Interim Report

on the First Three Months of 2012

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	1/1-3/31/2012	1/1-3/31/2011	± %
Group sales	443.4	418.3	+6%
• Generics (core segment)	299.3	292.8	+2%
• Branded Products (core segment)	135.2	114.6	+18%
Operating profit	46.3	57.6	-20%
Operating profit, adjusted [1)]	*67.9*	*63.6*	*+7%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	77.3	79.8	-3%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted [1)]	*92.3*	*82.5*	*+12%*
EBIT (Earnings before interest and taxes)	47.3	57.6	-18%
EBIT (Earnings before interest and taxes), adjusted [1)]	*68.9*	*63.5*	*+8%*
EBT (Earnings before taxes)	31.9	45.5	-30%
EBT (Earnings before taxes), adjusted [1)]	*53.5*	*49.9*	*+7%*
Net income	19.4	29.8	-35%
Net income, adjusted [1)]	*39.3*	*33.2*	*+18%*
Cash flow from operating activities	46.1	42.5	+9%
Capital expenditure	276.6	12.6	>100%
Depreciation and amortization (net of write-ups)	30.0	22.1	+35%
Employees (average number for the year calculated on the basis of full-time employees, Jan. 1 – Mar. 31) [2)]	7,807	7,842	0%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	7,813	7,772	+1%

Key share figures	1/1-3/31/2012	1/1-3/31/2011	± %
Market capitalization (as of Mar. 30) in € million	1,451.2	1,609.70	-10%
Closing price (XETRA®) in € (as of Mar. 30)	24.61	27.34	-10%
Average number of shares (without treasury shares, Jan. 1 – Mar. 31)	58,870,863	58,777,667	0%
Earnings per share in €	0.33	0.51	-35%
Earnings per share in €, adjusted [1)]	*0.67*	*0.56*	*+20%*
Diluted earnings per share in €	0.33	0.50	-34%
Diluted earnings per share in €, adjusted [1)]	*0.66*	*0.55*	*+20%*

1) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous years. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with 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.
2) This average number includes changes in the scope of consolidation on a pro-rata basis.

MANAGEMENT REPORT

Overview

In the first quarter of 2012, the STADA Group's business development was within the scope of expectations. Group sales increased by 6% to € 443.4 million in the first three months of 2012 (1-3/2011: € 418.3 million). Reported earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 3% to € 77.3 million (1-3/2011: € 79.8 million). Reported net income recorded a decrease of 35% to € 19.4 million (1-3/2011: € 29.8 million) in the reporting period, which is attributable to burdening one-time special effects, in particular in the context of the further planned implementation of the Group-wide cost efficiency program "STADA – build the future". Adjusted EBITDA, however, increased by 12% to € 92.3 million (1-3/2011: € 82.5 million). In the first quarter of 2012 adjusted net income rose by 18% to € 39.3 million (1-3/2011: € 33.2 million). Adjusted EBITDA and adjusted net income thus reflected the highest expectations of the Executive Board.

From the Executive Board's perspective, STADA achieved – after adjusting for these special effects and with a view to the good level of the corresponding quarter in the previous year – a good operating result in the first three months of 2012.

In the scope of the strategic positioning of the Group to complement the Group's organic growth with additional external growth impulses, significant progress could be made in the first quarter of 2012. In this period, it was possible to conclude, among other things, the acquisition of the second tranche of the Grünenthal branded products portfolio for markets belonging to the EU in Central Europe, the purchase of the generics business of Spirig in Switzerland as well as the purchase of branded products for the Russian market (see "Acquisitions and disposals"). In the reporting period, payments in the total amount of € 338.0 million (1-3/2011: € 1.1 million) were connected with these company acquisitions and product purchases for the expansion of the portfolio in the short-term.

Against the backdrop of these distinctive investments, net debt increased to € 1,217.0 million as of March 31, 2012 (December 31, 2011: € 900.3 million). The net debt to adjusted EBITDA ratio therefore amounted in the first quarter of 2012 on linear extrapolation of the adjusted EBITDA of the first quarter on a full year basis to 3.3 (1-3/2011: 2.5) and was thus above the maximum value of 3 strived for by the Executive Board. The Executive Board still aims to once again reduce this figure to a maximum value of 3 within a period of 12 to 18 months.

In the Executive Board's view, the STADA Group's financial position continues to be stable, which made the aforementioned investments possible. This is also reflected in the Group's continued unproblematic refinancing, in the course of which further promissory notes of € 100 million with long-term maturities could be secured in the first quarter of 2012 at favorable conditions in the estimation of the Executive Board (see "Financial position and cash flow").

For the Group's outlook, the Executive Board continues to expect that in 2012 and 2013 both core segments can achieve sales growth. The Branded Products segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will thereby continue to grow. From today's perspective, the Executive Board expects a very significant increase in reported net income for the financial year 2012 as compared to 2011 – in spite of the decrease from one-time special effects in the first quarter of 2012. For EBITDA adjusted for one-time special effects, the Executive Board continues to see the opportunity for an increase in the high single-digit percent area. Furthermore, the Executive Board affirms its long-term prognosis envisaged for 2014[1)], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should, at a minimum, be reached.

1) See the Company's ad hoc releases of June 7, 2010 and March 1, 2012.

Sales development of the STADA Group

Group sales increased by 6% to € 443.4 million in the first three months of 2012 (1-3/2011: € 418.3 million). The increase remained attributable to growth in STADA's international sales, whose share in Group sales in the reporting quarter totaled 72% (1-3/2011: 70%) and recorded growth of 10% to € 320.6 million (1-3/2011: € 291.0 million).

In consideration of sales influences, which are based on changes in the Group portfolio and currency effects, Group sales recorded growth of 2% in the reporting period as compared with the corresponding period of the previous year.

In detail, the effects on sales were as follows:

- Portfolio changes[1)] contributed a total of € 17.2 million or 4.1 percentage points to sales growth in the first three months of 2012.

- As a result of applying foreign exchange rates from the first quarter of 2012 compared with those of the first quarter of 2011 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly positive currency effect in the amount of € 1.4 million or 0.3 percentage points.

To the extent that adjusted sales figures are reported in the following, this refers to sales adjusted for portfolio effects and currency fluctuations respectively.[2)]

In **Europe**, sales increased in the reporting period by 6% to € 425.2 million (1-3/2011: € 401.8 million). Sales achieved by STADA in European markets thus contributed 95.9% (1-3/2011: 96.0%) to Group sales. Adjusted, Group sales in Europe grew by 1%.

In **Western Europe**, sales rose by 4% to € 314.5 million in the first quarter of 2012 (1-3/2011: € 301.8 million). STADA's sales in Western European countries thus had a share of 70.9% in Group sales (1-3/2011: 72.1%). Adjusted Group sales in Western Europe recorded growth of 1%.

In **Eastern Europe**[3)], STADA generated growth in sales of 11% to € 110.7 million in the first quarter of 2012 (1-3/2011: € 100.0 million). This increase is primarily based on the continued strong sales increase in Russia (see "Regional development in individual national markets – Russia"), which was further increased by a positive currency effect of the Russian ruble. In Serbia, however, local sales decreased using the previous year's exchange rates as well as in euro in the first quarter of the current financial year, as expected, due to the conversion of the local distribution model (see "Regional development in individual national markets – Serbia"). Furthermore, a significantly negative currency effect of the Serbian dinar also contributed to this development.

Sales in Eastern European countries thus contributed a total of 25.0% (1-3/2011: 23.9%) to Group sales. Adjusted Group sales in Eastern Europe increased by 3%.

In the **Asia/Pacific Region**, STADA sales increased by 41% in the first three months of 2012 to € 14.1 million (1-3/2011: € 10.0 million). Sales achieved by the Group in the Asian/Pacific markets thus amounted to 3.2% (1-3/2011: 2.4%) of Group sales. STADA's adjusted sales in Asian countries rose on the whole by 23%. The newly-founded subsidiary STADA Australia Pharmaceuticals Pty Ltd did not yet contribute to Group sales; the commencement of sales activities is planned for the third quarter of 2012.

1) Sales with the small chemical plant in Serbia disposed of as of March 22, 2011; sales of the oncological product Tobra-cell® sold as of September 30, 2011; sales of the branded product Denzapine® acquired on July 1, 2011 for Ireland and on December 1, 2011 for the United Kingdom; sales of the generics business in Switzerland acquired on January 31, 2012 and consolidated as of January 1, 2012; sales of a branded product portfolio in Eastern Europe and the Middle East since January 1, 2012 as well as in Central Europe since February 1, 2012; sale of the Irish production facility on January 1, 2012; as well as the acquisition of the French company LABORATOIRES D'ETUDES ET DE RECHERCHES EN OLIGO ELEMENTS THERAPHIE on February 21, 2012 and consolidated since February 1, 2012.

2) The adjusted sales figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison.

3) So-called CEE countries (Central and Eastern Europe) including Russia.

STADA's Group sales in the **rest of the world** decreased in the reporting quarter by 38% to € 4.1 million (1-3/2011: € 6.6 million). The primary reason for this development was the loss of sales from contract manufacturing for US customers after the sale of the Irish production facility. Sales in the rest of the world thus had a share of 0.9% of Group sales (1-3/2011: 1.6%). STADA's adjusted sales reduction was at 25% here.

Sales achieved by STADA in the Group's most important individual national markets is discussed in greater detail in the context of the regional developments (see "Regional development in individual national markets").

With a view to the sales development in the individual national markets in the first quarter of 2012, the Executive Board, from today's perspective, expects that both core segments can achieve sales growth in 2012 and 2013. The Branded Products segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow.

Earnings development of the STADA Group

The earnings development in the first quarter of 2012 was characterized by an increase in operating performance that was shown with growth in all of the Group's operational, i.e. adjusted for one-time special effects, key earnings figures. The reported key earnings figures, however, recorded a decline, which was attributable to the burdening one-time special effects, in particular from the further planned implementation of the Group-wide cost efficiency program "STADA – build the future".

Reported **operating profit** declined in the first three months of 2012 by 20% to € 46,3 million (1-3/2011: € 57.6 million). Reported **net income** was down by 35% to € 19.4 million (1-3/2011: € 29.8 million) in the reporting quarter. Reported **EBITDA** showed an decrease of 3% to € 77.3 million in the first quarter of 2012 (1-3/2011: € 79.8 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from interest rate hedge transactions, **adjusted operating profit** recorded growth of 7% in the first three months of 2012 to € 67.9 million (1-3/2011: € 63.6 million). **Adjusted net income** recorded growth of 18% to € 39.3 million (1-3/2011: € 33.2 million) in the reporting period. **Adjusted EBITDA** increased in the first three months of the current financial year by 12% to € 92.3 million (1-3/2011: € 82.5 million). Adjusted net income and adjusted EBITDA thus reflected the highest expectations of the Executive Board.

One-time special effects in the first quarter of 2012 resulted in a net burden on earnings in the amount of € 21.6 million before or € 20.0 million after taxes (1-3/2011: net burden on earnings due to one-time special effects in the amount of € 5.9 million before or € 4.5 million after taxes), and were as follows:

- a burden in the amount of € 18.9 million before or € 18.0 million after taxes from expenses in connection with the implementation of the Group-wide cost efficiency program "STADA – build the future" (including burdens from the sale of the Irish production facility in Clonmel[1)], the sale of the Engineering companies, which are not a part of the Group's core business and include the German HEMOPHARM ENGINEERING, as well as consultory services) (see "STADA – build the future" as well as "Acquisitions and disposals").
- a burden in the amount of € 2.6 million before or € 1.9 million after taxes for impairments on intangible assets after impairment tests.
- a burden in the amount of € 0.1 million before or € 0.1 million after taxes in connection with the recall of Citalopram 60mg (see "Regional development in individual national markets – Germany").

1) See the Company's ad hoc release of February 6, 2012.

In the first quarter of 2012, **non-operational effects from interest rate hedge transactions** amounted to a net relief on earnings in the amount of € 0.1 million before or € 0.1 million after taxes, which resulted from the measurement of these transactions (1-3/2011: net relief on earnings as a result of non-operational effects from interest rate hedge transactions of € 1.5 million before or € 1.1 million after taxes).

Opposing developments were noticeable in the reporting period in the important currency relationships for STADA of the euro to the Russian ruble, Serbian dinar and the pound sterling. Whereas the Russian ruble and the pound sterling showed a positive currency effect, the Serbian dinar showed a significantly negative currency effect.

In the chart below, further essential key earnings figures of the STADA Group as well as the resulting margins are each also reported adjusted for aforementioned one-time special effects and non-operational effects from interest rate hedge transactions for the first quarter of 2012 and for the corresponding period in the previous year to allow for comparison.

Development of the STADA Group's key earnings figures

in € million	1–3/2012	1–3/2011	± %	Margin[1] 1–3/2012	Margin[1] 1–3/2011
Operating profit	46.3	57.6	-20%	10.4%	13.8%
• Operating segment result Generics	32.1	39.7	-19%	10.7%	13.5%
• Operating segment result Branded Products	28.7	27.6	+4%	21.3%	24.1%
EBITDA[2]	77.3	79.8	-3%	17.4%	19.1%
EBIT[3]	47.3	57.6	-18%	10.7%	13.8%
EBT[4]	31.9	45.5	-30%	7.2%	10.9%
Net income	19.4	29.8	-35%	4.4%	7.1%
Earnings per share in €	0.33	0.51	-35%		
Diluted earnings per share in €	0.33	0.50	-34%		

Development of the STADA Group's adjusted[5] key earnings figures

in € million	*1–3/2012*	*1–3/2011*	*± %*	*Margin[1] 1–3/2012*	*Margin[1] 1–3/2011*
Operating profit, adjusted	*67.9*	*63.6*	*+7%*	*15.3%*	*15.2%*
• Operating segment result Generics, adjusted	*49.0*	*42.1*	*+17%*	*16.4%*	*14.4%*
• Operating segment result Branded Products, adjusted	*28.7*	*27.7*	*+4%*	*21.3%*	*24.2%*
EBITDA[2], adjusted	*92.3*	*82.5*	*+12%*	*20.8%*	*19.7%*
EBIT[3], adjusted	*68.9*	*63.5*	*+8%*	*15.5%*	*15.2%*
EBT[4], adjusted	*53.5*	*49.9*	*+7%*	*12.1%*	*11.9%*
Net income, adjusted	*39.3*	*33.2*	*+18%*	*8.9%*	*7.9%*
Earnings per share in €, adjusted	*0.67*	*0.56*	*+20%*		
Diluted earnings per share in €, adjusted	*0.66*	*0.55*	*+20%*		

1) Related to relevant Group sales.
2) Earnings before interest, taxes, depreciation and amortization.
3) Earnings before interest and taxes.
4) Earnings before taxes.
5) Adjusted for one-time special effects and non-operational effects from interest rate hedge transactions.

For the outlook of key earnings figures – despite planned earnings burdening one-time special effects from the further implementation of the Group-wide cost efficiency program “STADA – build the future” – the Executive Board still expects a significant increase in reported net income for 2012 as compared to 2011. The STADA Executive Board also expects continued growth in the key earnings figures adjusted for one-time special effects in the Group for 2012, as well as 2013, and also sees, from today’s perspective, the opportunity for an increase in the high single-digit percent area in EBITDA adjusted for one-time special effects for 2012. This would once again mean that record results in these key figures are targeted for 2012.

“STADA – build the future”

In the course of the implementation of the Group-wide cost efficiency program “STADA – build the future” to strengthen the mid and long-term earnings potential which comprises a planned implementation period from 2010 to the end of 2013, STADA made continued implementation progress in the first quarter of 2012.

On February 6, 2012, STADA and the mutares Group signed contracts on the sale of the Irish production facility STADA Production Ireland Limited (SPI), which previously belonged to the STADA Group via the Irish STADA subsidiary Clonmel Healthcare Ltd. (see “Acquisitions and disposals”).[1] The contracts were concluded retroactively to January 1, 2012. The transaction was carried out in the form of a so-called “share deal” with which all shares in SPI and thus also the conditions of employment for all of the approx. 180 employees at the facility as well as the other contractual relationships are immediately transferred to the mutares Group. In addition, as part of this transaction, the production facilities, corresponding assets as well as the property will be transferred to the buyer within the scope of a lease option model over a period of four years. The products that were produced in the Irish production facilities for the STADA Group at the time of sale, will continue to be produced by SPI for STADA during a transitional period. STADA reported the one-time burden in the amount of € 16.8 million before and € 16.2 million after taxes as a one-time special effect (see “Earnings development of the STADA Group”).

Furthermore, STADA sold the Engineering companies with a total of 58 employees that are not part of the Group’s core business in the current second quarter of 2012 (see “Acquisitions and disposals” as well as “Notes to the Consolidated Financial Statements – 1.3.”). STADA reported the one-time burden in the amount of € 1.5 million before and € 1.3 million after taxes as a one-time special effect (see “Earnings development of the STADA Group”).

In addition, in the course of the implementation of internal “STADA – build the future” measures, further expenses for consulting services in the amount of € 0.6 million before taxes or € 0.5 million after taxes were incurred in the first quarter of 2012, which were reported as one-time special effects (see “Earnings development of the STADA Group”).

The sale of two production facilities in Russia is still being evaluated in the context of “STADA – build the future“. If this were realized, a burden on earnings in the higher single-digit million euro area to be reported as a one-time special effect would, from today’s perspective, be expected.

1) See the Company’s ad hoc release of February 6, 2012.

In the context of the “STADA – build the future” project, STADA was able to achieve significant growth in Group-owned production capacities with the introduction of previously externally awarded production orders to in-house production as well as with the preference for in-house production of new products. In order to adjust previously, in part, significantly diverging capacities of various production facilities – such as bulk production and packaging – STADA made investments in the low single-digit million euro area for various sub-areas of several existing production locations. In addition, a process optimization program with an external consultant was started at the production sites in Serbia and Bosnia-Herzegovina, where capacities have increased exceptionally. Both measures aim at facilitating or increasing further capacity improvements.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the reporting quarter by a total of 7%, so that their share in Group sales amounted to 98.0% (1-3/2011: 97.4%). Adjusted for portfolio effects and currency influences, sales of the two core segments increased by 2% in the first three months of 2012.

Sales of **Generics**, which continues to be the clearly larger core segment, recorded an increase of 2% to € 299.3 million (1-3/2011: € 292.8 million) in the first quarter of 2012. Generics thus contributed 67.5% to Group sales in the reporting period (1-3/2011: 70.0%). Adjusted, generics sales in the Group increased by 1%.

The **Branded Products** core segment recorded growth in sales of 18% to € 135.2 million in the first three months of the current financial year (1-3/2011: € 114.6 million). Branded Products thus had a share of 30.5% in Group sales in the first quarter of 2012 (1-3/2011: 27.4%). Adjusted sales of branded products increased by 6% in the Group.

In the **Commercial Business** segment, which is not part of the core segments, sales decreased to € 4.9 million in the reporting quarter (1-3/2011: € 7.0 million). The expected decrease of the low-margin commercial business in Denmark had a particularly noticeable effect here. Sales reported under the position **Group holding/Other** increased to € 4.0 million in the first three months of 2012 (1-3/2011: € 3.8 million).

The development of the **operating segment earnings** and the resulting **operating segment margins** based on the respective segment sales can be seen in the chart “Development of the STADA Group’s key earnings figures”.

Regional development in individual national markets

In **Germany**, STADA’s largest national market, sales decreased by 4% to € 122.8 million in the reporting period (1-3/2011: € 127.3 million). Overall, STADA’s German business activities contributed 27.7% to Group sales in the first three months of 2012 (1-3/2011: 30.4%).

The decrease in sales was still attributable to the difficult local framework conditions for generics, which are characterized by intensive competition for tenders for discount agreements with public health insurance organizations. In view of this, sales in the German Generics segment in the first three months of 2012 recorded a decrease of 6% to € 87.0 million (1-3/2011: € 92.5 million). Sales generated by STADA in the German market with generics amounted to 71% (1-3/2011: 73%) of total sales generated in the German market. The STADA Group’s market share of generics sold in German pharmacies increased by volume in the first three months of 2012 to approx. 13.4%[1)] (first quarter of 2011: approx. 12.4%[1)]), allowing the STADA Group to remain in position three on the German market.

1) Data from IMS Health relating to pharmacy sales to customers (source: IMS/Pharmascope national).

STADA's German sales companies are still continuing to participate on an ongoing basis in the numerous tenders for discount agreements by statutory health insurance organizations using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results.

Generics sales generated by STADA in Germany were still achieved via various sales companies. Sales of ALIUD PHARMA, the largest of the Group-owned sales companies in the German generics market, decreased in the first quarter of 2012 by 5% to € 48.1 million (1-3/2011: € 50.5 million). Sales achieved by the Group-owned German generics sales company STADApharm decreased in the reporting period by 11% to € 30.1 million (1-3/2011: € 34.0 million). Sales of STADA's generics sales company, cell pharm, special supplier for the indication areas oncology and nephrology, was approximately at the same level as the corresponding period of the previous year at € 7.6 million (1-3/2011: € 7.5 million). Here, the sale of oncological product Tobra-cell® concluded in the third quarter of 2011 must be taken into consideration (sales contribution in the first quarter of 2011: € 0.1 million).

In January 2012, the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – BfArM) initiated graduated plan proceedings on the active pharmaceutical ingredient citalopram[1] based on new study findings of the initial supplier. In the course of this in March 2012, BfArM ordered the recall of the 60mg high-dosage strength of this active ingredient by all suppliers in the German market as well as changing the text of the package inserts of all other active ingredient strengths. The burdens for STADA connected with the implementation of this BfArM order, as well as generally analog measures in the Netherlands, in the the amount of € 0.1 million before or € 0.1 million after taxes were reported as a one-time special effect (see "Earnings development of the STADA Group").

Sales generated with branded products – primarily under the local sales labels STADA GmbH and Hemopharm – recorded growth of 3% in the first three months of 2012 to € 35.5 million (1-3/2011: € 34.5 million).

Sales achieved by STADA in Germany with branded products had a total share of 29% (1-3/2011: 27%) of total sales generated in the German market.

For financial year 2012, the Executive Board expects the German business to have a moderate chance for growth on the whole with operating profitability continuing at only just under the Group average. In view of partly high-volume discount agreements concluded in 2011, the STADA Executive Board expects that the Group's market share by volume will continue to grow in the German generics market.

In **Russia**, the Group's second most important national market according to sales, sales increased in the first quarter of 2012 by a strong 16% applying the exchange rate of the previous year. In euro, STADA recorded even more significant sales growth of 19% to € 64.8 million (1-3/2011: € 54.5 million), to which a positive currency effect of the Russian ruble also contributed.

With generics, the Group recorded strong sales growth 18% to € 28.0 million in Russia (1-3/2011: € 23.7 million), so that the share of STADA's sales achieved in the Russian market amounted to 43% (1-3/2011: 44%). Sales of branded products rose significantly by 19% to € 36.3 million (1-3/2011: € 30.4 million). Branded products thus contributed 56% to STADA's sales in Russia (1-3/2011: 56%).

In the first quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts for the purchase of the marketing rights for the nutritional supplements Vuka Vuka®[2] and Vuka Drive®[2], a further development of Vuka Vuka® for Russia as well as Vuka Vuka® for the so-called CIS countries (Commonwealth of Independent States). The purchase price totaled € 9.7 million (see "Acquisitions and disposals").

1) For the treatment of depression and for anxiety disorders.
2) Nutritional supplement (aphrodisiac).

Furthermore, in the first quarter of 2012 the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, concluded contracts for the purchase of distribution rights for the branded product Tranexam®[1]. The purchase price for the acquired rights, which only relate to Russia, amounted to € 40.0 million (see "Acquisitions and disposals").

In financial year 2012, STADA expects further strong sales growth in local currency in Russia with operating profitability above Group average. The sales and earnings contributions of STADA's business activities in Russia as well as at the Group level will remain significantly affected by the development of the currency relation of the Russian ruble to the euro.

In **Italy**, the Group recorded sales growth of 6% to € 41.1 million (1-3/2011: € 38.7 million) in the reporting quarter.

Sales achieved by STADA with generics in the Italian market in the reporting period increased by 10% to € 31.4 million (1-3/2011: € 28.6 million). Generics thus contributed 76% (1-3/2011: 74%) to local STADA sales.

Sales recorded by STADA in Italy with branded products declined by 4% as expected to € 9.7 million (1-3/2011: € 10.1 million). Branded products thereby had a 24% share of STADA's local sales (1-3/2011: 26%).

For financial year 2012, the Executive Board expects a renewed sales increase in Italy with an operating profitability which will again be at about Group average.

In **Belgium**, STADA recorded a sales plus in the first three months of the current financial year in the amount of 13% to € 39.9 million (1-3/2011: € 35.2 million). The positive development was attributable to, among other things, a so-called early entry of Atorvastatin[2], which allowed STADA, due to the purchase of the corresponding rights, a market entry with its own generic product for this active ingredient in the Belgian market two months before the actual patent expiration.

With a sales increase of 15% to € 38.2 million (1-3/2011: € 33.3 million), the Group continued to have the largest share of local sales with generics in the Belgian market. The share of generics amounted to 96% of STADA's sales in Belgium (1-3/2011: 95%).

The sales achieved by STADA with branded products in Belgium decreased by 9% to € 1.7 million (1-3/2011: € 1.9 million). Branded products thereby contributed 4% to sales achieved by STADA in Belgium (1-3/2011: 5%).

For the financial year 2012, STADA calculates a renewed sales increase with operating profitability at about Group average in the Belgian market.

In **Spain**, sales rose significantly by 17% to € 35.9 million in the reporting quarter (1-3/2011: € 30.6 million).

In the Spanish generics market, characterized by sustained increased dynamic growth, STADA increased sales by 11% to € 32.6 million (1-3/2011: € 29.2 million). Generics contributed 91% to STADA's Spanish sales in the reporting period (1-3/2011: 95%).

1) Active ingredient tranexamic acid, for the treatment of hypermenorrhea.
2) For the treatment of hypercholesterolemia.

Sales of branded products increased by 140% in the reporting period to € 3.3 million (1-3/2011: € 1.4 million). Branded products thus contributed 9% (1-3/2011: 5%) to local STADA sales.

In financial year 2012, STADA expects, in light of further strong growth in volume of the generics market, a renewed sales increase and an operating profitability which continues to be above Group average.

Sales in **France** were, with € 19.0 million in the first quarter of 2012 (1-3/2011: € 18.8 million), at approximately the same level as the corresponding period of the previous year.

In view of the still difficult framework conditions in the French market including, among other things, a high level of price competition, sales of French generics decreased by 4% to € 16.9 million (1-3/2011: € 17.7 million). Generics thus contributed 89% (1-3/2011: 94%) to STADA's local sales.

Sales generated by STADA in France with branded products recorded a plus of 87% to € 2.1 million (1-3/2011: € 1.1 million), which was primarily attributable to the acquisition in the first quarter of 2012 of French Company LABORATOIRES D'ETUDES ET DE RECHERCHES EN OLIGO ELEMENTS THERAPHIE which has been consolidated in the Group since February 1, 2012 (see "Acquisitions and disposals"). Branded products thus contributed 11% (1-3/2011: 6%) to STADA's sales in France.

For financial year 2012, the Group expects more or less steady sales development in France with operating profitability which continues to be below Group average.

In **Serbia**, local sales decreased in the reporting period as expected. Applying the exchange rates of the previous year, sales decreased by 27%. In euro, sales declined by 31% to € 16.5 million (1-3/2011: € 23.7 million). The reason for this expected reduction in sales was primarily the conversion of the local distribution model with the goal of being able to better control cash flows. Furthermore, a significantly negative currency effect of the Serbian dinar contributed to this development.

STADA's sales generated by generics in the Serbian market declined by 41% to € 12.1 million (1-3/2011: € 20.4 million). Generics thus contributed 73% to STADA's Serbian sales (1-3/2011: 86%). Sales of branded products in Serbia decreased by 7% to € 2.4 million (1-3/2011: € 2.6 million). Branded products thereby contributed a share of 15% (1-3/2011: 11%) to STADA's sales in the Serbian market.

The technical problems existing since 2011 in part of the Serbian production for injection substances, which is primarily used for contract manufacturing, were solved in the first quarter of 2012 and the planned scope of production could recommence for all European markets. STADA will discontinue delivery to the US market with injectabilia from this production line, in agreement with the local customer, because the required specific regulatory expenses are not proportionate to the small business volume of this contract manufacturing business that is not part of STADA's core business. The corresponding dissolution of the delivery contract, whose commercial components have already been agreed upon, is expected in the current second quarter of 2012; STADA will report the corresponding expenses of approx. € 0.5 million as a one-time special effect in the second quarter of 2012.

In accordance with a so-called letter of comfort announced in the fourth quarter of 2011[1], discussions are still being held between representatives of the Serbian Ministry of Finance and Economy and Hemofarm about the settlement of outstanding receivables from Serbian wholesalers and the Serbian government from earlier financial years, which were completely impaired by STADA in 2011. The STADA Executive Board generally views the issued letter of comfort as an important contribution to the stabilization of the Serbian health care market and therefore the Company's own business outlook in Serbia as well. If the extensive write-downs on outstanding receivables due to Hemofarm are served to a better extent than anticipated, STADA will report such receipt of payments successively, as is known, in the respective reporting period as earnings improving one-time special effects.

STADA generally assumes that its own operating business in Serbia is fundamentally stable and that it offers further growth opportunities. In consideration of this, the Group continues to expect a sales increase in the local currency in Serbia for financial year 2012 and the following years. Operating profitability of the subgroup, whose management is carried out from there, is expected to be slightly above Group average.

The financial and earnings situation of the Serbian subgroup will continue to be largely characterized by the further development of the liquidity situation of the wholesalers and distribution partners in the Serbian market in financial year 2012 as well. In addition, the sales and earnings contributions of this subgroup will continue to predominantly depend on the currency relation of the Serbian dinar, in which this subgroup consolidates all results, to the euro.

STADA's ten largest markets also include the national European markets listed below, in which the Group recorded the following mixed local sales developments – by comparing the first quarter of 2012 and corresponding quarter of the previous year respectively:

- **The United Kingdom:** +5% to € 13.3 million (1-3/2011: € 12.7 million) – applying the exchange rates of the previous year +1% – primarily attributable to the development of the two branded products ApoGo®[2] and Cetraben®[3] as well as a positive currency effect of the pound sterling.
- **The Netherlands:** -8% to € 11.9 million (1-3/2011: € 12.9 million) – primarily due to reduced sales which are not part of the core business.
- **Switzerland:** In the Swiss market, STADA generated sales in the amount of € 9.7 million – primarily due to a generics business consolidated in the Group since January 1, 2012.

In the 17 **additional European countries** with Group-owned local sales companies, sales achieved by STADA increased by 11% to € 46.3 million in the first three months of 2012 (1-3/2011: € 41.8 million).

Sales in the Group's most important **Asian markets** in the reporting period developed as follows:

In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a 50:50 joint venture with a local partner – decreased by 5% applying the exchange rates of the previous year. In euro, sales decreased by 5% to € 3.1 million (1-3/2011: € 3.2 million). In **China**, sales decreased by 4% applying the exchange rates of the previous year. In euro, STADA recorded growth in sales of 1% to € 1.2 million (1-3/2011: € 1.2 million). In **Thailand**, sales decreased by 9% applying the exchange rates of the previous year. In euro, sales declined by 5% to € 0.6 million (1-3/2011: € 0.6 million). In the **Philippines** sales rose to € 0.6 million applying the exchange rates of the previous year. In euro, sales also showed growth at € 0.6 million (1-3/2011: € -0.4 million) – primarily due to the very low level of the corresponding quarter of the previous year.

1) See the Company's corporate news of November 10, 2011.
2) Active ingredient apomorphine for the treatment of Parkinson's disease.
3) Treatment series for the treatment of skin eczema and dry skin.

From the end of December 2011, authorities in Vietnam were investigating whether the Vietnamese joint venture may have violated specific export regulations in the export of local OTC products to Papua New Guinea. An internal analysis of these commercially insignificant export activities with the inclusion of the Compliance and Internal Auditing corporate departments in the first quarter of 2012, however, did not reveal any noteworthy violations. In the current second quarter of 2012, Vietnamese authorities informed the joint venture that the investigations had been discontinued.

In the reporting period, STADA also founded a subsidiary based in Sydney, **Australia** under the name STADA Pharmaceuticals Australia Pty Ltd[1], which is expected to commence its business activities in the third quarter of 2012.[2] In order to benefit from the growth potential offered by the Australian market, the new STADA sales company will initially market a number of in-licensed off-patent products, which will be supplemented successively by additional products also from STADA's own pipeline.

In countries without own sales companies, **export sales** generated by STADA declined in the reporting period by 9% to € 13.4 million (1-3/2011: € 14.8 million).

Research and development

Research and development costs amounted to € 13.1 million in the first three months of the current financial year (1-3/2011: € 11.8 million). Since STADA does not carry out any research into new active pharmaceutical ingredients due to its business model, it is only a matter of development costs. In addition, the Group capitalized development costs for new products in the amount of € 3.3 million in the first quarter of 2012 (1-3/2011: € 2.6 million).

Overall, STADA launched 181 individual products worldwide in the reporting quarter (1-3/2011: 147 product launches) in individual national markets.

In financial year 2011, STADA prepared the awarding of two development projects to external developers in India, which in the current financial year 2012 has so far led to the conclusion of contracts and the start of four projects.

In view of the product pipeline, which remains well-filled, the Executive Board expects a continuous flow of new product launches to continue in future, with a focus on generics in EU countries.

Financial position and cash flow

In the Executive Board's view, the STADA Group's financial position continues to be stable. As of the reporting date March 31, 2012, the **equity-to-assets ratio** was 30.6% (December 31, 2011: 30.9%) and thereby satisfactory in the opinion of the Executive Board.

Against the backdrop of the very high payments in the first quarter for the acquisition of companies and products for the expansion of the portfolio in the short term in the total amount of € 338.0 million (1-3/2011: € 1.1 million) (see "Acquisitions and disposals"), **net debt** rose to € 1,217.0 million as of March 31, 2012 (December 31, 2011: € 900.3 million). The **net debt to adjusted EBITDA ratio** amounted in the first quarter of 2012 on linear extrapolation of the adjusted EBITDA of the first quarter on a full year basis to 3.3 (1-3/2011: 2.5) and was thus, as expected in view of these recently made acquisitions, above the maximum value of 3 strived for by the Executive Board. The Executive Board still aims to once again reduce this figure to a maximum value of 3 within a period of 12 to 18 months.

1) Currently not consolidated.
2) See the Company's corporate news of March 27, 2012.

On March 31, 2012, in addition to a five-year corporate bond that was placed in 2010 the amount of € 350 million and an interest rate of 4.00% p.a. for the long-term refinancing of the Group, there are long-term promissory notes with maturities in the area of 2012–2017 in a total amount of € 829.5 million. These include promissory notes in the amount of € 100 million, which STADA secured in the first quarter of 2012 at favorable conditions in the opinion of the Executive Board and consist of four tranches with maturities until February 2017. These most recently secured promissory notes are partially furnished with a variable interest rate and partially with a fixed interest rate. The average fixed interest rate is 4.21% p.a. The average variable interest rate is currently 3.91%. STADA was basically able to smooth out the debt maturity profile over the coming years and further strengthen the stable financing structure with these new promissory notes with staggered maturities secured at the end of 2011 and in the reporting period.

As of March 31, 2012, intangible assets included goodwill in the amount of € 444.2 million (December 31, 2011: € 319.2 million). Furthermore, fair values determined in the context of the preliminary purchase price allocations led to additions to intangible assets, without consideration of amortization, in the amount of € 275.3 million in the reporting period.

The largest item under other financial assets in the total amount of € 56.1 million (previous year: € 46.0 million) is the loan from STADA Arzneimittel AG in the amount of € 23.5 million granted to BIOCEUTICALS Arzneimittel AG.

Cash and cash equivalents, which include cash and call deposits as well as short-term financial investments, reduced from € 320.7 million as of December 31, 2011 to € 105.9 million as of March 31, 2012, primarily as a result of the payment of purchase price liabilities from business combinations according to IFRS 3 that were due in the first quarter of 2012. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. The cash flow from operating activities in the first three months of 2012 amounted to € 46.1 million (1-3/2011: € 42.5 million) and thus remained stable in comparison to the corresponding period of the previous year.

Cash flow from investment activities reflects the cash outflows for investments reduced by the inflows from disposals. Cash flow from investment activities amounted to € -357.2 million in the reporting period (1-3/2011: € -11.2 million). This cash flow was significantly characterized in the first quarter of 2012 by high payments for investments in business combinations according to IFRS 3, in particular for the acquisition of the Grünenthal branded product portfolio including the associated sales companies, as well as the acquisition of Spirig's generics business including the respective sales structures, and investments in products for the expansion of the portfolio in the short term (see "Acquisitions and disposals").

Free cash flow in the first quarter of the current financial year was at € -311.1 million resulting from cash flow from investing activities characterized by the high payments for investments (1-3/2011: € 31.2 million). Free cash flow adjusted for payments for significant acquisitions and proceeds from significant disposals amounted to € 30.4 million in the reporting quarter (1-3/2011: € 32.4 million).

Cash flow from financing activities amounted to € 98.3 million in the first three months of 2012, while cash flow from financing activities in the amount of € -13.8 million was recorded in the corresponding period in the previous year. This primarily resulted from securing promissory notes in the first quarter of 2012 in the amount of € 100 million.

Net cash flow for the period is thus, on the whole, significantly characterized by the strong increase in cash flow from investing activities, for strategic reasons, for company acquisitions and product purchases to expand the portfolio in the short term.

The German Financial Reporting Enforcement Panel carried out an audit (random sample audit) of STADA's Consolidated Financial Statements of December 31, 2010 and of the Group Management Report 2010 in accordance with section 342b (2) sentence 3 HGB. With the letter dated March 7, 2012, STADA was informed that the responsible department of the Panel did not determine any errors in the financial reporting for financial year 2010.

Earnings from associated companies

Earnings from associated companies reported in the reporting quarter in the amount of € 0.2 million (1-3/2011: € -0.03 million) relate to the companies BIOCEUTICALS Arzneimittel AG[1)], the Vietnamese Pymepharco Joint Stock Company and both French pharmacy purchasing syndicates Pharm Ortho Pedic SAS and AELIA SAS, which are accounted for using the equity method.

Acquisitions and disposals

With a view to the continued concentration of processes in the industry, the Executive Board still follows the strategic position of complementing the Group's organic growth with additional external growth impulses and, in the process, has made significant progress in implementation in the current financial year 2012. The main focus is, on the one hand, on the regional expansion of business activities with concentration on high-growth emerging markets and, on the other hand, on the expansion and internationalization of the core segments, in particular the Branded Products core segment which is generally characterized by better margins and less regulatory intervention than the generics area.

Strict benchmarks still generally apply in the context of STADA's acquisition policy which are geared towards the profitability and appropriateness of the purchase price. For larger acquisitions or cooperations with capital investments, appropriate capital measures are generally imaginable as long as the burden on the equity-to-assets ratio is not too high from such acquisitions or cooperations.

In detail, the following acquisitions could be concluded or initiated in the first quarter and in the current second quarter of 2012:

- In financial year 2011, STADA negotiated with Grünenthal regarding the acquisition of a branded product portfolio in Central and Eastern Europe as well as the Middle East, and in this context, acquired the branded product portfolio for numerous markets in Central and Eastern Europe and in the Middle East as of December 30, 2011[2)]. On January 1, 2012, STADA exercised its contractual right to withdraw from the purchase of this branded product portfolio for EU markets in Central Europe after the responsible anti-trust authorities had not approved the transaction prior to the expiry of the contractually agreed so-called "long stop date" (as of December 31, 2011).[3)] In the course of successful subsequent negotiations, STADA was also able to acquire the branded product portfolio including related sales structures and various pipeline products for Central European markets that belong to the EU in the first quarter of 2012.[4)] The purchase price for this region amounted to a total of approx. € 160 million and was thereby approx. € 48 million below the originally planned purchase price for this region's product package of € 208 million. The branded product portfolio for Eastern Europe and the Middle East as well as for markets belonging to the EU in Central Europe has been consolidated in the STADA Group from January 1, 2012 and February 1, 2012 respectively.

- On May 19, 2011, STADA resolved to enter into concrete negotiations with the shareholders of Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, on the acquisition of Spirig's generics business in Switzerland.[5)] On November 9, 2011, both negotiating partners signed the respective contract.[6)] On January 31, 2012, STADA successfully concluded this purchase including the respective sales structures.[7)] The purchase price for this generics business totaled CHF 98.1 million (€ 81.4 million) and also includes the right to

1) This is a company initiated by STADA and predominantly financed via venture capital whose business activities focus on so-called biosimilar products and in which STADA holds a shareholding of 15.86% as of the reporting date March 31, 2012. STADA's financial exposure as of March 31, 2012 amounts to € 19.3 million in payments for equity share and a loan granted in the amount of € 23.5 million.
2) See the Company's ad hoc update of December 30, 2011.
3) See the Company's ad hoc update of January 1, 2012.
4) See the Company's ad hoc updates of January 27, 2012 and January 31, 2012.
5) See the Company's ad hoc release of May 19, 2011.
6) See the Company's ad hoc update of November 9, 2011.
7) See the Company's ad hoc update of January 31, 2012.

continue marketing the acquired products under the Spirig umbrella brand. The acquired portfolio includes 56 prescription (RX) and 15 non-prescription (OTC) and discretionary prescription (OTX) products. The acquisition does not include any production facilities. The Generics business has been consolidated in the STADA Group since January 1, 2012.

- In the first quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts for the purchase of the trademark rights for the nutritional supplement Vuka Vuka®[1] and Vuka Drive®[1], a further development of Vuka Vuka® for Russia as well as Vuka Vuka® for the so-called CIS countries (Commonwealth of Independent States). The purchase price amounted to € 9.7 million. Sellers included Carotex Holdings Ltd., Cyprus and OOO "Vuka Vuka", Russia. In 2011, the last full financial year before the takeover, sales generated with these products amounted to a total of approx. € 2.8 million. Sales responsibility in Russia was assumed in the current second quarter of 2012 upon official registration by the relevant Russian authority. Sales responsibility in CIS countries is also expected to be assumed in the current second quarter of 2012 upon official registration by the relevant national authority. The product was previously sold via in-licensing by the Russian STADA subsidiary (see "Regional development in individual national markets – Russia").

- Furthermore, in the first quarter of 2012 the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, concluded contracts for the purchase of rights for the brand Tranexam®[2]. The purchase price for the acquired rights, which relate to Russia, amounted to € 40.0 million. Sellers included a Cypriot company and two Russian companies. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia amounted to approx. RUB 302.3 million (approx. € 7.4 million). Sales responsibility was assumed in the current second quarter of 2012 upon official registration by the respective national authorities (see "Regional development in individual national markets – Russia").

- On February 21, 2012, the French STADA subsidiary EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, signed contracts for the purchase of the French company LABORATOIRES D'ETUDES ET DE RECHERCHES EN OLIGO ELEMENTS THERAPHIE SA, Colombes, which specializes in nutritional supplements and dermatology products. The purchase price was € 3.96 million. Sellers included various private individuals and a company. The company has a 26-year history and currently employs 21 sales representatives. Sales in financial year 2011, the last full financial year before the takeover, amounted to € 6.03 million. The company has been consolidated within the STADA Group since February 1, 2012 (see "Regional development in individual national markets – France").

- In the current second quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a contract for the purchase of the branded product Ingavirin®[3] in the Ukraine. The staggered purchase price amounted to a total of € 1.0 million. Sellers include LLC "Ingapharm" and JSC Valenta Pharmaceuticals, as well as a private individual, Nebolsin V.E. In 2011, the last full financial year before the takeover, sales generated with this branded product amounted to approx. UAH 532,000 (approx. € 47,600).

In the current financial year, STADA also concluded or initiated the following disposals in the context of the Group-wide cost efficiency program "STADA – build the future" as well as a Group concentration on core activities:

- In the first quarter of 2012, STADA and the mutares Group signed contracts on the sale of the Irish production facility STADA Production Ireland Limited (SPI)[4], which previously belonged to the STADA Group via the Irish STADA subsidiary Clonmel Healthcare Ltd. The contracts were concluded retroactively to January 1, 2012. The transaction was carried out in the form of a so-called "share deal" with which all shares in SPI and thus also conditions of employment for all of the approx. 180 employees at the facility as well as the other contractual relationships are immediately transferred to the mutares Group. In addition, as part of this transaction, the production facilities, corresponding assets as well as the property will be transferred to the buyer within the scope of a lease option model over a period of

1) Nutritional supplement (aphrodisiac).
2) Active ingredient tranexamic acid, for the treatment of hypermenorrhea.
3) Active ingredient Ingavirin, for the treatment of influenza.
4) See the Company's ad hoc release of February 6, 2012.

four years. The products that were produced in the Irish production facilities for the STADA Group at the time of sale, will continue to be produced by SPI for STADA during a transitional period. STADA reported the one-time burden in the amount of € 16.8 million before and € 16.2 million after taxes as a one-time special effect (see “Earnings development of the STADA Group” as well as “STADA – build the future”).

- Furthermore, in the first quarter of 2012, STADA sold the Engineering companies, which are not part of the Group’s core business. STADA reported the one-time burden in the amount of € 1.5 million before and € 1.3 million after taxes as a one-time special effect (see “Earnings development of the STADA Group” as well as “STADA – build the future”).

- The sale of two production facilities in Russia is still being evaluated in the context of “STADA – build the future”. If this is realized, a burden on earnings in the higher single-digit million euro area to be reported as a one-time special effect would, from today’s perspective, be expected.

STADA share

The STADA share recorded a very positive development in the first quarter of 2012. Whereas the STADA share price closed at € 19.25 at the end of 2011, it amounted to € 24.61 at the end of the first quarter of 2012 and thus rose by nearly 28%. At the end of the first quarter of 2012, STADA’s market capitalization amounted to € 1.451 billion. At the end of 2011, this figure was € 1.135 billion.

As of March 31, 2012, the subscribed share capital of STADA Arzneimittel AG was at an amount of € 153,312,848 (December 31, 2011: € 153,312,536) consisting of 58,966,480 registered shares with restricted transferability[1], each with an arithmetical share in share capital of € 2.60 (December 31, 2011: 58,966,360 registered shares). The changes in the first three months of 2012 result from the exercising of 6 warrants 2000/2015[2]. As of March 31, 2012, 171,187 warrants 2000/2015 for the subscription of 3,423,740 STADA registered shares were thus still outstanding.

As of March 31, 2012, STADA assumes, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), that SKAGEN AS[3], Stavanger, Norway, and Gryphon International Investment Corporation[4], Toronto/Ontario, Canada, hold a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada. Furthermore, STADA assumes, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), that DWS Investment GmbH, Frankfurt am Main, Germany, a subsidiary of Deutsche Bank AG[5], London, United Kingdom, holds a stake that exceeds the legal reporting threshold of 5%, namely 5.381%. In the first quarter of 2012, SOCIETE GENERALE SA, Paris, France, reported pursuant to Section 41 (4d) of the German Securities Trading Act (WpHG) that they held a share in voting rights requiring notification of 5.75% as of February 1, 2012 in relation to the entire amount of shares with voting rights of STADA Arzneimittel AG of 58,966,480. Thereby it was also reported that SOCIETE GENERALE SA directly held 0.1% of shares and also held the option to purchase, via financial or other instruments according to section 25a of the German Securities Trading Act, a 5.65% shareholding in STADA Arzneimittel AG (thereby indirectly 2.82% via SOCIETE GENERALE EFFEKTEN GMBH).[6] In accordance with Deutsche Börse AG’s regulations, the free float of STADA Arzneimittel AG thus remains 100%.

The Executive Board and the Supervisory Board will recommend to the next Annual Shareholder’s Meeting on May 30, 2012 a dividend for financial year 2011 that is unchanged from the previous year in the amount of € 0.37 per common share.[7]

1) Under the Company’s Articles of Incorporation, STADA’s registered shares with restricted transferability can only be entered into the share register with the consent of the Company and, pursuant to the statutes, 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.
2) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
3) See the Company’s disclosure of August 11, 2009.
4) See the Company’s disclosure of January 14, 2011.
5) See the Company’s disclosure of November 23, 2011.
6) See the Company’s disclosure of March 14, 2012.
7) See the Company’s ad hoc release of March 1, 2012 as well as the Company’s corporate news of March 29, 2012.

Outlook

The Executive Board confirms the fundamental outlook and the opportunities and risk report published for the Group in STADA's Annual Report 2011. Together with the supplements and updates, especially with reference to the current financial year, listed in this interim report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the STADA Group.

STADA's business model is therefore geared towards markets with long-term growth potential and growth opportunities in the health care and pharmaceutical market. Linked to this, however, are also inseparable risks and challenges resulting in particular from changed or additional state regulation and intensive competition. In view of this, in the Executive Board's assessment, far-reaching regulatory interventions, a high level of competition, default risks and significant margin pressure will continue to occur in individual national markets in the future. The latter applies primarily to the increasing volume of business activities in the Generics core segment characterized by tenders.

In addition, STADA will continue to have to deal with non-operational influence factors. The most important currency relations for the Group, in particular of the Serbian dinar and the Russian ruble to the euro, will thus also affect the Group's future development in financial years 2012 and 2013. Furthermore, STADA will still have to deal with the effects of the global economic and financial crisis. In view of this, the Group continues to prepare itself, within the realm of possibility, for specific potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or continued strong volatility in interest rate levels and currency relations that are relevant for the Group. However, in view of the extraordinary dimension of the global financial and economic crisis, burdens which result from this such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences can, as before, not be ruled out.

The sales and earnings development of the STADA Group will continue to be characterized by various and partially stimulating, but also in part very challenging framework conditions in the various national markets in which STADA is active. In the overall assessment of opposing influence factors, the Executive Board, from today's perspective, nevertheless expects a further clear increase in Group sales for 2012 and 2013, in particular with the inclusion of the acquisitions in the current financial year (see "Acquisitions and disposals").[1)]

The Executive Board thus expects, from today's perspective, that in 2012 and 2013 both core segments can achieve sales growth. The Branded Products segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow.

In order to strengthen mid and long-term earnings potential, STADA will continue with the implementation of the Group-wide cost efficiency program "STADA – build the future" scheduled for the period of 2010 to 2013. Thereby the expected planned project-related costs[2)] will continue to be reported as one-time special effects according to the progress of the project in each case; this also includes the one-time burden resulting from the sale of the factory in Ireland in the first quarter of 2012[3)] as well as potential burdens in the higher single-digit million euro area from the evaluated sale of factories in Russia.

1) See the Company's ad hoc release of May 19, 2011 and the Company's ad hoc updates of November 9, 2011 and January 31, 2012.
2) See the Company's ad hoc release of June 7, 2010.
3) See the Company's ad hoc release of February 6, 2012.

Despite these earnings burdening one-time special effects from the further implementation of the "STADA – build the future" program, the Executive Board expects a very significant increase in reported net income for 2012 as compared to 2011.

The STADA Executive Board also expects continued growth in the key earnings figures adjusted for one-time special effects in the Group for 2012, as well as 2013, and also sees, from today's perspective, the opportunity for an increase in the high single-digit percent area in EBITDA adjusted for one-time special effects for 2012. This would mean that record results are once again targeted for these key figures in 2012.

Furthermore, the Executive Board affirms its long-term prognosis envisaged for 2014[1)], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached. The Group's recent acquisitions, which STADA finances organically, i.e. without a capital increase, give the Executive Board a high level of confidence that these long-term growth targets will, at a minimum, be reached despite the operating challenges that still remain in individual national markets.

H. Retzlaff H. Kraft Dr. A. Müller

1) See the Company's ad hoc releases of June 7, 2010 and March 1, 2012.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2012 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to Mar. 31 in € 000s	1/1–3/31/2012	1/1–3/31/2011
Sales	443,374	418,321
Cost of sales	220,723	219,351
Gross profit	**222,651**	**198,970**
Selling expenses	102,431	91,596
General and administrative expenses	38,221	32,945
Research and development expenses	13,079	11,753
Other income	11,166	6,557
Other expenses	14,893	9,921
Expenses in connection with the "STADA – build the future" project	18,922	1,663
Operating profit	**46,271**	**57,649**
Result from associated companies	245	-28
Investment income	772	-
Financial income	1,392	3,339
Financial expenses	16,764	15,462
Financial result	**-14,355**	**-12,151**
Earnings before taxes	**31,916**	**45,498**
Taxes on income	12,300	15,708
Earnings after taxes	**19,616**	**29,790**
thereof		
• distributable to shareholders of STADA Arzneimittel AG (net income)	19,442	29,814
• distributable to non-controlling shareholders	174	-24
Earnings per share in € (basic)	0.33	0.51
Earnings per share in € (diluted)	0.33	0.50

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	1/1–3/31/2012	1/1–3/31/2011
Earnings after taxes	**19,616**	**29,790**
Currency translation gains and losses	**-4,842**	**8,371**
thereof		
• income taxes	218	-203
Gains and losses on available-for-sale financial assets	**3**	**11**
thereof		
• income taxes	-1	-2
Gains and losses on hedging instruments (cash flow hedges)	**-242**	**1,379**
thereof		
• income taxes	90	-510
Actuarial gains and losses from defined benefit plans	**35**	**52**
thereof		
• income taxes	7	-20
Other comprehensive income	**-5,046**	**9,813**
Consolidated comprehensive income	**14,570**	**39,603**
thereof		
• distributable to shareholders of STADA Arzneimittel AG	14,002	39,743
• distributable to non-controlling shareholders	568	-140

Consolidated Balance Sheet

Consolidated Balance Sheet as of Mar. 31 in € 000s Assets	Mar. 31, 2012	Dec. 31, 2011
Non-current assets	**1,785,104**	**1,532,764**
Intangible assets	1,403,656	1,147,181
Property, plant and equipment	293,939	299,480
Financial assets	10,104	10,082
Investments in associates	33,623	34,003
Other financial assets	11,804	12,147
Other assets	1,863	1,839
Deferred tax assets	30,115	28,032
Current assets	**1,087,429**	**1,267,081**
Inventories	423,269	399,125
Trade accounts receivable	429,243	446,214
Income tax receivables	25,253	21,310
Other financial assets	44,272	33,858
Other assets	59,364	45,730
Non-current assets and disposal groups held for sale	99	104
Cash and cash equivalents	105,929	320,740
Total assets	**2,872,533**	**2,799,845**

Equity and liabilities	Mar. 31, 2012	Dec. 31, 2011
Equity	**878,398**	**863,911**
Share capital	153,313	153,312
Capital reserve	467,400	467,403
Retained earnings	372,094	352,652
Other provisions	-123,276	-117,836
Treasury shares	-1,604	-1,621
Equity attributable to shareholders of the parent	**867,927**	**853,910**
Shares relating to non-controlling shareholders	10,471	10,001
Non-current liabilities	**1,336,127**	**1,254,956**
Other non-current provisions	36,748	34,917
Financial liabilities	1,192,456	1,124,829
Other financial liabilities	26,134	26,003
Other liabilities	4,837	5,802
Deferred tax liabilities	75,952	63,405
Current liabilities	**658,008**	**680,978**
Other provisions	12,834	11,835
Financial liabilities	130,540	96,229
Trade accounts payable	228,787	241,561
Income tax liabilities	24,575	18,311
Other financial liabilities	162,974	226,383
Other liabilities	98,298	86,659
Total equity and liabilities	**2,872,533**	**2,799,845**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	Mar. 31, 2012	Mar. 31, 2011
Net income	19,616	29,790
Depreciation and amortization net of write-ups of non-current assets	29,965	22,145
Income taxes	12,300	15,708
Interest income and expenses	15,428	13,629
Result from associated companies	-245	28
Result from the disposals of non-current assets	-370	59
Changes in pension provisions	-818	225
Currency translation income and expenses	-2,880	2,351
Other non-cash expenses and gains	27,068	6,279
Gross cash flow	**100,064**	**90,214**
Changes in inventories	-31,506	11,502
Changes in trade accounts receivable	16,919	-26,253
Changes in trade accounts payable	-11,900	-24,226
Changes in other net assets	-16,460	5,108
Interest and dividends received	1,426	542
Interest paid	-6,455	-6,735
Income tax paid	-5,950	-7,692
Cash flow from operating activities	**46,138**	**42,460**
Payments for purchases of		
• intangible assets	-23,030	-8,892
• property, plant and equipment	-6,880	-3,953
• financial assets	-367	-17
• shares in consolidated companies	-	-400
• business combinations according to IFRS 3	-324,593	-
Proceeds from the disposal of		
• intangible assets	83	1,121
• property, plant and equipment	538	941
• financial assets	480	-
• shares in consolidated companies	-3,455	-32
Cash flow from investing activities	**-357,224**	**-11,232**
Borrowing of funds	189,406	22,737
Settlement of financial liabilities	-91,065	-36,481
Dividend distribution	-98	-92
Capital increase from share options	3	33
Changes in non-controlling interests	-	-
Changes in treasury shares	12	20
Cash flow from financing activities	**98,258**	**-13,783**
Changes in cash and cash equivalents	**-212,828**	**17,445**
Changes in cash and cash equivalents due to Group composition	157	-
Changes in cash and cash equivalents due to exchange rates	-2,140	-226
Net change in cash and cash equivalents	**-214,811**	**17,219**
Balance at beginning of year	**320,740**	**199,102**
Balance at end of year	**105,929**	**216,321**

Consolidated Statement of Changes in Shareholders' Equity

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

2012	Number of shares	Share capital	Capital reserve	Retained earnings
Balance as of Mar. 31, 2012	**58,966,480**	**153,313**	**467,400**	**53,029**
Dividend distribution				
Capital increase from share options	120	1	2	
Changes in treasury shares			-5	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				35
Balance as of Dec. 31, 2011	**58,966,360**	**153,312**	**467,403**	**52,994**
Previous year				
Balance as of Mar. 31, 2011	**58,878,360**	**153,084**	**466,252**	**39,567**
Dividend distribution				
Capital increase from share options	2,000	6	27	
Changes in treasury shares			52	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				52
Balance as of Dec. 31, 2010	**58,876,360**	**153,078**	**466,173**	**39,515**

Net income incl. profit brought forward	Provisions for currency translation	Provisions Available for Sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
372,094	-171,575	53	-4,783	-1,604	867,927	10,471	878,398
					-	-98	-98
					3		3
				17	12		12
					-		-
					-		-
					-		-
19,442	-5,239	6	-242		14,002	568	14,570
352,652	-166,336	47	-4,541	-1,621	853,910	10,001	863,911
395,695	-152,086	66	-2,665	-1,730	898,183	9,471	907,654
					-	-92	-92
					33		33
				-32	20		20
					-		-
					-		-
-399					-399		-399
29,814	8,487	11	1,379		39,743	-140	39,603
366,280	-160,573	55	-4,044	-1,698	858,786	9,703	868,489

Notes

1. General

1.1. Accounting policies

In accordance with the regulations of section 37x (3) of the German Securities Trading Act (WpHG), this interim report of STADA includes consolidated interim financial statements and a consolidated interim management report. The consolidated interim financial statements have been prepared under consideration of the International Financial Reporting Standards (IFRS) for interim reporting as applicable in the EU.

The consolidated interim management report has been prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of March 31, 2012 were prepared under consideration of the regulations outlined in the International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the consolidated financial statements as of December 31, 2011 was selected.

All IFRS published by the International Accounting Standards Board (IASB) and endorsed by the European Union which are mandatory for financial years starting as of January 1, 2012 have been observed by STADA.

In these consolidated interim financial statements, the same accounting policies and methods of computation are applied as in the consolidated financial statements for financial year 2011. With regard to the principles and methods used in the context of Group Accounting we insofar refer to the Notes on the consolidated financial statements of the Annual Report 2011.

1.2. Changes in accounting policies

On January 1, 2012, the following change to IFRS 7 became effective: The amendments to IFRS 7 “Disclosures – Transfers of Financial Assets” relate to expanded disclosure requirements in the context of transfers of financial assets and aim to help users of financial statements better evaluate a company’s risk exposures. No significant effects on the consolidated financial statements resulted from the amended requirements of IFRS 7.

The other new or changed standards and interpretations adopted by the IASB in 2012, but not yet effective, are not expected to have any significant effects on STADA’s consolidated financial statements in the future.

1.3. Scope of consolidation

The consolidated financial statements of STADA have been prepared for STADA Arzneimittel AG as parent company.

Changes in the scope of consolidation as of March 31, 2012 as compared to December 31, 2011 resulted from the following listed acquisitions under company law:

- Purchase of a generics business in Switzerland including the respective sales structures on January 31, 2012.[1)]
- Purchase of a branded product portfolio for markets belonging to the EU in Central Europe including the associated sales structures on January 31, 2012.[2)]
- Purchase of the French company LABORATOIRES D’ETUDES ET DE RECHERCHES EN OLIGO ELEMENTS THERAPHIE SA, Colombes, on February 21, 2012.

Furthermore, the Spanish subsidiary STADA Consumer Health S.L., Barcelona, Spain, and the Lithuanian subsidiary UAB STADA-Nizhpharm-Baltiya, Vilnius, Lithuania, were included as consolidated subsidiaries as of January 1, 2012 within STADA’s scope of consolidation.

1) See the Company‘s ad hoc release of January 31, 2012.
2) See the Company‘s ad hoc release of January 31, 2012.

A change in STADA's scope of consolidation also resulted from founding two Russian subsidiaries, OOO Makiz Pharma, Moscow, Russia, and OOO Skopinpharm, Ryazanskaya obl., Russia.

In the course of the further implementation of the "STADA – build the future" project, the Group sold the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, in the first quarter of 2012.[1)]

Furthermore, the following listed STADA subsidiaries were deconsolidated as their activities were not part of the Group's core business, and they were therefore sold:

- HEMOPHARM ENGINEERING Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany
- Hemofarm Inženjering d.o.o., Belgrade, Serbia
- OOO Hemofarm Inženjering Obninsk, Obninsk, Russia
- Global Project d.o.o., Vrsac, Serbia

In the consolidated financial statements of the STADA Group, 73 companies were thereby consolidated as subsidiaries, two companies as joint ventures and four companies as associates as of the balance sheet date on March 31, 2012.

1.4. Business combinations

In financial year 2011 as well as in the first quarter of 2012, the following significant business combination as defined in IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

On July 22, 2011, STADA with Grünenthal GmbH, a globally active research pharmaceuticals company located in Aachen, Germany, signed contracts on the purchase of a branded product portfolio including the associated sales structures for numerous national markets in Eastern Europe and the Middle East. STADA gained control over the sales companies with an acquired share of 100% including the branded product portfolio on December 30, 2011.[2)]

In the first quarter of 2012, STADA also acquired the branded product portfolio including related sales structures and various pipeline products for markets belonging to the EU in Central Europe from Grünenthal GmbH. The underlying contract between STADA Arzneimittel AG and Grünenthal GmbH was signed on January 27, 2012. STADA gained control over the sales companies with an acquired share of 100% including the branded product portfolio on January 31, 2012.[3)]

The purchase price for the acquisition of the sales companies including the branded product portfolio for the markets in Eastern Europe and the Middle East as well as Central Europe amounted to a total of approx. € 319.4 million.

As the sales companies, including the branded product portfolio acquired in the context of the first tranche, represent an economic unit together with the second tranche of the acquisition, the purchase price allocation for these two tranches is not carried out separately, but rather in joint consideration.

In the context of the preliminary purchase price allocation, goodwill in the amount of € 92.3 million resulted from this business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in sales companies as well as the branded product portfolio approx.	319.4
Expected fair values of the assets and liabilities acquired	227.1
Goodwill	**92.3**

1) See the Company's ad hoc release of February 6, 2012.
2) See the Company's ad hoc release of December 30, 2011.
3) See the Company's ad hoc release of January 31, 2012.

Goodwill here results primarily from the market presence achieved in countries in which STADA was previously not present, or not present to the desired level, especially in Poland and countries in the MENA region.

For the assets acquired and liabilities assumed in the context of the business combination, the following preliminary fair values were recognized at the acquisition date:

Fair values in € million	
Intangible assets	222.9
Other non-current assets	0.8
Trade accounts receivable	5.5
Other current assets	0.8
Cash and cash equivalents	4.1
Assets	**234.1**
Other non-current provisions	1.5
Trade accounts payable	3.2
Other current liabilities	2.3
Liabilities	**7.0**

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

Income and expenses for the branded product portfolio in Eastern Europe and the Middle East have been consolidated in the STADA Group since January 1, 2012. The income and expenses for the branded product portfolio for markets belonging to the EU in Central Europe have been consolidated in the STADA Group since February 1, 2012.

Disclosures regarding revenue, gains and losses of the sales companies acquired in financial year 2012, under the assumption that the companies were acquired at the beginning of the respective period, cannot be made in isolation because the business combination, with respect to the two tranches of the acquisition, can only be regarded as an economic unit.

Moreover, there was an additional significant business combination in the first quarter of 2012 in the context of the purchase of the generics business including the respective sales structures of Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, Canton Solothurn. The underlying contract between STADA Arzneimittel AG and the shareholders of Spirig Pharma AG was signed on November 9, 2011 and the purchase was finally completed in January 2012.[1)]

The purchase price for this generics business totals approx. CHF 98.1 million (€ 81.4 million) and also includes the right to continue marketing the acquired products under the Spirig umbrella brand. The acquired portfolio includes 56 prescription (RX) and 15 non-prescription (OTC) or discretionary prescription (OTX) products.

In the context of the preliminary purchase price allocation, goodwill in the amount of € 31.4 million resulted from this business combination and is broken down as follows:

1) See the Company's ad hoc release of January 31, 2012.

in € million	
Purchase price for 100% of the shares in the sales company as well as the generics business	81.4
Fair values of the assets and liabilities acquired	60.3
Deferred tax liabilities	10.3
Goodwill	**31.4**

Goodwill here results primarily from market entry into the Swiss generics market.

For the assets acquired and liabilities assumed in the context of the business combination, the following preliminary fair values were recognized at the acquisition date:

Fair values in € million	
Intangible assets	52.4
Inventories	9.1
Trade accounts receivable	3.2
Other current assets	0.2
Assets	**64.9**
Other non-current provisions	2.4
Deferred tax liabilities	11.7
Other current liabilities	0.8
Liabilities	**14.9**

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

STADA has consolidated the generics business of Spirig Pharma AG since January 1, 2012.

In the context of the final purchase price allocation, which must be carried out within one year of the acquisition date in accordance with IFRS 3.45, changes can still generally occur regarding the assets and liabilities, as well as goodwill, identified on the basis of the preliminary purchase price allocation as presented above.

2. Notes to the Consolidated Income Statement

2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from growth in both core segments as well as the growth in important national markets such as Russia, Belgium and Spain, for example. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 4.5 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting.

2.2. Research and development expenses

In the case of research and development expenses of STADA Arzneimittel AG, it must be considered that it is only a matter of development expenses because STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients. In accordance with the STADA Group's accounting guidelines presented in the Annual Report 2011, a part of development costs is capitalized.

2.3. Other income and other expenses

Other income in the first three months of 2012 increased by € 4.6 million as compared to the corresponding period in the previous year. This primarily resulted from net currency translation income in the amount of € 2.9 million, which was reported under other income whereas in the corresponding period of the previous year, net currency translation expenses were incurred that were reported under other expenses.

2.4. Expenses in connection with the "STADA – build the future" project

Expenses in connection with the "STADA – build the future" project primarily include, as special effects, burdens from the disposals of the Irish production facility STADA Production Ireland Limited and the Engineering companies that are not part of the Group's core business, as well as external consultancy services, in the first quarter of 2012.

2.5. Taxes on income

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group's consolidated financial statements for the first three months of 2012. Due to the only limited tax deductibility of the high special effects reported in the first quarter of 2012, the tax rate in the current reporting period was 38.5% (1-3/2011: 34,5%).

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of March 31, 2012, intangible assets included € 444.2 million (December 31, 2011: € 319.2 million) goodwill. The fair values recognized in the context of the preliminary purchase price allocation from business combinations led, furthermore, to an addition to intangible assets without consideration of amortization in the reporting period in the amount of € 275.3 million.

3.2. Other financial assets

The largest item under financial assets remains the loan from STADA Arzneimittel AG in the amount of € 23.5 million granted to BIOCEUTICALS Arzneimittel AG.

3.3. Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and call deposits as well as short-term financial investments, declined from € 320.7 million as of December 31, 2011 to € 105.9 million as of March 31, 2012, primarily as a result of the payment of purchase price liabilities which were due in the first quarter of 2012 from business combinations in accordance with IFRS 3. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

3.4. Changes in shareholders' equity

Shareholders' equity amounted to € 878.4 million as of March 31, 2012 (December 31, 2011: € 863.9 million). As of this reporting date, the equity-to-assets ratio was thus 30.6% (December 31, 2011: 30.9%).

As of March 31, 2012, the Company held 95,453 treasury shares (December 31, 2011: 96,391). In the first three months of 2012, 938 treasury shares were sold at an average price of € 20.82.

3.5. Financial liabilities

As of March 31, 2012, the Group's current and non-current financial liabilities in the amount of € 130.5 million and € 1,192.5 million (December 31, 2011: € 96.2 million and € 1,124.8 million) include promissory notes and a bond which have a nominal value in the amount of € 829.5 million (December 31, 2011: € 729.5 million) and € 350.0 million (December 31, 2011: € 350.0 million) respectively.

3.6. Contingent liabilities and other financial obligations

Contingent liabilities at STADA continue to relate primarily to a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG, which are recognized using the equity method. STADA, as guarantor, has continued to recognize this guarantee as a financial guarantee in accordance with IAS 39 with a fair value in an amount of € 0.3 million. Utilization of this guarantee is currently not expected.

In addition, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million; it is also currently not expected that this will be utilized.

Other financial obligations mainly relate to obligations from rental and leasing obligations as well as additional other financial obligations. As of March 31, 2012, rental and leasing obligations amounted to € 54.9 million (December 31, 2011: € 51.5 million) and the remaining other financial liabilities amounted to € 15.8 million (December 31, 2011: € 9.6 million).

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 46.1 million in the first three months of 2012 (1-3/2011: € 42.5 million) and thus remained stable in comparison to the corresponding period of the previous year.

4.2. Cash flow from investing activities

Cash flow from investment activities reflects the cash outflows for investments reduced by the inflows from disposals. Cash flow from investment activities amounted to € -357.2 million in the reporting period (1-3/2011: € -11.2 million). This cash flow was significantly characterized in the first quarter of 2012 by high payments for investments in business combinations according to IFRS 3, in particular for the acquisition of the Grünenthal branded product portfolio including the associated sales companies, as well as the acquisition of Spirig's generics business including the respective sales structures, and investments in products for the expansion of the portfolio in the short term (see "Acquisitions and disposals").

4.3. Cash flow from financing activities

Cash flow from financing activities encompasses payments from changes in financial liabilities, for dividend payments and from additions to shareholders' equity as well as changes in treasury shares. Cash flow from financing activities amounted to € 98.3 million in the first three months of 2012, while cash flow from financing activities in the amount of € -13.8 million was recorded in the corresponding period in the previous year. This primarily resulted from securing promissory notes in the first quarter of 2012 in the amount of € 100 million.

4.4. Net cash flow for the period

Net cash flow for the period is the balance of cash inflows and outflows from operating activities, from cash flows from financing activities and investing activities, as well as from changes in cash and cash equivalents due to Group composition and exchange rates. Net cash flow for the period in financial year 2012 is thereby significantly characterized by the strong increase in cash flow from investing activities for strategic reasons for the purchase of companies and products to expand the portfolio in the short term.

5. Segment Reporting

5.1. General information

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

Reported segment result corresponds to the operating profit of the income statement of the STADA Group in accordance with IFRS. Disclosures on segment assets relate to non-current assets (intangible assets, property, plant and equipment as well as financial assets). Reporting of individual non-current assets according to segment as well as segment liabilities is waived, as this information is not used for Group monitoring.

5.2. Information by operating segment

in T €		1/1–3/31/2012	1/1–3/31/2011
Generics	**External sales**	**299,293**	**292,850**
	Sales with other segments	425	143
	Total sales	299,718	292,993
	Operating profit	32,092	39,663
Branded Products	**External sales**	**135,167**	**114,630**
	Sales with other segments	563	579
	Total sales	135,730	115,209
	Operating profit	28,730	27,649
Commercial Business	**External sales**	**4,921**	**6,999**
	Sales with other segments	126	30
	Total sales	5,047	7,029
	Operating profit	-339	932
Reconciliation Group holdings/ other and consolidation	**External sales**	**3,993**	**3,842**
	Sales with other segments	-1,114	-752
	Total sales	2,879	3,090
	Operating profit	-14,212	-10,595
Group	**External sales**	**443,374**	**418,321**
	Sales with other segments	-	-
	Total sales	443,374	418,321
	Operating profit	46,271	57,649

5.3. Reconciliation of segment results to net profit

in € 000s	1/1–3/31/2012	1/1–3/31/2011
Operating segment profit	60,483	68,244
Reconciliation Group holdings/other and consolidation	-14,212	-10,595
Result from associated companies	245	-28
Investment income	772	-
Financial income	1,392	3,339
Financial expenses	16,764	15,462
Earnings before taxes, Group	**31,916**	**45,498**

5.4. Reconciliation of segment assets to Group assets

in € 000s	Mar. 31, 2012	Mar. 31, 2011
Segment assets	1,487,974	1,073,761
Reconciliation Group holdings/other and consolidation	219,725	222,492
Other non-current assets	77,405	75,376
Current assets	1,087,429	1,138,973
Total assets, Group	**2,872,533**	**2,510,602**

The increase in segment assets resulted in particular from the acquisition of the Grünenthal branded product portfolio as well as the purchase of Spirig's generics business in Switzerland.

6. Additional Information

6.1. Information by region[1]

Sales in € 000s	1/1–3/31/2012	1/1–3/31/2011	±%	±% adjusted[2]
Europe	**425,213**	**401,777**	**+6%**	***+1%***
• Belgium	39,902	35,186	+13%	*+13%*
• Bosnia-Herzegovina	2,394	2,241	+7%	*+12%*
• Bulgaria	1,977	1,385	+43%	*+43%*
• Denmark	5,434	8,797	-38%	*-38%*
• Germany	122,778	127,313	-4%	*-3%*
• Finland	1,431	1,544	-7%	*-7%*
• France	19,028	18,800	+1%	*-5%*
• United Kingdom	13,335	12,748	+5%	*-1%*
• Ireland	5,238	4,917	+7%	*+6%*
• Italy	41,075	38,652	+6%	*+6%*
• Croatia	1,293	139	+830%	*-14%*
• Lithuania	309	372	-17%	*-17%*
• Macedonia	711	638	+11%	*+17%*
• Montenegro	1,381	1,464	-6%	*-1%*
• The Netherlands	11,859	12,911	-8%	*-8%*
• Austria	3,690	3,522	+5%	*+5%*
• Poland	3,548	875	+305%	*-18%*
• Portugal	3,475	3,356	+4%	*+4%*
• Romania	899	1,170	-23%	*-30%*
• Russia	64,783	54,453	+19%	*+13%*
• Sweden	1,386	2,033	-32%	*-33%*
• Switzerland	9,662	161	+5,895%	*+760%*
• Serbia	16,504	23,748	-31%	*-26%*
• Slovakia	3,269	1,611	+103%	*+48%*
• Slovenia	720	636	+13%	*-24%*
• Spain	35,931	30,628	+17%	*+17%*
• Czech Republic	4,137	3,308	+25%	*+4%*
• Ukraine	6,406	5,854	+9%	*+5%*
• Rest of Europe	2,658	3,311	-20%	*-25%*
Africa	**2,196**	**4,014**	**-45%**	***-45%***
The Americas	**1,868**	**2,560**	**-27%**	***+37%***
• USA	1,705[3]	2,434[3]	-30%	*+37%*
• Rest of America	163	126	+29%	*+29%*
Asia/pacific region	**14,097**	**9,970**	**+41%**	***+23%***
• China	1,219	1,209	+1%	*-4%*
• Kazakhstan	3,267	2,431	+34%	*+30%*
• The Philippines	632	-392	-	*-*
• Thailand	598	628	-5%	*-9%*
• Vietnam	3,069	3,221	-5%	*-5%*
• Rest of Asia/Pacific region	5,312	2,873	+85%	*+30%*

1) Broken down according to the national market in which the sales were achieved.
2) Adjustments due to changes in the Group portfolio and currency effects.
3) Exclusively export sales to the USA.

7. Related party transactions

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 23.5 million (December 31, 2011: € 23.9 million) had been used as of March 31, 2012.

In addition, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million.

Furthermore, no significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2011.

8. Significant events after the balance-sheet date

In the current second quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a contract for the distribution of the branded product Ingavirin® in Ukraine. The staggered purchase price totaled € 1.0 million. Sellers include LLC "Ingapharm" and JSC Valenta Pharmaceuticals, as well as a private individual, Nebolsin V.E.

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