Cajavec sistemi upravljanja A.D., Bosnia-Herzegovina

In 2008 the Serbian Group company Hemofarm A.D., Vrsac, increased the existing stake in the Serbian pharmaceutical company Hemofarm Koncern-Zorka-Pharma, Sabac, initially by 14.27% to 92.05% and paid approx. € 12.2 million for this. Beyond that, in November 2008 Hemofarm Koncern-Zorka-Pharma purchased 4.5% of its own shares for approx. € 4.0 million. In fiscal year 2008, Hemofarm Koncern-Zorka-Pharma generated sales of € 0.4 million with third parties.

Through various purchases in the course of the year which were completed on October 3, 2008, STADA increased the existing shareholding in the Russian Group company OAO Nizhpharm, Nizhny Novgorod, which is active in the area of production and sales of drugs in Russia and the CIS states, from 99.58% at the beginning of 2008 to now 100%, paying a total of approx. € 1.1 million to various addresses ceding the shareholdings (see "Development of Segments – Secondary Segmentation: Regional Developments – Russia"). The contribution of Nizhpharm to STADA's Group sales in 2008 amounted to € 111.6 million.

In 2008 STADA increased the existing shareholding in Cajavec sistemi upravljanja A.D., Banja Luka, Bosnia-Herzegovina, from 67.27% at the beginning of 2008 to now 96.78% and paid approx. € 0.9 million for this (see "Development of Segments – Secondary Segmentation: Regional Developments – Bosnia-Herzegovina"). The company currently does not conduct any operating activities.

All companies had already been fully integrated and consolidated in the STADA Group before the shareholdings were increased.

Increased shareholding in BIOCEUTICALS Arzneimittel AG

In the reporting year 2008, STADA increased its stakeholding in BIOCEUTICALS Arzneimittel AG, Bad Vilbel. In the fourth quarter of 2008 STADA paid a total amount of € 1.5 million in the context of a capital increase of BIOCEUTICALS Arzneimittel AG, Bad Vilbel.

Already before, STADA had held a 14.99% share in BIOCEUTICALS. As of the balance sheet date the current capital increase was not yet legally effective so that the shareholding value in the amount of € 4.4 million accounted for under the equity method and reported in STADA's consolidated balance sheet as of December 31, 2008 relates to the amount of the shareholding valid to date.

Since STADA participated in the capital increase of BIOCEUTICALS, which generated cash inflow in the total amount of € 5.1 million for the latter, at a higher rate as compared to its previous shareholding, with the legal validity of the capital increase in the current fiscal year the stake of STADA in BIOCEUTICALS grew to a total of 15.44% as of April 2, 2009. 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.

The business activity of BIOCEUTICALS Arzneimittel AG, which was initiated by STADA in 2001 and is mainly financed with venture capital, is focused on biosimilar products[1)] (see "Business and General Conditions – Product Development") and essentially includes the following areas at the moment:

- For the product Erythropoietin-zeta (Epo-zeta)[1)] development activities are organized, assigned and financed. Having achieved EU-wide approval for Epo-zeta in the fourth quarter of 2007 the emphasis is now placed on

1) A biosimilar is a biopharmaceutical product, i.e. a drug 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. The development of biosimilar products is connected with significantly higher costs and risks of default than is the case for classic generics.

activities for studies on pharmacovigilance, on the expansion of the application possibilities of Epo-zeta as well as on reaching further regulatory drug approvals for the sale in countries outside of the EU.

- For the product Filgrastim[2] there are also development activities organized, assigned and financed. Here, the objective remains to successfully complete the clinical studies which have been ongoing since the second quarter of 2007 and to achieve the first marketing opportunity for the product via an EU-wide approval procedure to be subsequently initiated. Against the backdrop that first competitors have already received an EU-wide approval for a Filgrastim biosimilar it will, however, have to be reviewed in the remaining course of the year in view of these competitors' market data which will then be available whether the continuation of the Filgrastim project by BIOCEUTICALS remains economically promising.

- For both products, Epo-zeta and Filgrastim, BIOCEUTICALS awarded sales licenses because the business model of BIOCEUTICALS does not provide for own marketing.

  In the scope of a rearrangement in the fourth quarter of 2007 BIOCEUTICALS awarded the exclusive distribution rights for Epo-zeta for the countries of the EU and several additional European countries as well as the USA and Canada to the US hospital products company Hospira Inc., Lake Forest, Illinois. An exception is Germany where Hospira's distribution rights are semi-exclusive because here, BIOCEUTICALS awarded a second distribution license to the STADA sales company cell pharm, Bad Vilbel. For all other countries, Hospira has a right of first refusal for a local Epo-zeta sales license. In some countries (such as Serbia and Russia, for example) a local STADA-owned subsidiary can receive or has already received, parallel, a semi-exclusive local sales license from BIOCEUTICALS.

  In connection with this licensing of the Epo-zeta distribution the business activities of BIOCEUTICALS expanded after the market launch of Epo-zeta in the course of 2008 (through Hospira in various EU countries under the trademark Retacrit™ as well as through the STADA sales companies cell pharm in Germany under the trademark SILAPO® and Hemofarm in Serbia under the trademark Eqralys® – see "Development of Segments – Secondary Segmentation: Regional Developments"). In the scope of the license agreement commitments BIOCEUTICALS now also carries out various logistical functions for Epo-zeta. This particularly includes the procurement of the Epo-zeta bulk ware from the production company Norbitec GmbH, Uetersen, in which BIOCEUTICALS holds a 2/3 stake, the filling and packaging of the bulk ware into finished pharmaceutical products, which is awarded to contract manufacturers, as well as the resale of these finished pharmaceutical products to the licensees.

  For Filgrastim BIOCEUTICALS awarded the worldwide exclusive distribution rights to the STADA sales company cell pharm, Bad Vilbel. As a market launch of Filgrastim is not yet foreseeable, besides the ongoing clinical studies no significant activities are currently being carried out in terms of the operating activities of BIOCEUTICALS in connection with this license issue.

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. Epo-alpha and Epo-beta, among others, have been launched on the market already for some time; the Erythropoietin biosimilar being developed by BIOCEUTICALS is Epo-zeta. Erythropoietin is used in nephrology for the treatment of renal anemia with chronic renal insufficiency and in oncology for the treatment of chemotherapy-induced anemia.

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.

BIOCEUTICALS has so far not made use of own personnel to carry out all these business activities – except for the company's boards according to stock corporation law – but has exclusively charged companies from the STADA Group with this, which invoices at normal market conditions.

In the context of its business activities, BIOCEUTICALS has received first royalty payments from the sales partners for Epo-zeta since 2008. In addition, in the scope of the licensing it has been contractually agreed that depending on the project progress with regard to the sought Epo-zeta approvals for the USA and Canada, BIOCEUTICALS shall receive from Hospira payments (so-called "milestone payments") which could still add up to a total of up to € 14 million within the next years. To further finance its business activities, BIOCEUTICALS carried out the capital increase described above. 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 € 39.3 million had been used as of December 31, 2008. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS exists, of which € 17.7 million had been used as of December 31, 2008 (for the accounting treatment of the capital guarantee see "Appendix Notes [IFRS] – 1.5.").

In the current first quarter of 2009, BIOCEUTICALS resolved another capital increase aiming at an increased cash inflow in the total amount of € 5.1 million, whose subscription period including the period of grace ends on March 20, 2009. So far, STADA has participated in this capital increase analogous to the volume of its current stake.

Shareholding in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company

In the third quarter of 2008, STADA took a shareholding of 11.2%[1)] in the Vietnamese pharmaceutical company Pymepharco and paid € 3.2 million for this.

The business activities of Pymepharco include the production and distribution of own pharmaceutical products as well as import activities for the Vietnamese health care and pharmaceutical market. In 2007, the last full fiscal year before the shareholding, the company achieved sales of approx. € 12.5 million, thus occupying position 8 in the Vietnamese pharmaceutical market. STADA can expand its shareholding in Pymepharco to 49% over the next two years in further steps at dates and prices which have already been determined. If agreed return targets are not reached, STADA can give back all shareholdings acquired until then against reimbursement of the respective purchase price. The shareholding is aimed at further strengthening STADA's presence in Vietnam and at becoming a leading local pharmaceutical supplier (see "Development of Segments – Secondary Segmentation: Regional Developments – Vietnam").

Acquisition of two Italian branded products

In 2008, the Italian STADA subsidiary Crinos S.p.A., Milan, expanded its product portfolio, which is focused on branded products, by two additions (see "Development of Segments – Secondary Segmentation: Regional Developments – Italy"). The seller for both products was the Italian pharmaceutical company Keryos S.p.A., Milan.

1) Further shareholders currently include: the Vietnamese state with approx. 19.7%, employees with approx. 10.6%, management with approx. 4% and institutional investors with approx. 55%.

First, on November 14, 2008 the branded product Keritrina® was purchased. The purchase price was € 6.0 million. In 2007, the last full fiscal year before the takeover, sales generated with Keritrina® amounted to € 4.2 million. Keritrina® is a patch containing the active pharmaceutical ingredient nitroglycerine which is used for the treatment of heart disease (angina pectoris).

Then, on December 17, 2008, the branded product Keraflox® was purchased for € 13.5 million. In 2007, the last full fiscal year before the takeover, sales generated with Keraflox® amounted to € 6.7 million. Keraflox® is an oral antibiotic containing the active pharmaceutical ingredient Prulifloxacin which is used for the treatment of urinary tract infections and chronic bronchitis.

Acquisition of the Danish company Dermalog ApS in the current fiscal year 2009

In the current first quarter of 2009, namely on January 26, 2009, the Danish STADA subsidiary PharmaCoDane ApS, Copenhagen, signed a contract for the acquisition of the Danish company Dermalog ApS, Hotte. The purchase price was € 1.0 million. The sellers were various private individuals. Immediately after the acquisition, Dermalog was merged with the Danish STADA sales company PharmaCoDane ApS (see "Development of Segments – Secondary Segmentation: Regional Developments – Denmark").

In 2008, the last full fiscal year before the takeover, Dermalog achieved annual sales in the amount of approx. DKK 5.0 million or approx. € 0.7 million and profit after tax of approx. DKK[1)] 0.2 million or approx. € 0.03 million. The company's product portfolio comprises a series of branded products in the skin care area, thus allowing STADA to enter the branded products segment in the Danish health care market. On the takeover date Dermalog had one employee.

Disposal in the United Kingdom

The Forum Products division, which was also purchased as part of the acquisition of Forum Bioscience, was sold on September 23, 2008 at a price of approx. € 2.8 million and did not lead to any book profit. In the current fiscal year, Forum Products contributed with very low-margin sales of € 48.6 million to STADA's Group sales up to its deconsolidation as of August 30, 2008; the contribution to sales in the previous year was € 28.4 million since its initial consolidation as of October 1, 2007. The business activities of the now sold Forum Products – veterinary products and commercial business, among other things – were not part of STADA's core segments and were always booked in the Group under Group holdings/other due to the intended sale. The sale does not affect income since the selling price achieved for Forum Products is retroactively offset against the purchase price paid in 2007 for the entire Forum Bioscience Group. After the disposal of the Forum Products division, the Forum Bioscience Group's remaining business is continued by STADA as Britannia Pharmaceuticals Ltd.

1) Information according to preliminary financial statements not yet audited.

Employees

The basis of the STADA Group's operative alignment is in principle the monitoring of a comprehensive network of internal and external resources. This applies especially to sales and marketing, product development as well as procurement and production. Therefore, STADA's employees with their experience, competence and commitment are the actual pillars of the longstanding business success since they are responsible for the organization of this complex network. Against this backdrop STADA pursues a long-term personnel policy including a modern personnel management.

Decentralized personnel management

In the area of personnel management, the Group relies on a decentralized organization which allows STADA to better target the different needs of its employees at the various locations. This is especially true of the international STADA subsidiaries that can operate relatively independently within the applicable Company guidelines in many areas of personnel policy such as recruitment, qualification measures and remuneration policy. However, in principal, the Group's strategic and operative guidelines, in particular also the compliance regulations are to be observed unconditionally in this context.

Detailed information regarding the personnel policy of the Group companies that are located at the Group's headquarters in Bad Vilbel is published in the STADA Group's annual personnel and social report, which can also be found online at www.stada.de.

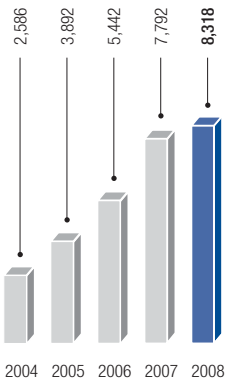
Development of the number of employees

In fiscal year 2008, the number of employees in the STADA Group grew to an average of 8,318 employees (previous year: 7,792).

By considering this average employee figure it must be taken into account that the employees taken over from the Russian MAKIZ Group[1)] (approx. 650 employees) and from the British Forum Bioscience Group[2)] (approx. 100 employees) in the scope of acquisitions in the reporting year 2007 have contributed only little to the comparison figure of fiscal year 2007 since the respective dates of initial consolidation were clearly in the second half of 2007.

The reduction of over 200 jobs in the German generics sales[3)], which was initiated in the fourth quarter of 2007, was also still hardly noticeable in the comparison figure reported for fiscal year 2007 since this measure was largely completed as recently as the first quarter of 2008.

STADA's employees development on an annual average



1) See the Company's ad hoc release of August 3, 2007.
2) See the Company's ad hoc release of August 31, 2007.
3) See the Company's ad hoc release of September 28, 2007.

Against this backdrop, clear effects on the number of employees by comparing the two fiscal years 2007 and 2008 are more evident by means of a consideration based on the reporting dates as of December 31. Thus, the number of employees in the STADA Group decreased slightly from 8,425 employees as of December 31, 2007 by 1% to 8,299 employees as of December 31, 2008.

Personnel structure by national markets and functional areas

Average number of employees in 2008

	Sales/ Marketing	Production/ Procurement	Product development	Administration	2008 Total	Previous year Total
Belgium	107	5	12	17	141	125
Bosnia-Herzegovina	84	106	-	43	233	334
China	83	-	1	16	100	111
Denmark	2	12	-	9	23	18
Germany	386	289	156	274	1,105	1,184
Finland	8	-	-	4	12	9
France	56	8	13	15	92	90
UK	33	9	20	14	76	59
Ireland	31	212	8	12	263	261
Italy	100	7	4	17	128	132
Kazakhstan	2	-	-	5	7	6
Lithuania[1)]	3	-	-	2	5	14
Macedonia	6	-	-	-	6	16
Montenegro	27	118	-	29	174	155
The Netherlands	28	123	8	17	176	164
Austria	32	2	-	4	38	33
The Philippines	112	1	4	31	148	155
Portugal	35	1	5	7	48	46
Romania	29	-	-	2	31	40
Russia	836	1,075	104	417	2,432	1,815
Serbia	307	1,600	86	404	2,397	2,409
Spain	163	-	7	14	184	203
Thailand	24	-	1	5	30	28
Czech Republic	32	-	-	4	36	39
Ukraine	14	-	-	10	24	20
Vietnam	13	244	16	25	298	211
Rest of world	110	1	-	-	111	115
Total Group	**2,663**	**3,813**	**445**	**1,397**	**8,318**	**7,792**

1) The independent sales activities in this national market are no longer consolidated in the Group as of June 30, 2008.

By distinguishing the regional distribution of average employee numbers by domestic and international markets, Germany, which continues to be STADA's largest national market, had an average of 1,105 employees in fiscal year 2008 (previous year: 1,184). Thereof, 957 employees worked on average at the Group's headquarters in Bad Vilbel (previous year: 1,050).

In STADA's international subsidiaries, the Group counted an average of 7,213 employees in the reporting year (previous year: 6,608).

By breaking down employees according to functional areas, no significant changes resulted in terms of the annual average. With regard to the Group's average total number of employees the following percentage shares resulted for the individual functional areas.

- Sales/Marketing 32% (previous year: 35%)
- Production/Procurement 46% (previous year: 44%)
- Product development 5% (previous year: 5%)
- Administration 17% (previous year: 16%)

Personnel expenses

Personnel expenses fell in fiscal year 2008 to € 253.0 million (previous year: € 272.4 million). The ratio of personnel expenses to sales thus amounted to 15.4% (previous year: 17.3%).

Responsibility and Sustainability

Responsibility characterizes overall concept

Responsibility is an essential element of STADA's overall concept. It says there, among other things: *"Care for people's health and well-being is at the center of STADA's activities. From this, the Group's philosophy and overall concept are developed."*

STADA's Executive Board works continuously and in manifold ways towards making this overall concept and the high responsibility demanded therein represent a consistent and sustainable maxim for acting for management and all employees in the STADA Group.

Against the backdrop of this overall concept STADA developed – starting in 2006 in the German home market and gradually expanding to other national markets – a Group-specific communication campaign for patients and health care professions under the motto "all the best". Therein, STADA explicitly commits to the comprehensive and sustainable character of its own responsibility as a health care company, which is evident in the following text excerpts:

"ALL THE BEST" formulates a requirement for STADA itself – and thereby becomes a daily guideline for over 8,000 employees in the STADA Group worldwide. "ALL THE BEST" means quality. The quality of STADA's products. The quality of the raw materials which STADA processes, of the services which STADA provides and of the working conditions under which STADA's services are created. Because STADA is convinced that better work is done in a quality environment and as a consequence high-quality products are created."

This understanding of a special responsibility for STADA as a company which is active in the health care market also influences operating activities. Thus, for example in the current fiscal year 2009 the German sales companies operating under the STADA label started a sales campaign with German pharmacies which, as central element, comprises a joint prevention offer for patients in cooperation with the Assman Foundation for Prevention, Münster, Germany.

Responsibility for quality

Against the backdrop of its overall concept focusing on responsibility product safety and product quality have always been top priorities for STADA.

In the scope of regular and comprehensive audits, Group Quality Management examines the quality standards established by STADA which in part go clearly beyond the provisions required by law in the Group's own production sites as well as in the facilities of suppliers and contract manufacturers.

In this context the Group strives to achieve, also in countries outside of the EU, EU quality standards for drugs which often go beyond local requirements. Thereby, the STADA Group's not EU-based production sites in Banja Luka, in the greater Ho Chi Minh City area, Nizhny Novgorod, Obninsk, Sabac and Vrsac are already currently, at least partly, designed for the production of individual products for EU countries and have also been approved by the responsible supervisory authorities for this after local auditing.

In addition to the legal provisions STADA partly holds international certifications in accordance with external quality management systems. At numerous production sites the Group, for example, follows not only the GMP standards, but also the relevant ISO standards, holding various ISO certificates at several locations, such as ISO 9001:2000, ISO 14001:2004 and ISO 13485:2003.

Responsibility for compliance and corporate governance

It is STADA's explicit objective to settle all business processes and Group activities strictly within the framework of applicable laws. In the scope of the compliance management established at STADA, which is organized centrally and responsibility for which is taken decentrally, all employees are trained and instructed regularly in this regard and to an extent which is adapted to their respective area of responsibility.

Beyond that STADA also lives up to – wherever sensible and reasonable from a cost perspective – the excellence claim ("best practice") and continuously reviews and optimizes business processes with respect to this; the Executive Board has its own administrative department "Development of Group Organization" for this.

In addition, the provisions of the German Corporate Governance Code are continuously fulfilled, with a few justified exceptions only (see annual Declarations of Compliance with the Corporate Governance Code, published on the Company's website at www.stada.de and www.stada.com and in this Annual Report under "Additional Information – Corporate Governance Declaration").

Social responsibility

In numerous countries STADA supports – usually via the respective national subsidiaries – selected social and cultural projects, partly also with a sponsoring character.

In the following two major projects of this kind which STADA pursued in its home market Germany in the reporting year 2008 are presented as examples:

- The German sales company STADA GmbH and the parent company STADA Arzneimittel AG are a main sponsor of the non-profit association dolphin aid e.V., Düsseldorf. dolphin aid promotes alternative therapies for ill and handicapped children, providing these children with a "dolphin therapy" for this. There, children are closely exposed to dolphins in a nature-oriented environment, thus being able to find an improvement of their individual physical or psychological conditions. With the dolphin aid cooperation STADA deliberately decided in favor of

supporting a therapy method that is not based on drugs and also wants to publicly document an understanding of health which is holistic and not exclusively fixed on drugs.

- Already in 2003, STADA Arzneimittel AG established the STADA foundation professorship "health management" in the area of health economics at the Europa Fachhochschule Fresenius (EFF) in Idstein near Frankfurt a. M., Germany, in order to open up new, scientifically founded impulses for the discussion on cost optimization in the health care system. The foundation professorship, whose committed term was extended by three additional years in 2008, is aimed at the promotion of practice-related care research to optimize quality and efficiency in the health care system. One focus is on the development of saving potential of transsectoral supply models which allow for a holistic provision of services by means of complex services.

Responsibility for sustainability and the environment

Already STADA's strategic positioning can be considered as distinctly sustainable since generics – by far the Group's largest core segment – contribute significantly to a more cost-effective health care and thus to a sustainably better utilization of resources in an area of life that is of vital importance for the population.

Within the Group, the responsibility for sustainability, especially also with regard to environmental matters, which STADA feels consciously committed to, is operatively met in a project-related way beyond the legal framework.

Here, the largest individual investment in property, plant and equipment in the Group's history, namely the construction of the new German STADA logistics center in Florstadt, which is currently going into operation, can be taken as an example.

In connection with this project the responsibility for sustainability and ecological matters is expressed by means of the following concrete measures, among others:

- deliberate focusing of the construction concept on the least possible floor space required and on the lowest energy consumption
- targeted use of energy recovery technologies
- preferred utilization of local construction and raw materials located close to the site in the construction of the building
- optimized operations management to combine transport orders and thus to minimize transport-related environmental burdens.

Boards of the Company (incl. Remuneration Reports)

Executive Board

The members of the Executive Board of STADA Arzneimittel AG 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)
- Christof Schumann, Chief Production and Development Officer (under contract until December 31, 2010)

STADA's Executive Board was reduced in the course of 2008.[1)] Effective August 13, 2008, the former Chief Procurement, Production and Logistics Officer, Dr. Hans-Martin Schwarm, announced that he was leaving the Executive Board of STADA Arzneimittel AG for personal reasons. Also effective August 13, 2008, the former Chief Legal Officer, Dr. Alexander Oehmichen, left the Executive Board of STADA Arzneimittel AG on the most agreeable terms.

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 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.

The **principles of the Executive Board's remuneration system** can be described as follows:

- 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 deemed individually appropriate by the Supervisory Board taking the comparative environments into consideration.

- Overall remuneration includes monetary remuneration parts as well as non-monetary remuneration parts, which include pension agreements, in particular.

- The respective monetary remuneration includes fixed and variable components, which are dependent on the Company's success in the reporting year. The amount as well as the breakdown of fixed and variable components of remuneration depends on the individual provisions of the employment contract of each member of the Executive Board.

- As of the balance sheet date, there was neither a stock option plan nor other instruments with a long-term incentive effect in place for Executive Board members.

1) See the Company's ad hoc release of August 12, 2008.

In this context, the following **remuneration report** arises **for the Executive Board**:

- Monetary remuneration

  In 2008, total monetary remuneration for current members of the Executive Board was € 4,301,837.36 within STADA Arzneimittel AG and € 4,416,767.36 within the Group. Of this total monetary remuneration paid to current members of the Executive Board in fiscal year 2008 Hartmut Retzlaff accounted for € 2,229,831.26 (thereof € 1,067,837.43 fixed and € 1,161,993.83 variable), Wolfgang Jeblonski for € 1,225,831.19 (thereof € 644,601.19 fixed and € 581,230.00 variable) and Christof Schumann for € 961,104.91 (thereof € 379,874.91 fixed and € 581,230.00 variable).

  In fiscal year 2008, total monetary remuneration for former members of the Executive Board was € 911,461.07 within STADA Arzneimittel AG and € 911,461.07 within the Group. Of this total monetary remuneration paid to former members of the Executive Board in fiscal year 2008, Dr. Alexander Oehmichen accounted for € 241,909.17 for the period from January 1, 2008 to August 13, 2008 (thereof € 241,909.17 fixed and € 0 variable) and Dr. Hans-Martin Schwarm for € 236,379.06 for the period from January 1, 2008 to August 13, 2008 (thereof € 236,379.06 fixed and € 0 variable).

  In fiscal year 2008 expenses in the amount of € 2,800,000.00 were incurred for Executive Board members who left in 2008.

- Non-monetary remuneration

  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 also 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.

  Of the expenses for the pension commitments of the Executive Board earned in fiscal year 2008 Hartmut Retzlaff accounts for € 808,122.00 and Wolfgang Jeblonski for € 214,652.00.

  Current pension provisions for former Executive Board members in fiscal year 2008 amounted to € 1,899,884.00.

- Possible benefits from third parties outside the Group

  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 2008 with regard to their position in the Executive Board in the reporting year.

In addition, the following **commitments to Executive Board members in the case of termination of their activity** were made:

- 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 position 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, Wolfgang Jeblonski will receive a one-time severance payment in the amount of € 250,000.00.

- The contract of Christof Schumann contains a provision for the full payment of all remuneration intended for the contract term as well as for the payment of a transitional allowance. If Christof Schumann 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 Christof Schumann ends before his reaching the age of 65 years, either because he is removed early or because he is not reappointed, Christof Schumann will receive a one-time transitional allowance in the amount of a fixed annual remuneration plus half of the previous year's bonus.

Supervisory Board

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, Attorney, 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

Karl Hertle, Heike Ebert and Adolf Zissel are Supervisory Board members who were elected by the employees as their representatives. Their term ends with the completion of the Annual General Meeting 2009. At STADA's Annual General Meeting on June 10, 2008 all other members of the Supervisory Board were confirmed in office by the shareholders for a further five years; accordingly, the term of all shareholder representatives on the Supervisory Board ends with the completion of the Annual General Meeting 2013.

Dr. Eckhard Brüggemann was again elected as Chairman of the Supervisory Board of STADA Arzneimittel AG and Karl Hertle was again elected as Deputy Chairman of the Supervisory Board in a Supervisory Board meeting held directly after the Annual General Meeting 2008.

In addition, the Supervisory Board had created the following **Supervisory Board committees**:

- 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

Finally, the **remuneration system of the Supervisory Board** is as follows pursuant to section 18 of STADA Arzneimittel AG's articles of incorporation:

- For the relevant past fiscal year, in addition to reimbursement of expenses, Supervisory Board members receive an annual fixed sum of € 25,000 and 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 also be paid on the remuneration.
- For their committee activities Supervisory Board members receive an annual fixed remuneration of € 10,000 for the relevant past fiscal year. The Chairman of a committee receives twice this amount in remuneration. Value added tax must also be paid on the remuneration.

In the context of this, the following **remuneration report** arises **for the Supervisory Board**:

In fiscal year 2008, remuneration of appointed Supervisory Board members totaled € 751,952.
Remuneration of the appointed Supervisory Board members can be broken down as follows:

- Dr. Eckhard Brüggemann € 197,988.00 (thereof € 105,000.00 fixed and € 92,988.00 variable)
- Karl Hertle € 131,992.00 (thereof € 70,000.00 fixed and € 61,992.00 variable)
- Dr. Martin Abend € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Heike Ebert € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Uwe E. Flach € 85,996.00 (thereof € 55,000.00 fixed and € 30,996.00 variable)
- Dr. K. F. Arnold Hertzsch € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Dieter Koch € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Constantin Meyer € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Adolf Zissel € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)

Beyond this no additional remuneration 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 € 40,014.48.

Capital Structure and STADA Share

Capital structure as of the balance sheet date

As of December 31, 2008, subscribed share capital of STADA Arzneimittel AG consisted of 58,759,820 restricted registered common shares with voting rights, each with an arithmetical share in share capital of € 2.60 (December 31, 2007: 58,721,100 registered common shares).

Under the Company's articles of incorporation[1], STADA's restricted registered common shares can only be recorded in the share registry with the consent of the Company and grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

Share capital rose slightly in the course of 2008 to € 152,775,532 (December 31, 2007: € 152,674,860) because a total of 1,936 options from STADA warrants 2000/2015[2] were exercised in 2008, resulting in an increase of 38,720 in the number of shares. Thus, as of December 31, 2008, 181,520 warrants 2000/2015 for the subscription of 3,630,400 STADA registered common shares were still outstanding.[3]

Equity structure of STADA Arzneimittel AG	Dec. 31, 2008	Dec. 31, 2007
Number of restricted registered common shares	58,759,820	58,721,100
Number of warrants 2000/2015[2]	181,520	183,456
Number of potential shares from warrants 2000/2015[2]	3,630,400	3,669,120

Resolutions by STADA's Annual General Meeting 2008 on capital structure

On June 10, 2008 the STADA's Annual General Meeting resolved to withdraw the existing authorized capital and to create new authorized capital as well as to amend the articles of incorporation accordingly. The resolution states that the Executive Board, with approval of the Supervisory Board, is authorized until June 10, 2013 to increase the authorized capital once or repeatedly by up to € 76,346,010.00 by issuing up to 29,363,850 restricted registered shares with transfer restrictions against cash or non-cash contributions. The shareholders' subscription rights can be excluded in precisely defined individual cases. Details on this as well as an additional explanation by the Executive Board on modalities of the possible exercising of the exclusion of subscription rights are published on the Company's website at www.stada.de and www.stada.com.

1) The articles of incorporation may be changed through a resolution of the Annual General Meeting. The change takes effect with the entry in the commercial register. The Annual General 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.
2) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
3) In the first quarter of the current fiscal year 2009, no further warrants were exercised by March 1, 2009.

In addition, the Annual General Meeting 2008 authorized the Executive Board, valid until June 9, 2013 to issue bonds with warrants and/or convertible bonds in the total par value of up to € 1,000,000,000.00 with a maturity of up to 20 years. The shareholders' subscription rights can thereby be excluded in precisely defined individual cases. Details on this as well as an additional explanation by the Executive Board on modalities of the possible exercising of the exclusion of subscription rights are published on the Company's website at www.stada.de and www.stada.com.

A further resolution of the Annual General Meeting was the authorization of the Company to purchase its own shares. Due to the resolution adopted at the Annual General Meeting on June 20, 2007, the Company, based on section 71 (1) no. 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 General Meeting decided on June 10, 2008, to replace this authorization by a new resolution, valid for 18 months, i.e. until December 10, 2009. Details concerning this matter are published on the Company's website at www.stada.de and www.stada.com.

Disappointing share performance of STADA share

STADA share codes

Identification numbers:	ISIN: DE0007251803, WKN: 725180
Ticker symbols:	Reuters: STAGn.DE, Bloomberg: SAZ:GR

The performance of the STADA share was disappointing in 2008. Share price development in the second half of 2008 was – also against the backdrop of the global financial and economic crisis – very volatile and strongly decreasing. At the end of the year the price of the STADA share was € 20.50; the year-end price in 2007 was € 42.05. Overall, the STADA share lost 51% of its value in the course of 2008, which, from the Executive Board's perspective, seems not at all justified by current business development. This assessment also applies to the further clear price decrease in the current fiscal year 2009.

However, the national comparative indexes of importance to STADA also strongly declined in the course of 2008. By comparing the last trading day of 2008 with the last trading day in 2007, the German benchmark index DAX®[1] was by 40% in the red. The MDAX®[2], of which the STADA share is part, recorded a decrease of 43% in the same period (respectively XETRA®[3] closing prices).

At the end of the year 2008 STADA's market capitalization thus – by including the fact that the number of shares had risen by 0.1% as of the balance sheet date on December 31, 2008 – amounted to € 1.205 billion, while it had still been € 2.469 billion at the end of the previous year. Pursuant to Deutsche Börse AG's index system, which only considers free float, STADA, in terms of market capitalization, occupied position 10 in the MDAX® in 2008. In the previous year STADA had placed 11 here.

1) DAX® is the index of Deutsche Börse AG, largely consisting of the 30 biggest companies by market capitalization and order book volume.
2) MDAX® the index of Deutsche Börse AG for midcap companies, largely consisting of the 50 next-biggest companies by market capitalization and order book volume below the DAX®, thus also including the STADA share.
3) XETRA® is the electronic trading system of Deutsche Börse AG.

The average trading volume of the STADA share in 2008 at the XETRA® trading and the Frankfurt Stock Exchange totaled € 27.4 million per day. In 2007, the average daily transaction volume was € 26.9 million. STADA, in terms of trading volume 2008 according to the index systematic of the Deutsche Börse AG, is ranked 7th. In the previous year, STADA was ranked 12th here.

STADA key share data	2008	Previous year
Number of shares (year-end)	58,759,820	58,721,100
Number of own shares (year-end)	109,659	114,351
Resulting number of voting shares (year-end)	58,650,161	58,606,749
Average number of shares (without own shares)	58,632,021	58,315,643
Year-end closing price (XETRA®) in €	20.50	42.05
High (XETRA® closing price) in €	48.38	51.13
Low (XETRA® closing price) in €	18.32	37.07
Market capitalization (XETRA®) in € million (year-end)	1,204.6	2,469.2
Basic earnings per share in €[1)]	1.30	1.79
Diluted earnings per share in €[2)]	1.28	1.72
Dividend per share in €	0.52[3)]	0.71

Continuing broadly based shareholder structure

As of December 31, 2008, a total of approx. 40,000 shareholders held interests in the share capital of STADA Arzneimittel AG. Pursuant to results of regular analyses of the Company's shareholder structure, STADA assumes that approx. 64% of STADA's shares are held by institutional investors and that approx. 14% are held by pharmacists and doctors.

As of December 31, 2008, STADA held 109,659 of its own shares, compared to 114,351 shares which the company had held as of December 31, 2007. In 2008 STADA – exclusively in the context of executing an employee stock ownership program based on a company agreement in Germany – purchased 127 of its own shares at an average price of € 45.65 and sold 4,819 of its own shares at an average price of € 32.90.

At the end of 2008 STADA assumes, by considering the announcements on exceeding or falling below reporting thresholds in accordance with section 26 (1) of the German Securities Trading Act (WpHG) available to the Company (see "Appendix [Notes IFRS] – 6.4.") that Deutsche Bank AG, Frankfurt am Main, has shareholdings exceeding the legal reporting threshold of 3% for its subsidiary, DWS Investment GmbH, Frankfurt am Main. In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

1) In accordance with IAS 33.10.
2) In accordance with IAS 33.31.
3) Proposed.

In the first quarter of 2009, in accordance with section 26 (1) of the German Securities Trading Act (WpHG) no announcement on falling below or exceeding one of the thresholds of shareholdings in STADA Arzneimittel AG has been made as yet.

Intensive communication with capital market participants

STADA fulfills the legal requirements to inform all capital market participants at the same time and in the same way on the most important events in the Company in the form of a comprehensive internet presence. At www.stada.de and www.stada.com, all interested individuals can find both compulsory information such as ad hoc releases and annual or interim reports and comprehensive Company and share information such as Company profile, presentations and current share price information on STADA (including peer group comparisons).

Beside the traditional press and analysts' conferences to introduce annual and half-year results, STADA, also in fiscal year 2008, again presented itself at numerous external corporate presentations and conferences for institutional investors in the relevant European and US capital market centers. The dates of these events are retrospectively published on the Company's website at www.stada.de and www.stada.com.

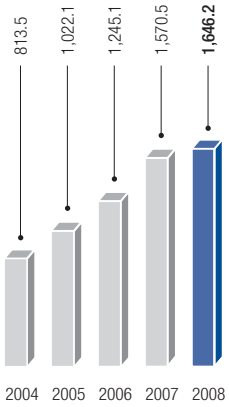
EARNINGS SITUATION

Development of Sales

Again sales record – for the 13th time in a row

In fiscal year 2008, STADA reported a sales record for the 13th time in a row. **Group sales** reached € 1,646.2 million in 2008 (previous year: € 1,570.5 million); thus, the **growth rate of Group sales** amounted to 5%.

Group sales in € million over 5 years



Against the backdrop of a particularly difficult environment in various national markets, especially in Germany (see "Development of Segments – Secondary Segmentation: Regional Developments"), the STADA Executive Board deems this sales development as still satisfactory even if the double-digit percentage growth rate in Group sales originally strived for was not achieved due to this challenging environment.

Although sales growth of 13% was still achieved after nine months; sales in the fourth quarter of 2008 were 14% below sales in the corresponding quarter of the previous year. In addition to a very high base value from the previous year's comparative quarter, sales in the amount of € 28.4 million were missing for the fourth quarter after the sale of low-margin non-core activities in the United Kingdom contributed to this (see "Development of Segments – Secondary Segmentation: Regional Developments – United Kingdom"). Moreover, in the wake of local consequences of the current global financial and economic crisis both curbing operating influences and unfavorable changes in the relation between the respective local currencies and the euro were recorded in the fourth quarter of 2008, particularly in the United Kingdom, Russia and Serbia. In addition, the sales-reducing accruals which, in accordance with IFRS, had to be made already in the fourth quarter of 2008 in the amount of € 5.9 million for an inventory value adjustment to be processed in the first quarter of 2009 in favor of the distribution channels in connection with the comprehensive price reductions by the German generics label STADApharm carried out on January 1, 2009 had a curbing effect (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany").

The **adjusted growth rate of Group sales** amounted to 1% in 2008. For this, the sales development was adjusted for the sales contributions from acquisitions and disposals made in the previous twelve months (see "Business and General Conditions – Acquisitions and Disposals), commercial activities abandoned in this period as well as for significant currency effects of fiscal year 2008 (for details see Scheme for calculating the Group's adjusted sales growth).

Scheme for calculating the Group's adjusted sales growth

Previous year 2007		Reporting year 2008
STADA Group sales € 1,570.5 million	— + 5% →	STADA Group sales € 1,646.2 million
⁄. Remaining sales, Defibrotide products Jan. 1 - Dec. 31, 2007		⁄. Remaining sales, Defibrotide products Jan. 1 - Dec. 31, 2008
⁄. Sales Multivita d.o.o. Jan. 1 - May 31, 2007		⁄. Sales MAKIZ Group Jan. 1 - Aug. 31, 2008
⁄. Sales Symbiofarm d.o.o. Jan. 1 - Sept. 30, 2007		⁄. Sales Forum Bioscience Group (incl. Forum Products division) Jan. 1 - Sept. 30, 2008
⁄. Sales Megestil® and Cordiax® Jan. 1 - Dec. 21, 2007		⁄. Sales Keritrina® product Nov. 14, 2008 - Dec. 31, 2008
⁄. Sales Forum Products division Oct. 1 - Dec. 31, 2007		⁄. Sales from the sale of approvals in Italy
⁄. Sales Italian commercial activities Jan. 1 - Dec. 31, 2007		± Sales change by applying the same exchange rates, i.e. those from the previous year, for both fiscal years
Base value for adjusted sales growth € 1,529.6 million	— + 1% →	Adjusted STADA Group sales € 1,544.2 million

Aggregated **sales of the core segments** Generics and Branded Products recorded growth of 4% to € 1,523.4 million in the reporting year (previous year: € 1,458.4 million). Thus, the joint share of these two core segments totaled 92.5% of Group sales in 2008 (previous year: 92.9%).

Stronger increase in international sales as compared to overall sales

STADA's **international sales** recorded an increase of 9% to € 1,082.2 million in fiscal year 2008 (previous year: € 990.7 million), thus going up once again at a higher rate as compared to Group sales. Sales generated by the Group outside Germany thereby accounted for a share of 65.7% of Group sales in the reporting year (previous year: 63.1%). This development shows that the Group successfully continued its strategically intended further course of internationalization also in 2008.

The Group's sales in the individual regions in fiscal year 2008 developed as follows:

- Sales in **Europe** increased by 5% to € 1,590.6 million (previous year: € 1,513.1 million) and accounted for a share in Group sales of 96.6% (previous year: 96.3%).

  By deducting currency effects, sales in Europe grew by 7% in the reporting year as compared to fiscal year 2007.

- Sales in **Asia** went up by 5% to € 47.2 million (previous year: € 44.7 million) and had a share in Group sales of 2.9% (previous year 2.8%).

In this connection, local tenders in China that were not won again as well as negative currency effects in various Asian markets must be considered. After deducting these effects, sales in Asia grew by 16% in the reporting year as compared to fiscal year 2007.

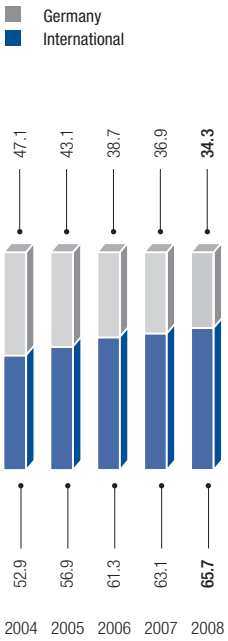
- Sales in **America** decreased by 30% to € 5.7 million (previous year: € 8.1 million) and had a share in Group sales of 0.3% (previous year 0.5%).

  The decline of the Group business in America in fiscal year 2008 is due to reduced export activities. Against the backdrop of a new product approval for the export to the USA achieved in the fourth quarter of 2008 (see "Business and General Conditions – Product Development") there is the opportunity for the STADA Group to expand export to the USA by several million euros per year over the next years.

- Sales in **Africa** grew by 60% to € 1.6 million (previous year: € 4.1 million) and had a share in Group sales of 0.1% (previous year 0.3%).

- Sales in the **rest of the world** recorded an increase to € 1.1 million (previous year: € 0.5 million) and had a share in Group sales of 0.1% (previous year 0.03%).

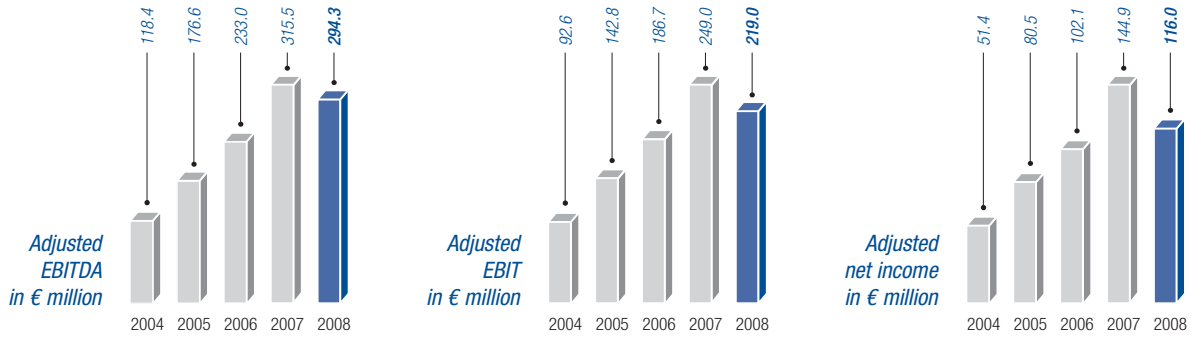
Sales share Germany vs. international sales in % of Group sales



Outlook for sales development

Summarizing the different business expectations in the individual national markets (see "Development of Segments – Secondary Segmentation: Regional Developments"), the Executive Board reaches the following sales outlook for the Group: whether sales growth can once again be achieved in the current fiscal year 2009 is open against the backdrop of the current global financial and economic crisis. In the first two months of the current fiscal year, the sales level as compared to the previous year period was approx. 12% lower or, adjusted for currency influences and acquisitions and disposals carried out in the meantime, approx. 2% lower. Against this backdrop STADA's Executive Board currently expects a decreasing development in Group sales in the first half of 2009. Whether the expected recovery in business development in the second half year 2009 can offset the decreases from the first half year is open.

Development of Earnings and Costs



Still satisfactory development of operating results – despite a particularly difficult environment

The earnings situation of the STADA Group was also significantly characterized by the particularly difficult environment in several national markets, including Germany especially (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany"). In addition, significant one-time special effects – especially as a consequence of a negative patent decision as well as due to currency effects – as well as not operative-related effects from currency influences and interest rate hedge transactions burdened the earnings situation.

Therefore, last year's record level was not reached as the following table shows. Nevertheless, with € 116.0 million (previous year: € 144.9 million), STADA achieved in 2008 the second best result in Group history in terms of **net income adjusted** for aforementioned effects and for other adjusted key Group figures such as **adjusted EBITDA**, **adjusted EBIT** and **adjusted EBT** (see table Development of the STADA Group's key earnings figures).

Development of the STADA Group's key earnings figures[1)]

	Key earnings figures in € million					*Adjusted key earnings figures in € million*				
in € million	2008	2007	2006	2005	2004	*2008*	*2007*	*2006*	*2005*	*2004*
Operating profit	176.4	215.5	180.5	127.1	87.8	*221.4*	*249.5*	*186.4*	*142.6*	*92.2*
EBITDA	255.4	288.6	232.6	161.2	122.7	*294.3*	*315.5*	*233.0*	*176.6*	*118.4*
EBIT	175.2	186.8	168.7	107.1	88.2	*219.0*	*249.0*	*186.7*	*142.8*	*92.6*
EBT	105.5	149.8	145.2	97.5	77.6	*164.8*	*209.5*	*163.2*	*133.3*	*81.9*
Net income	76.2	104.2	91.8	51.6	48.5	*116.0*	*144.9*	*102.1*	*80.5*	*51.4*

1) The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see "Financial Situation – Development of the Balance Sheet"). For reasons of the practicability caveat as specified under IAS 8.43ff, the comparison figures and key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for the fiscal years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as associated company under the equity method.

The same applies to **adjusted earnings per share**[1] which amounted to € 1.98 in fiscal year 2008 (previous year: € 2.48). Here, due to the exercise of options since then, an increase in the average number of STADA shares of 0.5% in 2008 as compared to the previous year must be taken into consideration. Without adjustments, **earnings per share**[1] for fiscal year 2008 decreased to € 1.30 (previous year: € 1.79).

With this, in fiscal year 2008 STADA showed, from the Executive Board's perspective, especially in view of the adjusted key earnings figures, overall still satisfactory operating results, even though in this especially challenging year some of the expectations held at the beginning of the year could not be met.

The following **sales-related margins** result from the above-mentioned key earnings figures: operating profit margin 10.7% (previous year: 13.7%), adjusted operating profit margin 13.4% (previous year: 15.9%), EBITDA margin 15.5% (previous year: 18.4%), adjusted EBITDA margin 17.8% (previous year: 20.1%), EBIT margin 10.6% (previous year: 11.9%), adjusted EBIT margin 13.3% (previous year: 15.9%), EBT margin 6.4% (previous year: 9.5%), adjusted EBT margin 10.0% (previous year: 13.3%), net profit margin 4.6% (previous year: 6.6%), adjusted net profit margin 7.0% (previous year: 9.2%).

One-time special effects for key earnings figures

The **one-time special effects** considered in the adjustment of key earnings figures (see "Appendix [Notes IFRS] – 6.3.") resulted in a net burden in the amount of € 40.1 million before or € 26.2 million after taxes in 2008. The one-time special effects of fiscal year 2007 had resulted at the time in a net burden in the amount of € 61.5 million before or € 41.6 million after taxes.[2]

These one-time special effects of the reporting year 2008 include in detail:

- Expenses and provisions in the amount of € 24.2 million before or € 16.0 million after taxes as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine (see "Business and General Conditions – Product Development" and "Development of Segments – Secondary Segmentation: Regional Developments – Germany")[3][4]; thereof € 23.1 million before or € 15.2 million after taxes in the fourth quarter of 2008.
- Unscheduled amortization and write-ups on intangible assets, respectively after impairment tests, which resulted in a net burden on earnings of € 4.9 million before or € 3.3 million after taxes (see "Financial Situation – Development of the Balance Sheet").
- Expenses in the amount of € 6.9 million before or € 4.5 million after taxes in connection with the sales realignment of the German subsidiaries cell pharm and SPI, particularly also due to the revaluation of inventories (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany" as well as "Development of Segments – Secondary Segmentation: Regional Developments – Development of export business"); were almost entirely incurred in the second and third quarters of 2008.
- Expenses in the amount of € 2.8 million before or € 1.8 million after taxes in connection with the reduction of STADA's Executive Board[5] (see "Boards of the Company").

1) In accordance with IAS 33.10, treasury shares are not considered in the earnings per share (EPS) calculation. Calculation of earnings per share is thereby based on an average of 58,632,021 outstanding shares in 2008 (corresponding number of outstanding shares for 2007: 58,315,643).
2) One-time special effects in the year 2007 were: a) burdens in the amount of € 28.1 million before or € 17.9 million after taxes for restructuring measures of the German STADA generics sales presented below the operating profit as a separate line in the income statement, b) unscheduled amortization on intangible assets and financial assets in the amount of approx. € 35.3 million before or approx. € 26.1 million after taxes, c) one-time costs for acquisitions planned or carried out in the amount of € 6.2 million before or € 3.9 million after taxes, d) book profit from disposals in the amount of approx. € 5.8 million before or approx. € 5.0 million after taxes, e) additional earnings and costs with one-time or outside of the accounting period character in the amount of € 2.3 million before or € 1.3 million after taxes.
3) The total amount comprises provisions in the amount of € 1.1 million before or € 0.8 million after taxes until the third quarter of 2008; the remaining expenditures and provisions were incurred in the fourth quarter of 2008.
4) See the Company's ad hoc release of December 19, 2008.
5) See the Company's ad hoc release of August 12, 2008.

- Burden on earnings in the amount of € 1.9 million before or € 1.4 million after taxes for value adjustments on receivables from Russian wholesalers (see "Development of Segments – Secondary Segmentation: Regional Developments – Russia").
- Accruals in the amount of € 0.9 million before or € 0.6 million after taxes for the relocation of the logistics functions of the German STADA subsidiary ALIUD PHARMA GmbH from the former location in Laichingen to the STADA Group's new logistics center in Florstadt as announced in the third quarter of 2008 and which will probably be implemented in the first half of 2009. This relocation allows STADA to make use of the full potential of the new logistics center, thus resulting in an improved cost situation in the logistics area.
- Dividend payment of a non-consolidated Group company in which STADA holds a 50% stake in the amount of € 1.1 million before or € 1.1 million after taxes (see "Appendix [Notes IFRS] – 2.11.").
- Dissolution of provisions that were not required for the restructuring of the German generics sales in fiscal year 2007 (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany") in the amount of € 0.4 million before or € 0.3 million after taxes.

Effects from earnings-burdening currency influences and interest rate hedge transactions

In fiscal year 2008, STADA recorded the following not operative-related earnings-burdening effects from currency influences and interest rate hedge transactions:

- Burden on earnings due to currency effects in the form of net currency translation expenses of a Russian subsidiary in connection with existing loans from an earlier acquisition financing in the amount of € 3.7 million before or € 2.7 million after taxes reported under other operating expenses – caused by the strong devaluation of the ruble in the fourth quarter of 2008; thereof € 3.4 million before or € 2.5 million after taxes in the fourth quarter of 2008.
- Burden on earnings from the evaluation of interest rate hedge transactions of a Russian subsidiary in the fourth quarter of 2008 to stabilize interest rates of existing loans from a previous acquisition financing in the amount of € 10.1 million before or € 7.2 million after taxes (see "Earnings Situation – Financial result"); in this context the variable interest rate of an existing ruble loan with a term until 2010 was swapped against a fixed interest rate and a conditioned compensation payment the realization and amount of which is dependent on the ruble/euro currency relation at the end of the term of the interest rate hedge transaction.
- Burden on earnings from the evaluation of interest rate hedge transactions of STADA Arzneimittel AG in the amount of € 5.4 million before or € 3.6 million after taxes, net for fiscal year 2008 (see "Earnings Situation – Financial Result"); thereof € 4.9 million before or € 3.3 million after taxes in the fourth quarter of 2008.

This results in a total burden from not operative-related currency effects and interest rate hedge transactions of € 19.2 million before or € 13.5 million after taxes in 2008 (previous year relief due to such effects: € 1.7 million before and € 0.9 million after taxes). Also for 2009, not operative-related earnings influences from currency effects and interest rate hedge transactions cannot be ruled out in view of the high volatility which continues to be expected for the financial markets.

Income statement as well as cost development

Cost of sales amounted to € 904.0 million in 2008 (previous year: € 815.2 million). **Gross profit** (sales after deducting cost of sales) thereby decreased to € 742.2 million in the reporting year (previous year: € 755.3 million).

Cost of sales remains by far the largest cost item within the STADA Group. Against this backdrop STADA, in the scope of ongoing cost optimization, will continue to essentially focus on this item and all sub-areas relevant for this such as procurement costs of the active pharmaceutical ingredients and auxiliary materials as well as the costs which can be applied to pharmaceutical production.

The **cost of sales ratio** (share of cost of sales in relation to sales) increased to 54.9% (previous year: 51.9%).

In fiscal year 2008 one-time special effects from inventory write-downs in the course of a sales realignment of individual subsidiaries in the amount of € 6.9 million, among other things, contributed to this increase (see "Earnings Situation – Development of Earnings and Costs"). In addition the low-margin business of the British Forum Products division, acquired as part of the Forum Bioscience Group in September 2007 and resold in the third quarter of 2008 (see "Business and General Conditions – Acquisitions and Disposals" and "Development of Segments – Secondary Segmentation: Regional Developments – United Kingdom") burdened the cost of sales ratio in 2008 with a gross margin of only approx. 8%. Moreover it must be taken into consideration that the cost of sales has to be adjusted by an amount of € 5.1 million resulting from write-downs on generics inventories containing the active ingredient Olanzapine as well as sales-reducing accounting entries for recalling products with this active ingredient in Germany after a negative patent decision for STADA there. Finally, the sales-reducing accounting entries which, in accordance with IFRS, had to be made already in the fourth quarter of 2008 in the amount of € 5.9 million for an inventory value adjustment to be processed in the first quarter of 2009 in favor of the distribution channels in connection with the comprehensive price reductions by the German generics label STADApharm carried out on January 1, 2009 also contributed to a one-time burdening of the cost of sales ratio (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany").

After deducting the aforementioned one-time effects, the **adjusted cost of sales ratio** amounts to approx. 52.7% in the Group for fiscal year 2008. Thus, a better comparison with the previous year's cost of sales ratio of 51.9% is possible. It shows that the partly very distinct price and margin pressure in individual national markets (see "Development of Segments – Secondary Segmentation: Regional Developments") which overall resulted in a particularly high price erosion of more than 5% of Group sales in the reporting year 2008 (previous year: more than 4% of Group sales) was set off to a significant extent on a Group level by means of the continuous cost optimization of cost of sales, including production transfers to own production sites in low-cost countries such as Serbia, Russia and Vietnam (see "Business and General Conditions – Procurement and Production").

The sales-related **gross margin**, which is reciprocal to the cost of sales ratio, was 45.1% in the reporting year (previous year: 48.1%); the **adjusted gross margin** was 47.3%.

The Executive Board expects – despite the intense proceeding of continuous cost optimization – that cost of sales ratio and sales-related gross margin will be lastingly under pressure due to the price erosion that is intrinsically associated with the business model. In this context, the further increase of so-called volume businesses will additionally be noticeable as a curbing effect on cost of sales ratio and gross margin. In case of such volume businesses, a significant increase in units sold is expected in return to clear price reductions so that still acceptable profit contributions can be achieved overall, even if a clearly higher cost of sales ratio and reduced gross margin are associated with this. A typical example of such volume businesses are the discount contracts in the German generics market that were deliberately further increased by STADA in 2008, too (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany").

Other operating income grew to € 51.2 million in the reporting year (previous year: € 56.3 million).

The biggest individual item in this context are currency earnings in the amount of € 9.7 million (previous year: € 4.8 million). However, in their assessment consideration of the currency-related expenses reported under other operating expenses in the amount of € 22.7 million (previous year: € 10.2 million) is obligatory; for this, reference is made to the following explanations on other operating expenses.

In addition, other operating income of fiscal year 2008 includes the one-time special effect from the dissolution of provisions that were not required for the restructuring of the German generics sales in fiscal year 2007 (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany") in the amount of € 0.4 million before and € 0.3 million after taxes.

Finally, other operating income also includes write-ups on intangible assets due to impairment tests in the amount of € 2.2 million recognized in the reporting year as one-time special effects (see "Earnings situation – Development of Earnings and Costs").

Selling expenses, which essentially comprise costs for sales representatives and sales departments as well as product-related marketing expenditures, recorded an increase at a slightly lower rate than the rate of growth in sales and amounted to € 369.6 million in fiscal year 2008 (previous year: € 358.2 million). Thus, selling expenses as a percentage of sales reduced again to 22.4% (previous year: 22.8%).

For the future too, the Executive Board deems chances as good for a further decline in the selling expenses ratio since a further expansion of the product portfolio is not regularly associated with an expansion of sales activities and particularly the sales force sizes. In addition, in markets where low-margin volume businesses clearly increase it could become possible and/or necessary to further reduce sales expenses in return.

General and administrative expenses increased to € 119.9 million in the reporting year (previous year: € 115.4 million), thus remaining at 7.3% of Group sales.

Research and development costs recorded growth to € 46.5 million in 2008 (previous year: € 39.0 million) which, among other things, is due to an increasing number of in-house developments resulting, in turn, in a reduction of cost of sales in the medium term. The sales-related ratio of research and development costs amounted to 2.8% (previous year: 2.5%).

It should still be considered here that this is only a matter of development costs because STADA, due to its strategic positioning, does not carry out any research into new active pharmaceutical ingredients. The development costs reported in STADA's income statement comprise the non-capitalizable development costs which accrue primarily in connection with regulatory requirements and the optimization of existing products. Payments in the context of the development of new products are, by contrast, usually capitalized by STADA (see "Appendix [Notes IFRS] – 3.1.").[1)] For this reason they are not included in aforementioned cost item.

Other operating expenses fell to € 81.0 million in fiscal year 2008 (previous year: € 83.5 million).

In this context, amortization on intangible assets reported as a consequence of impairment tests amounted to € 7.1 million in the reporting year (previous year: € 35.3 million) (see "Earnings Situation – Development of Earnings and Costs"). Beyond that, other operating expenses also included non-recurring personnel expenses in the amount of € 7.6 million (previous year: € 9.6 million) as substantial individual items, thereof € 2.8 million as a one-time special effect in connection with the reduction of STADA's Executive Board (see "Boards of the Company")[2)], as well as value adjustments to receivables in the amount of € 7.9 million (previous year: € 7.3 million), thereof as a one-time special effect a burden of earnings in the amount of € 1.9 million for value adjustments on receivables due from Russian wholesalers. In addition, other operating expenses and provisions include expenses, also regarded as a one-time special effect, for compensation claims as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine in the amount of € 15.0 million (see "Business and General Conditions – Product Development" and "Development of Segments – Secondary Segmentation: Regional Developments – Germany").

Finally, other operating expenses include currency expenses in the total amount of € 22.7 million (previous year: € 10.2 million), thereof as the biggest individual item the one-time special effect in the amount of € 3.7 million for currency translation expenses of a Russian subsidiary in connection with existing loans from an earlier acquisition financing. By setting off currency earnings against currency expenses, the total result for 2008 is a burden of earnings due to currency effects in the amount of € 13.0 million (previous year: € 5.4 million).

1) In the 2008 fiscal year, development costs for new products in the amount of € 13.8 million (previous year € 8.2 million) were capitalized.

2) See the Company's ad hoc release of August 12, 2008.

Result from the accounting of associated companies under the equity method

The result from the accounting of associated companies under the equity method in the amount of € -2.5 million reported in fiscal year 2008 is the result of BIOCEUTICALS Arzneimittel AG, a company developing biosimilar products in which STADA, in the fourth quarter of 2008 – having taken effect with the registration on February 4, 2009 – increased its shareholding from 14.99% to 15.44% (see "Business and General Conditions – Acquisitions and Disposals").

This first-time disclosure of a result from the accounting of associated companies under the equity method in the context of STADA's income statement is made against the following backdrop:

In fiscal year 2008, the consolidated financial statements of STADA Arzneimittel AG as of December 31, 2007 as well as the Management Report for fiscal year 2007 were inspected (random sampling) in accordance with section 342b (2) sentence 3 no. 3 of the German Commercial Code (HGB) by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung e.V.; DPR). As a result of the inspection the following observations were made:

- In its consolidated financial statements as of December 31, 2007, STADA Arzneimittel AG wrongly recognized BIOCEUTICALS Arzneimittel AG at acquisition cost. It must be assumed that STADA Arzneimittel AG has at least a substantial influence on BIOCEUTICALS Arzneimittel AG in accordance with IAS 28. Thereafter, BIOCEUTICALS Arzneimittel AG was to be recognized under the equity method in accordance with IAS 28.

- The financial obligation from a capital guarantee of up to € 25 million by STADA Arzneimittel AG towards BIOCEUTICALS Arzneimittel AG was, incorrectly, not recognized under liabilities in the consolidated financial statements of STADA Arzneimittel AG as of December 31, 2007. With this, IAS 32.25 was infringed.

Overall, the Executive Board of STADA Arzneimittel AG deems the consequences of these observations for the balance sheet as well as the Group's income statement as not serious and therefore decided, in order to avoid costs, to accept the observations made by DPR without further objections and to adapt the previous year's consolidated financial statements as of December 31, 2007 pursuant to the observations (see "Appendix [Notes IFRS] – 1.5."). Accordingly, for the previous year, the result from the accounting of associated companies under the equity method amounts to € -0.9 million.

Financial Result

The **financial result** was € -70.9 million in fiscal year 2008 (previous year: € -37.6 million).

The largest operative-related individual item in the financial result is interest expenses – excluding effects from interest rate hedge transactions – for borrowed funds which were primarily used for the financing of acquisitions.

This increased – particularly due to the credit-financed acquisitions of the MAKIZ Group as well as the Forum Bioscience Group in the third quarter of 2007 respectively – to € 71.6 million in the reporting year (previous year: € 48.8 million). This is countered by operative-related interest income in the amount of € 17.4 million (previous year: € 9.4 million).

On the balance sheet date, the corresponding weighted average interest rate for all of the Group's financial liabilities thereby amounted to approx. 4.4% p.a. whereby the greater share of the financial liabilities is financed on a longer term basis (see "Financial Situation"). Due to these longer term financing shares the Executive Board expects an only moderate change of the weighted average interest rate in the STADA Group for 2009.

In addition, the financial result contains a net burdening effect from interest rate hedge transactions (so-called "interest swaps") of STADA Arzneimittel AG as well as a Russian subsidiary in the total amount of € 15.5 million (previous year: relieving effect of € 2.4 million) (see "Development of Earnings and Costs – Earnings-burdening effects from currency influences und interest rate hedge transactions").

Taxes on income

Taxes on income decreased to € 28.5 million in the reporting year (previous year: € 44.0 million) so that the tax rate declined to 27.0% in 2008 (previous year: 29.4%).

In addition to the below-average development of earnings in Germany (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany") it was noticeable here that the Group or Group companies increasingly generate earnings contributions in countries whose national marginal tax rates are lower than the former average Group tax rate. An even stronger decrease of the tax rate was countered by the thin capitalization rules introduced in the context of the 2008 corporate tax reform. This so-called interest barrier provides that the net interest cost of a corporate body is only deductible up to an amount of 30% of the EBITDA stated for tax purposes. Due to one-time special effects, among other things, tax relevant EBIDTA in Germany decreased strongly, so that this led to the non-deductability of net interest costs in the amount of € 24.4 million as well as to a corresponding additional tax burden of approx. € 5.8 million.

Outlook for earnings development

Summarizing the different business expectations in the individual national markets (see "Development of Segments – Secondary Segmentation: Regional Developments"), the Executive Board reaches the following earnings outlook for the Group: Whether earnings growth can be achieved in the current fiscal year 2009 is open against the backdrop of the current global financial and economic crisis. STADA's Executive Board currently expects a decreasing development in Group earnings in the first half of 2009. Whether the expected recovery in business development in the second half year can offset the decreases from the first half year is open. From the Executive Board's current perspective, however, EBITDA, adjusted for one-time special effects and the influence of currency effects and interest rate hedge transactions, should reach at least € 250 million.

Dividend

The Executive Board proposes to the Supervisory Board that they recommend an unchanged dividend ratio as compared to the previous year of approx. 40% of net income for fiscal year 2008 at the next Annual General Meeting on June 10, 2009, resulting in a dividend proposal in the amount of € 0.52 per common share (previous year: € 0.71 per common share) and in proposed total dividend payments of € 30.5 million (previous year: € 41.6 million).

It should be considered here that the number of shares entitled to a dividend increased by approx. 0.1% to 58,650,161 at the end of 2008 as compared to the end of 2007 due to the conversion of STADA warrants 2000/2015 (see “Financial Situation” as well as “Appendix [Notes IFRS] – 3.14.”).

FINANCIAL SITUATION

Overview of Financial Situation

In the Executive Board's view, the STADA Group's financial situation continues to be stable. An overview of this can be gained – as a supplement to the assessment of the individual items reported in the cash flow statement as well as in the balance sheet (see "Financial Situation – Cash Flow" as well as "Financial Situation – Development of the Balance Sheet") by means of various derived key figures.

As of the balance sheet date, the **equity-to-assets ratio** amounted to 34.0% (December 31, 2007: 36.2%). Thus, it continues to be clearly in a, from the Executive Board's perspective, satisfying area of over 30%.

There were clear improvements as compared to the previous year for **operating cash flow** with € 129.3 million (previous year: € 92.9 million) and for **operating cash flow adjusted** for significant influences[1)] from outside the reporting period with € 151.0 million (previous year: € 92.9 million). The same applies for **free cash flow** with € -14.0 million (previous year: € -140.6 million) as well as for **free cash flow adjusted** for significant effects from outside the reporting period and from acquisitions and disposals of € 48.8 million (previous year: € 1.0 million) (see respectively "Financial Situation – Cash Flow"). This clearly positive adjusted free cash flow shows that STADA's operating business – without acquisitions – was again financed through the Group's self-generated cash flow in 2008.

The Group's **liquidity** was guaranteed at any time in the past fiscal year. For this, a liquidity reserve in form of credit lines and, if required, cash is set aside. In addition, the Group has short-term bilateral credit lines. Via credit lines STADA currently has, e.g. for acquisitions, financial means in the amount of approx. € 500 million at its disposal.

Net financial liabilities (current and non-current financial liabilities ./. cash and cash equivalents ./. current securities) amounted to € 1,015.7 million on the balance sheet date December 31, 2008 (December 31, 2007: € 958.5 million) and thus in the fourth quarter 2008 were lower as compared to an interim higher level at the end of the third quarter (€ 1,059.1 million). Financial liabilities are mainly financed via long-term promissory notes from various international and national banks with maturities in the area of 2010–2015.

STADA's stable financial situation is also mirrored by an, as compared to the previous year, only slightly changed **weighted average interest rate for the Group's liabilities** in the amount of 4.4% in 2008 (previous year: 4.8%).

1) Utilization of provisions from 2007 for the restructuring of the German generics business in the amount of € 21.7 million.

From the Executive Board's perspective, this stability shows that especially in the current global financial and economic crisis lenders continue to have a high degree of trust in the Group's economic capacity.

Further derivable key figures on the STADA Group's financial situation for the financial year 2008 are as follows:

- First-class liquidity: 15% (previous year: 10%)
  = (cash and cash equivalents + current securities) / current liabilities

- Second-class liquidity: 91% (previous year: 78%)
  = (cash and cash equivalents + current securities + current trade receivables + other current assets) / current liabilities

- Third-class liquidity: 146% (previous year: 125%)
  = current assets / current liabilities

- Net working capital: € 626.5 million (previous year: € 639.7 million)
  = inventories + current trade receivables ./. current trade liabilities

- Capital employed: € 1,878.3 million (previous year: € 1,909.8 million)
  = shareholders' equity + non-current provisions + net financial liabilities

In the analysis of these key figures, the Executive Board concludes that STADA's financial situation in fiscal year 2008 – despite the current global financial and economic crisis – remains stable.

To create a sufficient financial framework for corresponding acquisition and cooperation projects with equity investments appropriate capital measures continue, however, to be imaginable if such projects too strongly burdened the equity-to-assets ratio (see "Business and General Conditions – Acquisitions and Disposals").

Cash Flow

Cash flow	2008	Previous year[1)]
Cash flow gross	150,352	201,189
Cash flow from operating activities	129,300	92,915
thereof influences outside of the reporting period		
• utilization of provisions from 2007 for the restructuring of the German generics business	21,733	-
Adjusted cash flow from operating activities	*151,033*	*92,915*
Cash from investing activities	-143,307	-233,492
Cash from financing activities	42,921	98,978

The **Group's gross cash flow** was € 150.4 million in fiscal year 2008 (previous year: € 201.2 million).

Cash flow from operating activities, i.e. cash flow from current business activities, amounted to € 129.3 million in the reporting year (previous year: € 92.9 million).

In addition, it must be taken into consideration in the assessment of cash flow from operating activities that it was essentially burdened in fiscal year 2008 by the utilization of provisions from 2007 for the restructuring of the German generics business in the amount of € 21.7 million. By deducting these influences from other accounting periods, the result is an **adjusted cash flow from operating activities** of € 151.0 million in the reporting period.

In terms of **cash flow from investing activities**, STADA recorded net cash outflows of € 143.3 million in 2008 (previous year: net outflows in the amount of € 233.5 million). As of fiscal year 2008, STADA uses the direct method for deriving the cash flow from investing activities. The respective figures for the previous year were adjusted to ensure comparability.

As outflow of cash for acquisitions (see "Business and General Conditions – Acquisitions and Disposals") this includes:

- Payments for the acquisition or increase of shareholdings in consolidated companies (after deducting acquired cash and cash equivalents): € 42.2 million (previous year: € 125.1 million)

- Payments for material purchases of intangible assets for the short-term expansion of the product portfolio (i.e. for acquisitions of already marketed products): € 9.8 million (previous year: € 35.1 million)

1) As of fiscal year 2008, STADA uses the direct method for deriving the cash flow from investing activities. The respective figures for the previous year were adjusted to ensure comparability.

In addition, in cash flow from investing activities, an inflow of cash and cash equivalents due to disposals in the total amount of € 27.3 million (previous year: € 31.8 million) arose in 2008.

Investments in other intangible assets, i.e. investments in intangible assets in the context of operating business not influenced by acquisition, cooperation and disposal projects, in the amount of € 41.7 million (previous year: € 59.1 million) mainly related 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 a small part for the purchasing of software in connection with the introduction of SAP software at STADA's international locations, among other things.

The further development of cash flow from investing activities with respect to total intangible assets significally depends on individual decisions of the Group on acquisition, cooperation and disposal projects. Regarding investments in other intangible assets in the context of operating business, for the years to come an amount similar to 2008 can be expected.

Investments in property, plant and equipment totaled € 72.2 million in 2008 (previous year: € 42.0 million).

In this context, for the construction of the new STADA logistics center in Florstadt, Germany, which was started in 2007 – with a total investment volume of approx. € 31.4 million in the first stage of completion the largest individual investment project in property, plant and equipment in the Group's history as yet – € 25.3 million were incurred in the reporting year. The logistics center, the construction of which has largely been completed, is being put into operation in the first quarter of the current fiscal year 2009. The center comprises the logistics functions of various German Group locations – including also the logistics functions of the German STADA subsidiary ALIUD PHARMA GmbH which have so far been organized separately at the location in Laichingen. This combination is intended to improve cost situation in the logistics area.[1)] In 2009, payments for this investment project in connection with the start-up are expected to be incurred for the last time, which overall should not exceeding the one-digit million area any more.

Another investment focus of the Group in terms of property, plant and equipment was, in the reporting year 2008 too, again on investments in production sites with funds in the total amount of € 10.4 million spent for this (previous year: € 7.7 million). Due to the stronger alignment to in-house production and the associated increasing number of production sites in the Group (see "Business and General Conditions – Procurement and Production") significant investments in the Group's various production sites in at least the same amount per year as in 2008 remain to be expected in the future, too.

1) In this connection accruals in the amount of € 0.9 million before or € 0.6 million after taxes for the relocation of the logistics functions of ALIUD PHARMA GmbH to the new logistics center, which was announced in the third quarter of 2008 and implemented in the first quarter of 2009, were incurred and have an outside of the accounting period character for fiscal year 2008 and are thus considered a one-time special effect (see "Earnings Situation – Development of Earnings and Costs").

Beyond that, investments in property, plant and equipment in fiscal year 2008 include first payments for the upcoming new construction with laboratory and office rooms on own premises at the Bad Vilbel location. From an expected total investment volume of, from today's perspective, up to approx. € 15 million – probably essentially incurring in the years 2009 and 2010 – expenditures for the design in the amount of € 0.7 million arose in 2008.

Investments in financial assets amounted to € 4.8 million in the reporting year (previous year: € 4.0 million).

As a cash outflow for the acquisition of Pymepharco Joint Stock Company (see "Business and General Conditions – Acquisitions and Disposals") a total of € 3.2 million was included in this.

The further development of this cash flow item depends on the Group's individual decisions on current investment projects.

Cash flow from financing activities amounted to € 42.9 million in 2008 (previous year: € 99.0 million).

From the conversion of warrants into STADA shares, the Group generated inflows from capital increase in the reporting year in the amount of € 0.6 million (previous year: € 7.6 million) (see "Appendix [Notes IFRS] – 3.13.").

In total, **cash flow for fiscal year 2008**, net of all inflows and outflows of cash and cash equivalents, amounted to € 29.0 million (previous year: € -48.0 million).

Free cash flow, i.e. cash flow from current business activities plus cash flow from investing activities, amounted to € -14.0 million in fiscal year 2008 (previous year: € -140.6 million). **Free cash flow, adjusted** for significant influences from outside the reporting period as well as for expenses from acquisitions and proceeds from disposals, was € 48.8 million in the reporting year (previous year: € 1.0 million). Thus, also for 2008, it is evident that STADA's operating business – without acquisitions – can be financed through the Group's self-generated cash flow.

As a **general statement** the Executive Board estimates that a stable financial situation can be inferred from the cash flow development described.

Development of the Balance Sheet

Total assets decreased to € 2,469.5 million as of the balance sheet date December 31, 2008 (December 31, 2007: € 2,541.5 million); this was largely due to currency effects with no influence on income.

Also largely due to currency effects, **intangible assets** fell to € 1,000.9 million as of the balance sheet date (December 31, 2007: € 1,096.5 million). The amount of this balance sheet item continues to be characterized by the Group's long-term growth orientation with corresponding investments in the acquisition of companies and products including brands and licenses as well as in the area of product developments for the acquisition of dossiers and approvals. In addition, in fiscal year 2008, development costs in the amount of € 14.6 million (December 31, 2007: € 10.2 million) were capitalized as internally-created intangible assets (see "Appendix [Notes IFRS] – 3.1.").

In accordance with IFRS the **intrinsic value of the assets** is checked at least once a year – within the STADA Group in the fourth quarter –, but also when necessary event-related through impairment tests. In this context both unscheduled amortization and write-ups on intangible assets occurred in the reporting year, which resulted in a net burden on earnings of € 4.9 million (previous year: € 35.3 million) (see "Earnings Situation – Development of Earnings and Costs").

Property, plant and equipment rose to € 306.6 million as of December 31, 2008 (December 31, 2007: € 298.8 million). This increase was mainly caused by investments in the new German logistics center as well as in the Group's international production sites (see "Financial Situation – Cash Flow").

Financial assets went up to € 20.8 million as of the balance sheet date (December 31, 2007: € 19.7 million[1]) – primarily due to the acquisition of financial shareholdings in Pymepharco (see "Business and General Conditions – Acquisitions and Disposals" as well as "Financial Situation – Cash Flow").

In accordance with IFRS, the financial assets are also checked at least once a year – at STADA in the fourth quarter –, but also when necessary event-related through **impairment tests**. In this context no noteworthy unscheduled depreciation on financial assets occurred in the reporting year (previous year: € 3.1 million) (see "Earnings Situation – Development of Earnings and Costs").

1) Adaptation in accordance with changed accounting guidelines in connection with the recognition of BIOCEUTICALS Arzneimittel AG as associated company; originally recognized value of the financial assets: € 39.0 million (see "Appendix [Notes IFRS] – 1.5.").

Shares in associated companies recognized under the equity method in the amount of € 4.4 million (December 31, 2007: € 6.9 million) relate to shares in BIOCEUTICALS Arzneimittel AG; this accounting treatment is the consequence of the results of a random inspection of the consolidated financial results of STADA Arzneimittel AG by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung e.V.; DPR) in fiscal year 2008 (see "Earnings Situation – Development of Earnings and Costs – Result from the accounting of associated companies under the equity method").

The shareholding in BIOCEUTICALS Arzneimittel AG, which has so far been recognized under financial assets at acquisition cost plus the capital guarantee made use of, will no longer be recorded under financial assets in the consolidated financial statements as of December 31, 2007, but as the independent balance sheet item "Shares in associated companies recognized under the equity method" in the amount of acquisition cost, less accumulated losses of BIOCEUTICALS Arzneimittel AG related to STADA Arzneimittel AG on a pro rata basis. Thus, the value adjusted in accordance with IAS 28 and IAS 32 as of December 31, 2007 amounts to € 6.9 million, the corresponding value before adjustments within the financial assets including the capital guarantee amounted to € 19.3 million.

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 with an unchanged low overall level to € 1.3 million as per December 31, 2008 (December 31, 2007: € 1.2 million).

Other non-current assets recorded a decrease to € 50.2 million as of December 31, 2008 (December 31, 2007: € 53.5 million). The main reason for this was the balance sheet treatment of the still outstanding purchase price sum from the sale of STADA Inc. to DAVA Inc. in the amount of € 15.6 million, which was completed in 2006. With a maturity of more than a year this outstanding purchase price receivable, which is due in the third quarter of 2009, was included in non-current assets until the balance sheet date December 31, 2007; as of the balance sheet date of the reporting year, December 31, 2008, it was, by contrast, with a maturity of less than a year, recognized as other current asset.

Inventories slightly, and thus clearly at a lower rate than sales, rose to € 396.9 million as of December 31, 2008 (December 31, 2007: € 393.1 million).

In specific market situations STADA puts – following the importance of market proximity (see "Business and General Conditions – Sales and Marketing") – range considerations deliberately aside in favor of possible operating opportunities. In individual cases revaluations of inventories which burden earnings can also be associated with this if the expected utilization of opportunities cannot be realized in the market. In the reporting year 2008, total burdens in the amount of € 33.3 million (previous year: € 41.7 million) due to range-related valuation changes in inventories, in particular, were incurred, of which € 6.9 million are considered one-time special effects in connection with sales realignments of affected subsidiaries and € 5.1 million as a consequence of the negative patent decision for STADA in Germany in connection with the pharmaceutical active ingredient Olanzapine (see "Earnings Situation – Development of Earnings and Costs").

Current trade accounts receivable decreased to € 458.2 million (December 31, 2007: € 480.9 million) on the balance sheet date. In specific market situations STADA accepts, if necessary, higher current trade receivables in order to be able to target opportunities for improved market positions associated with this. STADA, in the scope of its receivables management, however pays thorough attention to the liquidity of individual customers. Non-payments – especially also on the part of major clients – can, however, not be entirely ruled out (see "Risk Report"). Thus, STADA had to carry out value adjustments on current trade receivables as a one time-special effect in the amount of € 1.9 million in the fourth quarter of 2008 for non-payments of Russian wholesalers (see "Development of Segments – Secondary Segmentation: Regional Developments – Russia"). In 2008 too, the ratio of value adjustments related to Group sales was nevertheless in the overall still low area of 1.0% (previous year: 0.8%) (see "Risk Report").

Other current assets – in the amount of € 88.9 million (previous year: € 84.3 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 € 15.6 million from the sale of STADA Inc. to DAVA Inc. from fiscal year 2006 which is due in the third quarter of 2009 had to be classified here for the first time. Moreover, there is a receivable in the amount of € 0.7 million here from the disposal of the Forum Products division.

Non-current assets held for sale in the amount of € 2.1 million (December 31, 2007: € 0 million) relate to one shareholding which is now available for sale and therefore had to be excluded from financial assets.

As of December 31, 2008 too, the STADA Group, with only € 0.1 million (December 31, 2007: € 2.3 million), did not have any noteworthy holdings of **current securities**.

The item **cash and cash equivalents**, which is distinctly influenced by reporting date effects amounted to € 110.5 million as of December 31, 2008 (December 31, 2007: € 81.5 million).

On the **equity and liabilities** side of the balance sheet, shareholders' equity decreased to € 839.7 million as of December 31, 2008 (December 31, 2007: € 919.6 million). Thereby, proceeds from capital increases from the conversion of warrants into a total of 38,720 new STADA shares (see "Business and General Conditions – Capital Structure and STADA Share") improved the equity of the STADA Group slightly by a total of € 0.6 million in the course of fiscal year 2008. Currency translation with no effect on income against equity in the amount of € 107.6 million (previous year € 5.4 million), however, had an offsetting effect.

Pursuant to IAS 1.124 b STADA understands capital exclusively as the equity reported in the Group's balance sheet and aims to continuously improve its market value through optimal capital management.

Minority interests decreased to € 12.4 million as of the balance sheet date (December 31, 2007: € 21.1 million) due to the increase of various majority interests in the course of 2008 in Russia, Serbia and Bosnia-Herzegovina (see "Business and General Conditions – Acquisitions and Disposal").

Non-current provisions amounted to € 22.9 million as of December 31, 2008 (December 31, 2007: € 31.6 million) and were thereby below the previous year's level. They include provisions for pensions exclusively created in accordance with actuarial principles (see "Appendix [Notes IFRS] – 3.19.").

Non-current financial assets rose to € 761.1 million as of the balance sheet date (December 31, 2007: € 614.4 million) and are predominantly, namely at 85%, composed of promissory notes (see "Appendix [Notes IFRS] – 3.20.") with maturities 2010–2015. The weighted average interest rate for the STADA Group's non-current financial liabilities amounted to approx. 4.8% per annum as of December 31, 2008 (December 31, 2007: approx. 4.6% per annum).

As per the balance sheet date, with € 0.1 million (December 31, 2007: € 1.0 million), **non-current trade accounts payable** were at the usual low level for the size of the STADA Group.

Other **non-current assets** increased to € 30.8 million as of December 31, 2008 (December 31, 2007: € 22.5 million), due, among other things, to accrued interest from loans.

Current provisions amounted to € 20.3 million as of the balance sheet date (December 31, 2007: € 29.0 million), having thus again decreased as compared to the previous year with the high amount of provisions for the personnel measures in the German generics business at the time. As of the balance sheet date December 31, 2008, they included the provisions for damage claims against STADA sales companies as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine (see "Business and General Conditions – Product Development" as well as "Development of Segments – Secondary Segmentation: Regional Developments – Germany") which were reported as a special effect and provisions for warranties in the amount of € 4.1 million (December 31, 2007: € 3.7 million) to the moderate extent which is usual for STADA.

Current financial liabilities decreased moderately to € 365.1 million as per December 31, 2008 (December 31, 2007: € 427.9 million). A significant reason for this were reallocations of financial liabilities in the non-current area. The weighted average interest rate for the STADA Group's current financial liabilities amounted to approx. 3.8% per annum as of the balance sheet date (December 31, 2007: approx. 5.1% per annum).

As of December 31, 2008, with € 228.6 million (December 31, 2007: € 234.2 million), **current trade accounts payable**, which were also influenced by random reporting date effects, were below the previous year's level. They also include the accruals which, in accordance with IFRS, had already to be made in the fourth quarter of 2008 in the amount of € 5.9 million for an inventory value adjustment to be carried out in the first quarter of 2009 in favor of the distribution channels in connection with the comprehensive price reductions by the German generics label carried out on January 1, 2009 (see "Development of Segments – Secondary Segmentation: Regional Developments – Germany").

Other current liabilities, which were also influenced by random reporting date effects, amounted to € 128.0 million as of the balance sheet date (December 31, 2007: € 173.0 million); essential items here were tax liabilities in the amount of € 29.3 million (previous year: € 43.1 million), personnel-related liabilities in the amount of € 26.2 million (previous year: € 28.2 million) as well as liabilities, which were reported as a special effect, in the amount of € 0.9 million for the relocation of the logistics functions of the German STADA subsidiary ALIUD PHARMA GmbH to the STADA Group's new logistics center, announced in the third quarter of 2008 and completed in the first quarter of 2009. In addition, financial obligations from the capital guarantee towards BIOCEUTICALS Arzneimittel AG in the amount of € 4.8 million (December 31, 2007: € 4.8 million) were reported here for the first time.[1)]

As a **general statement** the Executive Board estimates that a stable financial situation can be inferred from the balance sheet development described.

1) Adaptation in accordance with changed accounting guidelines in connection with the recognition of BIOCEUTICALS Arzneimittel AG as an associated company; (see "Earnings Situation – Development of Earnings and Costs" as well as "Appendix [Notes IFRS] – 1.5.").

Competitive intangibles

In addition to recognized assets (see “Financial Situation”) STADA also has competitive intangibles. However, they are only partly quantifiable.

The most significant competitive intangibles include, for example, in the Executive Board’s assessment, the high international reputation of STADA as well as of the individual national labels in their respective markets. This reputation, which goes beyond the intangible asset of the trademarks held by the Group and recognized in the balance sheet in view of their importance for sales, is an important success factor for the initiation of new businesses, for example, or also in the discussion on health policy with politicians or in associations. STADA thereby achieves easier access to or has its voice better be heard with the respective decision makers. This competitive intangible of reputation can also not be quantified in terms of its value.

Another essential competitive intangible whose value can, however, be approximated by means of estimations is the goodwill of consolidated Group companies which, in accordance with IFRS, can partly not be recognized in the balance sheet. Although goodwill reductions determined in the context of impairment tests, which are regularly carried out, immediately result in a write-down and thus in a reduction of the corresponding balance sheet item, possible goodwill increases determined in this connection must not be used for write-ups. In addition, in the case of Group companies which are founded by STADA itself, no goodwill at all can be recognized. By making use for all of these cases of the criteria for impairment testing that are usual at STADA, the result is that STADA, because of this, can currently not report value in use of these companies alone in the amount of over approx. € 500 million as assets in the balance sheet.

DEVELOPMENT OF SEGMENTS

Primary Segmentation: Core Segments and Non-Core Activities

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").

Sales in what is still by far the bigger of the two core segments, **Generics**, were stagnant at € 1,154.5 million in the reporting year (previous year: € 1,154.4 million). This gave Generics a share of Group sales of 70.1% in 2008 (previous year: 73.5%).

Top 5 generic active ingredients in products of the STADA Group in 2008

Active ingredient	Indication	Sales 2008 in € million	Change from previous year
Omeprazole	Stomach medicine	101.8	-9%
Enalapril	ACE inhibitor	36.2	+3%
Simvastatin	Cholesterol lowerer	35.1	-22%
Diclofenac	Antirheumatic drug	23.9	-8%
Alendronate	Treatment of osteoporosis	20.5	+2%
Total		**217.5**	

Overall, in the reporting year, STADA generated sales in the amount of € 217.5 million with products containing the Group's top five active pharmaceutical ingredients in terms of sales (previous year: € 237.7 million). These products thus contributed 13.2% to Group sales in 2008 (previous year: 15.1%).

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

In the **Branded Products** core segment, STADA increased sales – also due to acquisitions[1)] – by 21% to € 368.9 million in fiscal year 2008 (previous year: € 304.0 million). This gave Branded Products a share of Group sales of 22.4% in the reporting year (previous year: 19.4%).

1) The units acquired in the United Kingdom in 2007 (Forum Bioscience Group) and Russia (MAKIZ Group) comprise significant shares in sales in the Branded Products core segment. Beyond that, since November 14, 2008 the Italian branded product Keritrina® contributed to sales of Branded Products in 2008 (see "Business and General Conditions – Acquisitions and Disposals" as well as "Development of Segments – Secondary Segmentation: Regional Development – Italy").

Top 5 branded products in the Group in 2008

Branded Product	Indication	Sales 2008 in € million	Change from previous year
Grippostad®	Cold medicine	28.0	+17%
Apo-Go®	Parkinson medicine	22.7	+184%[1]
Mobilat®	Topical pain and trauma treatment	17.1	-11%
Ladival®	Sun screen	16.5	+23%
Hirudoid®	Venous therapeutic treatment	15.1	+8%
total		**99.4**	

With the top five branded products in the Group in terms of sales, STADA generated sales in the amount of € 99.4 million in fiscal year 2008 (previous year: € 78.7 million). The share of these branded products thus amounted to 6.0% in the reporting year (previous year: 5.0%).

Measured by sales, Grippostad®, with € 28.0 million in 2008 (previous year: € 24.0 million) continued to be the strongest branded product in the Group.

Non-core activities as a support for core segments

Sales in **Commercial Business**, which is not part of the core segments, decreased by 15% to € 58.4 million in the reporting year (previous year: € 69.0 million). This decrease was caused in particular by the targeted reduction of these usually low-margin non-core activities in Serbia and Denmark.

Sales reported under **Group holdings/other** recorded acquisition-related growth of 49% to € 64.4 million in 2008 (previous year: € 43.1 million). Here, low-margin partial sales, which are not part of the core business, in the amount of € 48.6 million from the Forum Products division of the British pharmaceutical group Forum Bioscience acquired in the second half of 2007 were included (corresponding partial sales from the previous year: € 28.4 million since initial consolidation as of September 1, 2007) which, as expected, was sold again in the third quarter of 2008 and which, against the backdrop of this expectation, had been consolidated under Group holdings/other since its acquisition (see “Business and General Conditions – Acquisitions and Disposals“ as well as ”Development of Segments – Secondary Segmentation: Regional Developments – United Kingdom”).

1) Predominantly acquisition-related.

Operating profit by segment

Operating profit in the **Generics segment** decreased by 34% to € 136.7 million in fiscal year 2008 (previous year: € 206.2 million). Here, the difficult market conditions in individual national markets, in Germany in particular (see "Development of Segments – Secondary Segmentation: Regional Developments"), but also one-time special effects (see "Earnings Situation – Development of Earnings and Costs") were noticeable as burdening factors. **Operating profit** for **Branded Products**, by contrast, increased by 6% to € 53.8 million in the reporting year (previous year: € 50.9 million). The **operating profit margin** of **Generics** was 11.8% in fiscal year 2008 (previous year: 17.9%). The **operating profit margin** of **Branded Products** amounted to 14.6% in 2008 (previous year: 16.7%).

Taking into account the previously mentioned one-time special effects (see "Earnings Situation – Development of Earnings and Costs") **adjusted operating profit** in the **Generics segment** amounted to € 170.6 million in 2008 (previous year: € 212.5 million) and **adjusted operating profit** in the **Branded Products segment** was € 58.5 million (previous year: € 52.8 million). For the reporting year, this resulted in an **adjusted operating profit margin** in the amount of 14.7% for **Generics** (previous year: 18.4%) and in an **adjusted operating profit margin** in the amount of 15.9% for **Branded Products** (previous year: 17.4%).

Operating profit in the **Commercial Business segment** decreased by 33% to € 5.9 million in fiscal year 2008 (previous year: € 8.9 million). **Operating profit** in the **segment Group holdings/other** amounted to € -20.0 million in the reporting year (previous year: € -50.5 million). Here, with eight consolidated months, the temporary profit contribution from the Forum Products division, which was sold, was even more noticeable than in the previous year (three consolidated months). In 2009, after the sale of Forum Products, a clear decrease of the sales and earnings allocated to the segment can be expected.

Secondary Segmentation: Regional Developments

In the STADA Group, reporting according to secondary segments is based on the regional differentiation in national markets. In this context, in the individual national markets, all 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 2008	Total sales 2007	±% in euro	±% in local currency[2]	Share of Group sales 2008
Belgium	105.7	5.0			110.7	101.8	+9%		7%
Bosnia-Herzegovina	11.9	0.7	5.0	1.5	19.0	19.9	-5%	-5%	1%
China	2.0	0.2	4.6		6.8	8.0	-15%	-10%	<1%
Denmark	3.1	0.7	14.7		18.5	22.0	-16%	-16%	1%
Germany	455.4	103.1		5.5	564.0	579.8	-3%		34%
Finland	3.2	6.0		0.0	9.2	6.1	+53%		1%
France	86.6	4.7		0.1	91.4	87.0	+5%		6%
UK	25.2	35.1		40.6	100.9	75.7	+33%	+56%[3]	6%
Ireland	11.2	6.0	2.6	5.5	25.3	23.5	+7%[4]		2%
Italy	79.0	45.2		0.0	124.2	117.2	+6%[5]		8%
Kazakhstan	2.1	4.8			6.9	5.4	+26%	+33%	<1%
Lithuania[6]	0.4	0.4			0.7	1.1	-32%	-33%	<1%
Macedonia	2.3	0.4	0.0	0.0	2.7	2.9	-7%	-7%	<1%
Montenegro	4.3	0.7	0.8	1.6	7.4	9.4	-22%		<1%
The Netherlands	26.8	12.6	1.9	0.0	41.3	40.7	+2%		3%
Austria	10.7	3.8		0.0	14.5	13.1	+11%		1%
The Philippines	0.5		10.7		11.1	9.8	+14%	+19%	1%
Portugal	7.3	1.8			9.1	12.3	-25%		1%
Romania	2.1	0.8		0.1	3.0	6.7	-55%	-50%	<1%
Russia	84.8	97.2		1.4	183.4	133.8	+37%	+45%[7]	11%
Sweden	2.7	0.5			3.2	2.5	+29%	+35%	<1%
Serbia	114.9	6.7	17.8	5.0	144.5	145.1	0%	+2%[8]	9%
Slowakia	3.8	1.1			4.9	3.8	+30%	+20%	<1%
Spain	58.9	6.8		0.1	65.9	62.7	+5%		4%
Thailand	1.7	0.4	0.0		2.2	3.1	-29%	-21%	<1%
Czech Republic	8.4	1.5			10.0	8.9	+12%	+1%	1%
Ukraine	5.2	11.8		0.0	17.1	13.0	+32%	+48%	1%
Vietnam	5.1	2.1	0.3		7.5	7.9	-5%	+4%	<1%
Other countries	28.9	8.9	0.0	2.8	40.7	47.3	-14%		2%
• thereof USA	3.5	0.4			3.9	6.5	-40%	-36%	<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 euro.
3) Adjusted growth rate of +1% in local currency by taking into account the acquisition (Britannia Pharmaceuticals Ltd., consolidated since October 1, 2008) and disposal (Forum Products, deconsolidated since August 31, 2008) carried out there since then.
4) Adjusted growth rate of +4% taking into consideration disposals made there since then.
5) Adjusted growth rate of +2% taking into account disposals and sold commercial business.
6) The independent sales activities in this national market are no longer consolidated in the Group as of June 30, 2008.
7) Adjusted growth rate of +13% in local currency by taking into account the acquisition (MAKIZ Group, consolidated since September 1, 2007) carried out there since then.
8) Adjusted growth rate of +5% in local currency by taking into account the disposals carried out there since then.

Development of STADA's ten largest national markets

Due to the clear focus of Group activities on Europe, STADA's ten largest national markets are also located in the European area. They contributed a total of 88% in 2008 (previous year: 87%) to Group sales. With a mixed local business development, the Group increased sales in those ten national markets by a total of 6% in the reporting year.

Germany

In Germany, which continues to be STADA's biggest national market, the Group recorded a slight sales decline of 3% to € 564.0 million in the reporting year (previous year: € 579.8 million).

However, in fiscal year 2008, the STADA Group further increased its market share in the total German pharmaceutical market despite the particularly challenging regulatory and competitive environment, namely by 7.3% (previous year: 6.4%) in terms of units sold and 2.7% (previous year: 2.6%) in terms of sales. Thus, STADA is, as in the previous year, at position 3 of all pharmaceutical producers in terms of units sold and at position 10 in terms of sales.[1)]

Especially in the Generics segment, the German market was characterized by these particularly difficult conditions in fiscal year 2008. Regulatory measures, including the Act for strengthening competition in public health insurance (GKV-WSG) which took effect on April 1, 2007 in particular, and the stimulation of discount agreements between suppliers and health insurance organizations associated with it, among other things, as well as the particularly comprehensive reference price reductions in 2008 have led to a serious change of market structures and a strongly increased margin pressure in the German generics market. In addition, a surprising decision by the Federal Court of Justice (Bundesgerichtshof) of December 17, 2008 in the patent litigation on the product with the active pharmaceutical ingredient Olanzapine resulted in significant one-time special effects, which burden earnings, in the amount of € 24.2 million for the recalling of Olanzapine generics goods already in the market, the write-down of existing inventories of such generics as well as due to provisions for damage claims by the initial supplier (see "Business and General Conditions – Product Development").[2)]

In this particularly challenging environment, sales in the Generics segment in Germany fell by 6% to € 455.4 million in the reporting year (previous year: € 483.8 million); generics thus contributed 81% to STADA's sales in Germany (previous year: 83%).

In terms of earnings, the German generics business and influenced by this also the overall German STADA Group business was for the first time below Group average in fiscal year 2008 and thereby below the Executive Board's original expectations – also because the Executive Board, on the recommendation of the local management, decided in the course of the year to target, in the current German market situation, further progress in terms of market position and market share by means of an aggressive price and discount policy.

1) Data from IMS Health based on sales from manufacturers to the distribution channels (source: IMS/DPM).

2) See the Company's ad hoc release of December 19, 2008.

The associated objective of an increasing market share of the STADA Group in the German generics market was achieved in 2008. According to data from IMS Health[1] it was, in terms of sales, with 11.2% in the reporting period, above the market share of the corresponding period in the previous year of 10.9%. Overall, in this context it must be taken into account that such sales-related market data or market shares reflect the actual market situation in an increasingly imprecise way because the significant discounts increasingly granted by the individual suppliers to public health insurance organizations are not disclosed and can therefore not be considered in the market data available. However, since the STADA Group's market share in the German generics market has also clearly increased in terms of units sold – in a comparison of 2008 and 2007 to 12.9% after 11.5% before – the Executive Board assumes an actually improved competitive position of the Group in the German generics market.

In 2008, STADA continued to be active in the German market with five sales presences, so-called labels. The STADA Group's two largest local labels in Germany are ALIUD PHARMA GmbH[2], Laichingen, and STADApharm GmbH, Bad Vilbel, (including the sub-label STADA Medical, Bad Vilbel, which is focused on vaccines, among other things). Both labels are so-called "full-line" generics sales companies, offering comprehensive product portfolios and thereby covering the range of active ingredients available for generics in essential parts.

Growth impulses were given, since the first quarter of 2008, by the largest of the Group-owned sales labels in the German generics market, ALIUD PHARMA. With sales growth of 23% to € 252.1 million (previous year: € 204.5 million) ALIUD PHARMA, in 2008, further strengthened its market position as the third largest label of all generics suppliers in the German generics market.

The Group's second German generics label, STADApharm, occupies market position 4 in the German generics market.

In 2008, STADApharm operated – after the restructuring of sales activities in the fourth quarter of 2007[3] – for the first time without its own doctor-related sales force and saw sales shortfalls in the course of the year, also because expected new discount agreements were stopped by a court decision in the first quarter of 2008. In 2008, sales achieved under this label decreased by 29% to € 180.3 million (previous year: € 255.1 million). To improve sales possibilities in the pharmacy distribution channel, the activities of STADApharm and STADA GmbH, which sells the Group's pharmacy-exclusive Branded Products portfolio, were merged at the beginning of the third quarter of 2008.

From the Executive Board's perspective the different sales development of the two labels ALIUD PHARMA und STADApharm is primarily based on the sales history-related differing discount agreement volume. Until now, ALIUD PHARMA has been characterized by a clearly higher volume of discount agreements concluded even though both labels were able to conclude numerous additional discount agreements in 2008.[4]

1) Data from IMS Health based on sales from manufacturers to the distribution channels.
2) Effective September 12, 2008 ALIUD PHARMA GmbH & Co. KG was converted to ALIUD PHARMA GmbH by means of a change of form.
3) Against the backdrop that the GKV-WSG has led to sustained structural changes for prescription products in the German generics market, STADA Arzneimittel AG carried out a comprehensive restructuring of parts of the German generics sales in the fourth quarter of 2007, in the context of which more than 200 jobs in the doctor-related sales force of STADApharm and STADA Medical were eliminated. The goal of the restructuring carried out at the time 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. (see the Company's ad hoc release and corporate news, both of September 28, 2007). In order to nevertheless allow for a direct sales contact from STADA with the prescribing doctor, STADA has made use, to a limited extent, of leased sales forces with a total of approx. 53 sales force employees for the contact with the doctors since then.
4) As of March 1, 2009 ALIUD PHARMA had 111 discount agreements with a total of approx. 56 million publicly insured persons and STADApharm had 88 discount agreements totaling approx. 41 million publicly insured persons. Total of publicly insured persons in Germany: approx. 70 million.

As the number of discount agreements and the discount agreement volume covered with this is obviously a decisive precondition for market success, both STADA generics labels also submitted comprehensive bids in the scope of tenders of new discount agreements made by the Allgemeinen Ortskrankenkassen (AOK) in the second half of 2008.[1] According to the preliminary results of the AOK tender, which have been known since December 2008, the STADA Group, from the Executive Board's perspective, achieved a strong result.[2] According to this information, STADA's sales companies can, if the tender results remain legally effective, expect awards which account for a total of approx. 18% of the annual sales potential intended for awarding; STADA's previous market share was below 12% here.[3]

Of the total annual sales potential of approx. € 902 million expected to be awarded by the AOK, STADA sales companies are to receive awards in the amount of approx. € 159 million (respective estimates for the current annual sales of all suppliers in the German market with AOK patients for the respective active ingredients in the respective regions based on current market data at ex-factory prices, i.e. list prices before discounts at the date of the preliminary awarding). For this annual sales potential, the respective STADA sales company would then be the only contract partner of the AOK. Products prescribed by doctors without discount agreements must be replaced when dispensed at the pharmacy by the competitive product which is covered by a discount agreement and contains the same active ingredient (so-called substitution) if doctors do not explicitly rule this out in each case by marking it on the prescription. Therefore, the STADA sales companies can presumably expect very significant increases in units sold and sales for the affected products when concluding these discount agreements, but with reduced margins. Additionally, for the remaining discount agreements tendered by the AOK where the Group will presumably not be awarded any contracts, STADA has to expect, to a large extent, a decline in demand in prescriptions for AOK-insured persons during the two-year contract term.

As expected, numerous suppliers have raised various legal objections against all the planned awards of this AOK tender. In the scope of tender regulations STADA also proceeds against planned awards to competitors. The respective re-evaluation procedures were still pending when this report was prepared; although, from today's perspective, STADA expects these awards to be valid, it cannot be assessed with certainty if and when individual or all of the discount agreements now planned by the AOK will take effect. In addition, legal reviews on a national as well as an EU level of numerous existing discount agreements between generics suppliers und public health insurance organizations have also not conclusively been decided as yet. The Group's labels affected by this – almost exclusively ALIUD PHARMA and STADApharm – are preparing adequately in the scope of what is operatively possible for the various result scenarios of all ongoing legal reviews of discount agreements.

In the German generics market, STADA continues to be able and also strategically prepared to target further progress in terms of market position and market share by means of an aggressive price and discount policy and to also accept reductions in margins in exchange for significant growth in volume for essential parts of the portfolio, as long as overall a profitable business situation is maintained. This does not only apply in connection with bids for discount agreements, but also to pricing in terms of the ex-factory price. In this context, with comprehensive price reductions of the ex-factory prices on numerous products in its portfolio, the local STADApharm management launched a new aggressive price policy on January 1, 2009, according to which the products of this label are, for the time being, always to

1) See the Company's corporate news of December 5, 2008.
2) If the decision announced by the AOK proves to be legally secure in the further tender procedure, the STADA Group can expect, according to available information, a total of 40 new discount agreements for a total of 11 active ingredients in Germany. Of this number, 16 discount agreements are accounted to the sales label ALIUD PHARMA and 24 to the sales label STADApharm.
3) At the time of the preliminary award.

be among the three lowest-priced in the German generics market; this price policy thus also requires, if necessary, further price reductions after competitive reactions. In addition, already in the fourth quarter of 2008, these comprehensive STADApharm price reductions carried out as of January 1, 2009 led, in accordance with IFRS, to sales and earnings reducing accruals in the amount of € 5.9 million before or € 3.9 million after taxes for an inventory value adjustment to be carried out in the first quarter of 2009 in favor of the distribution channels (see "Earnings Situation – Development of Earnings and Costs" as well as "Financial Situation – Development of the Balance Sheet").

For another generics sales label from the STADA Group in Germany, cell pharm, a special supplier for the indication areas[1] oncology and nephrology, the structural market changes in Germany also created a challenging environment. After a sales realignment carried out in the course of the year – in which a one-time special effect which burdens earnings for inventory write-downs in the amount of € 2.0 million before or € 1.4 million after taxes was incurred (see "Earnings Situation – Development of Earnings and Costs) – cellpharm strongly revived sales in the second half of 2008. In fiscal year 2008, cell pharm achieved a total sales increase of 11% to € 20.8 million (previous year: € 18.7 million). After six months of fiscal year 2008, cell pharm sales had still been 11% below sales in the corresponding period of the previous year. The sales trend of the Group's first biosimilar[2] SILAPO® (active ingredient Epo-zeta[3]), which, as expected, went up in the course of the year, contributed significantly to the year-to-date positive change of trend (see "Business and General Conditions – Product Development"). Since its launch in the first quarter of 2008, cell pharm achieved sales of € 4.4 million with this product until December 31, 2008, thereof € 3,5 million in the second half of 2008 alone.

Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, another STADA label in Germany, mainly sells prescription-free generics, since 2008 supplemented by adjuvants in the indication area diabetes[4] and selected branded products[5] from the Group portfolio. In fiscal year 2008 Hemopharm achieved sales in the amount of € 3.1 million in Germany (previous year: € 1.4 million) – by including sales of € 1.8 million from products which were transferred from other STADA sales companies in Germany to the sales support of Hemopharm in the course of 2008.

In STADA's core segment Branded Products – which in Germany is largely represented by the label STADA GmbH, Bad Vilbel – sales increased significantly by 11% to € 103.1 million in the reporting year (previous year: € 92.9 million); Branded Products thus contributed 18% to STADA's sales in Germany (previous year: 16%).

In this context, important branded products from STADA continued to be market leaders in their respective segments in the German pharmacy market. Examples of this are: Grippostad® (local sales in 2008: € 25.8 million, previous year: € 21.1 million) with a market share of approx. 32% in the market for cough and cold medicines[6][7], Kamistad® (local sales in 2008: € 7.2 million, previous year: € 6.2 million) with a market share of approx. 23% in the market for prescription-free stomatoligical products[6], Hoggar® (local sales in 2008: € 6.3 million, previous year: € 6.2 million) with a market share of approx. 37% in the market for prescription-free chemical sleep aids and relaxants[7] as

1) In the third quarter of 2008 transferred to Hemopharm GmbH in the course of the sales realignment of cell pharm.
2) A biosimilar is a 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.
3) Epo-zeta is used in nephrology for the treatment of renal anemia with chronic renal insufficiency and in oncology for the treatment of chemotherapy-induced anemia.
4) In the third quarter of 2008 transferred to Hemopharm GmbH in the course of the sales realignment of cell pharm.
5) Due to sales strategy reasons various smaller branded products of STADA GmbH were integrated into the Hemopharm market activities in the course of fiscal year 2008.
6) Data from IMS Health based on ex-factory prices.
7) Excluding anti-infective agents.

well as STADA's sunscreen portfolio under the brand Ladival® (local sales in 2008: € 15.7 million, previous year: € 12.4 million) which, with a market share of approx. 44%, clearly remains market leader in the market for sunscreens sold in pharmacies[1]. With a market share of approx. 47%, the branded product Locabiosol® which was licensed and launched at the end of 2007 and in this context newly positioned in terms of sales (local sales in 2008: € 5.0 million, October to December 2007: € 1.9 million) is market leader in the reporting year in the market of analgesic throat sprays.[2]

In the outlook for the current fiscal year, the Executive Board assumes, from today's perspective, for the overall business in Germany – despite a regulatory and competitive environment which is expected to remain difficult – once again opportunities for sales growth. In particular, expected new products in the Generics segment after expiration of the patent or other relevant commercial property rights of a number of active pharmaceutical ingredients should contribute to it.[3] In view of the continuing price and margin pressure, operating profitability, from today's perspective, will remain below the Group average.

Russia

In Russia, STADA's second largest national market, sales in 2008 rose by 45% in local currency or by 37% in euro to a total of € 183.4 million in fiscal year 2008 (previous year: € 133.8 million). This includes sales from ZAO Makiz-Pharma which has been consolidated in the Group since September 2007 in the amount of RUB[4] 2,059.4 million or € 55.9 million. Sales growth adjusted for acquisitions and currency effects in Russia amounted to 13% in the reporting year. The operating margin adjusted for one-time special effects achieved in the Russian business thereby continued to be above Group average.

In 2008, such a special effect was a burden of earnings in the amount of € 3.7 million, which, due to the strong ruble devaluation in the fourth quarter of 2008, resulted in recognizable currency translation expenses of a Russian subsidiary in connection with existing loans from an earlier acquisition financing. Moreover, as an additional one-time special effect burdens of earnings in the amount of € 1.9 million for value adjustments on receivables from a local wholesaler were incurred in Russia.

Through various purchases in the course of the year which were completed in December 2008, STADA increased the existing shareholding in the Russian Group company OAO Nizhpharm, Nizhny Novgorod, from 99.58% at the beginning of 2008 to now 100% (see "Business and General Conditions – Acquisitions and Disposals").

In the fourth quarter of 2008 the consolidation of the sales structures of the former labels Nizhpharm and MAKIZ under the new joint umbrella brand STADA CIS was initiated. This is aimed at a stronger utilization of the sales synergies of both labels including a positive image transfer from the parent Group STADA to the local sales activities in Russia. Thus, STADA now is active with two local labels in Russia, STADA CIS and the local Russian sales unit of Hemofarm which continues to operate independently in terms of sales. The coordination of these two local labels is

1) STADA estimate at pharmacy retail prices based on data from IMS Health.
2) Data from IMS Health based on ex-factory prices.
3) STADA estimates, based on data provided by various international market research institutes, current sales volumes of active ingredients for which STADA currently expects the patents or other commercial property rights relevant for generics competition to expire by 2013 to be more than € 4.8 billion (in 2008 at ex-factory prices). STADA's expectations as to the date of availability of active ingredients for generic competition are continuously being reviewed from a legal perspective and may in future significantly differ from today's (as of March 1, 2009) 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.
4) Sales achieved overall in fiscal year 2007, i.e. partly also under the former MAKIZ owners, by the MAKIZ Group: RUB 1,474.6 million.

carried out in the scope of a joint executive committee to which managers of the two Russian labels as well as of the Group's headquarters belong.

A pro forma addition of the market shares of these two labels results in a market share of the STADA Group in the overall Russian pharmaceutical market of approx. 2.4% for 2008 (previous year with full-year inclusion of the MAKIZ Group which was still temporarily independent at the time: approx. 2.2%).[1)] Since both labels have local Russian production sites (see "Business and General Conditions – Procurement and Production") and are thus considered as local suppliers, they took, summed up in this pro forma addition, position 2 among the local Russian pharmaceutical companies in the reporting year.[1)]

Both core segments thereby contribute nearly equal amounts to local Group sales. Sales of generics in Russia amounted to € 84.8 million in 2008 (previous year: € 72.6 million) or 46% of STADA's sales in Russia (previous year: 54%), Russian branded products sales reached € 97.2 million in 2008 (previous year: € 59.1 million) or 53% of STADA's Russian sales (previous year: 44%).

The demand structure of STADA's Russian business continues to be characterized by self-pay patients; in 2008, only 8% of STADA's Russian sales were generated in the scope of the state program for the reimbursement of costs of selected drugs for individual groups of the population (DLO program).

In view of the expected positive effects from the merger of the two sales labels as well as the continuing structural market growth STADA, in the current fiscal year 2009, assumes a further clear expansion of the Group's Russian activities. Adjusted operating profitability achieved in Russia should thereby be above the Group average in 2009, too; however, also in 2009, the sales and earnings contribution from the Russian business to the Group will continue to be significantly influenced by the ruble/euro currency relation. In addition, from the Executive Board's current perspective, it is open whether and to which degree in 2009 the global financial and economic crisis will have a curbing effect on the Russian economy and thereby also on the Russian Group business which is largely supported by self-pay patients.

Serbia

In Serbia, STADA's third largest national market, the Group recorded sales growth of 2% in local currency. In euro, sales remained nearly stable at € 144.5 million (previous year: € 145.1 million). By deducting disposals[2)] made there since then and currency effects, adjusted sales growth was 5%. In 2008, the temporarily difficult political situation in Serbia did not significantly affect business activities of the local STADA subsidiary Hemofarm A.D.[3)], Vrsac, which continues to be the local market leader in the Serbian pharmaceutical market with a market share of 20.4% (previous year: 21.7%).[4)]

The local sales structure is primarily characterized by generics. In 2008, those reached sales of € 114.9 million (previous year: € 108.6 million) in Serbia, thus contributing 80% to the local Serbian Group sales (previous year:

1) STADA estimate based on RMBC data (Research Marketing Business Consulting, local Russian market research institute) at ex-factory prices.
2) Serbian Hemofarm subsidiaries: Multivita in the second quarter of 2007, Symbiofarm in the third quarter of 2007.
3) Including various local sub-labels.
4) STADA estimate based on IMS Health data at ex-factory prices.

75%). In the other core segment, Branded Products, sales in the amount of € 6.7 million were achieved in the reporting year (previous year: € 10.7 million) corresponding to a share of 5% in the local Serbian Group business (previous year: 7%).

Overall, the subsidiaries taken together with the local Serbian Hemofarm as the by far largest individual company in the internal reporting entity of a subgroup[1)] (including the local Group companies in Bosnia-Herzegovina, Montenegro and Macedonia as well one of the Russian Group companies), all of which are also managed in terms of sales by the Serbian Hemofarm management, reported operating profitability above Group average also in 2008.

In the scope of the further operating integration of the Serbian Hemofarm Group which was acquired by STADA in 2006 or the corresponding STADA subgroup into the operating Group processes, the transfer processes pursued in the medium and the long-term of production and development activities, which have so far mainly been awarded to external third parties, into existing Hemofarm units were continued as planned. These transfers represent an important element of STADA's production strategy, in particular and of the associated continuous cost optimization and will also be continued in the current fiscal year 2009 and in the subsequent years in order to tap further cost optimizing potentials by means of this (see "Business and General Conditions – Procurement and Production"). For this, STADA continues to provide significant investments for maintenance investments at the different locations of the Serbian subgroup for modernization and for the extension of the existing production units (see "Financial Situation – Development of the Balance Sheet").

In the course of 2008, Hemofarm A.D. increased the existing shareholding in the amount of previously 77.78% in the Serbian pharmaceutical company Hemofarm Koncern-Zorka-Pharma, Sabac, to 92.05%. Beyond that, in November 2008, Hemofarm Koncern-Zorka-Pharma purchased 4.5% of it's own shares (see "Business and General Conditions – Acquisitions and Disposals").

In the current first quarter of 2009, both in production and in sales Hemofarm was affected in Serbia by the local natural gas shortage due to the gas dispute between Russia and Ukraine; for this reason, among others, a weak sales and earnings development is to be expected for this first quarter in Serbia.

However, in view of the continued strong local market position as well as of further product launches, the STADA Executive Board follows the assessment of the local Hemofarm management which, for fiscal year 2009, assumes overall a further expansion of business in the Serbian market with a continued above-average operating profitability of the subgroup whose operative management it is responsible for; from the Executive Board's current perspective, it is, however, open whether and to what degree in 2009 the current global financial and economic crisis will have a curbing effect on the Serbian economy and thereby also on STADA's local business in the course of 2009. In addition, at Group level sales and earnings contributions of the Serbian business will, also in 2009, remain significantly influenced by the currency relation of the Serbian dinar to the euro.

1) The subgroup essentially comprises the former structure of the Hemofarm Group which STADA acquired in 2006.

Italy

In Italy, sales rose by 6% to € 124.2 million in the reporting year (previous year: € 117.2 million).

In the year-on-year comparison it must be taken into consideration that the local commercial business in Italy was stopped at the beginning of the year with the expiration of existing distribution agreements (sales contribution 2007: € 2.2 million). Beyond that, the sales contributions of various smaller branded products now sold were missing in the Italian Group sales in fiscal year 2008. Moreover, Italian Group sales in 2008 include sales contributions from the sale of approvals in the amount of € 8.7 million.

The expansion of the local Italian product portfolio carried out in the fourth quarter of 2008 by means of the acquisitions of the two branded products Keritrina® and Keraflox® (see Business and General Conditions – Acquisitions and Disposals") was, in contrast, initially hardly noticeable in sales of 2008 due to the short period of consolidation. Keritrina® is a patch containing the active pharmaceutical ingredient nitroglycerine which is used for the treatment of heart diseases (angina pectoris) and which, in 2007, the last full fiscal year before the takeover, achieved sales of approx. € 4.2 million. The product was acquired on November 14, 2008 and has thereby not yet considerably contributed to STADA's Group sales in 2008. The same applies to the branded product Keraflox®, which was acquired on December 17, 2008. This product is an oral antibiotic which contains the active pharmaceutical ingredient Prulifloxacin that is used for the treatment of urinary tract infections and chronic bronchitis and achieved in 2007, the last full fiscal year before the takeover, sales of approx. € 6.7 million.

By deducting all sales contributions from business activities which have expired or have been sold since than and from the sale of approvals as well as from the two product acquisitions, the adjusted sales increase in Italy amounted to 2% in 2008.

The Italian STADA business in the Generics segment with the local label EG S.p.A., Milan, increased by 13% to € 79.0 million (previous year: € 70.0 million), thus contributing a total of 64% to local Group sales (previous year: 60%). With a market share of approx. 16.7% (previous year: approx. 16.5%), STADA occupied position 1 in the Italian generics market in 2008.[1)]

With sales of € 45.2 million (previous year: € 45.0 million) the Italian STADA business in the Branded Products segment, essentially with the local label Crinos S.p.A., Milan, was nearly at the level from the previous year, thus having a share totaling 36% in STADA's local sales in 2008 (previous year: 38%).

In 2008, operating profitability of the Italian STADA activities was, as expected and unchanged to the previous year, approximately at Group average.

For STADA, the current fiscal year 2009 in Italy will be characterized by the consequences of the regulatory measures which are being prepared and are expected to take effect in the first quarter of 2009. Whether these meas-

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

ures, among other things, including a discount ban from the suppliers towards the distribution channels which could potentially increase earnings as well as regulatory price reductions which will reduce earnings will overall have a positive or a negative effect on the local Group companies in the future, cannot be conclusively assessed at this point in time. With this restriction, STADA, from today's perspective, assumes a further sales increase and operating profitability which will be again approximately at Group average for the Italian business in 2009.

Belgium

In Belgium STADA recorded sales growth in the amount of 9% to € 110.7 million in the reporting year (previous year: € 101.8 million).

In this context the Generics segment achieved sales of € 105.7 million (previous year: € 97.3 million), thus growing by 9% as compared to the previous year; the share of the Generics business in the local Belgian STADA sales thereby amounts to 95% (previous year: 96%). In the first half of 2008, the local Belgian generics label, S.A. Eurogenics, Brussels, was, as the clear local market leader with a market share of approx. 47.8% (previous year: 47.6%)[1] in the Belgian generics market, still particularly affected by the difficult market environment and the associated curbed growth dynamic, indeed. In the second half, however, demand revived, partly also coming actively from the patients' side because the Belgian co-payment regulations favor generics.

Since the beginning of 2007, STADA, with S.A. Neocare, Brussels, has also been active in terms of sales in the segment of Branded Products with an independent label in Belgium. In 2008, sales in the amount of € 5.0 million were achieved in this segment in Belgium (previous year: € 4.4 million), corresponding to an increase of 13% as compared to the previous year. Branded Products thus accounted for 5% of Group sales in Belgium in 2008 (previous year: 4%).

Operating profitability achieved in Belgium in fiscal year 2008 was approximately at Group average and thereby above expectations from the beginning of the year when STADA had initially assumed only below-average profitability.

As of January 1, 2009, new regulatory measures have taken effect in Belgium which will, in the local management's assessment, have a moderately stimulating effect on the generics demand. In addition, numerous product launches are prepared in the Generics segment. Against this backdrop, STADA assumes a significant sales increase for fiscal year 2009 in the Belgian market; operating profitability should thereby again be approximately at Group average.

United Kingdom

In the United Kingdom sales rose by 56% in local currency or 33% in euro to € 100.9 million in fiscal year 2008 (previous year: € 75.7 million) through the inclusion of the Forum Bioscience Group, which has been consolidated in the STADA Group since October 2007. The Forum Bioscience Group contributed GBP 47.7 million or € 59.3 million

1) STADA estimate based on IMS Health data at ex-factory prices for 2008.

to sales in fiscal year 2008; in 2007, the contribution to STADA's Group sales was GBP 19.0 million or € 27.7 million.

The Forum Products division, which was also purchased as part of the acquisition of Forum Bioscience, was sold, as expected, on September 23, 2008. In fiscal year 2008 this disposed Forum Products division achieved a low-margin sales contribution of € 48.6 million up to its deconsolidation as of August 31, 2008, thus contributing 3.0% to STADA's Group sales. The business activities of the now sold Forum Products – veterinary products and commercial business, among other things – were not part of STADA's core segments and were booked in the Group under Group holdings/other since its initial consolidation as of October 1, 2007 due to the intended sale. The sale does not affect income since the selling price in the amount of approx. € 2.8 million achieved for Forum Products had to be retroactively offset against the purchase price paid in 2007 for the entire Forum Bioscience Group (see "Business and General Conditions – Acquisitions and Disposals"). Since the disposal of the Forum Products division, the Forum Bioscience Group's remaining business is continued by STADA as Britannia Pharmaceuticals Ltd.

After deducting the sales changes due to the acquisition of the Forum Bioscience Group and the resale of the Forum Products division as well as the currency effects, a slight adjusted sales increase of 1% resulted for the United Kingdom in fiscal year 2008. In 2008, parts of the original generics portfolio of the local STADA sales company Genus Pharmaceuticals Holdings Ltd., Newbury[1)], were, as expected, exposed to a more intense price pressure than in previous years, leading to a reduction in sales and earnings of these products.

The acquired and not resold part of the Forum Bioscience Group, namely the Britannia division, developed on the other hand positively and achieved a sales of GBP 24.0 million or € 29.8 million in 2008.[2)]

By allocating sales according to core segments, it becomes evident that STADA's local business in the United Kingdom, after the acquisition of Forum Bioscience, is now more strongly characterized by Branded Products, reaching, with sales of € 35.1 million (previous year: € 21.8 million), a share of 35% (previous year: 29%) in local Group sales in 2008. The Group's Generics achieved sales of € 25.2 million in 2008 (previous year: € 31.7 million) and a share in local Group sales of 25% (previous year: 42%).

Against the backdrop of the local price and margin pressure as well as the – up to their sale – low-margin sales contributions by the Forum Products division, operating profitability in the United Kingdom was about at Group average in 2008. This result is above expectations from the beginning of the year, but below the above-average profitability of previous years.

For the current fiscal year 2009, the Executive Board expects – despite a further expansion of local business activities, especially in the area of branded products – a sales reduction in the United Kingdom as, due to the sale of the Forum Products division, the corresponding sales contribution has been dropped since the planned deconsolidation.

1) Further local label for Northern Ireland: Crosspharma Ltd., Belfast.

2) Adjusted Britannia sales 2007 partly under the former owners GBP 18.5 million.

With a continuing price and margin pressure in the area of generics, an operating profitability which will again be approximately at Group average will be assumed here. However, at Group level sales and earnings contributions of the British business will, also in 2009, remain significantly influenced by the currency relation of the British pound to the euro.

France

In France STADA achieved sales growth of 5% to € 91.4 million in the reporting year (previous year: € 87.0 million). Local Group sales, with € 86.6 million (previous year: € 82.3 million) or 95% (previous year: 95%), continue to stem by far mainly from the Generics segment; the Group's Branded Products achieved sales of € 4.7 million in 2008 (previous year: € 4.7 million) or 5% of local Group sales (previous year: 5%).

This sales increase in the Generics segment was achieved – also thanks to numerous product launches – despite a discount competition in the pharmacy distribution channel which continues to be very intense in this market. Nevertheless, the local STADA sales company's operating profitability was at Group average in fiscal year 2008. Overall, the local French generics business, under the label EG Labo SAS - Laboratoires Eurogenerics, Paris, reached a market share of approx. 5.1% (previous year: 5.3%), thus occupying position 7 among the local generics suppliers.[1)]

With unchanged framework conditions, STADA expects to be able to once again increase sales in 2009, to which the further expansion of the product portfolio should also contribute. Operating profitability, however, will – due to the continuing intensive discount competition – thereby probably be below average as compared to the Group. From today's perspective, it is unclear whether and if yes, with which stimulating and/or curbing consequences for STADA's business in France the regulatory interventions (including an increase of the prescription ratio of generics, further regulatory price reductions, reduction of the discount level for pharmacies) currently discussed there, will become effective.

Spain

In Spain, sales of the local STADA sales company Laboratorio STADA, S.L., Barcelona, increased – despite an ongoing strong discount competition as well as regulatory-related price reductions – by 5% to € 65.9 million in fiscal year 2008 (previous year: € 62.7 million). With a market share of approx. 8.1% (previous year: approx. 7.9%), STADA occupied position 4 in the Spanish generics market in the reporting year.[1)]

With sales of € 58.9 million (previous year: € 55.9 million) and a share in STADA's Spanish sales in the amount of 89% (previous year: 89%), Generics, also in 2008, were the clearly larger core segment. With sales of € 6.8 million (previous year: € 6.7 million) the Branded Products segment contributed a total of 10% (previous year: 11%) to STADA's sales in Spain in the reporting year.

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

Against the backdrop of the difficult framework conditions in the Spanish generics market, STADA, as expected, achieved a positive operating profitability in fiscal year 2008 which, as compared to the Group average continued, however, to be below the average.

In the outlook for the current fiscal year 2009, STADA once again expects a sales increase of the Spanish Group activities, partly as a result of further product launches and partly caused by the start of a new local sales company of the STADA Group, Laboratorio NeoCare, SLU, Barcelona, which is focused on branded products. Against the backdrop of a continuing strong discount competition and additional announced regulatory-related price reductions in the generics segment, operating profitability which continues to be below the Group average must thereby be assumed for STADA'S overall Spanish Group business.

The Netherlands

In the Netherlands STADA achieved sales in the amount of € 41.3 million in the reporting year (previous year: € 40.7 million), corresponding to a slight plus in the amount of 2% in the year-on-year comparison. While sales in the first half of 2008 – essentially due to local price reductions – was still clearly decreasing, STADA, to a large degree, offset this through growth of units sold and of sales after tenders from local health insurance organizations were won in the second half of 2008. Operating profitability of the Group's Dutch business activities thereby continued, as expected, to be below Group average in the reporting year.

The Group's Generics achieved sales of € 26.8 million in the Netherlands in 2008 (previous year: € 25.1 million), corresponding to a share in local Group sales of 65% (previous year: 62%). With a market share of approx. 6.0% (previous year: 6.1%), STADA's Dutch generics label, Centrafarm B.V., Etten-Leur, occupied position 5 in the Dutch generics market in 2008.[1)]

With sales of € 12.6 million achieved in 2008 (previous year: € 12.8 million), business with branded products, for which, among others, the local label Healthypharm B.V., Etten-Leur, is responsible, had a share of 30% in STADA's Dutch sales (previous year: 32%).

For the current fiscal year 2009, STADA expects stable sales with a continuing difficult market situation in the Netherlands. In view of competition that remains intense, the local STADA business, will presumably, also in 2009, record operating profitability which – as was the case in 2008 – is expected to be below Group average. These statements are applicable within the current framework conditions. The influence of possible regulatory changes, which are currently discussed in the Netherlands, cannot be assessed from today's perspective.

Ireland

In Ireland, sales growth of 7% to € 25.3 million was achieved in fiscal year 2008 (previous year: € 23.5 million). Here, acquisition-related influences temporarily applied since the Forum Products division which was acquired in

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

2007 and resold in 2008 – whose sales were indeed mainly incurred in the United Kingdom – however, also included some Irish sales (see "Business and General Conditions – Acquisitions and Disposals" as well as "Regional Developments – United Kingdom"). The corresponding sales contributions from Forum Products to STADA's Irish business amounted to € 4.4 million for three consolidated months in 2007 and to € 5.3 million for eight consolidated months in 2008. By deducting these sales contributions, an adjusted sales plus of 4% resulted for STADA's business in the Irish market.

With € 11.2 million in 2008 (previous year: € 11.6 million), generics sales in the Irish market, largely generated by the local STADA sales company Clonmel Healthcare Limited, Clonmel, thereby accounted for 44% (previous year: 49%) of local Group sales achieved there. Overall, with a market share of approx. 17.7% (previous year: 17.9%) STADA was ranked 3rd in the Irish generics market.[1)] In 2008, branded products in Ireland contributed 24% to Group sales (previous year: 25%) with sales of € 6.0 million (previous year: € 5.9 million). The operating margin of the Irish sales company continued to be approximately at Group average in 2008.

Against the backdrop of the Forum Products disposal and the missing corresponding sales contributions due to this in 2009, STADA expects a sales decline of the Group business in the Irish market for the current fiscal year 2009. Operating profitability of the STADA business in this market should continue to be approximately at Group average in 2009.

Development in other European countries

In **Bosnia-Herzegovina**, STADA recorded a decrease in sales by 5% in local currency or by 5% in euro to € 19.0 million in the reporting year (previous year: € 19.9 million). The focus of business activities, operated here under the label Hemofarm, continues to be mainly on the Serbian-oriented part of the country.

In 2008 STADA, via the Serbian Group company Hemofarm A.D., Vrsac, increased the existing shareholding in Cajavec sistemi upravljanja A.D., Banja Luka, Bosnia-Herzegovina, which currently does not conduct any operating activities. The amount of the shareholding was increased from previously 67.27% to now 96.78% (see "Business and General Conditions – Acquisitions and Disposals"). The increase of shareholdings does not have any operating consequences.

In **Denmark**, sales decreased by 16% in local currency or by 16% in euro to € 18.5 million in fiscal year 2008 (previous year: € 22.0 million) – particularly due to the targeted abandonment of low-margin commercial sales outside of the core segments.

In the current first quarter of 2009, namely on January 26, 2009, the Danish STADA subsidiary PharmaCoDane ApS, Copenhagen, signed a contract on the acquisition of the Danish company Dermalog ApS, Hotte (see "Business and General Conditions – Acquisitions and Disposals"). In 2008 Dermalog achieved annual sales in the amount of € 0.7 million or DKK 5.0 million and after-tax profits of € 0.03 million or DKK 0.2 million. The company's product

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

portfolio comprises a series of branded products in the skin care market, thus allowing STADA to enter the branded products segment in the Danish health care market. Immediately after the acquisition the company was merged with STADA's Danish sales company PharmaCoDane ApS.

In **Ukraine**, STADA generated, due to local structural growth potentials which continue to be high, a clear sales increase of 48% in local currency or of 32% in euro to € 17.1 million in reporting year 2008 (previous year: € 13.0 million). Due to the difficult economic situation in Ukraine, it is currently not possible to give a prognosis for the business development in 2009.

In **Austria**, the STADA Group recorded sales growth of 11% to € 14.5 million in 2008 (previous year: € 13.1 million), mainly due to a further expansion of STADA's local generics business.

In the **Czech Republic**, sales went up by 1% in local currency or by 12% in euro to € 10.0 million in 2008 (previous year: € 8.9 million).

In **Finland** sales rose by 53% to € 9.2 million in 2008 (previous year: € 6.1 million). In the course of 2008 STADA started first sales activities in the generics market there to complement the existing branded products business.

With 25% to € 9.1 million, sales in **Portugal** clearly decreased in 2008 (previous year: € 12.3 million) due to particularly strong state price reductions.

In **Montenegro** sales of € 7.3 million were achieved in 2008 (previous year: € 9.4 million). The sale of the local STADA subsidiary Hemomont d.o.o., Podgorica, Montenegro, including its local pharmaceutical production site, which had been launched with conditional contract from December 28, 2007, was discontinued in the third quarter of 2008 due to the buyer's financial difficulties. Therefore, for the time being Hemomont will remain part of the STADA Group.

In **Slovakia** the STADA Group had previously only operated in the scope of export activities. STADA founded a new local sales company in this market in the second quarter of 2008 (see "Business and General Conditions – Sales and Marketing"). Overall, sales in the Slovakian market increased by 20% in local currency or by 30% in euro to € 4.9 million in 2008 (previous year: € 3.8 million).

In **Sweden**, sales went up by 35% in local currency or by 29% in euro to € 3.2 million in fiscal year 2008 (previous year: € 2.5 million).[1)]

In **Romania**, sales decreased by 50% in local currency or by 55% in euro to € 3.0 million in the reporting year (previous year: € 6.7 million). In Romania, all previous local sales activities of the Group have been brought together in the in 2008 newly founded sales company STADA HEMOFARM (see "Business and General Conditions – Sales and Marketing").

1) Due to its non-material significance, the local Swedish sales company is still not included in the Group's scope of consolidation.

In 18 additional European countries the STADA Group continued to operate in the scope of **export activities** in the reporting year, generating sales totaling € 19.6 million (previous year: € 24.1 million).[1)]

Development in Asia

In the Asian countries, the business development in fiscal year 2008 varied from country to country. Overall, sales increased by 5% to € 47.2 million in the reporting year there (previous year: € 44.7 million).

In **the Philippines**, sales grew strongly – by 19% in local currency or by 14% in euro to € 11.1 million (previous year: € 9.8 million). This, however, was mainly a matter of low-margin commercial business.

In **Vietnam**, the Group's local business activities continue to be operated within the framework of a 50:50 joint venture (JV) with a local partner, MST Trading Pharmaceutical Company Limited. Thereby, the sales share consolidated by STADA in 2008 on a pro rata basis went up by 4% in local currency, decreased, however, by 5% in euro to € 7.5 million (previous year: € 7.9 million).

In the scope of this joint venture STADA opened a new plant in Binh Duong Province (Greater Ho Chi Minh City), Vietnam, in January 2008. The production facility which has been completed in a construction time of less than two years is already STADA's second plant in this area. The new state of the art production facility is the first pharmaceutical plant in Vietnam not only producing under WHO-GMP (GMP: Good Manufacturing Practice, international production standard in the pharmaceutical industry) but also meeting the strict requirements of EU-GMP and thus being able to produce products for sales in the European Union. The investment volume of the new approx. 34,000 square meter production plant[2)] amounted to a total of approx. USD 20 million (approx. € 14.5 million) half of which was contributed by each partner. The strategically planned expansion of own production capacities in low-cost countries which is an important component of continuous cost optimization (see "Business and General Conditions – Procurement and Production") has thus made an important step ahead.

In addition, in the third quarter of 2008, STADA took a shareholding of 11.2%[3)] in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company. The shareholding, which can be both expanded and reduced in the next two years under agreed conditions upon STADA's unilateral decision, is aimed at further strengthening STADA's presence in Vietnam and at becoming a leading local pharmaceutical supplier (see "Business and General Conditions – Acquisitions and Disposals").

In **Kazakhstan**, the STADA Group made use of the strong local structural growth potentials and strongly increased sales achieved there to € 6.9 million (previous year: € 5.4 million). Sales growth thereby amounted to 33% in local currency or of 26% in euro and was supported by increases in both core segments.

1) In the scope of a comprehensive sales realignment of STADA Pharma International (SPI) the takeover of SPI business activities through new local sales companies in Poland and in Bulgaria which had been planned already for 2008 have been postponed to the first quarter of 2009.

2) Conception, construction and outfitting of the new plant on the premises of the Vietnam Singapore Industrial Park in the greater Ho Chi Minh City area were realized with the intense technical support of the STADA Group. In addition to specialists from the Bad Vilbel headquarters, the Serbian Hemofarm Engineering which is part of the STADA Group and which, among other areas, is specialized in consulting services in the context of the establishment of pharmaceutical facilities also participated in this.

3) Further shareholders presently are: the Vietnamese state with approx. 19.7%, employees with approx. 10.6%, management with approx. 4% and institutional investors with approx. 55%.

In **China**, sales decreased by 10% in local currency and by 15% in euro to € 6.8 million (previous year: € 8.0 million); in view of the overall unsatisfactory sales and earnings levels of the local business, STADA is currently reviewing various options for action for this such as a sales realignment or disposal possibilities.

In **Thailand**, the Group recorded a sales decrease of 21% in local currency or of 29% in euro to € 2.2 million (previous year: € 3.1 million).

Moreover, STADA operated in 22 additional Asian countries in the scope of **export activities**.

Development of Export Business

In addition to sales from the local sales companies, STADA continued to generate also export sales in the individual national markets in the reporting year. In the reporting year 2008, STADA thereby achieved, overall, worldwide exports to 53 countries with sales of € 40.7 million (previous year: € 47.3 million).

The regional breakdown of export sales in 2008 was as follows:

- Exports to European countries € 19.6 million (previous year: € 24.1 million)
- Exports to Asian countries € 12.7 million (previous year: € 10.6 million)
- Exports to American countries € 5.7 million (previous year: € 8.1 million)
- Exports to African countries € 1.6 million (previous year: € 4.1 million)
- Exports to the rest of the world € 1.1 million (previous year: € 0.5 million)

In the past, the STADA Group's export activities had mainly been operated by the sales company STADA Pharma International (SPI) which is located in Bad Vilbel and specialized on this as well as by the Serbian Group company Hemofarm.

However, since SPI had operated at an unsatisfactory earnings level clearly below Group profitability, the Executive Board decided in the second quarter of 2008 in the scope of a sales realignment of export activities to allocate these mainly exclusively to Hemofarm in the future. For the target of improving profitability of the export business in the medium term, short-term sales reductions through the change of the local sales partners and strategies as well as through one-time burdens due to inventory write-downs in the amount of € 4.8 million before or € 3.2 million after taxes were thereby accepted (see "Earnings Situation – Development of Earnings and Costs"). In the course of this, the affected export activities have been shifted to Hemofarm in Serbia since the third quarter of the current fiscal year and are controlled from there; SPI largely terminated its operating activity at the end of 2008.

RISK REPORT

Introduction

Opportunities and risks are usually inherently connected in business processes. It is therefore unavoidable to take risks in the scope of the Group's business activities. However, the risks taken must be proportionate to the expected benefit from the relevant business activity. In this Risk Report, it is shown which instruments the STADA Group has to identify and assess such risks and which essential risk areas or risks are thereby identified by the Executive Board.

Risk management system

STADA has 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 risk management system aims to identify relevant risks for STADA, assess their effects on STADA and identify possible counter measures so that suitable measures can be initiated in due time, if necessary.

The structure of STADA's risk management system did not change in the reporting year 2008. The Group's risk management system is centrally operated by the risk management department which reports directly to the Executive Board and is regularly reviewed for effectiveness and suitability. Thereby, a Group-wide standardized risk reporting and messaging system is used to identify both significant risks and 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.

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 resulting risk report which is prepared on a quarterly basis is regularly submitted to the Executive Board; essential risks thereof are discussed by the Executive Board and Supervisory Board and, if required measures to minimize risks are addressed.

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

Categories of risks and period of prognosis

From the STADA Executive Board's current perspective, anticipated risks to the Group's business activities particularly include the risks stated below, summarized according to risk categories in this context. On principle, for this risk report the period up to the end of the next fiscal year is taken as period of prognosis, to the extent that no other period is stated in individual cases. It can, however, on principle not be ruled out that further, also essential risks will arise in the development of business during the period of prognosis which can add up to the risks stated in the following.

Regulatory risks

On principle, every business activity, also STADA's, is influenced by the regulatory environment; associated with this is the risk that this environment changes in a detrimental way.

For STADA, this particularly applies to regulations pertaining to the public health care system in individual countries and to the market structures characterized by this. Thereby, regulations in the health care system are based on standards 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 or removals of 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 individual national sales structures, for instance, are geared to local regulatory conditions with regard to the marketing as well as sale and trade of drugs and other products, 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, terms and/or requirements concerning discounts, creation framework conditions stimulating more intense competition) regulate the prices of products, particularly of drugs or they are influenced by supranational regulations. Should STADA therefore be compelled to price reductions, mandatory discounts, new, additional or increased granting discounts – especially in the scope of discount agreements – or to other directly or

indirectly margin-reducing measures, this will have an immediate negative impact on STADA's earnings situation, unless such measures serve at the same time as a balancing factor via a stimulation of units sold, improvements of earnings or lowering costs. This also applies in the event that drugs or other products 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 margins and/or discounts in individual distribution channels such as for pharmacies or wholesalers, bonus-malus provisions for the selection of drugs in favor of doctors and/or pharmacies, changes in the ownership structure of doctors' practices and/or pharmacies as well as requirements for specific distribution channels and trading margins for individual products or product groups) could also have adverse effects on STADA.

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 "Risks for the existence of the current product portfolio as well as "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 "Corporate strategy risks" as well as "Legal risks"). Here too, unfavorable regulatory changes can arise which have adverse effects on business activities of the Group and/or individual subsidiaries.

Accurate predictions concerning the introduction and scope of potential changes in national or supranational regulations as well as their effects on the market structures and/or business processes which are of relevance for STADA are not possible since the introduction and scope of such regulations depend on the political process of the country in question or on court decisions and after such regulations have become effective, the consequences are also influenced to a large degree by the reactions of the market participants affected.

Risks for the existence of the current product portfolio

Principally there is the risk that due to unexpected events or faulty operating activities products launched by a company, including those from STADA, can, contrary to plans, not be sold any longer or only to a limited degree.

Particularly for drugs which comprise a major part of STADA's portfolio, new scientific findings or evaluations can, for example, lead to a less favorable risk-benefit analysis. Measures that may be taken by the Company itself or by the authorities in such cases can temporarily or lastingly restrict the marketing of affected products or terminate it.

Such measures can, for example, 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 still 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/or 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 new contraindications, side effects and/or interactions occur, leading to a less favorable risk-benefit analysis including associated aforementioned consequences, this might foil, significantly affect or make the market success of biosimilar products which are relevant for the Group or 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 as well as credits to third parties may have to be entirely or partially written off.

Non-drugs in the STADA product portfolio such as medical products, cosmetics, and other products that do not require prior approval as well as services offered by the Group 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 new or initially hidden 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.

Risks in connection with the further expansion of the product portfolio

For a company, also for STADA, the continuous expansion of the product portfolio principally plays an essential role in corporate success. Associated with this is the risk that due to unexpected events and/or the faulty implementation of activities preparing market entry – such as product development and approval – products are, contrary to plans, not or belatedly or only at higher development and/or production costs than originally assumed launched on the market.

As a rule, drugs, which account for the by far largest part of STADA's product portfolio, may only be brought to market with product-specific approval from the responsible national or supranational authorities. Product market entry can be delayed considerably, increase in cost, become unprofitable or be prevented as a result of the extensive efforts required in preparing approval documentation as well as the lengthy approval processes. Additional requirements imposed by the relevant approval authorities may also lead to a situation in which STADA is unable to develop or market a new product at all, as intended or can do so only at clearly higher costs than originally expected. In some countries, some or all drugs are subject to 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 initial pricing or reimbursement approval may be delayed considerably for STADA in these countries; unfavorable prices or reimbursement rules can make the marketing more difficult, less profitable or unprofitable.

In addition, meticulous observance of relevant legislation is extremely important for the development and approval of every individual product. For generics, this also particularly applies to a great extent to the observance of commercial property rights (such as 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. To the extent that STADA has offered products by assuming legal clearance and in the course of court decisions it turns out that this assumption was wrong, there is the risk that STADA has to take launched products at significant costs from the market, write down and destroy inventories which had existed already and those taken back as well as meet significant damage claims if commercial property rights were infringed.

Moreover, when expanding the product portfolio, the Group is 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.

Environment and industry risks

On principle, every business activity, also STADA's, is subject to specific risks of the competitive environment and the industry which can result in deviations from what actually occurs as compared to the planned business development.

The health care and pharmaceutical market in which STADA operates is highly competitive. In addition, competition is thereby partly also stimulated in a targeted way in individual national markets by means of regulatory measures (see "Regulatory risks").

Some competitors within the industry possess considerably more 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, product range and scope of service as well as delivery and discount conditions, may be to the distinct detriment of STADA's business success. In the context of such market-effective activities competitors may also accept targeted losses in specific market segments, for individual products, or in certain subsidiaries, in order to safeguard or expand their own competitive position. This is particularly true with regard to potential price and/or discount and/or conditions wars with competitors, given the intense competition in the Generics segment which is STADA's larger core segment, especially if these competitors can offer the products 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, 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 result in more unfavorable framework conditions of tenders 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 for existing sales, for example due to a lower utilization of existing capacities or a worsened quantity scale in case of external procurement.

Other specific risks for STADA's competitive environment and the industry relate to the possible loss or the non-consideration in the context of all kinds of requests for bids such as tenders and discount contracts – particularly 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.

To make use of opportunities, STADA is principally willing to accept, if necessary, losses in national markets and/or for selected products or product groups, for example in national markets that in the Company's view exhibit major growth potential for sales and/or earnings or the strategic and/or operative necessity for maintaining or expanding its own market position. These losses may be higher than anticipated as a result of competition activities, customer behavior or government regulation.

Corporate strategy risks

Corporate strategy is mainly focused on growth and internationalization in the health care and pharmaceutical market in the core segments Generics and Branded Products. Specific risks are associated with this for STADA.

Thus, in principle every Group's growth strategy, also STADA's, is linked to the risk that associated specific organizational and/or financial requirements are not or not to a sufficient extent operatively met. In the event that the Group's

facilities and human resources capacities, internal structures, management tools, or financial resources of the Group cannot keep pace with the Group's growth strategy, 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 planned, and/or intended synergy effects may possibly 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 maintaining their existing market positions. All this could necessitate unscheduled depreciation on acquired assets.

In financing the intended 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.

On principle, internationally active companies, such as STADA, face the risk of having to react differently and possibly with substantial effort to legal and fiscal conditions that vary from country to country and are subject to change, to the relevant specific market environment as well as outside of the Euro area to the different currency.

STADA thereby 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, this can have substantial adverse effects for the business activity in this country, but also for the Group as a whole in case of internationally linked business processes.

In addition, STADA, in the scope of international business activity, takes the opportunity to use transfer payments within the Group. There is no guarantee that the fiscal authorities in individual countries may not take a critical view of the economic parameters taken as a basis for this 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 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 environment in individual countries develops 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 undertakes business. Furthermore, 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 in the areas of liability and patent litigation. This may be associated there with substantial additional costs, in particular for legal counseling. The same applies to disputes in the USA resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Finally, a principle corporate-strategic risk, also of STADA, is the fact that markets and market segments on which a company strategically focuses develop other than expected. Although STADA undertakes all efforts to carefully work out these expectations, relying thereby also partly on external data and evaluations, assessment errors by STADA, due, for example, to insufficient data available, unexpected regulatory or competitive influences, new technological developments or changed trends in society and macro- and/or micro-economics cannot be ruled out, with which substantial adverse effects for the Group or individual subsidiaries can be connected.

Legal risks

On principle, every business activity, also STADA's, is subject to legal risks. It is, however, STADA's expressed goal that all business processes and Group activities be carried out are 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 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 the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders or damage to reputation could ensue following the discovery of such legal breaches.

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 and 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 claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims with a volume of € 15.8 million for the Group as of December 31, 2008 (December 31, 2007: € 2.7 million). In principle, STADA cannot guarantee that such provisions will be sufficient for individual instan-ces 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 and in the restriction or withdrawal of the product approvals 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, for example, 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 subject to the risk that legal conditions which are relevant for the Group may be changed by national or supranational regulations and that this has substantial adverse effects for the Group's business activities affected by this. 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 and with adverse consequences for STADA through court decisions on the form of individual regulatory rules.

Performance-related risks

With the execution of production processes, manufacturing companies, including STADA, take specific risks. Thus, STADA's own production sites are also exposed to the risk of faulty or inefficient planning and production processes as well as of potential production faults and breakdowns caused by this or by external influences 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. This applies particularly to the drugs sold by the Group since due to regulation and client demand particularly high requirements regarding product quality and availability are made for this product category.

Although STADA undertakes all efforts to carry out exclusively safe business processes – particularly in the areas of product development, pharmaceutical production and logistics – it can, on principle, not be ruled out that unexpected disruptions occur in the context of such processes, possibly endangering or affecting the health of employees from STADA or third parties, since STADA regularly works with hazardous substances in the development, production and examination of products from the Group portfolio, especially in case of drugs. It cannot be ruled out that the preventive measures and insurances taken do not provide sufficient coverage in case of a damaging event.

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, logistics as well as sales, though also to an increasing extent 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 date December 31, 2008, STADA had specifically licensed 15,400 German pharmacies (previous year: 15,604) to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to four branded products. When third parties are incorporated into the Company's business processes, the risk arises that individual business or cooperation 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 cooperation partners.

STADA is dependent on global developments with respect to 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 and these prices may fluctuate significantly depending on the product. In addition, to limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments towards suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example. However, it cannot be ruled out that procurement cost increases and/or supply shortages in the case of individual products will have adverse effects on the Group's sales and/or profit margins.

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.

Personnel risks

STADA relies heavily on qualified employees. A small number of managers are 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 and/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 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 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 as well as 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.

Information technology risks

STADA uses information technology processes, particularly 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 information technology processes of the Group are nonetheless insufficient and/or inefficient, this could 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 could also have material adverse effects on STADA.

Currently, the gradual conversion of various information technology systems (IT systems) to an integrated SAP system is being carried out in the Group. Generally, when introducing new or converting existing IT systems there exists 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 individual subsidiaries.

Economic risks

On principle, companies, also STADA, usually also depend on economic influences in their business success, whereby the extent of this dependence can differ strongly, depending on the type of business activity.

At STADA, economic dependence is also seen in view of the regulatory risks described above, in particular. An economic downturn regularly increases significantly the cost pressure in national health care systems and thereby potentially the speed and extent of local regulatory measures to contain costs; in this context, adverse forms, particularly for prescription drugs, which account for a major part of the portfolio, above all in the Generics segment cannot be ruled out.

Moreover, sales volume and sales of Group products or product lines are particularly sensitive to changes in the economic environment, for which the consumer is not reimbursed as part of the individual national health insurance system but must bear a major part or all of the costs. In the scope of the STADA product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character and for services offered.

Another material economic risk for STADA lies in the area of corporate finance. Parameters in this area significantly influencing Group success such as financing possibilities, interest rates, currency ratios and client liquidity can be subject to distinct economic influences and thereby also have a material adverse effect on STADA's business success in case of an economic downturn. Furthermore, a liquid financial market for refinancing is an important precondition for STADA's acquisition policy. In case of disruptions of the financial market – no matter whether globally or locally in countries that are important for STADA – adverse effects for STADA cannot be ruled out.

In addition, STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous individual debtors. Thus, the fundamental, partly also cyclical commercial risk of debtor default is associated with this. STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against the default risk, 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 2008, provision for bad debts related to Group sales amounted to 1.0% (previous year: 0.8%) of net sales in the Group; the largest individual defaults in this context were the write-offs of receivables reported as a one-time special effect due to the default of Russian wholesalers in the amount of € 1.9 million. In addition, domestic receivables are covered by a credit insurance policy (Hermes), covering mainly receivables towards pharmacies.

With the current global financial and economic crisis, which is of a historically exceptional dimension, aforementioned cyclical risks can be significantly increased. In addition, in this extreme economic situation higher risks are also imaginable in all other risk categories as in the area of surrounding and industry risks due to increased subsidies for more crisis-prone competitors that distort competition, due to the unexpected default of business partners through insolvency or in the area of financial risks due to stronger currency fluctuations, particularly of the euro.

The Executive Board constantly analyses possible effects of the current global financial and economic crisis in the scope of risk management and, within the bound of possibility, takes operative preparations for various scenarios such as a clearly increased default risk of business partners, possible subsidies for more crisis-prone competitors that distort competition or continuing strong volatility in terms of the interest rate level and Group-relevant currency risks, without being guaranteed that such arrangements will be sufficient. Instead, it cannot be ruled out that the current financial and economic crisis will have material adverse effects on STADA's business.

In view of the historically exceptional dimension of the current global financial and economic crisis and the associated uncertainty as to its continuation and outcome, it can on principle not be ruled out that a change of corporate strategy or operating alignment will become opportune or obligatory for STADA in the course of the further development of the current global financial and economic crisis because through this, significantly negative effects on STADA could be avoided or at least be reduced.

Financial risks

The basic principles of financial policy and financial risk management are determined or confirmed at least once a year by the Executive Board. All transactions above a relevant 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, selected derivative and non-derivative hedging instruments are used.

At their initial recognition derivative financial instruments are recognized at the fair value applicable at the time, corresponding 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. These initially recognized fair values are relevant for subsequent measurements. The fair value of traded derivative financial instruments to be measured at a later date then corresponds to the determinable market price. If no market values are available, the fair values are to be calculated by means of recognized mathematical models (for so-called interest rate swaps there are generally accepted valuation models according to Black-Scholes or Heath-Jarrow-Morton, for example) and by making use of the relevant exchange rates, interest rates and the contracting parties' financial standings. The fair value measured on a balance sheet date can therefore deviate positively or negatively as compared to the initially recognized fair value; under IFRS this deviation is recognized in the income statement as of the balance sheet date.

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, to a great extent at their market value. Market expectations with respect to financial derivatives must be accounted for on a regular basis and reported

either in the income statement or under shareholders' equity (in the form of a 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 on principle shown in the income statement in the case of a fair value hedge.

Therefore, the use of derivative financial instruments includes, on principle, the risk that the market value of a utilized derivative decreases and that this leads to burdens recognized in the income statement.

At STADA, however, only those financial risks which have significant consequences on the Group's cash flow are hedged. It cannot be ruled out that decisions made by the management in terms of its financial policy afterwards prove to have been insufficient, wrong or suboptimal, for example because the financial markets develop contrary to expectations or because earnings-burdening period effects have been deliberately accepted to limit the overall risk.

A financial risk for which STADA makes use of derivative financial instruments to limit the risk is the 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 derivative hedging transactions. Due to these derivative hedging transactions, in 2008, an average of 73% (previous year: 64%) of financial liabilities denominated in euro had fixed interest rates.

The Group's financial result contains a net burdening effect from interest rate hedge transactions (so-called "interest swaps") to limit the Group's maximum interest burden in the amount of € 15.5 million for fiscal year 2008 (previous year: relief of € 2.4 million).

If the market interest rate level had been 100 basis points higher or lower as of December 31, 2008, the Group's earnings before taxes would have been approx. € 0.5 million higher or approx. € 0.6 million lower. These hypothetical consequences for earnings result from an increase of 100 basis points from potential effects from interest rate derivatives in the amount of approx. € +3.6 million and original financial liabilities with variable interest rates of approx. € -3.1 million. A decrease of 100 basis points leads to potential effects from interest rate derivatives in the amount of approx. € -3,7 million and original financial liabilities with variable interest rates of approx. € +3.1 million.

STADA also conducts business outside of the Euro zone. Currency risks for STADA associated with this result 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 2008, approx. 33% of Group sales were achieved in currencies other than the euro (previous year: approx. 33%). Due to the ongoing international expansion also in countries outside of the Euro zone, this share is expected to further grow in 2009. Exchange rate fluctuations between euro and non-euro currencies may therefore significantly impact the Group's earnings.

Risks from foreign currencies which do not significantly influence the Group's cash flows are not hedged while risks from foreign currencies are usually hedged to the extent that they significantly influence the Group's cash flows.

Thereby, acting on behalf of the Group, STADA Arzneimittel AG, on principle, employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the 2008 reporting year, STADA Arzneimittel AG made 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 adverse effects for STADA result from this.

As of the balance sheet date December 31, 2008, there was only one currency hedge, namely a currency futures contract in the amount of USD 15.0 million.

Other risks

STADA is in possession of a number of trade and business secrets that must be treated with confidentiality. STADA makes use of confidentiality agreements with employees, external cooperation partners and service providers as well as with certain other contractual partners in order to safeguard these. 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.

Within the scope of business development, the Executive Board, management and the Group's employees must continuously take entrepreneurial decisions for which assumptions and/or expectations on the further development of specific matters are taken as a basis and/or areas of discretion may exist. On principle, it cannot be ruled out that, in hindsight, wrong or suboptimal assumptions or decisions are taken and that adverse consequences for STADA were, are or will be associated with this.

Like any company, STADA as a Group and the STADA subsidiaries in their national markets are subject to additional general business risks such as unexpected disruptions in infrastructure, 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.

Summary evaluation of risks

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have adverse effects on the Group's business activities. In particular, respectively material adverse effects on STADA's business, financial and earnings situation could be associated with this. In addition, investments that rely on the non-occurrence of a risk may prove respectively entirely or partially worthless. In this context, significant changes of the corporate strategy or operating alignment could also become opportune or obligatory for STADA if, through this, significantly negative effects on STADA could be avoided or at least be reduced.

However, from today's perspective no risks are discernable in the Executive Board's assessment which alone or in combination could jeopardize the STADA Group's continued existence.

SUPPLEMENTARY REPORT

Significant events that occurred between the end of fiscal year 2008 and the date of signing the Management Report and the financial statements for 2008 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.

Events in this supplementary report include:

- With comprehensive price reductions of the ex-factory prices on numerous products in its portfolio, STADApharm, a German generics label of the Group, launched a new aggressive price policy on January 1, 2009, according to which the products of this label are, for the time being, always to be among the three cheapest in the German generics market; this price policy thus also requires, if necessary, further price reductions after competitive reactions (see "Development of Segments – Secondary Segmentation: Regional Developments"). Already in the fourth quarter of 2008 these price reductions require, in accordance with IFRS, sales and earnings reducing accruals in the amount of € 5.9 million for an inventory value adjustment to be carried out in the first quarter of 2009 in favor of the distribution channels (see "Earnings Situation – Development of Earnings and Costs" as well as "Financial Situation – Development of the Balance Sheet").

- In the current first quarter of 2009 the start of national sales companies in Poland and Bulgaria which had originally been planned already for 2008 was carried out. The delay occurred against the backdrop of a restructuring of export activities carried out in 2008 (see "Business and General Conditions – Business and General Conditions – Sales and Marketing").

- In the current first quarter of 2009, both in production and in sales Hemofarm was affected in Serbia by the local natural gas shortage due to the gas dispute between Russia and Ukraine; for this reason, among others, a weak sales and earnings development is to be expected for this first quarter in Serbia.

- In the current first quarter of 2009, namely on January 26, 2009, the Danish STADA subsidiary PharmaCoDane ApS, Copenhagen, signed a contract on the acquisition of the Danish company Dermalog ApS, Hotte, for a purchase price of € 1.0 million; both companies were merged immediately after the acquisition took effect so that Dermalog's business activities have been consolidated in the STADA Group since the beginning of 2009 (see "Business and General Conditions – Acquisitions and Disposals" and "Development of Segments – Secondary Segmentation: Regional Developments – Denmark").

- With legal validity of a capital increase carried out in 2008, STADA's shareholding in BIOCEUTICALS Arzneimittel AG rose to a total of 15.44% as of February 4, 2009 (see "Business and General Conditions – Acquisitions and Disposals"). In the current first quarter of 2009, BIOCEUTICALS carried out an additional capital increase aiming at an increased cash inflow in the total amount of € 5.1 million, whose subscription period including the period of grace ends on March 20, 2009. So far, STADA has participated in this capital increase analogous to the volume of its current stake.

- Also in the current first quarter of 2009, in various national markets regulatory measures have once again been discussed, announced, adopted, introduced or their implementation was adjudicated upon, e.g. in Germany and Italy. 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 – Secondary Segmentation: Regional Developments").

- The STADA Group's new logistics center in Germany, the construction of which has largely been completed, is being put into operation in the first quarter of the current fiscal year 2009. This new center in Florstadt comprises the logistics functions of various German Group locations (see "Financial Situation – Cashflow – Investments in Propoerty, Plant and Equipment").

- On March 2, 2009 the Executive Board of STADA Arzneimittel AG resolved and published[1)] to propose a dividend in the amount of € 0.52 (previous year: € 0.71) per STADA common share for fiscal year 2008 (see "Earnings situation – Dividend"). At the same time, the Executive Board published the preliminary business results for 2008 as well as the essential contents of the prognosis report. Moreover, the Executive Board announced that Group sales had decreased by approx. 2% or, adjusted for currency influences and acquisitions and disposals carried out in the meantime, by approx. 12% in the first two months of 2009.

- In the course of the year 2009 to date, the price of the STADA share has continued to decrease significantly while showing a high degree of volatility and on March 6, 2009 was 51% below the price at the end of 2008. In the Executive Board's assessment the extent of this further decline does not seem justified by the current business development.

1) See the Company's Corporate News of March 2, 2009.

PROGNOSIS REPORT

Growth opportunities through strategic focus

In the view of the Executive Board, the Group's strategic focus on products with off-patent active ingredients in selected segments of the pharmaceutical and particularly of the generics market generally opens up the opportunity of further growth.

Because the focus of STADA's business activities continues to be on markets which, in the Executive Board's assessment, have a long-term growth perspective (see "Business and General Conditions – Business Model, Core Segments and Structural Environment") whose scale, however, is different from country to country – also due to economic, regulatory and competitive influences.

Growth opportunities through established operating success factors

The Executive Board is convinced that, in the years to come, the Group's established operating success factors in principle open up opportunities to participate in this expected market growth.

Such a success factor is STADA's international sales network with own sales companies in currently 30 countries which has been conceived to market in the individual national markets the products from the Group portfolio selected for this in a way which is adapted to the different regulatory and competitive framework conditions, thereby making optimum use of various local growth opportunities. The Executive Board intends to further expand this international sales network in order to open up additional marketing possibilities and thereby growth opportunities; this is also associated with a further diversification against local challenges and risks in individual national markets.

In the Executive Board's view, the established operating success factors also include the preparedness and the capacity for rapid and effective change management, in the sales area in particular. This capacity to react swiftly to structural, regulatory or competitive market changes by means of adaptation of own sales measures is decisive in STADA's markets both to make use of opportunities and to tackle challenges or minimize risks. In view of the opportunity of an improved market situation of possible gains of market share STADA will also remain prepared to act aggressively in individual markets and to accept, for example, a decrease of operating margins , as long as overall a profitable business situation is maintained in the respective market.

To the extent that certain expectations from the Executive Board regarding opportunities in individual national markets are, from today's perspective, of importance for the Group, the Executive Board refers to its assessments on

this in the overall context of the respective market in the scope of secondary segment reporting in this Management Report (see "Development of Segments – Secondary Segmentation: Regional Developments").

Another success factor for STADA which opens up opportunities is, from the Executive Board's perspective, the Group's experienced and successful product development. With a product pipeline which remains well-filled, the Group, in the Executive Board's expectation, will be able to continuously expand the product portfolio – especially in the core segment of Generics – also in the years to come. In addition to the sales and earnings opportunities associated with new products, opportunities for an improved margin mix as well as for cost-efficient economy of scale effects in sales thereby open up for the Group to the extent that these new products can, at least initially, be launched with better margins than Group average or in the context of existing sales structures in the individual national markets.

In addition, STADA's Executive Board assumes that progress in the Group's continuous cost optimization can also be achieved in the future, especially in the area of cost of sales. In the Executive Board's assessment, this process is a central operating success factor for the Group for the future development of earnings. Thus, STADA will continue, through an even better utilization or the targeted expansion of in-house low-cost production capacities, to aim at further cost improvements in pharmaceutical production. Beyond that, in global procurement – especially also of active pharmaceutical ingredients and auxiliary materials – the suppliers should be increasingly involved in the market risk, e.g. by means of price escalation clauses or retroactive negotiations; suppliers in low-cost countries should also be increasingly used.

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 profound expertise, particularly in the areas of sales and marketing, product development as well as procurement and production, will continue, in the future too, to contribute significantly to the Group's utilization of opportunities.

In view of the stable financial situation, the Executive Board continues to deem STADA as capable to finance the required investments for the intended organic growth largely by means of cash flow generated within the Group. With regard to the individual investment projects, the Executive Board refers to its statements on this in the overall context of the discussion of the financial situation in this Management Report (see "Financial Situation – Cash Flow").

Additional growth opportunities through external growth impulses

STADA's Executive Board continues to see the opportunity, but also in view of the increasing concentration processes in the industry the necessity, to complement organic Group growth by means of additional external growth impulses. Therefore, the Group will continue to pursue an active, but also cautious acquisition policy and to make thereby use of standards that remain stringent in terms of profitability and appropriateness of the purchase price. In this context, the Executive Board does also not rule out cooperations with significant equity investments.

The imaginable objectives in this connection include a further expansion of the international sales structure in Eastern Europe, for example, as well as the opening up of additional earnings potentials in form of economy of scale effects and synergies by means of product acquisitions or in the area of the production of active pharmaceutical ingredients, for example.

For the financing of external growth, the Executive Board is prepared to further increase the Group's net debt. To create a sufficient financial framework for corresponding acquisition projects as well as cooperations with equity investments appropriate capital measures continue, however, also to be imaginable if such acquisitions too strongly burdened the equity-to-assets ratio.

Challenges and risks of the STADA business model

STADA's business model does not, however, only offer the aforementioned growth opportunities, but is also subject to operating challenges and risks, which are described in detail in this Management Report in the scope of the segment reporting on regional developments in the individual national markets as well as in the Risk Report. In the Executive Board's assessment, many of these challenges and risks result necessarily from the structures and mechanisms of the market segments in which the Group is active and are unavoidable for STADA since they are, to a significant extent, inherently connected to structural growth opportunities (see "Business and General Conditions – Business Model, Core Segments and Structural Environment" as well as "Risk Report"). However, STADA's Executive Board continues to see no challenges or risks jeopardizing the overall existence of the STADA Group.

Against this backdrop, STADA will continue to be active in markets and market segments which are characterized, among other things, by high price sensitivity, continuous margin pressure, intense competition and a frequently changing regulatory environment so that the Group will, in the future, too, have to react flexibly and at short notice to the respective challenges and risks by means of counter measures such as sales restructurings. In addition, the Group must be capable to counter the anticipated margin pressure by means of a successful cost optimization.

To the extent that certain expectations from the Executive Board regarding specific risks and challenges in individual national markets are, from today's perspective, of importance for the Group, the Executive Board refers, also in this regard, to its assessments on this in the overall context of the respective market in the scope of secondary segmentation reporting in this Management Report (see "Development of Segments – Secondary Segmentation: Regional Developments").

Consequences of the current global financial and economic crisis for STADA

In addition to business-model specific challenges and risks, STADA is also impacted by the effects of the current global financial and economic crisis.

Against the backdrop of the often quick and unexpected development in this crisis, STADA is preparing, within the scope of what is possible, for all, from today's perspective, emerging or imaginable developments such as a clearly increased default risk of business partners, possible subsidies for more crisis-prone competitors that distort competition or continued strong volatility in interest rates or currency exchange rates relevant to the Group. Non-operations related burdens on earnings from currency influences and interest-rate hedging transactions in the face of ongoing expected high volatility of the financial markets for 2009, however, cannot be ruled out.

In addition, also in 2009, sales and earnings in non-euro markets, especially in the national markets important for STADA of Russia, Serbia and the United Kingdom, are laden with a significant currency risk; the contribution of these national markets to Group sales and net income will, also in 2009, depend to a great extent on the development of the relationship of the individual national currencies to the euro. From today's perspective, in the course of 2009, currency relationships that are more disadvantageous for the Group than in the course of 2008 are expected.

Finally, it cannot be ruled out that the Group, in case of further for STADA disadvantageous changes in currency relationships or a lasting significant weakening of demand in individual national markets or, within the scope of impairment tests, amortization on such intangible assets must be carried out, the balance-sheet value of which for STADA is characterized by either the currency relationship at acquisition and/or on future market expectations such as, for example, the goodwill of acquired companies or product approvals.

In the Group's operating environment the cyclical downturn as a consequence of the current global financial and economic crisis could significantly increase cost pressure in national health care systems and thereby the speed and extent of local regulatory measures to contain costs; in this context both reviving and subduing forms are imaginable for generics. The economic downturn in individual national markets also reduces the patients' disposition to make self-financed expenditures in the health care sector. Particularly affected by this are STADA's business activities in international markets or market segments in which primarily products for self-pay patients are sold, that means, on the one hand, aboave all East-European markets and, on the other hand, the Branded Products segment.

After all, a liquid financial market is necessary for the refinancing of STADA's acquisition policy. Thanks to its debt structure being mainly organized in the long term STADA has so far, however, not yet seen any indication of significant limitations to the financing of Group projects. Even positive consequences of the current global financial and economic crisis could be imaginable for STADA here if acquisition objects that, in the Executive Board's view, were overpriced in the past could now be acquired at reduced prices.

Outlook

The Executive Board's outlook for the STADA Group's further development is, on the one hand characterized by the existing structural and operative growth opportunities and, on the other hand, an operationally continued challenging environment and significant burdens from the current global financial and economic crisis are to be taken into consideration.

In the Group's operating business, in the Executive Board's assessment, far-reaching regulatory interventions, intensive competition and significant margin pressure will always occur in individual national markets. The latter applies in particular to the increasing number of business in the generics segment characterized by tenders.

The Executive Board continues to constantly align the Group to this operationally challenging environment. Due to the strategic focus on growth markets, the established operating success factors and the intended supplementing of organic growth by means of additional external growth impulses, opportunities open up which, in the Executive Board's assessment, generally allow for the operating challenges and risks in individual national markets to be successfully coped with.

Against this backdrop the Executive Board continues to deem STADA's operative business model sustainable and viable for the future and sees, from today's perspective, the fundamental chance to achieve again growth in terms of sales and net income in the years to come regardless of conditions which remain challenging.

Whether STADA, however, under the especially difficult framework conditions of the current financial and economic crisis, can also grow in fiscal year 2009 is, from today's perspective, still open and depends, in addition to the operative development in important key markets such as Germany, Russia and Serbia, also to a significant degree on non-operational factors such as interest rate level and currency relations. In the first two months of the current fiscal year, the sales level as compared to the previous year period was approx. 12% lower or, adjusted for currency influences and acquisitions and disposals carried out in the meantime, approx. 2% lower.

Against this backdrop STADA's Executive Board currently expects a decreasing development in sales and earnings in the first half of 2009. Whether the expected recovery in business development in the second half of 2009 can offset the decreases from the first half year is open. From the Executive Board's current perspective, however, EBITDA, adjusted for one-time special effects and the influence of currency effects and interest rate hedge transactions, should reach at least € 250 million.

Bad Vilbel, March 10, 2009

H. Retzlaff	W. Jeblonski	C. Schumann
Chairman of the Executive Board	Chief Financial Officer	Chief Production and Development Officer

STADA CONSOLIDATED FINANCIAL STATEMENTS 2008

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s	2008	Previous year	Notes IFRS
01. Sales	1,646,164	1,570,490	2.1.
02. Cost of sales	904,012	815,161	2.2.
03. Gross profit	**742,152**	**755,329**	2.3.
04. Other operating income	51,223	56,299	2.4.
05. Selling expenses	369,560	358,208	2.5.
06. General and administrative expenses	119,870	115,386	2.6.
07. Research and development expenses	46,524	39,022	2.7.
08. Other operating expenses	80,982	83,509	2.8.
09. Operating profit	**176,439**	**215,503**	2.9.
10. Personnel measures in the German generics business (in accordance with IAS 19)	-	-28,134	2.10.
11. Investment income	1,235	411	2.11.
12. Result from the accounting of associated companies under the equity method	-2,473	-935	2.12.
13. Interest result	-69,678	-37,093	2.13.
14. Financial result	**-70,916**	**-37,617**	2.14.
15. Earnings before taxes	**105,523**	**149,752**	2.15.
16. Taxes on income	28,459	44,019	2.16.
17. Net income	**77,064**	**105,733**	2.17.
thereof			
• net income distributable to shareholders of STADA Arzneimittel AG	76,246	104,201	2.17.
• net income relating to minority interests	818	1,532	2.17.
18. Earnings per share in € (in accordance with IAS 33.10)	1.30	1.79	2.18.
19. Earnings per share in € (diluted) (in accordance with IAS 33.31)	1.28	1.72	2.19.

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		2008	Previous year	Notes IFRS
A.	**Non-current assets**	**1,412,913**	**1,499,420**	
	1. Intangible assets	1,000,852	1,096,528	3.1.
	2. Property, plant and equipment	306,621	298,799	3.2.
	3. Financial assets	20,811	19,664	3.3.
	4. Shares in associated companies recognized under the equity method	4,388	6,861	3.4.
	5. Non-current trade accounts receivable	1,325	1,188	3.5.
	6. Other non-current assets	50,160	53,517	3.6.
	7. Deferred tax assets	28,756	22,863	3.7.
B.	**Current assets**	**1,056,561**	**1,042,033**	
	1. Inventories	396,873	393,080	3.8.
	2. Current trade accounts receivable	458,186	480,868	3.9.
	3. Other current assets	88,854	84,275	3.10.
	4. Non-current assets held for sale	2,103	-	3.11.
	5. Current securities	66	2,331	3.12.
	6. Cash and cash equivalents	110,479	81,479	3.13.
Total assets		**2,469,474**	**2,541,453**	

Equity and liabilities		2008	Previous year	Notes IFRS
A.	**Shareholders' equity**	**839,735**	**919,636**	3.14./3.15.
	1. Share capital	152,775	152,675	3.16.
	2. Reserves and unappropriated retained earnings	674,581	745,887	3.17.
	3. Minority interests	12,379	21,074	3.18.
B.	**Non-current liabilities and provisions**	**887,664**	**757,614**	
	1. Non-current provisions	22,872	31,633	3.19.
	2. Non-current financial liabilities	761,138	614,408	3.20.
	3. Non-current trade accounts payable	88	1,007	3.21.
	4. Other non-current liabilities	30,785	22,454	3.22.
	5. Deferred tax liabilities	72,781	88,112	3.23.
C.	**Current liabilities and provisions**	**742,075**	**864,203**	
	1. Current provisions	20,339	29,029	3.24.
	2. Current financial liabilities	365,099	427,931	3.25.
	3. Current trade accounts payable	228,605	234,226	3.26.
	4. Other current liabilities	128,032	173,017	3.27.
Total equity and liabilities		**2,469,474**	**2,541,453**	

CONSOLIDATED CASH FLOW STATEMENT

As of fiscal year 2008, STADA uses the direct method for deriving the cash flow from investing activities. The respective figures for previous years were adjusted to ensure comparability (see 4.3.).

Cash flow from operating activities in € 000s	2008	Previous year	Notes IFRS
1.1. Cash flow (gross)	150,352	201,189	4.1.
thereof			
• 1.1.1. Net income (including net income relating to minority interest)	77,064	105,733	
• 1.1.2. due to depreciation and amortization (+) / write-ups (-) of non-current assets	80,190	101,722	
• 1.1.3. due to increase (+) / decrease (-) in non-current provisions	-8,761	3,350	
• 1.1.4. due to gains (-) / losses (+) on disposals of non-current assets	-614	-10,551	
• 1.1.5. Result from the accounting of associated companies under the equity method	2,473	935	
1.2. Cash flow due to changes in assets[1)]	-13,663	-188,920	
thereof			
• 1.2.1. due to changes in inventories	-5,045	-69,248	
• 1.2.2. due to changes in trade accounts receivable	8,526	-80,573	
• 1.2.3. due to changes in other receivables / prepaid expenses	-3,869	-27,944	
• 1.2.4. due to changes in current securities	2,265	-2,937	
• 1.2.5. due to changes in deferred tax assets	-5,893	-8,318	
• 1.2.6. due to changes in assets in connection with shares in associated companies recognized under the equity method	-9,647	100	
1.3. Cash flow due to changes in equity and liabilities[1)]	-7,389	80,646	
thereof			
• 1.3.1. due to changes in current provisions	-8,690	22,242	
• 1.3.2. due to changes in trade accounts payable	7,202	29,781	
• 1.3.3. due to changes in other liabilities / deferred income	5,030	20,719	
• 1.3.4. due to changes in deferred tax liabilities	-10,931	3,104	
• 1.3.5. due to changes in equity and liabilities in connection with shares in associated companies recognized under the equity method	-	4,800	
1. Cash flow from operating activities	129,300	92,915	4.2.

1) Adjusted for initially consolidated and deconsolidated companies.

Cash flow from investing activities in € 000s	2008	Previous year	Notes IFRS
2.1. Payments	-170,649	-265,298	
thereof			
• 2.1.1. for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	-42,210	-125,117	
• 2.1.2. for significant purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	-9,750	-35,100	
• 2.1.3. for purchases of other intangible assets	-41,707	-59,105	
• 2.1.4. for purchases of property, plant and equipment	-72,205	-42,011	
• 2.1.5. for purchases of financial assets	-4,777	-3,965	
2.2. Proceeds	27,342	31,806	
thereof			
• 2.2.1. from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	10,917	8,356	
• 2.2.2. from sales of intangible assets from significant disposals of launched products	-	10,300	
• 2.2.3. from the disposals of other intangible assets	3,603	7,638	
• 2.2.4. from the disposals of items of property, plant and equipment	10,315	325	
• 2.2.5. from the disposals of financial assets	2,507	5,187	
2. Cash flow from investing activities	-143,307	-233,492	4.3.

Cash flow from financing activities in € 000s	2008	Previous year	Notes IFRS
3.1. Payments in the context of financing activities	-287,813	-171,833	
thereof			
• 3.1.1. to shareholders (dividend distribution)	-41,612	-36,047	
• 3.1.2. for the redemption of bonds and finance facilities	-246,201	-135,786	
3.2. Proceeds in the context of financing activities	330,734	270,811	
thereof			
• 3.2.1. from additions to shareholders' equity/share capital of STADA Arzneimittel AG	100	1,208	
• 3.2.2. from additions to shareholders' equity/capital reserve of STADA Arzneimittel AG	536	6,436	
• 3.2.3. from the issue of bonds and finance facilities	330,098	263,167	
3. Cash flow from financing activities in € 000s	42,921	98,978	4.4.

Net cash flow for the period in € 000s	2008	Previous year	Notes IFRS
1. Cash flow from operating activities	129,300	92,915	
2. Cash flow from investing activities	-143,307	-233,492	
3. Cash flow from financing activities	42,921	98,978	
4. Changes in cash and cash equivalents (sub-total)	28,914	-41,599	
5. Other changes in shareholders' equity/currency translation	-7,009	15,372	
6. Influence on changes in the balance sheet by companies consolidated for the first time / other	7,095	-21,723	
7. Net cash for the period	29,000	-47,950	4.5.

Development of cash and cash equivalents in € 000s	2008	Previous year	
0. Cash and cash equivalents at beginning of period	81,479	129,429	
7. Net cash flow for the period	29,000	-47,950	4.6.
8. Cash and cash equivalents at end of period	110,479	81,479	

STATEMENT OF RECOGNIZED INCOME AND EXPENSES

Statement of recognized income and expenses in € 000s	2008	Previous year	Notes IFRS
Income and expenses recognized directly in shareholders' equity	**-106,654**	**-7,906**	
thereof			
• Currency translation differences	-107,733	-5,381	3.12.
• Actuarial gains (+) and losses (-) from provisions for pensions	4,922	-793	3.17.
• Derivative financial instruments	-3,650	-277	3.12.
• Deferred tax liabilities	-193	-1,455	
Net income	**77,064**	**105,733**	**2.17.**
• thereof net income distributable to shareholders of STADA Arzneimittel AG	76,246	104,201	2.18.
• thereof net income relating to minority interests	818	1,532	2.19.
Total recognized income and expenses	**-29,590**	**97,827**	

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 section 315 a (1) of the German Commercial Code (HGB). The IFRS to be applied as of January 1, 2008 and the corresponding 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 section 264 (3) of the HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, LIFE TRANS Pharma Vertriebs GmbH, STADA GmbH, STADA Medical GmbH, STADA R&D GmbH, STADApharm GmbH, STADA Pharma International GmbH and Uzara-Werk GmbH -Pharmazeutika-.

The consolidated financial statements for fiscal year 2008 will likely be authorized for issue by the Executive Board on March 26, 2009. On March 2, 2009, the Executive Board decided on and published[1)] a proposal for a dividend of € 0.52 (previous year: € 0.71) per common share for fiscal year 2008. At the same time, the Executive Board published the preliminary business results for 2008 and the significant contents of the prognosis report.

1) See the Company's ad hoc release of March 2, 2009.

1.2. Information on share ownership and 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 subsidiaries 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.

In accordance with section 313 (2) no. 1–4 and (3) of the German Commercial Code (HGB) the following disclosures concerning the share ownership and scope of consolidation of STADA Arzneimittel AG are made on the balance sheet date:[1)]

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.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	full
BIOCEUTICALS Arzneimittel AG[1], Bad Vilbel, Germany	14.99%	equity accounting
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	full
Clonmel Healthcare Limited, Clonmel, Ireland	100%	full
Crinos S.p.A., Milan, Italy	96.77%	full
EG Labo SAS - Laboratoires Eurogenerics, Paris, France	100%	full
EG S.p.A., Milan, Italy	98.50%	full
Hemofarm A.D., Vrsac, Serbia	100%	full
Laboratorio STADA, S.L., Barcelona, Spain	100%	full
LIFE TRANS Pharma Vertriebs GmbH, Bad Vilbel, Germany	100%	full
OAO Nizhpharm[2], Nizhny Novgorod, Russia	100%	full
OOO STADA Marketing, Nizhny Novgorod, Russia	10%	full
Oy STADA Pharma Ab, Helsinki, Finland	100%	full
S.A. Eurogenerics, Brussels, Belgium	99.99%	full
S.A. Neocare, Brussels, Belgium	93.80%	full
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	full
STADA GmbH, Bad Vilbel, Germany	100%	full
STADA Pharma International GmbH, Bad Vilbel, Germany	100%	full
STADA PHARMA S.R.L.[3][4], Bucarest, Romania	100%	not
STADA PHARMA Slovakia s.r.o.[5], Bratislava, Slovakia	100%	not
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	full
STADA R&D GmbH, Bad Vilbel, Germany	100%	full
STADA Service Holding B.V., Etten-Leur, The Netherlands	100%	full
STADApharm AS[6], Oslo, Norway	100%	not
STADApharm GmbH, Bad Vilbel, Germany	100%	full
UAB STADA-Nizhpharm-Baltiya[7], Vilnius, Lithuania	100%	not
Uzara-Werk GmbH -Pharmazeutika-, Bad Vilbel, Germany	100%	full

1) Equity (share capital): € 1,224 thousand (€ 0), result 2008: € -14,713 thousand (under local law).
2) In the 2008 reporting year, the stake was raised from 99,58% to 100%.
3) Equity (share capital): € 50 thousand, result 2008: € 0 thousand (pursuant to local law).
4) Currently under liquidation.
5) Equity (share capital): SKK 14,972 thousand, result 2008: SKK 5,600 thousand (under local law).
6) Equity (share capital): NOK 101 thousand, result 2008: NOK 0 thousand (under local law).
7) Equity (share capital): LTL 790 thousand, result 2008: LTL 349 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	Form of consolidation
ALIUD PHARMA GmbH, Laichingen, Germany	100%	full
ALIUD PHARMA Verwaltungs-GmbH, Laichingen, Germany	100%	full
BIOLINE Naturmedizin Ges. mbH[1], Vienna, Austria	100%	not
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany	100%	full
Crinos S.p.A., Milan, Italy	3.23%	full
Croma Medic, Inc., Manila, The Philippines	100%	full
EG S.p.A., Milan, Italy	1.5%	full
Eurovax GmbH[2], Bad Vilbel, Germany	100%	not
Health Vision Enterprise Ltd.[3], Hong Kong, China	51%	pro rata
IIP Institut für Industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH[4], Aschaffenburg, Germany	25%	not
PharmaCoDane ApS[5], Copenhagen, Denmark	100%	full
S.A. Eurogenerics, Brussels, Belgium	0.01%	full
S.A. Neocare, Brussels, Belgium	6.20%	full
STADA Asiatic Company, Ltd., Bangkok, Thailand	60%	full
TAXON Arzneimittel GmbH[6], Bad Vilbel, Germany	100%	not

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

Name of the company, registered office	Share in capital	Form of consolidation
ALIUD PHARMA GmbH & Co. KEG[1][7], Vienna, Austria	100%	not
Alpha GenRx GmbH[1][8], Vienna, Austria	100%	not
STADA PHARMA CZ, s.r.o., Prague, Czech Republic	100%	full
Zimmer AL Data GmbH[9], Neu-Ulm, Germany	30%	not

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

Name of the company, registered office	Share in capital	Form of consolidation
Health Vision Medicine (Nanjing) Ltd., Hong Kong, China	100%	not

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	Form of consolidation
Laboratorio Prodotti Farmaceutici Boniscontro & Gazzone S.r.l., Milan, Italy	100%	full

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

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

1) Currently under liquidation.
2) Equity (share capital): € 32 thousand (€ 39 thousand), result 2007: € -1 thousand (under local law).
3) 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.
4) Equity (share capital): € 3,318 thousand (€ 300 thousand), result 2007: € 756 thousand (under local law).
5) In the current first quarter of 2009, namely since Januay 1, 2009 including Dermalog ApS, which was acquired as of January 2, 2009.
6) Equity (share capital): € 26 thousand (€ 223 thousand), result 2008: € 149 thousand (under local law).
7) Equity (share capital): € 193 thousand, result 2005: € 0 thousand (under local law).
8) Equity (share capital): € 32 thousand, result 2005: € 0 thousand (under local law).
9) Equity (share capital): € 27.9 thousand, result 2007: € -17.6 thousand (under local law).

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	Form of consolidation
Centrafarm Nederland B.V., Etten-Leur, The Netherlands	100%	full

Indirect investments of STADA Arzneimittel AG through Centrafarm Nederland B.V. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Alphacen N.V.[1], Etten-Leur, The Netherlands	100%	not
Cellpharm B.V.[2], Etten-Leur, The Netherlands	100%	not
Centrafarm Pharmaceuticals B.V., Etten-Leur, The Netherlands	100%	full
Centrafarm Services B.V., Etten-Leur, The Netherlands	100%	full
Healthypharm B.V., Etten-Leur, The Netherlands	100%	full
HTP Huisapotheek B.V.[3], Etten-Leur, The Netherlands	100%	not
Neocare B.V.[4], Etten-Leur, The Netherlands	100%	not
Quatropharma Holding B.V., Breda, The Netherlands	100%	full

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

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

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

Name of the company, registered office	Share in capital	Form of consolidation
CIG (Hong Kong) Limited[5], Hong Kong, China	70%	not
DATApharm Co. Ltd.[6], Tortola, British Virgin Islands	51%	not
STADA Import/Export Ltd., Tortola, British Virgin Islands	50%	pro rata
STADA Pharmaceuticals (Beijing) Ltd.[7], Beijing, China	75%	not
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam	50%	pro rata

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

Name of the company, registered office	Share in capital	Form of consolidation
Crosspharma Ltd., Belfast, UK	100%	full
Genus Pharmaceuticals Holdings Ltd., Newbury, UK	100%	full
SFS International Limited, Clonmel, Ireland	100%	full
STADA Financial Investments Limited, Clonmel, Ireland	100%	full
STADA Logistics Ireland Limited[8], Clonmel, Ireland	100%	not
STADA Production Ireland Limited, Clonmel, Ireland	100%	full
STADApharm AB[9], Malmö, Sweden	100%	not

1) Equity (share capital): € 45 thousand, result 2008: € 0 thousand (under local law).
2) Equity (share capital): € 18 thousand, result 2008: € 0 thousand (under local law).
3) Equity (share capital): € 11 thousand, result 2008: € 0 thousand (under local law).
4) Equity (share capital): € 27 thousand, result 2008: € 0 thousand (under local law).
5) Equity (share capital): HKD 54 thousand, result 2008: HKD 338 thousand (under local law).
6) Equity (share capital): USD 1,776 thousand, result 2008: USD 1,771 thousand (under local law).
7) Equity (share capital): CNY 38,873 thousand, result 2008: CNY 1,281 thousand (under local law).
8) Equity (share capital): € 0 thousand, result 2008: € 0 thousand (under local law).
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 Limited and Genus Pharmaceuticals Holdings Ltd. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Genus Pharmaceuticals Ltd., Newbury, UK	100%	full
Britannia Pharmaceuticals Ltd.[1], Redhill (Surrey), UK	100%	full

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

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

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

Name of the company, registered office	Share in capital	Form of consolidation
ZAO Makiz-Pharma, Moscow, Russia	100%	full
ZAO Skopinpharm, Ryazanskaya obl., Russia	100%	full
Nizhpharm-Kasachstan Ltd.[2], Almaty, Kazakhstan	100%	full
Nizhpharm-Ukraine Ltd., Kiev, Ukraine	100%	full
OAO Promis[3], Nizhny Novgorod, Russia	31.67%	not
OOO STADA Marketing, Nizhny Novgorod, Russia	90%	full
OOO STADA PharmDevelopment, Nizhny Novgorod, Russia	100%	full

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

Name of the company, registered office	Share in capital	Form of consolidation
STADA, LDA[4], Paco de Arcos, Portugal	98%	not

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA S.L. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Laboratorio Neocare, S.L.[5], Barcelona, Spain	100%	not
STADA Genericos, S.L.[6], Barcelona, Spain	100%	not
STADA LDA[4], Paco de Arcos, Portugal	2%	not

1) Previously known as Forum Bioscience Holdings Ltd. name changed in the course of 2008.
2) Name of the company has been translated from Cyrillic into English.
3) Equity (share capital): RUB 58,675 thousand, result 2007: RUB 6,288 thousand (under local law).
4) Equity (share capital): € 5 thousand, result 2008: € 0.1 thousand (under local law).
5) Equity (share capital): € 10 thousand, result 2008: € 0.1 thousand (under local law).
6) Equity (share capital): € 0.4 thousand, result 2008: € 0.4 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	Form of consolidation
AGROVOJVODINA - VRSAC A.D.[1], Vrsac, Serbia	100%	not
Cajavec sistemi upravljanja A.D., Banja Luka, Bosnia-Herzegovina	96.78%[2]	full
Hemofarm Arabia Ltd.[3], Damascus, Syria	50%	not
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	79.81%	full
Hemofarm Inženjering d.o.o., Belgrade, Serbia	100%	full
Hemofarm Komerc d.o.o., Skopje, Macedonia	99.18%	full
Hemofarm Koncern-Zorka-Pharma A.D.[4], Sabac, Serbia	96.55%[5]	full
Hemofarm USA Corporation[6], Washington, USA	100%	not
Hemomont d.o.o., Podgorica, Montenegro	71.02%	full
HEMOPHARM ENGINEERING Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany	100%	full
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany	100%	full
HF Pharmasuisse AG, Chur, Switzerland	100%	full
OOO Hemofarm Obninsk, Obninsk, Russia	100%	full
STADA HEMOFARM S.R.L., Temisvar, Romania	100%	full
STADA PHARMA Bulgaria EOOD[7], Sofia, Bulgaria	100%	not
STADA PHARMA Poland Sp. z o.o.[8], Warsaw, Poland	100%	not
Velefarm A.D.[9], Belgrade, Serbia	20.65%	not

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

Name of the company, registered office	Share in capital	Form of consolidation
HF Pharmasuisse Deutschland GmbH[10], Bad Vilbel, Germany	100%	not

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	Form of consolidation
OOO Hemofarm Inženjering Obninsk[11], Obninsk, Russia	100%	not
Global Project d.o.o.[12], Vrsac, Serbia	100%	not

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

Name of the company, registered office	Share in capital	Form of consolidation
DEHIDRATOR d.o.o.[13], Vrsac, Serbia	100%	not

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

1) Equity (share capital): RUB 34,522 thousand, result 2008: RUB 1,908 thousand (pursuant to local law).
2) In the 2008 reporting year, the stake was raised from 67.27% to 96.78%.
3) Equity (share capital): USD 100 thousand, result 2005: USD 0 thousand (under local law).
4) In the 2008 reporting year, the shareholding was raised from 77.78% to 96.55% as part of a state privatization program.
5) Share in capital including 4.5% own shares held.
6) Equity (share capital): RSD 180 thousand, result 2008: RSD 0 thousand (under local law).
7) Equity (share capital): BGN 100 thousand, result 2008: BGN 0 thousand (under local law).
8) Equity (share capital): PLN 180 thousand, result 2008: PLN 0 thousand (under local law).
9) Equity (share capital): RSD 4,624,008 thousand, result 2007: RSD 120,125 thousand (pursuant to local law).
10) Equity (share capital): EUR 25 thousand, result 2008: EUR -0.3 thousand (pursuant to local law).
11) Equity (share capital): RUB 5,436 thousand, result 2008: RUB 1,285 thousand (pursuant to local law).
12) Equity (share capital): RSD 7,109 thousand, result 2008: RSD -19 thousand (pursuant to local law).
13) Equity (share capital): RSD 29,964 thousand, result 2008: RSD 34.444 thousand (pursuant to local law).

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

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 d.o.o. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
IZGRADNJA d.o.o.[1], Vrsac, Serbia	60%	not

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

The measurement of fair values for assets taken over which had been carried out only preliminarily in fiscal year 2007 due to the short period between the acquisition of the Russian MAKIZ group and the preparation of the consolidated financial statements was completed by means of a valuation report in the third quarter of fiscal year 2008 within a period of twelve months after the acquisition date as stipulated under IFRS 3.62. In this context comparative information presented for reporting periods before the initial accounting is complete shall be presented as if the purchase price allocation had been completed on the acquisition date.

The following table gives an overview of this change in purchase price allocation:

MAKIZ group in € million	Carrying amounts at the date of initial consolidation[2] before adjustment	Revaluation of assets	Carrying amounts at the date of initial consolidation[2] after adjustment
Intangible assets excluding goodwill	63.6	-20.3	43.3
Property, plant and equipment	19.8	1.8	21.6
Current assets (tax receivable)	30.4	-0.4	30.0
Current liability (tax provision)	-36.0	10.1	-25.9
Adaptation deferred taxes	-16.9	4.4	-12.5

Remaining goodwill after the final purchase price allocation thus amounts to € 52.7 million as of December 31, 2008 and represents the desired expanded market presence as well as expected operational synergy effects on the Russian market.

In the fourth quarter of fiscal year 2008, the newly established companies STADA PharmDevelopment OOO, Nizhny Novgorod and OOO STADA Marketing, Nizhny Novgorod were included in the scope of consolidation.

1.4. Changes in the scope of consolidation due to deconsolidations

Due to its significantly reduced business activities, the company UAB STADA-Nizhpharm-Baltiya, Vilnius, Lithuania, was deconsolidated as of June 30, 2008. Also deconsolidated was TAXON Arzneimittel GmbH, Bad Vilbel, Germany after it had stopped its business activities.

In December 2008 ZAO Biodyne Pharmaceuticals was merged into ZAO Skopinpharm.

1) Equity (share capital): RSD 36,053 thousand, result 2008: RSD 2,540 thousand (under local law).

2) Date of initial recognition: September 1, 2007.

No significant effects on the consolidated balance sheet as of December 31, 2008 resulted from these changes.

In the scope of the disposal of the Forum Products division the companies Forum Bioscience Holdings Ltd. and Forum Products Ltd., both Redhill (Surrey), United Kingdom, are no longer part of the scope of consolidation due to their sale. The changes to the consolidated balance sheet from this sale primarily relate to a disposal of current assets of approx. € 18.3 million as well as current liabilities of approx. € 13.7 million. The selling price was approx. € 2.8 million and did not result in any book profit.

1.5. Adaptations of comparative information in the consolidated financial statements as of December 31, 2007 in accordance with IAS 8

In fiscal year 2008, the consolidated financial statements of STADA Arzneimittel AG as of December 31, 2007 as well as the Management Report for fiscal year 2007 were inspected (random sampling) in accordance with section 342 b (2) sentence 3 No. 3 of the German Commercial Code (HGB) by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung e.V.; DPR). As a result of the inspection the following observations were made:

- In its consolidated financial statements as of December 31, 2007, STADA Arzneimittel AG wrongly recognized BIOCEUTICALS Arzneimittel AG at acquisition cost. It must be assumed that STADA Arzneimittel AG has at least substantial influence on BIOCEUTICALS Arzneimittel AG in accordance with IAS 28. Accordingly, BIOCEUTCIALS Arzneimittel AG was to be recognized under the equity method in accordance with IAS 28.

- The financial obligation from a capital guarantee of up to € 25 million by STADA Arzneimittel AG towards BIOCEUTICALS Arzneimittel AG was, incorrectly, not recognized under liabilities in the consolidated financial statements of STADA Arzneimittel AG as of December 31, 2007. With this, IAS 32.25 was infringed.

Overall, the Executive Board of STADA Arzneimittel AG deems the consequences of these observations for the balance sheet as well as the Group's income statement as not serious and therefore decided, in order to avoid costs, to accept the observations made by DPR without further objections and to adapt the previous year's consolidated financial statements as of December 31, 2007 pursuant to the observations. The correction was made by retroactively adapting the comparative figures of the previous year in accordance with IAS 8.41 ff. The correction was thereby made under the premise that BIOCEUTICALS Arzneimittel AG would have had to be recognized as an associated company pursuant to IAS 28 since fiscal year 2001. For the financial obligation from the capital guarantee a correction as of the date of its establishment in fiscal year 2003 is made. The adaptations relating to the fiscal years 2001 to 2006 were presented without effect on net income in equity carried forward as of January 1, 2007.

For reasons of the practicability caveat as specified under IAS 8.43 ff, the comparison figures and the key figures for the 2001 to 2006 period were not adapted.

The retrospective adaptations in the consolidated financial statements 2007 as well as their effects on the Group's financial and earnings situation as of December 31, 2007 are presented below:

- The shareholding in BIOCEUTICALS Arzneimittel AG, which has so far been recognized under financial assets at acquisition cost plus the capital guarantee made use of, will no longer be recorded under financial assets in the consolidated financial statements as of December 31, 2007, but as the independent balance sheet item "Shares in associated companies recognized under the equity method" in the amount of acquisition costs, less accumulated losses of BIOCEUTICALS Arzneimittel AG related to STADA Arzneimittel AG on a pro rata basis. Thus, the value adapted in accordance with IAS 28 and IAS 32 as of

December 31, 2007 amounts to € 6.9 million, the corresponding value before any adaptation within financial assets including the capital guarantee amounted to € 19.3 million. Beyond that, for fiscal year 2007 the annual result of BIOCEUTICALS Arzneimittel AG in the amount of € 0.9 million related on a pro rata basis to STADA Arzneimittel AG is reported for the first time in the income statement as "Result from the recognition of associated companies under the equity method".

- The recognition of the capital guarantee as of December 31, 2007 was previously made by making use of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as the best estimate required to settle the present obligation and was reported under other liabilities. The relevant disclosure under other current liabilities as of December 31, 2007 before any adaptations amounted to € 3.0 million, the part of the capital guarantee which was not used in the amount of € 22.0 million was reported as of December 31, 2007 under other financial obligations outside of the balance sheet. DPR assigned the financial obligation from the capital guarantee to the requirements of IAS 32.25. The financial liability is measured at fair value and amounts to € 4.8 million as of December 31, 2007 as well as December 31, 2008. The recognition is made under non-current other liabilities.

Since BIOCEUTICALS Arzneimittel AG, as of January 1, 2007, holds 66.6% of all shares in Norbitec GmbH, a consolidation between Norbitec GmbH and BIOCEUTICALS Arzneimittel AG was carried out for accounting purposes of BIOCEUTICALS Arzneimittel AG under the equity method.

The following overview shows a summary of adaptations for fiscal year 2007:

Significant balance-sheet data (each as of Dec. 31) in € thousand	2007 as reported originally	Corrections in accordance with IAS 8	2007 after corrections
Financial assets	38,969	-19,305	19,664
Shares in associated companies recognized under the equity method	-	6,861	6,861
Other non-current and current assets	2,514,928	-	2,514,928
Total assets	**2,553,897**	**-12,444**	**2,541,453**
Equity	933,847	-14,211	919,636
Other non-current liabilities	17,654	4,800	22,454
Other current liabilities	176,050	-3,033	173,017
Other non-current and current liabilities	1,426,346	-	1,426,346
Total equity and liabilities	**2,553,897**	**-12,444**	**2,541,453**

Significant income statement data (each Jan, 01 – Dec, 31) in € thousand	2007 as reported originally	Corrections in accordance with IAS 8	2007 after corrections
Operating profit	**215,503**	**-**	**215,503**
Personnel measures in the German generics business (pursuant to IAS 19)	-28,134	-	-28,134
Investment income	411	-	411
Result from the accounting of associated companies under the equity method	-	-935	-935
Interest result	-37,093	-	-37,093
Financial result	**-36,682**	**-935**	**-37,617**
Earnings before taxes	**150,687**	**-935**	**149,752**
Taxes on income	44,019	-	44,019
Net income	**106,668**	**-935**	**105,733**
• thereof net income distributable to shareholders of STADA Arzneimittel AG	105,136	-935	104,201
• thereof net income relating to minority interests	1,532	-	1,532

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 which 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 so-called concept of temporary differences as defined in IAS 12.

Shares in associated companies for which there is substantial influence were accounted for under the equity method in accordance with IAS 28.13. Profit and loss from transactions with such companies were recognized in STADA's consolidated financial statements only according to the share of independent shareholders in associated companies.

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. Non-current and current assets relating to these companies in the Group's consolidated financial statements as of December 31, 2008 amount to € 8.0 million (previous year: € 8.0 million) and € 11.7 million (previous year: € 8.9 million), non-current and current liabilities and provisions were € 2.9 million (previous year: € 4.1 million) and € 9.4 million (previous year: € 6.3 million) and reported income and expenses amounted to € 12.3 million (previous year: € 11.8 million) and € 11.3 million (previous year: € 10.5 million).

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 costs. 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

In these consolidated financial statements 2008, STADA does not yet apply the following financial reporting requirements which have already been issued by the IASB and adopted by the EU, but which are only effective for reporting periods beginning from January 1, 2009.

- IAS 1 "Presentation of Financial Statements": IAS 1 (revised) uses new terminology and restructures accounting issues relating to retrospective changes of accounting and measurement methods as well as to the presentation of income and expenses with no effect on income in or in addition to the balance sheet.
- IAS 23 "Borrowing Costs": The significant change to the standard concerns the elimination of the possibility of choosing whether to directly recognize borrowing costs that can directly be allocated to the acquisition, construction or manufacture of a qualified asset as an expense.
- IFRS 8 "Operating Segments": IFRS 8 replaces IAS 14 "Segment Reporting" and requires the reporting on the economic situation of the segments to orient itself toward the Management Approach. The information to be published must thus conform with the information the Management uses internally for evaluating and managing the segments.
- IFRIC 13 "Customer Loyalty Programs": This interpretation deals with accounting and measurement of customer loyalty programs where the customer receives points (award credits) allowing him to receive free or discounted goods or services from the seller or third parties.

From today's perspective, STADA does not expect any significant changes for STADA's accounting from their later application.

The following standards and interpretations issued by the IASB but not yet adopted by the EU are also not yet applied.

- IFRIC 12 "Service Concession Arrangements": This interpretation aims at providing guidelines to enable a private enterprise to clarify certain questions of recognition and measurement relating to service concession arrangements with public-sector institutions.
- IFRIC 15 "Arrangements for the Construction of Real Estate": IFRIC 15 deals with conditions on the application of IAS 11 and IAS 18 in connection with the construction and sale of buildings or parts of buildings. The focus is on sales agreements that were concluded before the buildings or parts of the building were completed or even before construction had started. The agreements are either to be recognized pursuant to IAS 11 (with revenue recognition in stages in accordance with the percentage of completion) or IAS 18 (generally with a respective later revenue recognition). The interpretation clarifies when to apply IAS 11 or IAS 18 as well as when to collect the revenue from the construction and sale of buildings or parts of buildings.
- IFRIC 16 "Hedges of a net investment in a foreign operation": IFRIC 16 deals with specific questions all arising from the interplay between IAS 21 and IAS 39. They concern the nature and amount of the designatable risk and the questions about which company within the Group is allowed to hold the hedging instrument and how to deal with a disposal of the foreign operation in terms of accounting.
- IFRS 3/IAS 27 "Business Combinations" and "Consolidated and Separate Financial Statements in accordance with IFRS": The reviewed standards govern the application of the full goodwill method, the recognition of incidental costs of acquisition in the income statement, the revaluation in the income statement of already existing shareholdings in case of gain of control as well as of remaining shareholdings in case of loss of control, the recognition without effect on the income statement of changes in the shareholding ratio in a subsidiary without loss of control as well as the unlimited attribution of losses to the non-controlling shareholders.

- IAS 32 “Financial Instruments: Presentation”: Under the accrual principle of IAS 32 puttable instruments, for example, are to be classified as borrowings since in case of a termination the entity has an obligation it cannot unconditionally avoid.
- IAS 39 “Financial Instruments: Recognition and Measurement”: The new regulations relate to the designation of a purchased option for the hedging of an item without optionality as well as the hedging of the risk of inflation.
- IFRS 1 “First-time Adoption of International Reporting Standards”: Under the reviewed version of IFRS 1 the valuation of subsidiaries, joint ventures and associated entities must be measured at fair value in accordance with IAS 39 or the substitute, the carrying amount from previous financial reporting.
- IFRIC 17 “Distributions of Non-cash Assets to Owners”: IFRIC 17 governs topics such as how an entity has to measure assets other than cash and cash equivalents, which it distributes to the shareholders as a dividend.

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 €	2008	Previous year	±%	2008	Previous year	±%
Pound sterling	1.04167	1.36129	-23%	1.24404	1.45501	-14%
Russian ruble	0.02366	0.02778	-15%	0.02715	0.02870	-5%
Serbian dinar	0.01112	0.01269	-12%	0.01220	0.01252	-3%
US dollar	0.71546	0.67953	+5%	0.67840	0.72517	-6%

To hedge currency risks the Group enters into futures and options contracts. The relevant Group accounting policies for these financial derivatives are described in note 6.6.2.1.

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.

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, whereby estimates are particularly important in terms of provisions reported for damages in the amount of € 15.8 million (previous year: € 2.7 million). STADA's estimates are respectively based on experience and other assumptions that 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	2008	Previous year
Sales	1,646,164	1,570,490

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.

2.2. Cost of sales

Cost of sales in € 000s	2008	Previous year
Cost of sales	904,012	815,161

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 regulatory drug approvals and licenses as well as write-downs of excess or obsolete inventories. The cost of sales in fiscal year 2008 include, particularly due to range-related stock changes in the area of inventories, expenses in the amount of € 33.3 million (previous year: € 41.7 million), thereof burdening inventory revaluations in the amount of € 6.9 million, resulting from the sales reorganization of the subsidiaries cell farm and SPI as well as in the amount of € 5.1 million as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine, which are recognized by STADA as one-time special effects. In addition, the cost of sales also include all costs for logistics which occur until the completion of the final product. Total material expenses incurred in cost of sales amount to € 750.4 million (previous year: € 664.7 million).

2.3. Gross profit

Gross profit in € 000s	2008	Previous year
Gross profit	742,152	755,329

2.4. Other operating income

Other operating income in € 000s	2008	Previous year
Income from write-ups	2,176	-
Income from reductions of valuation allowances and similar income	2,466	3,074
Income from disposal of non-current assets	1,820	12,571
Currency translation gains	9,745	4,827
Income from the dissolution of provisions	1,940	873
Earnings from patent litigation	-	9,000
Income from sales tax correction	-	165
Remaining other operating income	33,076	25,789
Total	**51,223**	**56,299**

The currency translation expenses countering the currency translation gains are reported under other operating expenses (see 2.8.).

Income from the dissolution of provisions includes a one-time special effect in the amount of € 0.4 million from restructuring measures in STADA's German generics business in 2007.

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 of the previous year includes book profit from the sale of companies no longer included in the scope of consolidation in the total amount of € 4.8 million.

2.5. Selling expenses

Selling expenses in € 000s	2008	Previous year
Selling expenses	369,560	358,208

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. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages (so-called discounts in kind) – if at all possible under the legal regulations in a national market – 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	2008	Previous year
General and administrative expenses	119,870	115,386

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	2008	Previous year
Research and development expenses	46,524	39,022

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 2008 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 2008, development costs for new products in the amount of € 13.8 million (previous year: € 8.2 million) were capitalized (see 3.1.).

2.8. Other operating expenses

Other operating expenses in € 000s	2008	Previous year
Value adjustment of accounts receivable and similar expenses	7,887	7,263
Losses on the disposal of non-current assets	1,206	2,020
Currency translation expenses	22,707	10,185
Unscheduled depreciation on non-current assets except for goodwill	7,119	29,443
Unscheduled depreciation on goodwill	-	5,809
Not realized acquisition projects	-	2,868
Remaining other operating expenses	42,063	25,921
Total	**80,982**	**83,509**

Value adjustment of accounts receivable and similar expenses includes write-downs of receivables from Russian wholesalers in the amount of € 1.9 million which are reported by STADA as a one-time special effect.

Reported currency translation expenses in the amount of € 22.7 million (previous year: € 10.2 million) include a one-time special effect in the amount of € 3.7 million for currency translation expenses from a Russian subsidiary in connection with an existing loan from the financing of an earlier acquisition.

Within remaining other operating expenses unscheduled personnel expenses in the amount of € 7.6 million (previous year: € 9.6 million) are reported, of which € 2.8 million in expenses are related to the reduction of the Executive Board and € 0.9 million are related to the relocation of logistics functions, which are each reported as one-time special effects. Beyond that, € 15.0 million expenses in connection with the negative patent decision for the active pharmaceutical ingredient Olanzapine are also reported.

2.9. Operating profit

Operating profit in € 000s	2008	Previous year
Operating profit	176,439	215,503

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

Personnel measures in the German generics business in € 000s	2008	Previous year
Personnel measures in the German generics business	-	-28,134

A burden in the total amount of € 28.1 million before 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.

In fiscal year 2008, a dissolution of provisions occurred which were not required for the restructuring of the German generics business in fiscal year 2007 in the amount of € 0.4 million before or € 0.3 million after taxes reported under other operating income.

2.11. Investment income

Investment income in € 000s	2008	Previous year
Investment income	1,235	411

Investment income relates to profit distributions from unconsolidated equity holdings. In 2008, this item included a dividend payment from a non-consolidated Group company in which STADA holds a 50% stake in the amount of € 1.1 million before or € 1.1 million after taxes.

2.12. Result from the accounting of associated companies under the equity method

Result from the accounting of associated companies under the equity method in € 000s	2008	Previous year
Result from the accounting of associated companies under the equity method	-2,473	-935

The disclosure relates to the profit transfer of BIOCEUTICALS Arzneimittel AG's profit for the period according to the amount of shareholdings of 14.99%. Associated companies are recognized under the equity method in accordance with IAS 28 since STADA Arzneimittel AG has substantial influence on BIOCEUTICALS Arzneimittel AG. This substantial influence is due, among other things, to the partial identity of management personnel between BIOCEUTICALS Arzneimittel AG and STADA Arzneimittel AG.

2.13. Interest result

Interest result in € 000s	2008	Previous year
Interest income	19,128	14,713
thereof: From financial instruments of the evaluation categories in accordance with IAS 39:		
• Loans and receivables recognized at amortized cost	17,411	9,358
• Income from the valuation of interest rate hedge transactions	1,717	5,355
Interest expenses	-88,806	-51,806
thereof: From financial instruments of the evaluation categories in accordance with IAS 39:		
• Financial liabilities valued with amortized costs	-69,715	-47,109
• Expenses from the valuation of interest rate hedge transactions	-17,210	-2,952
Interest result	**-69,678**	**-37,093**

From the netting of interest rate hedge transactions, a burden of € 15.5 million resulted (previous year: relief of € 2.4 million).

2.14. Financial result

Financial result in € 000s	2008	Previous year
Investment income	1,235	411
Result from the accounting of associated companies under the equity method	-2,473	-935
Interest result	-69,678	-37,093
• thereof: effects from the evalution of interest rate hedge transactions	-15,493	2,403
Financial result	**-70,916**	**-37,617**

In fiscal year 2008, the Group refinanced itself at interest rates between 3.2% and 21.0%, in the previous year between 3.2% and 11.4%. On the balance sheet date of December 31, 2008, the weighted average interest rate for non-current financial liabilities was approx. 4.8% (previous year: approx. 4.6%) and for current financial liabilities approx. 3.8% (previous year: approx. 5.1%).

The effects from interest rate hedge transactions are as follows:

- Burden on earnings from the evalution of interest rate hedge transactions of a Russian subsidiary in the fourth quarter of 2008 for the interest rate stabilization of an existing loan from a previous acquisition financing in the amount of € 10.1 million before or € 7.2 million after taxes (see "Earnings Situation – Financial result"); in this context the variable interest rate of an existing ruble loan with a term until 2010 was swapped against a fixed interest rate and a conditioned compensation payment the realization and amount of which is dependent on the ruble/euro currency relation at the end of the term of the interest rate hedge transaction.

- Netted burdens on earnings from the evalution of interest rate hedge transactions of STADA Arzneimittel AG in the context of promissory notes in the amount of € 5.4 million before taxes or € 3.6 million after taxes. In the previous year, a relief of earnings in the amount of € 2.4 million before taxes or € 1.4 million after taxes was reported here. The valuation of interest rate hedge transactions depends on the development of the money market interest rate.

2.15. Earnings before taxes

Earnings before taxes in € 000s	2008	Previous year
Earnings before taxes	105,523	149,752

Earnings before taxes include depreciation and amortization of € 80.2 million (previous year: € 101.7 million) and € 253.0 million of personnel expenses (previous year: € 272.4 million).

By adjusting earnings before taxes for all one-time special effects as well as all not operative-related effects from currency influences und interest rate hedge transactions, this results in adjusted earnings before taxes in the amount of € 164.8 million (previous year: € 209.5 million) (see 6.1.).

2.16. Taxes on income

Taxes on income in € 000s	2008	Previous year
Taxes within the accounting period	27,804	44,082
Taxes outside of the accounting period, net	655	-63
Taxes on income	**28,459**	**44,019**
Taxation ratio	**27.0%**	**29.4%**

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, 2008 reporting date amount to € 21.6 million (previous year: € 34.7 million). Due to the thin capitalization rules introduced in the context of the 2008 corporate tax reform, no deferred tax asset could any longer be recognized for a tax carryforward in the amount of € 24.4 million, leading to a corresponding additional tax burden of € 5.8 million.

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.”

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

Deferred taxes in € 000s	Dec. 31, 2008 Deferred tax assets	Dec. 31, 2007 Deferred tax assets	Dec. 31, 2008 Deferred tax liabilities	Dec. 31, 2007 Deferred tax liabilities
Intangible assets	4,491	4,578	60,611	72,298
Property, plant and equipment	1,252	979	9,215	11,576
Financial assets	1,028	119	-	-
Inventories	6,398	6,332	1,936	2,122
Receivables	671	568	445	818
Other assets	3,410	762	24	24
Pension provisions	2,771	1,808	-	-
Other provisions	795	1,641	664	1,413
Liabilities	5,624	2,262	28	173
Tax loss carryforwards	2,458	4,126	-	-
Offsetting	-142	-312	-142	-312
Total deferred taxes	**28,756**	**22,863**	**72,781**	**88,112**

As the following reconciliation shows, the Group tax charge for fiscal year 2008 was higher 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	2008	Previous year
Earnings before taxes	105,523	149,752
Tax rate for all domestic and international companies based on the respective tax rates	21.7%	29.8%
Theoretical tax expense	22,924	44,643
Tax effects due to application of IAS 12.34 (use of tax losses carried forward)	1,630	-3,054
Taxes outside of the accounting period	655	-63
Tax rate change	611	-5,310
Tax effects due to non-deductible expenses and other items	2,639	7,803
Income tax expense shown on the income statement	**28,459**	**44,019**
• thereof deferred taxes	-10,368	16,276
Actual taxation ratio	27.0%	29.4%

2.17. Net income

Net income in € 000s	2008	Previous year
Net income	77,064	105,733
• thereof net income distributable to shareholders of STADA Arzneimittel AG	76,246	104,201
• thereof net income relating to minority interests	818	1,532

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.

Adjusting net income for all one-time special effects as well as all not operative-related effects from currency influences und interest rate hedge transactions results in an adjusted net income in the amount of € 116.0 million (previous year: € 144.9 million) (see 6.1.).

Net income relating to minority interests reflects minority interest profits within the Hemofarm Group, STADA Asiatic and Nizhpharm. In the fourth quarter of the 2008 reporting year, the stakes in Nizhpharm were raised to 100%.

2.18. Earnings per share

Earnings per share	2008	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	76,246	104,201
Average number of shares	58,632,021	58,315,643
Earnings per share in €	1.30	1.79

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. As in the previous year, the number of shares increased in 2008 due to the exercise of warrants.

By taking net income adjusted for one-time special effects as well as all not operative-related effects from currency influences und interest rate hedge transactions (see 2.17. and 6.1.) as a basis, this results in earnings per share adjusted for these shares in the amount of € 1.98 (previous year: € 2.48).

2.19. Diluted earnings per share

Diluted earnings per share	2008	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	76,246	104,201
Average number of shares	58,632,021	58,315,643
Potentially diluting shares from warrants 00/15 (ISIN DE0007251845)	717,225	2,233,757
Average number of shares (incl. potentially diluting shares from warrants 00/15)	59,349,246	60,549,400
Diluted earnings per share in €	1.28	1.72

Diluted earnings per share are calculated according to IAS 33.31 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 similar rights	Goodwill	Advance payments	Total
Accumulated cost as of Jan. 1, 2008	**858,569**	**403,493**	**90,833**	**1,352,895**
Currency translation differences/adjustments	-68,290	-40,946	-1,253	-110,489
Changes in the scope of consolidation	-4	322	-	318
Additions	16,974	2,476	40,832	60,282
Disposals	5,692	423	624	6,739
Reclassifications	10,949	-	-10,619	330
Accumulated cost as of Dec. 31, 2008	**812,506**	**364,922**	**119,169**	**1,296,597**
Accumulated amortization as of Jan. 1, 2008	**207,753**	**27,016**	**21,598**	**256,367**
Currency translation differences/adjustments	-6,352	-783	6	-7,129
Changes in the scope of consolidation	-2	-	-	-2
Straight-line amortization in the reporting year	42,307	-	-	42,307
Unscheduled amortization in the reporting year	3,850	-	3,161	7,011
Disposals	743	423	20	1,186
Write-ups	-2,176	-	-	-2,176
Reclassifications	557	-	-4	553
Accumulated amortization as of Dec. 31, 2008	**245,194**	**25,810**	**24,741**	**295,745**
Net book value as of Dec. 31, 2008	**567,312**	**339,112**	**94,428**	**1,000,852**

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. Unscheduled amortization is recognized pursuant to IAS 36 wherever indicated by impairment tests.

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.

Subsequent table shows all goodwill with a residual carrying amount of more than € 10 million as of December 31, 2008.

in € 000s	Residual carrying amount December 31, 2008
Hemofarm A.D. Subgroup, Serbia	126.4
OAO Nizhpharm / MAKIZ group , Russia, grouped together as one cash-generating unit	67.3
Laboratorio STADA S.L., Spain	56.5
Ciclum Farma Unipessoal LDA, Portugal	24.3
Britannia Pharmaceuticals Ltd., UK	19.3
Clonmel Healthcare Limited, Ireland	10.8

Goodwill of the MAKIZ group and OAO Nizhpharm, both Russian, are grouped together as one cash-generating unit because of their structural network.

Goodwill is regularly tested for impairment once a year in the fourth quarter. Additional reviews take place if indications of impairment become 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 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 9.5% (previous year: 10.4%) 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 € 14.6 million were capitalized in fiscal year 2008 (previous year: € 10.2 million). 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, 2008	**219,362**	**163,768**	**74,930**	**17,344**	**475,404**
Currency translation differences/adjustments	-18,877	-13,339	-5,226	-1,040	-38,482
Changes in the scope of consolidation	-	-	-70	-	-70
Additions	21,243	8,429	4,951	37,582	72,205
Disposals	4,276	2,505	3,955	4,850	15,586
Reclassifications	4,456	4,508	8,060	-17,354	-330
Accumulated cost as of Dec. 31, 2008	**221,908**	**160,861**	**78,690**	**31,682**	**493,141**
Accumulated depreciation as of Jan. 1, 2008	**51,465**	**80,953**	**43,994**	**193**	**176,605**
Currency translation differences/adjustments	-4,079	-6,621	-3,602	-81	-14,383
Changes in the scope of consolidation	-	-	-57	-	-57
Straight-line depreciation	7,933	14,221	8,610	-	30,764
Unscheduled depreciation	105	-	-	-	105
Disposals	1,768	2,288	1,713	192	5,961
Write-ups	-	-	-	-	-
Reclassifications	192	-209	-1,151	615	-553
Accumulated depreciation as of Dec. 31, 2008	**53,848**	**86,056**	**46,081**	**535**	**186,520**
Net book value as of Dec. 31, 2008	**168,060**	**74,805**	**32,609**	**31,147**	**306,621**

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.

In terms of property, plant and equipment an amount of € 60.8 million (previous year: € 61.7 million) serves as certificated debt for financial liabilities.

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, 2008	**31,122**	**-**	**130**	**31,252**
Currency translation differences/adjustments	-2,525	-	-21	-2,546
Changes in the scope of consolidation	376	-	-	376
Additions	4,777	-	-	4,777
Disposals	376	-	69	445
Reclassification to non-current assets held for sale	-2,103	-	-	-2,103
Accumulated cost as of Dec. 31, 2008	**31,271**	**-**	**40**	**31,311**
Accumulated amortization as of Jan. 1, 2008	**11,588**	**-**	**-**	**11,588**
Currency translation differences/adjustments	-1,050	-	-	-1,050
Unscheduled depreciation in the reporting year	-	-	3	3
Disposals	41	-	-	41
Accumulated amortization as of Dec. 31, 2008	**10,497**	**-**	**3**	**10,500**
Net book value as of Dec. 31, 2008	**20,774**	**-**	**37**	**20,811**

Financial assets available for sale are generally reported at cost of acquisition. Financial shareholdings that do not have a quoted market price and whose fair value cannot be determined reliably are measured at cost of acquisition. Reductions in value are recognized by means of an impairment test in accordance with IAS 39. On this basis, financial assets (equity interests) were assigned a carrying amount of € 20.8 million as of December 31, 2008 (previous year: € 9.5 million). All remaining financial assets (total carrying amount: € 0.04 million, previous year: € 0.01 million) are recorded at acquisition cost.

In the third quarter of 2008, STADA took a shareholding of 11.2% in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company and paid € 3.2 million for it. STADA can expand its shareholding in Pymepharco Joint Stock Company to 49% over the next two years in further steps at dates and prices which have already been determined; if agreed return targets are not reached, STADA may give back all shareholdings acquired until then against reimbursement of the respective purchase price. In accordance with IAS 27.14 call options exercisable only at a later date are not recognized in the balance sheet. In this context Pymepharco Joint Stock Company is recognized within the financial assets at a value which corresponds to the purchase costs paid for 11.2% of shares in the company.

3.4. Shares in associated companies recognized under the equity method

Shares in associated companies recognized under the equity method in € 000s	Dec. 31, 2008	Previous year
Opening balance	6,861	7,796
Proportionate profit transfer	-2,473	-935
Closing balance	4,388	6,861

The disclosure relates to the accounting of BIOCEUTICALS Arzneimittel AG (see 1.5.).

In this context, total assets or liabilities of BIOCEUTICALS Arzneimittel AG from the separate financial statements amount to € 59.6 million (previous year: € 46.4 million) and € 58.5 million (previous year: € 46.3 million). The corresponding revenues and profit for the period amount to € 16.1 million (previous year: € 14.9 million) and € -14.3 million (previous year: € -3.7 million).

3.5. Non-current trade accounts receivable

Non-current trade accounts receivable in € 000s	Dec. 31, 2008	Previous year
Non-current trade accounts receivable from third parties	1,325	1,188

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

3.6. Other non-current assets

Other non-current assets in € 000s	Dec. 31, 2008	Previous year
Outstanding purchase price receivables	672	13,802
Receivables due from the tax authorities	4,306	1,164
Other	45,182	38,551
Total	**50,160**	**53,517**

As of the balance sheet date 2007, under outstanding purchase price receivables the last installment of the outstanding purchase price sum flowing to STADA in the amount of € 13.8 million from the sale of STADA Inc. to DAVA Inc. which was carried out in fiscal year 2006 was still classified here. Due to the current maturity of this outstanding purchase price receivable in the third quarter of 2009, it is disclosed under other current assets as of December 31, 2008 (see 3.9.). In the context of the outstanding purchase price receivable in the amount of € 0.7 million reported as of December 31, 2008 it is a matter of a still outstanding partial amount of the purchase price receivable from the sale of the Forum Products division in the third quarter of 2008.

3.7. Deferred tax assets

Deferred tax assets in € 000s	Dec. 31, 2008	Previous year
Deferred tax assets	26,298	18,737
Deferred tax assets in accordance with IAS 12.34	2,458	4,126
Total	**28,756**	**22,863**

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.

3.8. Inventories

Inventories in € 000s	Dec. 31, 2008	Previous year
Raw and auxiliary materials and manufacturing supplies	64,424	67,860
Work in progress	15,464	19,315
Finished goods	310,994	301,499
Advance payments made	5,991	4,406
Total	**396,873**	**393,080**

Inventories are measured at cost. As required by IAS 2, the cost of conversion 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 € 23.1 million (previous year: € 8.9 million). Inventory costs are calculated based on weighted average costs. Revaluations of inventories at the balance sheet date amount to € 33.3 million (previous year: € 41.7 million) and are reflected in the carrying amount of € 396.9 million.

3.9. Current trade accounts receivable

Current trade accounts receivable in € 000s	Dec. 31, 2008	Previous year
Trade accounts receivable from third parties	467,075	491,206
Trade accounts receivable from non-consolidated Group companies	6,909	2,074
Value adjustments vis-à-vis third parties	-15,798	-12,412
Total	**458,186**	**480,868**

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, 2008	Previous year
Not overdue	381,194	419,308
Overdue up to 30 days	24,073	28,845
Overdue between 31 and 90 days	22,971	18,505
Overdue between 91 and 180 days	13,863	8,206
Overdue more than 180 days	9,176	3,930
Total net book values	**451,277**	**478,794**

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, 2008	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	2,466	3,074
Expenses from value adjustments of accounts receivable as well as similar expenses	7,887	7,263

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

In 2008, the largest item of other operating expenses was based on a value adjustment reported as one-time special effect in the amount of € 1.9 million from the insolvency of Russian wholesalers.

3.10. Other current assets

Other current assets in € 000s	Dec. 31, 2008	Previous year
Outstanding purchase price receivables	16,321	11,481
Receivables due from the tax authorities	38,156	19,492
Prepaid expenses/deferred charges	9,631	8,448
Other	24,746	44,854
Total	**88,854**	**84,275**

In the 2008 reporting year, the outstanding purchase price receivables relate to the last partial amount of € 15.6 million from the sale of STADA Inc. to DAVA Inc., carried out in fiscal year 2006 which is due in 2009 as well as with a partial amount of € 0.7 million of the outstanding purchase price receivable from the sales of the Forum Products division.

The presentation in the previous year under other non-current assets related to the first purchase price installments from this sale of STADA Inc.

3.11. Non-current assets held for sale

Non-current assets held for sale in € 000s	Dec. 31, 2008	Previous year
Non-current assets held for sale	2,103	-

The disclosure in accordance with IFRS 5 relates to the carrying amount of a shareholding recorded under financial assets as yet, which is now held for sale. It is a matter of a company which is active in the area of product development. Pursuant to IFRS 5.15 the measurement is based on the lower of carrying amount and fair value less costs to sell.

3.12. Current securities

Current securities in € 000s	Dec. 31, 2008	Previous year
Current securities	66	2,331

Current securities comprise securities of the category “held-to-maturity” as well as financial assets available for sale. The change in financial assets available for sale amounts to € 0.1 million.

3.13. Cash and cash equivalents

Cash and cash equivalents in € 000s	Dec. 31, 2008	Previous year
Checks, cash and bank balances	110,479	81,479

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.

3.14. Consolidated Statement of Changes in Shareholders' Equity

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

2008	Number of common shares	Share capital	Capital reserve	
Balance as of Dec. 31, 2008	58,759,820	152,775	464,580	
Dividend payment of STADA Arzneimittel AG				
Dividend payment of other Group companies				
Capital increase from warrants 2000/2015 of STADA Arzneimittel AG	38,720	100	536	
Retention of STADA Arzneimittel AG				
Changes in retained earnings (own shares)				
Changes in reserves for fair value assessment and cash flow hedges				
Changes in provisions for payments to employees in accordance with IAS 19				
Currency translation differences				
Buy back of minority interests				
Net income 2008[1)]				
Reclassification of minority interests in net income 2008				
Balance as of Jan. 1, 2008	58,721,100	152,675	464,044	
Previous year				
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 warrants 2000/2015 of STADA Arzneimittel AG	464,700	1,208	6,436	
Changes in retained earnings (own shares)				
Changes in 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				
Adaptation of comparative information in accordance with IAS 8 as of Jan. 1,2007				
Balance as of Jan. 1, 2007 before adjustment of comparative information in accordance with IAS 8[5)]	58,256,400	151,467	457,608	

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.
3) This item includes, in particular, effects from the measurement of interest-rate swaps adjusted for deferred taxes.
4) This item shows actuarial gains and losses adjusted for deferred taxes for pension provisions disclosed in the balance sheet.
5) See 1.15.

Retained earnings	Unappropriated retained earnings[1]	Currency translation diffrence	Provisions for fair value assessment and cash flow hedges[3]	Provisions for payments to employees in accordance with IAS 19[4]	Minority interest	Total shareholders' equity
50,544	**260,900**	**-93,079**	**-2,541**	**-5,823**	**12,379**	**839,735**
	-41,612					-41,612
					-115	-115
						636
15,500	-15,500					-
	118					118
			-2,681			-2,681
				3,760		3,760
		-107,648	-24	-1	-60	-107,733
					-9,338	-9,338
	77,064					77,064
	-818				-818	-
35,044	**241,648**	**14,569**	**164**	**-9,582**	**21,074**	**919,636**
35,044	**241,648**	**14,569**	**164**	**-9,582**	**21,074**	**919,636**
	-36,047					-36,047
					-133	-133
						7,644
	71					71
			-277			-277
				-2,248[2]		-2,248[2]
		-5,397			16	-5,381
	464					464
	105,733					105,733
	-1,532				1,532	-
	-13,276					-13,276
35,044	**186,235**	**19,966**	**441**	**-7,334**	**19,659**	**863,086**

3.15. Equity

Pursuant to IAS 1.124 b, STADA understands capital exclusively as equity reported in the Group's balance sheet and aims to continuously improve its market value through optimal capital management.

Group equity amounted to € 839.7 million as of the balance sheet date (previous year: € 919.6 million). Thus, an equity-to-assets ratio of 34.0% existed at the balance sheet date, December 31, 2008 (previous year: 36.2%).

3.16. Share capital

As of the balance sheet date, share capital consisted of 58,759,820 restricted registered common shares, each with an arithmetical share of share capital of € 2.60 (prior year: 58,721,100).

These restricted registered common shares of STADA Arzneimittel AG can only be entered into 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 General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise 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 2008 was entirely due to the continuing exercise of options from STADA warrants 2000/2015. The number of shares until December 31, 2008 thereby increased by 38,720 to 58,759,820 and the company's share capital of STADA Arzneimittel AG increased by € 100,672.00 to € 152,775,532.00. Therewith, as of December 31, 2008, 181,520 warrants 2000/2015 for the subscription of 3,630,400 STADA common shares were still outstanding. Thus, in the reporting year 2008, 1,936 warrants were exercised in total.

In the first quarter of the current fiscal year 2009, no further warrants were exercised by March 1, 2009.

The Annual General Meeting of June 10, 2008 authorized STADA to purchase and use own shares until December 10, 2009. This authorization seamlessly replaced the authorization of the Annual General Meeting from June 20, 2007, pursuant to which STADA had been able to purchase own shares until December 20, 2008. STADA has neither made use of the previous purchase authorization nor of the current one, and only used the authorization to sell to employees within the scope of the employee stock option program.

As of the balance sheet date, the Company held 109,659 own shares, each with an arithmetical par value of € 2.60, which is equivalent to 0.2% of the share capital. As of the previous year's balance sheet date, STADA held 114,351 of its own shares. In fiscal year 2008 STADA – exclusively in the context of executing an employee stock ownership program based on a company agreement in Germany – purchased 127 of its own shares at an average price of € 45.65 and sold 4,819 of its own shares at an average price of € 32.90.

Thus, as of the balance sheet date on December 31, 2008, after deducting own shares, a total of 58,650,161 STADA restricted registered common shares are entitled to vote (balance sheet date in the previous year: 58,606,749 voting common shares).

The Executive Board has been authorized by the Annual General Meeting on June 10, 2008 to raise new authorized capital. The resolution authorizes the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the company on one or more occasions by June 10, 2013, by up to € 76,346,010.00 through the issue of up to 29,363,850 registered shares with restricted transferability against contributions in cash and/or in kind. Shareholders are to be granted subscription rights. The Executive Board shall nevertheless be authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in the following cases: (a) for fractional shares, (b) in the case of capital increases against cash contributions of up to an amount that in total does not exceed 10% of the share capital, if the issue price of the new shares is not significantly lower than the stock exchange price of already listed shares carrying the same rights within the meaning of section 203 (1) sentence 1 and sentence 2 and 186 (3) sentence 4 of the German Stock Corporation Act. Shares are to be credited against the above mentioned 10% limit which are acquired due to an authorization of the Annual General Shareholders' Meeting and are sold during the term of this authorization pursuant to section 71 (1) no. 8 sentence 5 in connection with section 186 (3) sentence 4 of the German Stock Corporation Act. Furthermore, shares are to be credited against this limit, which are issued for the purpose of servicing subscription rights under bonds with warrants and/or convertible bonds, to the extent the bonds with warrants and/or convertible bonds are issued under section 186 (3) sentence 4 of the German Stock Corporation Act applying mutatis mutandis under the exclusion of subscription rights; as well as (c) in the case of capital increases against contribution in kind of up to an amount which in total does not exceed 20% of the share capital, in order to be able to offer the company's new shares to third parties within the context of mergers between undertakings or the acquisition of business undertakings, divisions of business undertakings or participations in business undertakings and of other assets, including loans and other liabilities, (d) to the extent necessary and up to an amount which in total does not exceed 20% of the share capital to grant holders of option rights and/or creditors of convertible bonds that will be issued by the company or its subordinated group companies, a subscription right to new shares to the extent to which they would be entitled after the exercising of their option and/or conversion rights or after fulfillment of any conversion obligations. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to fix further details for implementing capital increases from the authorized capital. The Executive Board has not made use of this authorization to date.

In addition, the Annual General Meeting on June 10, 2008 authorized the Executive Board, on or before June 9, 2013, on one or more occasions a) to issue bonds with warrants and/or convertible bonds in an aggregate nominal amount of up to € 1,000,000,000.00 and with a maturity of up to 20 years through the company or through companies in which the company directly or indirectly has a majority holding ("subordinated Group companies"), and b) to assume the guarantee for such bonds with warrants and/or convertible bonds issued by subordinated Group companies of the company and to grant the holders or creditors of bonds with warrants and/or convertible bonds, option and/or conversion rights up to a total of 25,701,330 registered shares with restricted transferability of the company, representing a proportionate amount of the share capital of up to € 66,823,458.00 in accordance with the more detailed provisions of the respective terms of the bonds with warrants and/or convertible bonds ("Terms"). Other than in euro, the bonds with warrants and/or convertible bonds may also be issued in the legal currency of a member country of the OECD, however, limited to the relevant equivalent value in euro. The bonds with warrants and/or convertible bonds may also be issued against contributions in kind, to the extent that their value corresponds to the issue price and this is not significantly lower than the theoretical market value of the bonds with warrants and/or convertible bonds as determined in accordance with accepted methods of financial mathematics. The bonds with warrants and/or convertible bonds shall be divided into equal partial debentures in bearer form. If bonds with warrants are being issued, one or more warrants shall be added to each partial debenture, which authorize the holder to purchase registered shares with restricted transferability of the company in accordance with the Terms. The Terms for bonds with warrants issued by the company which are denominated in euro may provide that the option price can also be fulfilled by the transfer of bonds with warrants and, where necessary, by an additional payment in cash. Insofar as fractions of shares arise the provision can be made that these fractions, according to the

Terms, can be added to the subscription of whole shares, if necessary, against additional payment. If convertible bonds are being issued, the holders obtain the irrevocable to right change their convertible bonds into registered shares with restricted transferability of the company in accordance with the Terms determined by the Executive Board. The conversion ratio results from the division of the nominal amount or from the issue amount which is lower that than the nominal amount or from the nominal amount marked up for interest accruing of a partial debenture by the conversion price for one share of the company and may be rounded up or down to a whole number; moreover, an additional cash payment can be determined, as well as the combination of or an offset for non-convertible fractions. b) Subscription rights, exclusion of subscription rights: Shareholders shall in principle have a right to subscribe to the bonds with warrants and/or convertible bonds; the bonds with warrants and/or convertible bonds may also be subscribed for by a bank or a syndicate of banks subject to the condition that they in turn be offered for subscription to the shareholders. The Executive Board, however, is authorized, with the approval of the Supervisory Board, to exclude the subscription right to bonds with warrants and/or convertible bonds of the existing shareholders, in order to exclude fractional shares resulting from a given subscription right of existing shareholders to the bonds with warrants and/or convertible bonds; if such bonds are issued against payment in cash and the issue price is not significantly lower than the theoretical market value of the bonds with warrants and/or convertible bonds, as determined in accordance with accepted methods of financial mathematics; however this only applies insofar as the shares to be issued to service the option and/or conversion rights established on this basis in total do not exceed 10% of the share capital either at the time of this authorization becoming effective or at the time of the authorization being exercised. The proportionate amount of the share capital, which relates to shares issued between June 10, 2008 and the expiry of this authorization from an authorized capital by way of a capital increase against contributions in cash and under the exclusion of the subscription right pursuant to section 186, (3), sentence 4 of the German Stock Corporation Act, is to be added to this amount. Also to be added to this amount is the proportionate amount of the share capital that relates to the sale of own shares insofar as this sale occurs during the term of this authorization under the exclusion of the subscription right pursuant to section 186 (3), sentence 4 of the German Stock Corporation Act; if such bonds with warrants and/or convertible bonds are issued against contributions in kind and the exclusion of subscription rights is in the interest of the company; however, this only applies insofar as the shares to be issued to service the option and/or conversion rights created in this process in total do not exceed 20% of the share capital either at the time of this authorization becoming effective or at the time of the authorization being exercised; to the extent necessary and up to an amount which in total does not exceed 20% of the share capital to grant holders of option rights and/or creditors of convertible bonds that will be issued by the company or its subordinated group companies, a subscription right to the extent to which they would be entitled after the exercising their rights or after fulfillment of any conversion obligations. c) Option and/or conversion price, protection against dilution: The option and/or conversion price is to be calculated in accordance with the following principles: aa) The option and/or conversion price for a registered share of the company with restricted transferability either equals 120% of the volume weighted average stock exchange price of the company's shares in the XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) during the period of time of the bookbuilding procedure which shall be carried out by the banks attending the issue of shares, or the day or days on which the bookbuilding procedure is carried out, or – if a subscription right is being granted – 120% of the closing price of the shares of the company in the XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the day before the announcement of the final conditions pursuant to section 186 (2), sentence 2 of the German Stock Corporation Act. The respectively relevant volume weighted stock market price or, as the case may be, closing price is hereinafter referred to as "Reference Price". (bb) In case of the issuance of bonds with warrants and/or convertible bonds, determining an option and/or conversion obligation, the option and/or conversion price shall correspond to the following amount: 100% of the Reference Price, should the arithmetic mean of the closing prices of the shares of the company in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) the 20 trading days ending with the third trading day before the day of the option exercise and/or conversion be less than or equal the Reference Price; the arithmetic mean of the closing prices of the shares of the company shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) the 20 trading days ending with the third

trading day before the day of the option exercise and/or conversion, should this value be greater than the Reference Price and smaller than 115% of the Reference Price; 115% of the Reference Price, should the arithmetic mean of the closing prices of the shares of the company in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) the 20 trading days ending with the third trading day before the day of the option exercise and/or conversion be greater than or equal 115% of the Reference Price; irrespective of the above provisions, 115% of the Reference Price, should the holder of the bonds with warrants and/or convertible bonds before the entry of option and/or conversion obligation exercise an existing option and/or conversion right. cc) Without prejudice to section 9 (1) of the German Stock Corporation Act, the option and/or conversion price may be reduced pursuant to a dilution protection clause according to the exact terms, if the company increases its share capital before the option and/or conversion period, while honoring the subscription right to existing shareholders, or issues or guarantees further bonds with warrants and/or convertible bonds, and the holders of existing option and/or conversion rights are not granted a subscription right in this regard, as they would be entitled to following the exercise of the option and/or conversion right, respectively. Reduction of the option and/or conversion price can also be effected by a cash payment when exercising the option and/or conversion right. In addition, the Terms may provide for adjustment of the option and/or conversion obligation, in the case of a capital decrease or other extraordinary measures or events (such as unusually high dividends, third parties obtaining control). Should control be obtained by third parties, an adjustment of the option and/or conversion price, as is customary in the particular market, may be provided. dd) In any event, the proportionate amount of the share capital attributable to the shares to be subscribed for each bond with warrants and/or convertible bond must not exceed the nominal value of the bond with warrants and/or convertible bond. (d) Authorization to determine further details: The Terms may provide the company's right in the case of option exercise and/or conversion, not to grant new shares, but to pay a cash amount equivalent to the amount of shares to be delivered alternatively, and which corresponds to the volume weighted average closing price of the company's shares in the XETRA trading at the Frankfurt Stock Exchange (or a comparable successor system) during the ten trading days before or after the option exercise and/or conversion has been declared, as the case may be. The Terms may also provide that the bonds with warrants and/or convertible bonds may be converted, at the company's discretion, instead of into new shares from Conditional Capital into already existing company shares or the shares of another listed company, and/or that the option right may be executed by the delivery of such shares. The Terms may also provide an option and/or conversion obligation, as the case may be, at the end of the maturity (or at another point in time). In this case the specifications of this authorization shall apply accordingly. In addition, in the case of final maturity of the bonds with warrants and/or convertible bonds (this also includes maturity due to termination), the Terms may also provide the company's right to grant creditors, in whole or in part, company shares or shares of another listed company instead of payment of the amount of cash due. In addition, the Executive is authorized, in accordance with the above specifications, to determine the further details of the issue and features of the bonds with warrants and/or convertible bonds and their terms or to do so in agreement with the corporate bodies of the subordinated group company issuing the bonds with warrants and/or convertible bonds, in particular, interest rate, issue price, term and denomination, subscription/conversion ratio, creation of a conversion obligation, determination of an additional cash payment, settlement or combination of fractional shares, cash payment instead of delivery of shares, delivery of existing shares rather than issuance of new shares, option and/or conversion price and option and/or conversion period. In addition, the share capital is conditionally increased by up to € 66,823,458.00 by issuing up to 25,701,330 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The conditional capital increase serves the purpose of granting shares to the holders or creditors of bonds with warrants and/or convertible bonds issued by the company or a subordinated group company on the basis of the authorization of the Annual General Shareholders' Meeting of 10 June 2008. The issue of new shares will be carried out subject to the respective option and/or conversion price to be determined in accordance with the aforementioned authorization. The conditional capital increase will be effected only insofar as the option and/or conversion rights relating to the bonds with warrants and/or convertible bonds are exercised or any option and/or conversion obligations under these bonds with warrants and/or convertible bonds are fulfilled and insofar as no cash settlement is granted and no own shares are used for servicing. The Executive

Board is authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2008/II). The Executive Board has not made use of this authorization to date. Beyond that, the hitherto existing Conditional Capital is renamed and restated as follows: The share capital of the company is conditionally increased by up to € 9,522,552.00 by j13issuing up to 3,662,520 restricted registered common shares (Conditional Capital 2004/I). The conditional capital increase will be effected only insofar as the holders of option rights exercise their option rights. The new shares will share the profits from the beginning of the fiscal year when the option rights were exercised, thus creating new shares.

In a declaration published on the Company's website on June 10, 2008, the Executive Board made the following statement with regard to the possible exercising of this authorization:

The Executive Board has resolved to utilize the authorizations submitted for approval by the Annual General Meeting on June 10, 2008:
- to increase the share capital from the authorized share capital (agenda item 7)
- to issue bonds with warrants and/or convertible bonds (agenda item 8)

in each case with regard to the exclusion of subscription rights only subject to the following restrictions:

The utilization by the Executive Board of the above-mentioned authorizations (agenda items 7 and 8) by way of excluding subscription rights of the shareholders will be limited to an aggregate amount of 20% of the outstanding share capital at the time of the effective date of one of abovementioned authorizations or – if this amount is lower – at the time of the first utilization of one of the abovementioned authorizations. The capital increases by way of excluding the subscription rights of the shareholder on the basis of the aforementioned authorizations (agenda items 7 and 8) are limited to a maximum amount of € 30,538,404.00, corresponding to 11,745,540 restricted registered shares with restricted transferability.

3.17. 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.

3.18. Minority interests

Minority interests include interests in the Hemofarm Group as well as in the company STADA Asiatic Company, Ltd. The minority interests in the company OAO Nizhpharm were purchased by STADA in the fourth quarter 2008.

3.19. Non-current provisions

Non-current provisions in € 000s	Dec. 31, 2008	Previous year
Pension provisions[1)]	22,872	31,633

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 in the period in which they are incurred. Since 2006, STADA has made use of this recommendation. 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 € 438 thousand (previous year: € 399 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, pension provisions developed as follows:

Change in projected benefit obligations for pension provisions for German Group companies in € 000s	Dec. 31, 2008	Previous year
Balance as of Jan. 1	**23,960**	**22,581**
Service cost	1,023	909
Interest cost	1,318	1,073
Actuarial gain (-) / loss (+)	-3,983	1,044
Benefits paid	-494	-590
Past service cost/adjustments	-3,074	-1,057
Balance as of Dec. 31	**18,750**	**23,960**

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

Assumptions for pension plans for German Group companies	Dec. 31, 2008	Previous year
Discount rate	6.5%	5.0%
Salary trend	2.5%	3.0%
Benefits trend	1.75%	1.5%

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, 2008	Previous year
Service cost	1,023	909
Interest cost	1,318	1,073
Net pension cost	**2,341**	**1,982**

For international Group companies, pension provisions developed as follows:

Change in projected benefit obligations for pension provisions for international Group in € 000s	Dec. 31, 2008	Previous year
Balance as of Jan. 1	**8,072**	**6,027**
Currency adjustments	-778	-187
Service cost	741	2,457
Interest cost	563	672
Actuarial gain (-) / loss (+)	-939	-251
Benefits paid	-1,170	-594
Reclassification to liabilities	-1,404	-
Other	-525	-52
Balance as of Dec. 31	**4,560**	**8,072**

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, 2008	Previous year
Discount rate	8.3%	9.0%
Salary trend	4.8%	12.8%
Benefits trend	8.0%	18.5%

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, 2008	Previous year
Service cost	741	2,457
Interest cost	563	672
Net pension cost	**1,304**	**3,129**

3.20. Non-current financial liabilities

	Promissory notes		Amounts due to banks		Total	
Non-current liabilities in € 000s	Dec. 31, 2008	Previous year	Dec. 31, 2008	Previous year	Dec. 31, 2008	Previous year
Term remaining over 1 year up to 3 years	345,500	150,000	81,439	6,311	426,939	156,311
Term remaining over 3 years up to 5 years	254,000	230,500	29,644	38,097	283,644	268,597
Term remaining over 5 years	50,500	189,500	55	-	50,555	189,500
Total	**650,000**	**570,000**	**111,138**	**44,408**	**761,138**	**614,408**

As of fiscal year 2008 financial liabilities are recognized in accordance with the Effective Interest Method.

Liabilities in foreign currencies are converted at closing rates.

3.21. Non-current trade accounts payable

Non-current trade accounts payable in € 000s	Dec. 31, 2008	Previous year
Trade accounts payable to third parties	88	1,007

3.22. Other non-current liabilities

Other non-current liabilities in € 000s	Dec. 31, 2008	Previous year
Personnel related liabilities	5,541	1.999
Other liabilities	25,244	20,455
Total	**30,785**	**22,454**

3.23. Deferred tax liabilities

Deferred tax liabilities in € 000s	Dec. 31, 2008	Previous year
Deferred tax liabilities	72,781	88,112

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".

3.24. Current provisions

Current provisions in € 000s	Dec. 31, 2008	Previous year
Current pension provisions	438	399
Provisions set aside for damages	15,762	2,705
Warranties	4,139	3,746
Provisions for personnel measures in the German generics business (in accordance with IAS 19)	-	22,179
Total	**20,339**	**29,029**

For a provision to qualify for recognition there must be a present obligation and the probability of an outflow of resources embodying economic benefits to settle that obligation. An outflow of resources is considered as probable, if it is more likely than not. Accordingly, STADA assumes for the provisions presented here that an outflow of economic resources is probable.

STADA reports current provisions according to IAS 37.10 and reports only liabilities of uncertain timing or amount 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, 2008	Previous year
Opening balance	**2,705**	**2,475**
Added	14,750	1,174
Utilized	245	71
Released	1,476	873
Currency translation differences	28	-
Closing balance	**15,762**	**2,705**

An essential component of provisions set aside for damages in the reporting year 2008 are provisions in the amount of € 14.2 million reported as one-time special effects in connection with a negative patent decision for STADA regarding the marketability of generics with the active pharmaceutical ingredient Olanzapine after being confronted by damage claims by the initial supplier. The total amount comprises provisions in the amount of € 1.1 million up to the end of the third quarter of 2008; the remaining expenditures and provisions were incurred in the fourth quarter of 2008.

Other current provisions include warranties, which developed as follows:

Warranties in € 000s	Dec. 31, 2008	Previous year
Opening balance	**3,746**	**3,934**
Added	1,317	3,657
Utilized	924	3,845
Closing balance	**4,139**	**3,746**

In addition, in 2007, current provisions also included 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, 2008	Previous year
Opening balance	**22,179**	**-**
Added	-	27,423
Utilized	21,733	5,244
Dissolution	446	-
Closing balance	**-**	**22,179**

The reported provisions for personnel measures in the German generics business in fiscal year 2007 (in accordance with IAS 19) relate to restructuring measures of the German generics sales (see 2.10.).

The reversal of reported provisions is reported under other operating income (see 2.4.) in fiscal year 2008.

3.25. Current financial liabilities

Current financial liabilities in € 000s	Dec. 31, 2008	Previous year
Promissory notes	-	22,000
Amounts due to banks	365,099	405,931
Total	**365,099**	**427,931**

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.

3.26. Current trade accounts payable

Current trade accounts payable in € 000s	Dec. 31, 2008	Previous year
Trade accounts payable to third parties	160,145	191,663
Trade accounts payable to non-consolidated Group companies	1,912	1,311
Advances received on orders from third parties	591	2,492
Liabilities from outstanding accounts	65,957	38,760
Total	**228,605**	**234,226**

3.27. Other current liabilities

Other current liabilities in € 000s	Dec. 31, 2008	Previous year
Tax liabilities	29,255	43,091
Personnel related liabilities	26,199	28,212
Other liabilities	72,578	101,714
Total	**128,032**	**173,017**

3.28. Contingent liabilities and other financial obligations (off balance sheet)

Contingent liabilities and other financial obligations (off balance sheet) in € 000s	Dec. 31, 2008	Previous year
Rental agreements and leases	47,477	57,995
Other obligations	61,283	53,893
Total	**108,760**	**111,888**

In 2008, contingent liabilities and other financial obligations (off balance sheet) were for offsetting and internal Group processes for the first time adjusted. The corresponding comparison figures as at December 31, 2007 were adjusted accordingly.

Other financial obligations include a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the associated company BIOCEUTICALS Arzneimittel AG which is recognized under the equity method. Beyond that, a guarantee towards Siegfried Ltd., Zofingen, Switzerland, in the amount of € 6.1 million in connection with an agreement between Siegfried and BIOCEUTICALS Arzneimittel AG is applicable.

4. Notes to the Consolidated Cash Flow Statement

As of fiscal year 2008, STADA uses the direct method for deriving the cash flow from investing activities. The respective figures for previous years were adjusted to ensure comparability.

4.1. Cash flow (gross)

Cash flow (gross) in € 000s	2008	Previous year
Net income (including net income relating to minority interests)	77,064	105,733
Cash flow (gross) due to depreciation and amortization (+) / write-ups (-) of non-current assets	80,190	101,722
Cash flow (gross) due to increase (+) / decrease (-) in non-current provisions	-8,761	3,350
Cash flow (gross) due to gains (-) / losses (+) on disposals of non-current assets	-614	-10,551
Result from the accounting of associated companies under the equity method	2,473	935
Total	**150,352**	**201,189**

4.2. Cash flow from operating activities

Cash flow from operating activities in € 000s	2008	Previous year
Gross cash flow	150,352	201,189
Cash flow due to changes in inventories	-5,045	-69,248
Cash flow due to changes in trade accounts receivable	8,526	-80,573
Cash flow due to changes in other assets/prepaid expenses	-3,869	-27,944
Cash flow due to changes in current securities	2,265	-2,937
Cash flow due to changes in deferred tax assets	-5,893	-8,318
Cash flow due to changes in assets in connection with shares in associated companies recognized under the equity method	-9,647	100
Cash flow due to changes in current provisions	-8,690	22,242
Cash flow due to changes in trade accounts payable	7,202	29,781
Cash flow due to changes in other liabilities/deferred income	5,030	20,719
Cash flow due to changes in deferred tax liabilities	-10,931	3,104
Cash flow due to changes in equity and liabilities in connection with shares in associated companies recognized under the equity method	-	4,800
Total	**129,300**	**92,915**

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.

Cash flow from operating activities adjusted for significant influences outside of the reporting period (utilization of provisions from 2007 for the restructuring of the German generics business in the amount of € 21.7 million) amounted to € 151.0 million in the reporting year (previous year: € 92.9 million).

4.3. Cash flow from investing activities

As of fiscal year 2008 STADA makes use of the direct method for the calculation of cash flow from investing activities. To allow for comparability the figures from the previous year were reconciliated as follows

Reconciliation table for cash flow from investing activities in € thousand	Reported in 2007
Cash flow from investing activities after applying the indirect recognition method as reported for fiscal year 2007	-241,042
Influence on cash flow due to outstanding liabilities and payments from the acquisition SANKYO branded products package in the fourth quarter of 2005	-29,000
Influence on cash flow due to outstanding liabilities from the acquisition of the MAKIZ group in the third quarter of 2008	+29,947
Influence on cash flow due to outstanding receivables from the acquisition of the STADA sales companies in the USA in the third quarter of 2006	-1,397
Influence on cash flow due to outstanding receivables and cash receipts from the sale of the Defibrotide products in the fourth quarter of 2006	+8,000
Cash flow from investing activities after adjustment from the indirect to the direct recognition method	**-233,492**

Thus, as compared to the reconciliated figures from the previous year cash flow from investing activities is as follows:

Cash flow from investing activities in € 000s	2008	Previous year
Payments for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	-42,210	-125,117
Payments for significant purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	-9,750	-35,100
Payments for purchases of other intangible assets	-41,707	-59,105
Payments for purchases of property, plant and equipment	-72,205	-42,011
Payments for purchases of financial assets	-4,777	-3,965
Proceeds from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	10,917	8,356
Proceeds from significant sales of intangible assets from the disposal of launched products	-	10,300
Proceeds from the disposals of other intangible assets	3,603	7,638
Proceeds from the disposals of items of property, plant and equipment	10,315	325
Proceeds from the disposals of financial assets	2,507	5,187
Total	**-143,307**	**-233,492**

Cash flow from investment activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to € -143.3 million in the reporting year (previous year: € -233.5 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 actual 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 the previous year, disclosure of payments made for the acquisition of consolidated companies resulting from the acquisition of the MAKIZ group as well as of the Forum Bioscience group – less funds adopted (€ 74.4 million or € 50.7 million) if applicable. In the 2008 reporting year payments for the increased stakes in Hemofarm Koncern-Zorka-Pharma, Nizhpharm and Cajavec as well as further payments for the acquisition of the MAKIZ group in 2007 are included, among others.

In addition, investments in intangible assets for the short-term expansion of the product portfolio were incurred in the amount of € 9.8 million in 2008 (previous year: € 35.1 million). Acquisition-related sales growth is also principally associated with such investments in the reporting year.

Thus, € 52.0 million were used in total for acquisitions in 2008 (previous year: € 160.2 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).

In the reporting year proceeds from the disposals of consolidated companies related to the sale of the Forum Products division with the companies Forum Bioscience Holdings Ltd. and Forum Products Ltd. from fiscal year 2008 as well as STADA Inc. from fiscal year 2006. Disclosures from the previous year related to the selling prices from the sales of Multivita d.o.o. and Symbiofarm d.o.o.

Payments for purchases of financial assets include the payments for the purchase of shares in Pymepharco.

4.4. Cash flow from financing activities

Cash flow from financing activities in € 000s	2008	Previous year
Payments to shareholders (dividend distribution)	-41,612	-36,047
Payments for the redemption of bonds and finance facilities	-246,201	-135,786
Proceeds from additions to shareholders' equity/share capital of STADA Arzneimittel AG	100	1,208
Proceeds from additions to shareholders' equity/capital reserve of STADA Arzneimittel AG	536	6,436
Proceeds from the issue of bonds and finance facilities	330,098	263,167
Total	**42,921**	**98,978**

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	2008	Previous year
Cash flow from operating activities	129,300	92,915
Cash flow from investing activities	-143,307	-233,492
Cash flow from financing activities	42,921	98,978
Changes in cash and cash equivalents (sub-total)	**28,914**	**-41,599**
Other changes in shareholders' equity/currency translation	-7,009	15,372
Influence of changes in the balance sheet by companies consolidated for the first time/Other	7,095	-21,723
Total	**29,000**	**47,950**

Net cash flow for the period, i.e. of the reporting year 2008, 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 or deconsolidated companies. This developed to € 29.0 million in 2008 (previous year: € -48.0 million) and resulted in cash and cash equivalents of € 110.5 million at December 31, 2008 (previous year: € 81.5 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	2008	Previous year
Cash flow from operating activities	129,300	92,915
Cash flow from investing activities	-143,307	-233,492
Total	**-14,007**	**-140,577**

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

Free cash flow adjusted for significant influences from other accounting periods as well as effects from acquisitions and disposals is as follows:

Adjusted free cash flow for the period in € 000s	2008	Previous year
Adjusted cash flow from operating activities (see 4.2.)	129,300	92,915
+ Influence from other accounting period due to the utilization of provisions from 2007 for the restructuring of the German generics business	21,733	-
Cash flow from investing activities (see 4.3.)	-143,307	-233,492
+ Payments made for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	42,210	125,117
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio (as a rule in the reporting year)	9,750	35,100
./. Proceeds from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	-10,917	-8,356
./. Proceeds from significant sales of intangible assets from the disposal of launched products	-	-10,300
Adjusted free cash flow for the period	**48,769**	**984**

4.7. Additional disclosures on cash flow

Payments of income taxes and interest in the 2008 reporting period totaled € 49.6 million and € 60.4 million, respectively (previous year: € 39.8 million and € 45.0 million). The relevant receipts from interest-bearing transactions amounted to € 12.7 million (previous year: € 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 charged based on market prices.

5.1. Primary segments

	Core segment Generics		Core segment Branded Products	
Segment reporting (primary) in € 000s	2008	Previous year	2008	Previous year
Income and expenses				
External sales[1]	1,154,524	1,154,388	368,920	303,991
Segment result/operating profit	136,744	206,208	53,761	50,853
Personnel measures in the German generics business (in accordance with IAS 19)	-	28,134	-	-
Investment income	12	-	-	-
Result from the accounting of associated companies under the equity method	-	-	-	-
Interest expense	18,778	29,300	20,932	10,670
Interest income	9,387	21,711	4,615	2,529
Earnings before taxes	127,365	170,485	37,444	42,712
Taxes on income	22,565	69,847	9,752	15,220
Net income	104,800	100,638	27,692	27,492
thereof				
• net income distributable to shareholders of STADA Arzneimittel AG	104,020	99,168	27,654	27,430
• net income relating to minority interests	780	1,470	38	62
Other information				
Segment assets	716,678	642,290	231,956	227,198
Liabilities	422,433	382,908	146,284	174,656
Capital expenditure	97,571	70,422	8,440	95,073
Depreciation/amortization	43,764	40,683	25,030	18,797
Other non-cash expenses	37,800	36,911	22,686	4,078

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.

1) Sales were generated from transactions with other segments for the segments of Generics (€ 110 thousand), Branded Products (€ 3,394 thousand), Commercial Business (€ 0 thousand), and Group holdings/other (€ 1,350 thousand).

Commercial business		Group holdings/other		Eliminations within segments		Consolidated	
2008	Previous year	2008	Previous year	2008	Previous year	2008	Previous year
58,364	68,997	64,356	43,114	-	-	1,646,164	1,570,490
5,932	8,900	-20,000	-50,429	2	-29	176,439	215,503
-	-	-	-	-	-	-	-28,134
1,098	-	125	411	-	-	1,235	411
-	-	-2,473	-935	-	-	-2,473	-935
637	630	74,594	75,689	-26,135	-64,483	88,806	51,806
124	221	31,139	54,706	-26,137	-64,454	19,128	14,713
6,517	8,491	-65,803	-71,936	-	-	105,523	149,752
690	1,049	-4,548	-42,097	-	-	28,459	44,019
5,827	7,442	-61,255	-29,839	-	-	77,064	105,733
5,827	7,442	-61,255	-29,839	-	-	76,246	104,201
-	-	-	-	-	-	818	1,532
22,563	16,766	-160,218	10,519	-	-	810,979	896,773
11,905	9,119	933,125	906,360	-	-	1,513,747	1,473,043
148	150	31,105	27,836	-	-	137,264	193,481
1,072	1,977	10,324	40,265	-	-	80,190	101,722
924	1,240	9,955	7,849	-	-	71,365	50,078

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 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 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 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 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. As a rule, 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.

The Forum Products division, which was sold in the fourth quarter of 2008, was carried in the Group holdings/other segment since its acquisition in the second half of 2007, as its subsequent disposal had already been an option seriously under consideration at the acquisition date. In 2007 and in particular in 2008, the Group holdings/other segment was significantly characterized by the sales and earnings contributions of this sold business.

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	Sales		Segment assets		Capital expenditure	
secondary segments in € 000s	2008	Previous year	2008	Previous year	2008	Previous year
Europe	**1,590,566**	**1,513,097**	**783,589**	**864,001**	**132,883**	**187,704**
Belgium	110,662	101,779	54,517	58,117	7,770	607
Bosnia-Herzegovina	19,027	19,931	9,374	11,381	-	-
Denmark	18,454	22,007	9,091	12,566	3	-
Germany	563,980	579,821	277,843	331,086	56,081	55,894
Finland	9,247	6,057	4,556	3,459	6	10
France	91,402	87,043	45,029	49,703	1,053	1,483
UK	100,890	75,672	49,703	43,210	568	25,617
Ireland	25,272	23,543	12,450	13,443	3,899	3,247
Italy	124,223	117,193	61,198	66,919	11,682	4,545
Lithuania[1)]	745	1,104	367	630	-	-
Macedonia	2,739	2,940	1,349	1,679	-	-
Montenegro	7,350	9,390	3,621	5,362	-	-
The Netherlands	41,315	40,686	20,354	23,232	4,250	1,707
Austria	14,549	13,097	7,168	7,479	591	387
Portugal	9,138	12,266	4,502	7,004	194	656
Romania	3,046	6,718	1,501	3,836	-	-
Russia	183,422	133,775	90,362	76,388	7,584	75,458
Sweden	3,214	2,494	1,583	1,424	-	-
Serbia	144,452	145,091	71,164	82,849	38,492	16,844
Slowakia	4,906	3,767	2,417	2,151	-	-
Spain	65,901	62,735	32,466	35,823	610	945
Czech Republic	9,966	8,908	4,910	5,087	94	186
Ukraine	17,081	12,968	8,415	7,405	6	118
Rest of Europe	19,585	24,112	9,649	13,768	-	-
Asia	**47,160**	**44,738**	**23,233**	**25,546**	**4,381**	**5,777**
China	6,794	8,008	3,347	4,573	74	75
Kazakhstan	6,874	5,445	3,386	3,109	3	13
The Philippines	11,148	9,750	5,492	5,567	89	82
Thailand	2,192	3,073	1,080	1,755	43	9
Vietnam	7,488	7,884	3,689	4,502	4,172	5,598
Rest of Asia	12,664	10,578	6,239	6,040	-	-
America	**5,713**	**8,119**	**2,814**	**4,636**	**-**	**-**
Africa	**1,642**	**4,082**	**809**	**2,331**	**-**	**-**
Rest of world	**1,083**	**454**	**534**	**259**	**-**	**-**

1) Since June 30, 2008, the independent sales activities in this national market have no longer been consolidated in the Group.

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 capital expenditure 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

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	2008	2007
Sales/Marketing	2,663	2,687
Production/Procurement	3,813	3,437
Product development	445	387
Administration	1,397	1,281
Total	**8,318**	**7,792**

On the balance sheet date the STADA Group's number of employees totaled 8,299 in 2008 (previous year: 8,425).

6.3. One-time special effects and adjusted key figures

STADA's financial performance indicators have been influenced by a number of one-time special effects and/or non-operations related effects both in the reporting period and in the same periods of the previous years.

The deduction of such effects which have an impact on STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous periods. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the international accounting requirements in accordance with the International Financial Reporting Standards (IFRS).

As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent. Adjusted key figures should not be viewed in isolation as an alternative to STADA's financial performance indicators presented in accordance with IFRS. In addition, a statement on the future development of adjusted key figures is only possible to a limited extent due to the one-time character of the special effects recognized in these figures.

6.3.1. Adjusted key figures derived from the income statement

To determine adjusted key figures derived from the income statement, the respective adjusted key figures are determined based on the non-adjusted measures by way of addition (expenses) or subtraction (income) of the individual effects. The adjustments are made independent of the fact whether the relevant income and expenses are recognized within operating profit, as a separate item below operating profit, in the financial result or as tax expenses. Income and expenses in connection with one-time special effects as well as effects from currency influences and interest rate hedge transactions directly relating to adjustment matters are adjusted.

The following chart shows the reconciliation of the individual items in the consolidated income statement to the adjusted figures for fiscal year 2008:

Adjusted consolidated income statement for the period from Jan. 1 to Dec. 31, 2008 in € 000s	2008 without deduction of effects to be adjusted	2008 effects to be adjusted	2008 after deduction of effects to be adjusted
Sales	1,646,164	4,130[1]	1,650,294
Cost of sales	904,012	11,951[2]	892,061
Gross profit	**742,152**	**16,081**	**758,233**
Other operating income	51,223	-2,652[3]	48,571
Selling expenses	369,560	41[4]	369,519
General and administrative expenses	119,870		119,870
Research and development expenses	46,524		46,524
Other operating expenses	80,982	31,469[5]	49,513
Operating profit	**176,439**	**44,939**	**221,378**
Investment income	1,235	-1,107[6]	128
Result from the accounting of associated companies under the equity method	-2,473		-2,473
Interest result	-69,678	15,493[7]	-54,185
Financial result	**-70,916**	**14,386**	**-56,530**
EBT (Earnings before taxes)	**105,523**	**59,325**	**164,848**
Taxes on income	28,459	-19,572	48,031
Net income	**77,064**	**39,753**	**116,817**
thereof			
• net income distributable to shareholders of STADA Arzneimittel AG	76,246	39,753	115,999
• net income relating to minority interests	818		818
Earnings per share in €	1.30		1.98
Earnings per share in € (diluted)	1.28		1.95

This results in the following derived adjusted financial key figures for 2008:

Derived adjusted financial key figures for the period from Jan. 1 to Dec. 31, 2008 in € 000s	2008 without deduction of effects to be adjusted	2008 effects to be adjusted	2008 after deduction of effects to be adjusted
EBT (Earnings before taxes)	**105,523**	**59,325**	**164,848**
• plus interest result	69,678	15,493[7]	54,185
EBIT (Earnings before interest and taxes)	**175,201**	**43,832**	**219,033**
• plus balance from depreciation and amortization/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	80,190	-4,914[8]	75,276
EBITDA (Earnings before interest, taxes, depreciation and amortization)	**255,391**	**38,918**	**294,309**

1) Sales returns in connection with the negative patent decision for the active pharmaceutical ingredient Olanzapine.
2) Inventory write-down for the active ingredient Olanzapine as well as in connection with the sales realignment.
3) Write-ups on intangible assets as well as income from the reversal of provisions in connection with personnel measures in the German generics business.
4) Expenses in connection with the relocation of logistics functions.
5) Expenses in connection with the relocation of logistics functions, personnel expenses in connection with the reduction of the Executive Board, expenses for corrections of receivables from a Russian wholesaler, currency translation expenses from a Russian subsidiary, unscheduled depreciation as well as expenses in connection with a negative patent decision for the active pharmaceutical ingredient Olanzapine.
6) Dividend income of a non-consolidated investment.
7) Expenses from the evalution of interest rate hedge transactions.
8) Unscheduled depreciation and write-ups.

The adjustments for the previous year are as follows:

Adjusted consolidated income statement for the period from Jan. 1 to Dec. 31, 2007 in € 000s	2007 without deduction of effects to be adjusted	2007 effects to be adjusted	2007 after deduction of effects to be adjusted
Sales	1,570,490		1,570,490
Cost of sales	815,161	3,899[1]	811,262
Gross profit	**755,329**	**3,899**	**759,228**
Other operating income	56,299	-14,999[2]	41,300
Selling expenses	358,208		358,208
General and administrative expenses	115,386	3,009[3]	112,377
Research and development expenses	39,022		39,022
Other operating expenses	83,509	42,126[4]	41,383
Operating profit	**215,503**	**34,035**	**249,538**
Personnel measures in the German generics business (in accordance with IAS 19)	-28,134	28,134[5]	-
Investment income	411		411
Result from the accounting of associated companies under the equity method	-935		-935
Interest result	-37,093	-2,403[6]	-39,496
Financial result	**-37,617**	**-2,403**	**-40,020**
EBT (Earnings before taxes)	**149,752**	**59,766**	**209,518**
Taxes on income	44,019	-19,080	63,099
Net income	**105,733**	**40,686**	**146,419**
thereof			
• net income distributable to shareholders of STADA Arzneimittel AG	104,201	40,686	144,887
• net income relating to minority interest	1,532		1,532
Earnings per share in €	1.79		2.48
Earnings per share in € (diluted)	1.72		2.39

This results in the following derived adjusted financial key figures for the previous year:

Derived adjusted financial key figures for the period from Jan. 1 to Dec. 31, 2007 in € 000s	2007 without deduction of effects to be adjusted	2007 effects to be adjusted	2007 after deduction of effects to be adjusted
EBT (Earnings before taxes)	**149,752**	**59,766**	**209,518**
• plus interest result	37,093	-2,403[6]	39,496
EBIT (Earnings before interest and taxes)	**186,845**	**62,169**	**249,014**
• plus balance from depreciation and amortization/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	101,722	-35,251[7]	66,471
EBITDA (Earnings before interest, taxes, depreciation and amortization)	**288,567**	**26,918**	**315,485**

1) Expenses for a packaging defect of a branded product caused by a pre-supplier.
2) Income from book gains from disposals as well as income from compensation payments and sales tax reimbursements.
3) Expenses for projects for the optimization of Group logistics.
4) Expenses in connection with acquisition planned or carried out, unscheduled amortization on intangible assets and financial assets, currency translation expenses as well as restructuring measures within a British subsidiary.
5) Restructuring measures of the German generics sales.
6) Income from the evalution of interest rate hedge transactions.
7) Unscheduled amortization.

6.4. Disclosure according to section 26 (1) of the German Securities Trading Act (WpHG)

6.4.1. Fiscal year 2008

In accordance with section 26 (1) of the German Securities Trading Act STADA, in 2008, published subsequent announcements with the following wording:

January 16, 2008:
On 15th January, 2008 Fidelity Investments International, Hildenborough, Great Britain notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE0007251803, pursuant to section 21 (1) WpHG of the following:

On 8th January 2008 Fidelity Investments International crossed above the threshold of 3 % of the voting rights in STADA Arzneimittel AG, Bad Vilbel, Germany. On that date Fidelity Investments International held 3.24 % of the voting rights in STADA Arzneimittel AG arising from 1,903,328 voting rights. All voting rights in STADA Arzneimittel AG were attributed to Fidelity Investments International pursuant to section 22 (1) sent. 1 no. 6 WpHG.

On 15th January 2008 Fidelity Investment Management Limited, Hildenborough, Great Britain, notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE0007251803, pursuant to section 21 (1) WpHG of the following:

On 8th January 2008 Fidelity Investment Management Limited crossed above the threshold of 3 % of the voting rights in STADA Arzneimittel AG, Bad Vilbel, Germany. On that date Fidelity Investment Management Limited held 3.26 % of the voting rights in STADA Arzneimittel AG arising from 1,911,518 voting rights. All voting rights in STADA Arzneimittel AG were attributed to Fidelity Investment Management Limited pursuant to section 22 (1) sent. 1 no. 6 WpHG in connection with sent. 2 WpHG.

On 15th January 2008 Fidelity International Limited, Hamilton, Bermuda, notified STADA Arzneimittel AG, Bad Vilbel, Germany ISIN DE0007251803, pursuant to section 21 (1) WpHG of the following:

On 8th January 2008 Fidelity International Limited crossed above the threshold of 3 % of the voting rights in STADA Arzneimittel AG, Bad Vilbel, Germany. On that date Fidelity International Limited held 3.26 % of the voting rights in STADA Arzneimittel AG arising from 1,911,518 voting rights. All voting rights in STADA Arzneimittel AG were attributed to Fidelity International Limited pursuant to section 22 (1) sent. 1 no. 6 WpHG.

February 15, 2008:
Die UBS AG Zürich, Schweiz, hat uns gemäß § 21 Abs. 1 WpHG am 15.02.2008 mitgeteilt, dass ihr Stimmrechtsanteil an der STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180 am 08.02.2008 durch Aktien die Schwelle von 3% der Stimmrechte überschritten hat und nunmehr 3,02% (das entspricht 1.771.469 Stimmrechten) beträgt. 1,21% der Stimmrechte (das entspricht 708.354 Stimmrechten) sind der Gesellschaft gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG zuzurechnen.[1)]

March 12, 2008:
Die Marshall Wace LLP, ('Investment Manager'), London, Großbritannien, teilte uns gemäß § 21 Abs. 1 WpHG am 11.03.2008 mit, dass sie am 5. März 2008 die Schwelle von 3% der Stimmrechte an der STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN:

1) Here, the notice is presented in German, because STADA published it in German.

DE0007251803, überschritten hat und zu diesem Stichtag 3,06% (entspricht 1.798.459 Stimmrechten) der Stimmrechte hält. Die Stimmrechte sind dem Investment Manager gemäß § 22 Abs. 1, Satz 1, Nr. 6 WpHG zuzurechnen.[1)]

March 14, 2008:
Die Marshall Wace LLP, ('Investment Manager'), London, Großbritannien, teilte uns gemäß § 21 Abs. 1 WpHG am 14. März 2008 mit, dass sie am 10. März 2008 die Schwelle von 3% der Stimmrechte an der STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, unterschritten hat und zu diesem Stichtag 2,84% (entspricht 1.666.040 Stimmrechten) der Stimmrechte hält. Die Stimmrechte sind dem Investment Manager gemäß § 22 Abs. 1, Satz 1, Nr. 6 WpHG zuzurechnen.[1)]

May 07, 2008:
Die UBS AG, Zürich, Schweiz, hat uns gemäß § 21 Abs. 1 WpHG am 07.05.2008 mitgeteilt, dass ihr Stimmrechtsanteil an der STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180 am 23.04.2008 durch Aktien die Schwelle von 3% der Stimmrechte unterschritten hat und nunmehr 2,84% (das entspricht 1.665.775 Stimmrechten) beträgt. 1,56% der Stimmrechte (das entspricht 917.877 Stimmrechten) sind der Gesellschaft gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG zuzurechnen.[1)]

June 02, 2008:
On 29th May, 2008 Fidelity Investments International, Hildenborough, Great Britain notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE 0007251803, pursuant to section 21 (1) WpHG of the following:

On 27th May, 2008 Fidelity Investments International fell below the threshold of 3% of the voting rights in STADA Arzneimittel AG, Stadastrasse 2-18, 61118 Bad Vilbel, Germany. On that date, Fidelity Investments International held 2,85 % of the voting rights in STADA Arzneimittel AG arising from 1,674,474 voting rights.

All voting rights in STADA Arzneimittel AG were attributed to Fidelity Investments International pursuant to section 22 (1) sent. 1 no. 6 WpHG.

On 29th May, 2008 Fidelity Investment Management Limited, Hildenborough, Great Britain notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE 0007251803, pursuant to section 21 (1) WpHG of the following:

On 27th May, 2008 Fidelity Investment Management Limited fell below the threshold of 3% of the voting rights in STADA Arzneimittel AG, Stadastrasse 2-18, 61118 Bad Vilbel, Germany. On that date, Fidelity Investment Management Limited held 2,87 % of the voting rights in STADA Arzneimittel AG arising from 1,684,944 voting rights.

All voting rights in STADA Arzneimittel AG were attributed to Fidelity Investment Management Limited pursuant to section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

On 29th May, 2008 FIL Limited, Hamilton, Bermuda notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE 0007251803, pursuant to section 21 (1) WpHG of the following:

1) Here, the notice is presented in German, because STADA published it in German.

On 27th May, 2008 FIL Limited fell below the threshold of 3% of the voting rights in STADA Arzneimittel AG, Stadastrasse 2-18, 61118 Bad Vilbel, Germany. On that date, FIL Limited held 2,87 % of the voting rights in STADA Arzneimittel AG arising from 1,684,944 voting rights.

All voting rights in STADA Arzneimittel AG were attributed to FIL Limited pursuant to section 22 (1) sent. 1 no. 6 WpHG.

Corrective announcement from June 02, 2008:
On 29th May, 2008 Fidelity Investment Management Limited, Hildenborough, Great Britain notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE 0007251803, pursuant to section 21 (1) WpHG of the following:

On 27th May, 2008 Fidelity Investment Management Limited fell below the threshold of 3% of the voting rights in STADA Arzneimittel AG, Stadastrasse 2-18, 61118 Bad Vilbel, Germany. On that date, Fidelity Investment Management Limited held 2,87 % of the voting rights in STADA Arzneimittel AG arising from 1,684,944 voting rights.

All voting rights in STADA Arzneimittel AG were attributed to Fidelity Investment Management Limited pursuant to section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

August 21, 2008:
Die Deutsche Bank AG, Frankfurt am Main, hat uns gemäß §§ 21 Abs. 1, 24 WpHG i.V.m. § 32 Abs. 2 InvG am 20.08.2008 mitgeteilt, dass der Stimmrechtsanteil ihrer Tochtergesellschaft DWS Investment GmbH, Frankfurt am Main, Deutschland, am 19. August 2008 die Schwelle von 3% der Stimmrechte an der STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, überschritten hat und nunmehr einen Stimmrechtsanteil von 3,10% hält (dies entspricht 1.822.500 Stimmrechten).[1)]

6.4.2. Current fiscal year 2009

In the first quarter of 2009, STADA has so far not received any announcements on exceeding or falling below any reporting threshold in accordance with section 26 (1) sentence 1 WpHG.

1) Here, the notice is presented in German, because STADA published it in German.

6.5. Additional disclosures in accordance with IFRS 7

Compulsory disclosures in accordance with IFRS 7 are generally presented in their respective context. If this is not possible, the following disclosures are made additionally.

6.5.1. Cash flows from financial liabilities

The contractually agreed (undiscounted) cash flows, as of the balance sheet date December 31, 2008, from interest payments on financial liabilities in the total amount of € 1,126.2 million for the coming years can be seen in the following table:

	2009		2010		2011-2013	
Cash flows from financial liabilities in € 000s	Interest rate fixed	Interest rate variable	Interest rate fixed	Interest rate variable	Interest rate fixed	Interest rate variable
Cash flows from financial liabilities	36,436	13,227	38,375	10,084	81,605	16,184

Included were all financial instruments used by STADA which existed as of December 31, 2008 and for which payments had already been contractually agreed. Planned figures for new future liabilities are not included. Amounts 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, 2008. 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.

6.5.2. Disclosures on carrying amounts, valuation rates and fair values according to valuation categories

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:

Carrying amounts, valuation rates and fair values according to valuation categories in € 000s	Carrying amount Dec. 31, 2008	Valuation rate balance sheet in accordance with IAS 39			
		Continued historical cost	Cost	Fair value not included in the income statement	Fair value included in the income statement
Assets					
Cash and cash equivalents	110,479	110,479			
Trade accounts receivable	459,511	459,511			
Loans	39,341	39,341			
Held-to-maturity financial assets	27	27			
Available-for-sale financial assets (AfS)	20,813	20,774		39	
Derivative financial assets	17				17
Equity and liabilities					
Trade accounts payable	228,693	228,693			
Amounts due to banks (financial liabilities)	476,237	476,237			
Promissory notes	650,000	650,000			
Derivative financial liabilities	20,046			3,525	16,521
Thereof aggregated according to valuation categories in accordance with IAS 39:					
Loans and receivables as well as cash and cash equivalents	609,331	609,331			
Held-to-maturity financial assets	27	27			
Available-for-sale financial assets (AfS)	20,813	20,774		39	
Derivative financial assets	17				17
Financial liabilities, accounted at cost	1,354,930	1,354,930			
Derivative financial liabilities	20,046			3,525	16,521

		Valuation rate balance sheet in accordance with IAS 39					
	Fair Value Dec. 31, 2008	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
	110,479	81,479	81,479				81,479
	459,511	482,056	482,056				482,056
	39,341	29,600	29,600				29,600
	27	2,167	2,167				2,167
	20,813	19,698	19,534		164		19,698
	17	4,306				4,306	4,306
	228,693	235,233	235,233				235,233
	476,237	450,339	450,339				450,339
	650,000	592,000	592,000				592,000
	20,046	6,507				6,507	6,507
	609,331	593,135	593,135				593,135
	27	2,167	2,167				2,167
	20,813	19,698	19,534		164		19,698
	17	4,306				4,306	4,306
	1,354,930	1,277,572	1,277,572				1,277,572
	20,046	6,507				6,507	6,507

6.6. Notes to financial instruments and principles of risk and/or capital management

6.6.1. Disclosures on accounting and measurement methods of financial instruments

Financial assets and financial liabilities are measured at fair value at their initial recognition. For all financial assets and financial liabilities 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 date with the discount factors determined by means of the yield curve valid on this date.

Primary financial instruments include in particular receivables from clients, loans, financial shareholdings, securities and cash and cash equivalents as well as financial liabilities and trade liabilities. Receivables which are not held for trading are generally recognized at continued historical cost less write-downs. Write-downs are carried out if there is objective evidence of them. This category primarily comprises trade receivables and loans. Non-interest-bearing and low-interest receivables with a remaining maturity of more than 12 months are discounted. Available-for-sale financial assets are measured at fair value. This category comprises primarily financial shareholdings. In the context of subsequent measurement held-to-maturity financial investments are measured at continued historical cost with the exception of derivative financial instruments.

STADA counters risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used 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.

At their initial recognition and on every subsequent due date derivative financial instruments are accounted for as assets or liabilities. Independent of their purpose, all derivative financial instruments are recognized at fair value.

With so-called fair value hedges, the risk of a change in fair value of recognized assets or recognized liabilities is hedged. The hedging of unrecognized firm commitments is also reported as fair value hedges. In case of fair value hedges, changes in fair value of hedging transactions are recorded in profit and loss like changes in fair value of the associated underlying transaction to the extent that the hedging relation is effective.

So-called cash flow hedges are used to hedge against the risk that the future cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction fluctuate. In case of a cash flow hedge, unrealized profit and loss of the hedging transaction is initially recorded in the amount of the effective part in the relevant provision in shareholders' equity. It is recorded in the income statement when the underlying hedged transaction becomes effective.

IAS 39 determines conditions for the accounting of hedging transactions. In particular, the hedging relationships must be explicitly documented and effective. Effective means that changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the underlying transaction. Only the effective part of a hedging transaction may be accounted for under the rules describes. The ineffective part of a hedging relationship is immediately recognized in the income statement.

6.6.2. Principles of financial risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least once 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 financial risks are hedged which have significant consequences on the Group's cash flow.

6.6.2.1. Risk management regarding currency risks and currency forward hedges

STADA's currency risks result by far mainly from operating activities, investments and financing measures.

Foreign currency risks which do not significantly influence the Group's cash remain unhedged while risks due to foreign currencies are usually hedged to the extent that they significantly influence the Group's cash flows.

In the operating area, the individual Group companies carry out their activities mainly in their individual functional currency. Therefore, from today's perspective, STADA estimates the currency risk from current operating activities as being low, even if forecasts for currency relations cannot be accurately made against the backdrop of the actual global financial and economic crisis. There is, however, a significant currency translation risk in the transfer of results from local subsidiaries outside of the Euro zone into Group accounting. 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.

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 2008 reporting year, STADA Arzneimittel AG made use of foreign-exchange futures contracts among other things. 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.

However, it cannot be ruled out that 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 adverse effects for STADA result from this.

6.6.2.2. 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.

In 2008, the largest individual defaults were the write-offs of receivables reported as a one-time special effect due to the default of Russian wholesalers in the amount of € 1.9 million (see 2.8.).

6.6.2.3. 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 derivative hedging transactions. Due to these hedging transactions, in 2008, an average of 73% (previous year: 64%) 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).

The Group's financial result contains a net burdening effect from the evalution of interest rate hedge transactions (so-called "interest swaps") to limit the Group's maximum interest burden from promissory notes in the amount of € 5.4 million for fiscal year 2008 (previous year: relief of € 2.4 million). In addition, a burdening effect for the financial result in the amount of € 10.1 million arose from the evalution of interest rate hedge transactions of a Russian subsidiary to stabilize the interest rate level of an existing loan from an earlier acquisition financing.

6.6.2.4. Changes in procurement price risk

STADA is dependent on global developments with respect to prices for active ingredients or auxiliary materials required – in the case of products produced by contract manufacturers – as well as on the prices negotiated with contract manufacturers which may fluctuate significantly depending on the product. In addition, to limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments towards suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example.

6.6.2.5. 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.

6.6.2.6. Quantitative disclosures on risks in connection with market rates of interest

If the market interest rate level had been 100 basis points higher or lower as of December 31, 2008, the Group's earnings before taxes would have been approx. € 0.5 million higher or approx. € 0.6 million lower. These hypothetical consequences for earnings result from an increase of 100 basis points from potential effects from interest rate derivatives in the amount of approx. € +3.6 million and original financial liabilities with variable interest rates in the amount of approx. € -3.1 million. In case of a reduction of 100 basis points this results in potential effects from interest derivatives in the amount of approx. € -3.7 million and original financial liabilities with variable interest rates of approx. € +3.1 million.

6.7. Information on the Company's Executive Board

6.7.1. 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)
- Christof Schumann, Chief Production & Development Officer (under contract until December 31, 2010)

Effective August 13, 2008, the former Chief Procurement, Production and Logistics Officer, Dr. Hans-Martin Schwarm, announced that he was leaving the Executive Board of STADA Arzneimittel AG for personal reasons. Also effective August 13, 2008, the former Chief Legal Officer, Dr. Alexander Oehmichen, left the Executive Board of STADA Arzneimittel AG on the most agreeable terms.

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.

6.7.2. Mandates of Executive Board members

Hartmut Retzlaff is or was also member of the Administrative Board of HSBC Trinkaus & Burkhardt AG, member of the Administrative Board of AmVac AG (from June 30, 2008 until February 5, 2009), member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG, member of the Supervisory Board of S.A. Neocare, S.A. Eurogenerics and Hemofarm A.D. (Chairman) as well as member of the Executive Board/Board of Directors of Clonmel Healthcare Limited, Laboratorio STADA, S.L. (Chairman), SFS International Limited, STADA Financial Investments Limited, STADA Pharmaceuticals (Asia) Ltd., STADA Service Holding B.V., STADA Logistics Ireland Limited and STADApharm AB.

Wolfgang Jeblonski is 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, S.A. Eurogenerics and Hemofarm A.D. as well as member of the Executive Board/Board of Directors of Alpha GenRx GmbH, Clonmel Healthcare Limited, Croma Medic, Inc., DATApharm Co. Ltd., Health Vision Enterprise Ltd., Laboratorio STADA, S.L., PharmaCoDane ApS, SFS International Limited, STADA Asiatic Company, Ltd., STADA Financial Investments Limited, STADA Import/Export Ltd., STADA Pharmaceuticals (Asia) Ltd., STADA Service Holding B.V., STADA Logistics Ireland Limited and STADApharm AB.

Christof Schumann is also member of the Executive Board of BIOCEUTICALS Arzneimittel AG, Chairman of the Advisory Board of Norbitec GmbH, member of the Supervisory Board of Hemofarm A.D. as well as member of the Scientific Advisory Board of Weiterbildungsinstitut für pharmazeutisch-technische Assistenten GbR.

Until leaving the Executive Board effective August 13, 2008, Dr. Alexander Oehmichen was also member of the Supervisory Board of OAO Nizhpharm and Hemofarm A.D. as well as member of the Executive Board/Board of Directors of Laboratorio STADA, S.L., STADA Asiatic Company, Ltd., STADA Service Holding B.V., STADA Vietnam J.V. Co., Ltd., UAB STADA-Nizhpharm-Baltiya, ZAO Makiz-Pharma (Chairman), ZAO Biodyne Pharmaceuticals (Chairman), ZAO Skopinpharm (Chairman), OOO Hemofarm Obninsk (Chairman) and OOO Hemofarm Inženjering Obninsk (Chairman).

Until leaving the Executive Board effective August 13, 2008, Dr. Hans-Martin Schwarm was also member of the Executive Board/Board of Directors of STADA Production Ireland Limited.

6.7.3. Report on the remuneration of the Executive Board

6.7.3.1. 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 include 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 neither a stock option plan nor other instruments with a long-term incentive effect in place for Executive Board members as of the balance sheet date.

6.7.3.2. Monetary remuneration of the Executive Board

In 2008, total monetary remuneration for current members of the Executive Board was € 4,301,837.36 within STADA Arzneimittel AG and € 4,416,767.36 within the Group.

This total monetary remuneration paid to current members of the Executive Board in 2008 can be broken down as follows:

- Hartmut Retzlaff: € 2,229,831.36 (thereof € 1,067,837.43 fixed and € 1,161,993.83 variable)
- Wolfgang Jeblonski: € 1,225,831.19 (thereof € 644,601.19 fixed and € 581,230.00 variable)
- Christof Schumann: € 961,104.91 (thereof € 379,874.91 fixed and € 581.230.00 variable)

In 2008, total monetary remuneration for former members of the Executive Board was € 911,461.07 within STADA Arzneimittel AG and € 911,461.07 within the Group.

This total monetary remuneration paid to former members of the Executive Board in 2008 can be broken down as follows:

- Dr. Alexander Oehmichen for the period from January 1, 2008 until August 13, 2008: € 241,909.17 (thereof € 241,909.17 fixed and € 0 variable)
- Dr. Hans-Martin Schwarm for the period from January 1, 2008 until August 13, 2008: € 236,379.06 (thereof € 236,379.06 fixed and € 0 variable)

In fiscal year 2008 expenses in the amount of € 2,800,000.00 were incurred for Executive Board members who left in 2008.

6.7.3.3. 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 also 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 2008 are composed as follows:

- Hartmut Retzlaff € 808,122.00
- Wolfgang Jeblonski € 214,652.00

Current pension provisions for former Executive Board members in the fiscal year 2008 amounted to € 1,899,884.00.

6.7.3.4. 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 position 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, Wolfgang Jeblonski will receive a one-time severance payment in the amount of € 250,000.00.

The contract of Christof Schumann contains a provision for the full payment of all remuneration intended for the contract term as well as for the payment of a transitional allowance. If Christof Schumann is removed as 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 Christof Schumann ends before his reaching the age of 65 years, either because he is removed early or because he is not reappointed, Christof Schumann will receive a one-time transitional allowance in the amount of a fixed annual remuneration plus half of the previous year's bonus.

6.7.3.5. 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 current Executive Board members in fiscal year 2008.

6.7.4. Loans to members of the Executive Board

There were no loans outstanding to members of the Executive Board as of the balance sheet date.

6.8. Information on the Company's Supervisory Board

6.8.1. 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, Attorney, 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

Karl Hertle, Heike Ebert and Adolf Zissel are Supervisory Board members who were elected by the employees as their representatives. Their term ends with the completion of the Annual General Meeting 2009.

The term of all of the Shareholders' Supervisory Board members ends with the completion of the Annual General Meeting 2013.

The Supervisory Board had created the following committees 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

6.8.2. Mandates of Supervisory Board members

Heike Ebert is at the same time member representative of the Frankfurter Volksbank eG (since May 2008),

Uwe E. Flach is or was at the same time member of the Supervisory Board of Deutsche Wohnen AG (since January 16, 2008), Chairman of the Supervisory Board at GEHAG GmbH, Chairman of the Supervisory Board at Haus und Heim Wohnungsbau AG, Chairman of the Supervisory Board at Eisenbach-Siedlungs-Gesellschaft Berlin mbH (until April 7, 2008), Chairman of the Supervisory Board at Nordenia International AG, Member of the Supervisory Board at Versatel AG (since January 1, 2009), Member of the Supervisory Board at Andrea-Noris Zahn AG (until February 12, 2008) as well as Member of the Advisory Board at DZ Bank AG.

6.8.3. Report on the remuneration of the Supervisory Board

6.8.3.1. Remuneration system of the Supervisory Board according to the Company's statutes

Remuneration of the Supervisory Board is as follows pursuant to section 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 and
  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.

6.8.3.2. Remuneration of the Supervisory Board

In fiscal year 2008, remuneration of appointed Supervisory Board members totaled € 751,952.00.

Remuneration of the appointed Supervisory Board members can be broken down as follows:
- Dr. Eckhard Brüggemann € 197,988.00 (thereof € 105,000.00 fixed and € 92,988.00 variable)
- Karl Hertle € 131,992.00 (thereof € 70,000.00 fixed and € 61,992.00 variable)
- Dr. Martin Abend € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Heike Ebert € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Uwe E. Flach € 85,996.00 (thereof € 55,000.00 fixed and € 30,996.00 variable)
- Dr. K. F. Arnold Hertzsch € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Dieter Koch € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Constantin Meyer € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 variable)
- Adolf Zissel € 55,996.00 (thereof € 25,000.00 fixed and € 30,996.00 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 € 40,014.48.

6.8.4. Loans to members of the Supervisory Board

There were no loans outstanding to members of the Supervisory Board as of the balance sheet date.

6.9. Related party transactions

6.9.1. 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.

6.9.2. Relations to the auditor

In fiscal year 2008, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements:

in € 000s	2008	Previous year
Fees paid to the auditor of the consolidated financial statements	287	293
• thereof for audits	280	230
• thereof for tax consultancy services	-	3
• thereof for other services	7	60

6.9.3. Significant relations to other legal persons

After capital increases in the year 2006 STADA, as per December 31, 2008, holds 14.99% of shares in BIOCEUTICALS Arzneimittel AG for which total payments of € 16.3 million were made. STADA participated in the capital increase, which was carried out in November 2008 but was completed in a legally effective way only after the balance sheet date, disproportionately as compared to its former stake, and holds, after the completion of the capital increase, 15.44% of shares in BIOCEUTICALS Arzneimittel AG, for which in-payments in the total amount of € 1.5 million were paid.

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 € 39.3 million had been used as of December 31, 2008. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS exists, of which € 17.7 million had been used as of December 31, 2008. Furthermore, 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.

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. Moreover, BIOCEUTICALS gave a worldwide sales license for the product Filgrastim, which is still being developed, to cell pharm. In addition to being Chief Production & Development Officer at STADA Arzneimittel AG, Christof Schumann is also member of the Executive Board at BIOCEUTICALS Arzneimittel AG.

6.10. Corporate Governance Code

In accordance with section 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 12, 2008. 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, 2008, amounted to € 34,193,594.38. The Executive Board recommends that a dividend of € 0.52 per common share (previous year: € 0.71 per common share) be appropriated from distributable profit.

Bad Vilbel, March 10, 2009

H. Retzlaff	W. Jeblonski	C. Schumann
Chairman of the Executive Board	Chief Financial Officer	Chief Production and Development Officer

ADDITIONAL INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, 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, 2009

H. Retzlaff
Chairman of the Executive Board

W. Jeblonski
Chief Financial Officer

C. Schumann
Chief Production and Development Officer

CORPORATE GOVERNANCE DECLARATION

Declaration of Compliance 2008

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 6, 2008 (published on August 8, 2008 in the electronic Federal Gazette) 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 4.2.3: Arrangements for payments in the case of early termination of Executive Board mandate

The regulations in existing Executive Board contracts with regard to payments in the case of early termination of the Executive Board mandate do not comply with the Corporate Governance Kodex. For the future, the Supervisory Board will also not rule out completing Executive Board contracts with regulations which, in this regard, do not comply with the Corporate Governance Kodex. It is the position of the Supervisory Board that, for the completion of Executive Board contracts, detailed individual regulations may not be prejudged, but rather that the Supervisory Board must be able to take advantage of the full legal framework in the configuration of Executive Board contracts in order to achieve a situationally optimal filling of Executive Board positions.

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: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board, with six shareholder representatives, the Supervisory Board believes that such an additional committee is structurally superfluous; the additional compensation, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus 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 issued in the fourth quarter of 2007, 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, did 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. 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 Supervisory Board election

Due to the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board believes that an additional committee of this nature is structurally superfluous; the additional compensation for Supervisory Board members serving on such a committee, as called for in the Articles of Incorporation, is thus also avoided.

Section 5.4.1: Age limit for members of the Supervisory Board

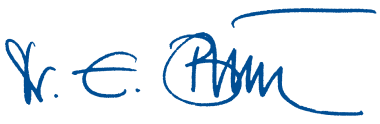
The Supervisory Board's rules of order did not provide for an age limit because such an age limit would shorten the voting rights of the shareholders in the Annual Shareholders' Meeting.

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 were not published in the Notes to the Company's financial statements. The Supervisory Board and the Executive Board were of the opinion that compliance with the legal requirements provides sufficient transparency.

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 12, 2008



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, 2008. 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, March 11, 2009

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, carefully and regularly monitored the work of the Executive Board during the year under review and accompanied this work in an advisory capacity. This applies both to the strategic decisions, for example on the continued expansion of the STADA Group, as well as to operational activities of the Group and various Group companies during the course of the year.

The Supervisory Board held a total of eight sessions in fiscal year 2008 (on March 20, May 9, June 9, June 10, August 8, September 19, November 7 and December 12).

The meeting on June 10, 2008 was the constitutive meeting of the Supervisory Board following the election of the shareholder representatives directly after the completion of the Annual General Meeting 2008. At this meeting, the Supervisory Board re-elected Dr. Eckhard Brüggemann as its Chairman and Karl Hertle as its Deputy Chairman.

In its meetings, the Supervisory Board received detailed reports from the Executive Board on all important business activities and discussed these in detail with that body.

The focus there was, among other things, on the following issues:

- the company strategy and its operative implementation
- the economic situation of the company and, in particular, the sales, units sold, costs and earnings development, the assets situation of the Group as well as the effects of the global financial and economic crisis on the company
- the market structures, development of demand, the competitive situation and the price, conditions and discount development in the individual national markets and in particular the development of market shares of the Group and the relevant competitors
- the financial situation of the Group including investment plans in the Group and the financing structures
- the risk and opportunities management and the significant risks for the Group that were revealed as a result
- contemplated, planned and executed acquisitions and disposals of the Group as well as the integration of acquired companies in the Group

- the effects of regulatory state interventions on the Group and/or on the individual subsidiaries and the necessary reactions to these, especially in the German home market with regard to discount agreements with health insurance organizations
- 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 product development and product portfolio of the Group
- the Annual Report, six-month report and quarterly reports of the Group prior to their respective publication
- the review of the Consolidated Financial Statements of STADA Arzneimittel AG of December 31, 2007 as well as the Management Report for fiscal year 2007 in accordance with section 342 b (2), sentence 3, number 3 of the German Commercial Code (review of random samples) through the German Financial Reporting Enforcement Panel (DPR) and the conclusions thereby reached
- STADA's capital market position
- Executive Board issues
- issues on the composition and the efficiency of the Supervisory Board

In addition, The Supervisory Board consulted on the further development of corporate governance, especially with a view to the changes to the Corporate Governance Codex of June 6, 2008. On December 12, 2008, the Supervisory Board and the Executive Board approved a new Declaration of Compliance.

Furthermore, 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 committees established by the Supervisory Board, namely the Audit and Economic Committee as well as the Human Resources and Strategy Committee supported the Supervisory Board in its work. The Audit and Economic Committee convened for five meetings in fiscal year 2008 (on January 8, March 20, May 8, August 7 and November 6) dealing, among other things, with questions of results, key figures and accounting as well as strategy. The Human Resources and Strategy Committee convened fo four meetings in 2008 (on January 8, August 7, November 6 and December 12) in order to deal with those themes of relevance to it.

All Executive Board procedures requiring consent in accordance with the articles of incorporation and rules of procedure were submitted to the Supervisory Board. The Supervisory Board treated and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, the risks and effects of the respective procedure.

Overall, the Executive Board informed the Supervisory Board very openly, at all times and in detail about the company and its development and in particular about the risk situation of the Group in accordance with the knowledge of the Risk Management department. Regular additional meetings of the Executive Board with the Chairman of the Supervisory Board also contributed to this.

The Supervisory Board 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 2008 were 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, 2009 and presented a report on his audit findings.

The Supervisory Board reviewed 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. 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.

2008 was an especially challenging year for the STADA Group. Burdening regulatory measures, intensified competition and significant one-time special effects characterized the operative environment in important markets. Nevertheless, STADA was able to increase sales for the 13th time in a row. With net profit, the peak value of the prior year could not be reached again, but still, adjusted for one-time special effects, it was possible to achieve the second best net profit in the history of the company. Against this backdrop, the Supervisory Board concurs with the evaluation of the Executive Board that the results of fiscal year 2008 – achieved in an extremely difficult environment – were generally operationally still satisfactory. The Supervisory Board would like to express its thanks and appreciation to all employees as well as the Executive Board and management for their commitment and successful work in the past fiscal year.

Bad Vilbel, March 20, 2009

Dr. Eckhard Brüggemann
Chairman of the Supervisory Board

BOARDS OF THE COMPANY

The STADA Supervisory Board (as of March 1, 2009)

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 representatives.

The STADA Executive Board (as of March 1, 2009)

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

Christof Schumann
Chief Production and Development Officer
At STADA since 1997
Executive Board member since 2006
Contract until December 31, 2010

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

The STADA Advisory Board (as of March 1, 2009)

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 General Meeting. The Advisory Board, newly appointed for five years from 2009 through 2013, currently includes the following orderly members:

Frank Füßl, Frankfurt am Main (Chairman)
Dr. Thomas Meyer, Seelze (Deputy Chairman)

Rika Aschenbrenner, Mainburg
Wolfgang Berger, Gießen
Gerd Berlin, Meiningen
Alfred Böhm, Munich
Dr. Jürgen Böhm, Kirchhain
Axel Boos, Darmstadt
Reimar Michael von Kolcynski, Stuttgart
Dr. Frank-R. Leu, Gießen
Dr. Hanns-Dietrich Rahn, Wiesbaden
Dr. Wolfgang Schlags, Mayen
Jürgen Schneider, Offenbach

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 facilities 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.

Biosimilar: 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.

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.

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.

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 among others; 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.

Indication: Diseases for which a certain drug is used.

Label: Term used in the STADA Group for a uniform sales concept for different products.

Monoclonal antibody: Monoclonal antibodies are immunologically active proteins which are used against an individual epitope (surface structure) of an antigen (infectious substances or certain molecules) and specifically bind to that substance. Unlike the endogenic, physiological immunoreaction in which the polyclonal antibodies are generated by an entire series of B-lymphocytes and recognize various surface structures, monoclonal antibodies are generated with molecular biological methods and produced biotechnologically through genetically engineered cell lines. In addition to applications in research and diagnostics, monoclonal antibodies are becoming ever more important in medicine, for example in cancer therapy or in the treatment of auto-immune diseases and, due to their high degree of specificity and their generally good compatibility, they open up completely new therapy opportunities.

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.

Nephrology: Branch of internal medicine dealing with diagnostics and non-surgical therapy of kidney diseases.

Oncology: Science that deals with the study of cancer.

Patent: In the pharmaceutical market: Commercial property right granting active ingredients market exclusivity for a limited period (in the EU 20 years for example).

Pharmaceutical production: Conversion of pharmaceutical substances into a dosage form and its packaging into a finished pharmaceutical product, e.g. tablet.

Pharmacovigilance: Ongoing and systematic monitoring of the safety of a proprietary medicinal product with the objective to discover, assess and understand its adverse effects in order to take the necessary measures to minimize risks.

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 CALENDAR

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 General Meeting
August 13, 2009	Publication of 2009 interim results with analysts' and press conference
November 12, 2009	Publication of Q3/2009 results

2010

March 30, 2010	Publication of 2009 results with analysts' and press conference
May 12, 2010	Publication of Q1/2010 results
June 08, 2010	Annual General Meeting
August 12, 2010	Publication of 2010 interim results with analysts' and press conference
November 11, 2010	Publication of Q3/2010 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
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Fax: +49 (0) 61 01 / 6 03-2 59
E-mail: info@stada.de
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STADA Arzneimittel AG
STADA Corporate Communications
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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
EH Studio Eleana Hegerich, Munich

Printing
KONKORDIA GmbH, Baden-Baden

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.

Accounting

Since January 1, 2002, STADA has been keeping its consolidated accounts in accordance with International Financial Reporting Standards (IFRS), previously known as International Accounting Standards (IAS), as promulgated by the International Accounting Standards Board. Data prior to this date is based on accounting according to HGB. In addition, all Group results mentioned in this annual report from before January 1, 2002 have been converted from the reporting currency used prior to this time (the German Mark) to the current Group currency, the euro. The official exchange rate (€ 1.00 = DM 1.95583) has been used exclusively in this retroactive adjustment. The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see “Financial Situation – Development of the Balance Sheet”). For reasons of the practicability caveat as specified under IAS 8.43 ff, the comparison figures and key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for the fiscal years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as associated company under the equity method.

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Group sales in € million	2008	2007	2006	2005	2004
Total Group sales	1,646.2	1,570,5	1,245.1	1,022.1	813.5
• Core segment Generics	1,154.5	1,154.4	911.2	739.0[1)]	608.3[1)]
• Core segment Branded Products	368.9	304.0	259.1	211.4[1)]	139.6[1)]
• Commercial Business	58.4	69.0	63.7	39.7	32.0
• Other	64.4	43.1	11.0	6.8	8.9

Sales by region[2)] in € million	2008	2007	2006	2005	2004
Europe	1,590.6	1,513.1	1,180.6	959.8	743.6
• Belgium	110.7	101.8	109.6	93.6	65.2
• Bosnia-Herzegovina	19.0	19.9	9.3	0.3	0.3
• Denmark	18.5	22.0	23.6	19.3	9.1
• Germany	564.0	579.8	481.9	440.9	383.1
• Finland	9.2	6.1	5.1	0.4	0.0
• France	91.4	87.0	79.6	70.7	53.9
• UK	100.9[3)]	75.7	40.1	30.3	31.1
• Ireland	25.3[3)]	23.5	16.9	15.6	13.7
• Italy	124.2[4)]	117.2	109.0	94.6	74.3
• Lithuania	0.7[5)]	1.1	0.9	1.1	1.1
• Macedonia	2.7	2.9	1.6	-	-
• Montenegro	7.4	9.4	2.9	-	-
• The Netherlands	41.3	40.7	38.9	38.6	39.7
• Austria	14.5	13.1	11.3	10.4	8.2
• Portugal	9.1	12.3	10.3	5.3	0.0
• Romania	3.0	6.7	5.8	1.9	1.6
• Russia	183.4[6)]	133.8	87.5	56.6	0.7
• Sweden	3.2	2.5	1.9	2.2	1.1
• Serbia	144.5[7)]	145.1	46.1	0.0	0.0
• Slowakia	4.9	3.8	2.5	1.0	0.5
• Spain	65.9	62.7	61.1	53.0	44.4
• Czech Republic	10.0	8.9	8.3	6.1	5.4
• Ukraine	17.1	13.0	9.4	6.5	1.3
• Rest of Europe	19.6	24.1	17.2	11.3	8.9
Americas	5.7	8.1	19.0	34.1	46.1
• USA	3.9[8)]	6.5[8)]	18.5	34.0	46.0
• Rest of Americas	1.8	1.6	0.5	0.1	0.1
Asia	47.2	44.7	42.9	28.1	22.5
• China	6.8	8.0	5.5	7.0	6.6
• Kazakhstan	6.9	5.4	4.5	3.4	1.2
• The Philippines	11.1	9.8	7.4	6.5	4.9
• Thailand	2.2	3.1	2.0	2.4	2.7
• Vietnam	7.5	7.9	18.4	6.1	5.2
• Rest of Asia	12.7	10.6	5.1	2.7	1.9
Rest of world	2.7	4.5	2.6	0.1	1.3

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) By including acquisition (Forum Bioscience, consolidated since October 1, 2007) and disposal (Forum Products, deconsolidated since August 31, 2008) made there since then.
4) By including disposals (various branded products in 2007), abandoned commercial activities (since January 01, 2008), sale of approvals as well as product acquisitions (2 branded products in the fourth quarter of 2008).
5) Since June 30, 2008, the local sales activities in this national market have no longer been consolidated in the Group.
6) By including an acquisition made there since then (MAKIZ Group, consolidated since September 1, 2007).
7) By including disposals made there since then (Hemofarm subsidiaries Multivita in the second quarter of 2007 and Symbiofarm in the third quarter of 2007).
8) Exclusively export sales to the USA.

Financial key figures in € million	2008	2007[1]	2006[1]	2005[1]	2004[1]
Operating profit	176.4	215.5	180.5	127.1	87.8
EBITDA	255.4	288.6	232.6	161.2	122.7
Adjusted EBITDA[2]	*294.3*	*315.5*	*233.0*	*176.6*	*118.4*
EBIT	175.2	186.8	168.7	107.1	88.2
Earnings before taxes (EBT)	105.5	149.8	145.2	97.5	77.6
Net income	76.2	104.2	91.8	51.6	48.5
Adjusted net income[2]	*116.0*	*144.9*	*102.1*	*80.5*	*51.4*
Cash flow (gross)	150.4	201.2	153.2	109.9	81.3

Asset & capital structure in € million	2008	2007[1]	2006[1]	2005[1]	2004[1]
Total assets	2,469.5	2,541.5	2,150.2	1,349.8	1,020.4
Non-current assets	1,412.9	1,499.4	1,294.7	783.8	551.9
Current assets	1,056.6	1,042.0	855.6	566.0	468.6
Equity capital	839.7	919.6	863.1	684.8	639.0
Equity-to-assets ratio in percent	34.0%	36.2%	40.1%	50.7%	62.6%
Non-current liabilities and provisions	887.7	757.6	795.0	316.9	141.1
Current liabilities and provisions	742.1	864.2	492.1	348.1	240.4
Net debt	1,015.7	958.5	773.0	234.2	103.6

Capital expenditure/depreciation & amortization in € million	2008	2007	2006	2005	2004
Total capital expenditure	137.3	193.5	236.3	207.1	82.1
• on intangible assets	60.3	150.5	196.9	168.9	67.6
• on property, plant and equipment	72.2	42.0	26.4	14.8	7.0
• on financial assets	4.8	1.0	13.0	23.3	7.5
Total depreciation and amortization	80.2	101.7	63.9	54.1	34.5
• on intangible assets	49.3	71.0	47.5	37.1	26.6
• on property, plant and equipment	30.9	27.6	16.3	10.1	7.9
• on financial assets	0	3.1	0	6.9	0

Employees	2008	2007	2006	2005	2004
Average number of employees[3] per year	8,318	7,792	5,442	3,892	2,586

Key figures per STADA share	2008	2007[1]	2006[1]	2005[1]	2004[1]
Market capitalization (year-end) in € million	1,204.6	2,469.2	2,531.2	1,479.3	1,061.9
Year-end closing price of common shares in €	20.50	42.05	43.45	27.65	19.89
Number of shares (average)	58,632,021	58,315,643	53,983,327	53,317,303	53,348,910
Basic earnings per share in €[4]	1.30	1.79	1.70	0.97	0.91[5]
Adjusted basic earnings per share in €[2]	*1.98*	*2.48*	*1.89*	*1.51*	*0.96[5]*
Diluted earnings per share in €[6]	1.28	1.72	1.62	0.91	0.88[5]
Dividend per common share in €	0.52[7]	0.71	0.62	0.39	0.39
Total dividend payments in € million	30.5[7]	41.6	36.0	20.8	20.8

1) The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see "Financial Situation – Development of the Balance Sheet"). For reasons of the practicability caveat as specified under IAS 8.43 ff, the comparison figures and the key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for the fiscal years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as associated company under the equity method.
2) Adjustment for the one-time special effects as well as effects from currency influences and interest rate hedge transactions respectively incurred.
3) Employees of companies consolidated at only 50% have been included in accordance with their respective consolidation rate.
4) In accordance with IAS 33.10.
5) Adjusted for the de facto 1:1 stock split on July 30, 2004.
6) In accordance with IAS 33.31.
7) Proposed.

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