Interim Report

on the First Nine Months of 2012

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30	± %
Group sales	1,332.5	1,251.7	+6%
• Generics (core segment)	872.4	857.4	+2%
• Branded Products (core segment)	437.9	350.1	+25%
Operating profit	148.6	59.2	>100%
Operating profit, adjusted [1)]	*191.9*	*182.1*	*+5%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	238.5	134.6	+77%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted [1)]	*266.8*	*240.7*	*+11%*
EBIT (Earnings before interest and taxes)	151.7	59.8	>100%
EBIT (Earnings before interest and taxes), adjusted [1)]	*195.0*	*182.7*	*+7%*
EBT (Earnings before taxes)	102.1	20.7	>100%
EBT (Earnings before taxes), adjusted [1)]	*144.7*	*142.6*	*+1%*
Net income	68.4	-6.5	>100%
Net income, adjusted [1)]	*105.6*	*99.9*	*+6%*
Cash flow from operating activities	89.8	143.6	-37%
Capital expenditure	364.8	105.9	>100%
Depreciation and amortization (net of write-ups)	86.8	74.8	+16%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	7,758	7,675	+1%

Key share figures	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30	± %
Market capitalization (as of Sept. 28/Sept. 30) in € million	1,344.5	932.3	+44%
Closing price (XETRA®) in € (as of Sept. 28/Sept. 30)	22.66	15.81	+43%
Average number of shares (without treasury shares)	58,999,821	58,817,068	0%
Earnings per share in €	1.16	-0.11	>100%
Earnings per share in €, adjusted [1)]	*1.79*	*1.70*	*+5%*
Diluted earnings per share in €	1.14	-0.11	>100%
Diluted earnings per share in €, adjusted [1)]	*1.76*	*1.66*	*+6%*

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.

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

In the first nine months of 2012, the STADA Group's sales and operating earnings development was within the scope of the positive expectations. Group sales went up by 6% to € 1,332.5 million (1-9/2011: € 1,251.7 million) in the reporting period. Reported earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 77% to € 238.5 million (1-9/2011: € 134.6 million). Reported net income increased to € 68.4 million (1-9/2011: € -6.5 million). Adjusted EBITDA showed an increase of 11% to € 266.8 million in the first three quarters of 2012 (1-9/2011: € 240.7 million). Adjusted net income increased by 6% to € 105.6 million (1-9/2011: € 99.9 million).

In the view of the Executive Board, STADA achieved a good operating result with this development in the first nine months of the current financial year.

In addition, STADA, in the third quarter of 2012, was able to reach a significant goal of "STADA – build the future" the Group-wide cost efficiency program scheduled to run from 2010 to the end of 2013 ahead of schedule, because with the sale of the two Russian production facilities in Moscow and Ryazanskaya obl.[1], the number of employees from the year 2010 has already been reduced by approx. 10% (corresponding to approx. 800 full-time jobs) in the current financial year and not, as originally planned, by the end of 2013.

STADA Group's financial position remained stable in the reporting period. In light of the investments made in the first three quarters of 2012 for the recent larger acquisitions[2] net debt rose to € 1,279.1 million as of September 30, 2012 (December 31, 2011: € 900.3 million). The net debt to adjusted EBITDA ratio amounted in the reporting period on linear extrapolation of the adjusted EBITDA of the first nine months on a full year basis to 3.6 (1-9/2011: 2.6) and thus, as expected, above the value of 3 targeted by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013.

In the 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 continue to grow. For reported net income, the Executive Board anticipates a very clear increase for financial year 2012 as compared to 2011. With regard to EBITDA adjusted for one-time special effects, the Executive Board continues to see the chance of an increase in the high single-digit percentage area. Furthermore, the Executive Board affirms its long-term prognosis envisaged for 2014[3], 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 at minimum.

Sales development of the STADA Group

Group sales increased by 6% to € 1,332.5 million in the first nine months of the current financial year (1-9/2011: € 1,251.7 million). This increase continues to result from the rise in sales achieved by STADA within the framework of the international business activities which, in the reporting period, contributed a total of 74% (1-9/2011: 71%) to Group sales and recorded a plus of 11% to € 987.7 million (1-9/2011: € 892.6 million).

When effects on sales based on changes in the Group portfolio and currency effects are not calculated, Group sales increased by 1% to € 1,255.7 million in the first nine months of 2012.

1) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
2) See the Company's ad hoc release of May 12, 2011 and May 19, 2011 as well as the Company's ad hoc updates of July 22, 2011, November 9, 2011, December 30, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.
3) See the Company's ad hoc releases of June 7, 2010 and March 1, 2012.

In detail, the effects on sales were as follows:

- Portfolio changes[1] had a total share of € 65.1 million or 5.2 percentage points of the sales increase in the period under review.

- As a result of applying foreign exchange rates from the first nine months of 2012 compared with those of the first nine months 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 € 3.6 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**, STADA recorded an increase in sales of 5% to € 1,258.3 million in the reporting period (1-9/2011: € 1,201.7 million). STADA's European sales thus contributed 94.4% to Group sales (1-9/2011: 96.0%). Adjusted Group sales in Europe decreased by 1%.

In **Western Europe**, sales showed an increase of 1% to € 873.7 million in the first nine months of 2012 (1-9/2011: € 868.4 million). Sales generated by STADA in Western European countries thus had a share of 65.6% of Group sales (1-9/2011: 69.4%). Adjusted Group sales in Western Europe decreased by 3%.

In **Eastern Europe**[3], sales generated by STADA in the first three quarters of 2012 increased by 15% to € 384.5 million (1-9/2011: € 333.3 million). On one hand, this growth is 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. On the other hand, the strong sales growth in the Eastern European markets was based on the contributions to sales from the acquired branded product portfolio in Eastern Europe.[4] In Serbia, however, local sales in the first nine months of 2012, with a view to the conversion of the distribution model there and using both the previous year's exchange rates as well as the euro, decreased as expected (see "Regional development in individual national markets – Serbia"). Furthermore, a significantly negative currency effect of the Serbian dinar also contributed to this development. Overall, the share of Group sales in Eastern European countries amounted to a 28.9% (1-9/2011: 26.6%) share of Group sales. Adjusted Group sales in Eastern Europe increased by 6%.

In the **Asia/Pacific region**, STADA's sales rose by 67% to € 58.9 million in the reporting period (1-9/2011: € 35.1 million). Sales achieved by the Group in the Asian/Pacific markets thus contributed 4.4% (1-9/2011: 2.8%) to Group sales. Adjusted sales for STADA in the Asian/Pacific countries increased by a total of 40%. The newly founded subsidiary STADA Pharmaceuticals Australia Pty Ltd[5] began their business activities in the third quarter of 2012.

STADA's sales in the **rest of the world** in the first nine months of the current financial year increased by 3% to € 15.3 million (1-9/2011: € 14.8 million). Despite the loss of sales from contract manufacturing for US customers after the sale of the Irish production facility[6], local sales increased due to license payments from the USA. Sales from the rest of the world thus contributed 1.1% (1-9/2011: 1.2%) to Group sales. STADA's adjusted sales increase in the rest of the world amounted to 45%.

Sales achieved by STADA in the first three quarters of 2012 in the Group's most important individual national markets are described in more detail in the context of the reporting on regional developments (see "Regional development in individual national markets").

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 consolidated as of January 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; sale of engineering companies as of March 30, 2012; sales from the French company Laboratoires d'études et de recherches en oligo éléments théraphie (LERO) since February 1, 2012; sales of the branded product Tranexam® for Russia since May 2012; sales of the branded product Ingavirin® for the Ukraine since April 2012; sales of a package of five branded products with a focus on the gynecology area of indication for Ukraine in September 2012 as well as sales of a branded product portfolio of the Italian subsidiary Crinos S.p.A. sold in July 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.
4) See the Company's ad hoc release of May 12, 2011 and the the Company's ad hoc updates of July 22, 2011, December 30, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.
5) Currently not consolidated.
6) See the Company's ad hoc release of February 6, 2012.

In light of the reported sales development in the individual national markets in the reporting period, the Executive Board 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.

Earnings development of the STADA Group

The earnings development in the first nine months of 2012 was characterized by an increase in operating performance that was shown with growth in all of the Group's reported and operational, that is, adjusted for one-time special effects, key earnings figures. For the development of the reported key earnings figures reported in the period under review it must be considered that the first nine months of the previous year were burdened by high one-time special effects in the third quarter. It should also be kept in mind that for the reported EBITDA in the third quarter of the current financial year, it was primarily the sale of the two Russian production locations that had a noticably burdening effect.

Reported operating profit increased in the reporting period by 151% to € 148.6 million (1-9/2011: € 59.2 million). **Reported net income** increased to € 68.4 million in the first nine months of 2012 (1-9/2011: € -6.5 million). **Reported EBITDA** increased by 77% to € 238.5 million in the first three quarters of 2012 (1-9/2011: € 134.6 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from the measurement of derivative financial instruments, **adjusted operating profit** recorded a plus of 5% in the reporting period to € 191.9 million (1-9/2011: € 182.1 million). **Adjusted net income** showed an increase of 6% to € 105.6 million in the first nine months of the current financial year (1-9/2011: € 99.9 million). **Adjusted EBITDA** increased by 11% to € 266.8 million in the first three quarters of 2012 (1-9/2011: € 240.7 million).

One-time special effects amounted to a net burden on earnings of € 43.3 million before or € 37.8 million after taxes in the reporting period (1-9/2011: net burden on earnings due to one-time special effects in the amount of € 122.9 million before or € 107.1 million after taxes).

In the third quarter of 2012, net burdens on earnings in the amount of € 17.6 million before or € 14.9 million after taxes were incurred (third quarter of 2011: net burden on earnings due to one-time special effects in the amount of € 109.1 million before or € 96.6 million after taxes), which can be broken down as follows:

- a burden in the amount of € 9.0 million before or € 8.4 million after taxes for expenses in connection with the implementation of the Group-wide cost efficiency program "STADA – build the future" including burdens from the disposal of two Russian production facilities in Moscow and Ryazanskaya obl.[1)] (see "STADA – build the future", "Development, production and procurement" as well as "Acquisitions and disposals") as well as consultancy services.
- a burden in the amount of € 5.2 million before or € 3.9 million after taxes for value adjustments netted of write-ups on intangible assets after impairment tests.
- a burden in the amount of € 2.2 million before or € 1.7 million after taxes for the integration of a branded product portfolio in Central and Eastern Europe as well as in the Middle East.
- a burden in the amount of € 0.8 million before or € 0.7 million after taxes for unscheduled personnel expenses due to personnel changes in the STADA Group.
- additional burdens in the amount of € 0.4 million before or € 0.2 million after taxes in connection with ongoing proceedings due to a potential patent infringement (see "Regional development in individual national markets – Spain"), a recall (see "Regional development in individual national markets – Germany") and the German Pharmaceutical Market Restructuring Act (AMNOG), which took effect in Germany on January 1, 2011.

1) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.

Non-operational effects from the valuation of derivative financial instruments amounted to a net relief on earnings in the amount of € 0.7 million before or € 0.5 million after taxes in the first nine months of 2012 (1-9/2011: net relief on earnings due to non-operational effects from derivative financial instruments in the amount of € 1.0 million before or € 0.7 million after taxes).

In the third quarter of 2012, a net burden on earnings in the amount of € 1.0 million before or € 0.7 million after taxes were incurred for non-operational effects from the valuation of derivative financial instruments (third quarter of 2011: net burden on earnings due to non-operational effects from derivative financial instruments in the amount of € 0.5 million before or € 0.4 million after taxes).

In the consideration of the currency effects on the euro in the reporting period, an uneven development can be seen in the national currencies important for STADA of the Russian ruble, Serbian dinar and the pound sterling. Whereas the Russian ruble had a slightly positive and the pound sterling a positive currency effect, the Serbian dinar had a clearly 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 derivative financial instruments for the first nine months 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	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30	± %	Margin[1] 9 months 2012 Jan. 1 – Sept. 30	Margin[1] 9 months 2011 Jan. 1 – Sept. 30
Operating profit	148.6	59.2	>100%	11.2%	4.7%
• Operating segment result Generics	100.3	24.3	>100%	11.5%	2.8%
• Operating segment result Branded Products	97.0	77.5	+25%	22.2%	22.1%
EBITDA[2]	238.5	134.6	+77%	17.9%	10.8%
EBIT[3]	151.7	59.8	>100%	11.4%	4.8%
EBT[4]	102.1	20.7	>100%	7.7%	1.7%
Net income	68.4	-6.5	>100%	5.1%	-0.5%
Earnings per share in €	1.16	-0.11	>100%		
Diluted earnings per share in €	1.14	-0.11	>100%		

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

in € million	*9 months 2012 Jan. 1 – Sept. 30*	*9 months 2011 Jan. 1 – Sept. 30*	*± %*	*Margin[1] 9 months 2012 Jan. 1 – Sept. 30*	*Margin[1] 9 months 2011 Jan. 1 – Sept. 30*
Operating profit, adjusted	*191.9*	*182.1*	*+5%*	*14.4%*	*14.6%*
• Operating segment result Generics, adjusted	*126.5*	*113.6*	*+11%*	*14.5%*	*13.3%*
• Operating segment result Branded Products, adjusted	*102.5*	*94.2*	*+9%*	*23.4%*	*26.9%*
EBITDA[2], adjusted	*266.8*	*240.7*	*+11%*	*20.0%*	*19.2%*
EBIT[3], adjusted	*195.0*	*182.7*	*+7%*	*14.6%*	*14.6%*
EBT[4], adjusted	*144.7*	*142.6*	*+1%*	*10.9%*	*11.4%*
Net income, adjusted	*105.6*	*99.9*	*+6%*	*7.9%*	*8.0%*
Earnings per share in €, adjusted	*1.79*	*1.70*	*+5%*		
Diluted earnings per share in €, adjusted	*1.76*	*1.66*	*+6%*		

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 derivative financial instruments.

In the outlook for the key earnings figures, the Executive Board still expects a very significant increase in reported net income for 2012 as compared to 2011. The 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 continues to see the opportunity for an increase in the high single-digit percent area in EBITDA adjusted for one-time special effects for 2012. This means that record results are once again targeted for these key figures in 2012.

"STADA – build the future"

In the first nine months of 2012 within the scope of the cost efficiency program "STADA – build the future", the Group, as planned, carried out the outstanding measures for the strengthening of the medium and long-term earnings perspectives.

STADA, in the third quarter of 2012, was able to reach a significant goal of "STADA – build the future" the Group-wide cost efficiency program scheduled to run from 2010 to the end of 2013 ahead of schedule, because with the sale of the two Russian production facilities in Moscow and Ryazanskaya obl., the number of employees from the year 2010 has already been reduced by approx. 10% (corresponding to approx. 800 full-time jobs) in the current financial year and not, as originally planned, by the end of 2013.

In the course of the restructuring of the Russian production facilities in line with "STADA – build the future", the sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., was successfully completed within the context of a partial management buyout to LLC DMN Invest, Moscow, in the third quarter of the current financial year (see "Development, production and procurement" as well as "Acquisitions and disposals").[1] As a result of this disposal, which represents another significant step in the production restructuring of this program, STADA incurred a one-time burden on earnings in the amount of approx. € 8.4 million before taxes or approx. € 8.0 million after taxes, which STADA reported as a one-time special effect in the third quarter of 2012 (see "Earnings development of the STADA Group"). This burden is less than the expenses originally planned in the context of "STADA – build the future" for the Russian production restructuring.

In the context of the completion as part of the restructuring, 186 full-time positions were immediately reduced in the STADA production companies at the locations of both sold production facilities. The affected persons have been employed at previous conditions by the purchaser since the time of the disposal. Additionally, in the course of the transaction, the purchaser has assumed the contractual obligation for a further up to approx. 200 full-time positions, which initially remain with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production and product transfers. Each affected person will be offered employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. As a result of the total personnel reduction, STADA could incur further one-time burdens of up to € 1 million by the end of 2014, for which, however, from today's perspective, a total amount of significantly less than € 0.5 million is expected.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the reporting period by a total of 9%, so that their share in Group sales amounted to 98.3% (1-9/2011: 96.5%). Adjusted for portfolio effects and currency influences, sales of the two core segments increased by 3% in the first three quarters of 2012.

Sales in **Generics**, which continues to be the clearly larger core segment, recorded growth in the first three quarters of the current financial year of 2% to € 872.4 million (1-9/2011: € 857.4 million). Generics thus contributed 65.5% to Group sales in the reporting period (1-9/2011: 68.5%). Adjusted, Generics sales in the Group increased by 0.5%.

1) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.

The core segment of **Branded Products** recorded sales growth of 25% to € 437.9 million in the first nine months of 2012 (1-9/2011: € 350.1 million). Thus, Branded Products contributed 32.9% to Group sales in the first three quarters of 2012 (1-9/2011: 28.0%). Adjusted sales of branded products in the Group recorded a plus of 8%.

In the **Commercial Business** segment, which is not part of the core segments, sales decreased to € 13.4 million in the reporting period (1-9/2011: € 27.4 million). This development is based for the most part on the expected decrease in the low-margin commercial business in Denmark. Sales reported under the position **Group holding/Other** decreased to € 8.8 million in the first nine months of 2012 (1-9/2011: € 16.9 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 measured by sales, sales in the first nine months of 2012 fell by 4% to € 344.7 million (1-9/2011: € 359.0 million). Overall, STADA's German business activities contributed 25.9% to Group sales in the first three quarters of the current financial year (1-9/2011: 28.7%).

This sales decrease generally experienced in the German market resulted from the unchanged difficult local framework conditions for generics, attributable to the intensive competition in tenders for discount agreements from public health insurance organizations. Accordingly, sales of the German generics segment declined – notwithstanding the partially high volume discount agreements concluded in 2011 – in the reporting period by 7% to € 247.2 million (1-9/2011: € 265.1 million). Sales achieved by STADA in the German market with generics in the first three quarters of 2012 amounted to 72% (1-9/2011: 74%) of total sales achieved in Germany. The STADA Group's market share for generics sold in German pharmacies increased by volume in the first nine months of 2012 to approx. 13.2%[1)] (1-9/2011: approx. 12.5%[1)]). The STADA Group thus continues to be the clear number 3 in the German generics market.

Within the scope of numerous tender rounds from public health insurance organizations, various STADA sales companies, in the view of the Executive Board, achieved very good results in the first nine months of 2012. These included, among others, the results achieved in the third tender round of Barmer GEK.[2)] STADA's German sales companies will still continue 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.

STADA achieved the generics sales realized in the German market with various sales companies. Sales of the largest German STADA sales company ALIUD PHARMA decreased in the reporting period by 7% to € 135.3 million (1-9/2011: € 145.9 million). Sales generated by the German generics sales company STADApharm declined in the first three quarters of 2012 by 10% to € 84.0 million (1-9/2011: € 93.0 million). Sales of the STADA generics sales company cell pharm, special supplier for the indication areas oncology and nephrology, increased in the first nine months of 2012 – despite the sale carried out in the third quarter of 2011 of the oncological product Tobra-cell® (sales contribution 1-9/2011: € 0.7 million) – by 13% to € 25.7 million (1-9/2011: € 22.6 million).

In the second quarter of 2011, in the context of legal proceedings based on patent law, an injunction was issued against the two German STADA sales companies to refrain from sale of products with the pharmaceutical ingredient Leflunomid[3)]. After the Federal Court of Justice

1) Data from IMS Health relating to pharmacy sales to customers (source: IMS/Pharmascope national).
2) See the Company's corporate news of September 10, 2012.
3) For the treatment of active rheumatoid arthritis and active psoriatic arthritis.

declared the questionable patent null and void in the third quarter of 2012, the two sales companies will once again take up sales of the products effected, likely in the first quarter of 2013. It is also planned to submit a damages claim.

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 these proceedings in March 2012, BfArM ordered the recall of the 60mg high-dosage strength of this active ingredient by all suppliers in the German market and also ordered changes to the text of the package inserts of all other active ingredient strengths. The burdens in the first nine months of 2012 in connection with the implementation of this BfArM order amounted to a total of € 0.4 million before or € 0.3 million after taxes, of which € 0.1 million before or € 0.1 million after taxes was reported as a one-time special effect in the third quarter of the current financial year (see “Earnings development of the STADA Group”).

Sales generated with branded products in Germany – primarily under the local sales labels STADA GmbH and Hemopharm – recorded growth of 4% in the reported period to € 96.7 million (1-9/2011: € 92.9 million).

In total, the share of branded products in Germany of sales achieved on the German market amounted to 28% (1-9/2011: 26%).

For the financial year 2012, Executive Board expects that the German business will decrease slightly overall. Operating profitability will remain just below the Group average. In consideration of partly high-volume discount agreements concluded in 2011, the Executive Board expects that the Group’s market share by volume will continue to grow in the German generics market.

In **Russia**, the second largest national market as measured by sales, the Group, when applying the exchange rates of the previous year, recorded a clear sales increase of 18% in the first nine months of 2012. In euro, STADA showed even stronger sales growth of 20% to € 233.0 million (1-9/2011: € 193.4 million) as a result of the positive currency effect of the Russian ruble.

With generics, the Group recorded a clear rise in sales in the Russian market of 21% to € 103.0 million (1-9/2011: € 85.4 million). Their share of the sales generated by STADA in Russia thus amounted to 44% (1-9/2011: 44%). Sales of branded products rose by a strong 21% to € 129.5 million (1-9/2011: € 107.2 million). Branded products thus contributed 56% (1-9/2011: 55%) to STADA’s sales in Russia.

Already in the second quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, concluded a purchasing contract for a package of five branded products with a focus on the gynecology area of indication for the Ukraine. As planned, sales responsibility for this branded product portfolio was assumed in the third quarter of the current financial year upon official registration by the relevant national authority.

In the third quarter of 2012, STADA’s Russian subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts for the acquisition of rights for the brand Baktistatin®[2)] for Russia and the CIS countries. The purchase price was composed of a one-time payment in the amount of € 3.5 million and deferred payments on a quarterly basis depending on the product success in the future. Sellers included a Cypriot company and two Russian companies as well as a private person. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 1.53 million.

1) For the treatment of depression and anxiety.
2) Active ingredient bazillus subtilis 3 (probiotic), for the treatment of gastrointestinal disorders.

In addition, STADA's Russian subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a contract for the purchase of the rights to the registration dossier and documentation related to Safocid® 1) for Russia and the CIS countries in the current fourth quarter of 2012. The purchase price was USD 2.75 million (approx. € 2.1 million). Seller was an Indian company. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 2.25 million.

In financial year 2012, STADA expects continued 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 both Russia as well as at the Group level thus remain affected by the development of the currency relation of the Russian ruble to the euro.

In **Italy**, sales in the reporting period increased by 6% to € 114.2 million (1-9/2011: € 107.7 million) whereby the two segments of Generics and Branded Products showed contradictory developments.

Sales achieved by STADA with generics in the Italian market increased by 15% to € 88.6 million (1-9/2011: € 77.2 million). Generics thus contributed 78% (1-9/2011: 72%) to local STADA sales.

Sales recorded by the Group in Italy with branded products declined as expected by 16% to € 25.6 million (1-9/2011: € 30.4 million). Branded products thereby had a 22% share of STADA's Italian sales (1-9/2011: 28%).

In the third quarter of 2012, the Italian STADA subsidiary Crinos disposed of a portfolio whose products will gradually be transfered to the acquirer. The resulting burden in the amount of € 2.8 million before and € 1.9 million after taxes was reported as a one-time special effect in the second quarter of 2012 (see STADA Interim Report on the First Six Months of 2012 – "Earnings development of the STADA Group").

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

In **Belgium**, sales generated by STADA in the first nine months of the current financial year declined by 5% to € 100.1 million (1-9/2011: € 105.8 million). Reasons for this development included the effects from various changes to regulatory framework conditions which went into effect in the second quarter of 2012 and resulted in a substantial increase in price competition.

STADA's sales generated by generics in the Belgian market declined by 5% to € 95.2 million (1-9/2011: € 100.2 million). Generics thus contributed 95% (1-9/2011: 95%) to local STADA sales.

Sales recorded by STADA in Belgium with branded products decreased by 13% to € 4.9 million (1-9/2011: € 5.6 million). Branded products thus contributed 5% (1-9/2011: 5%) to STADA's Belgian sales.

In view of the changes to various regulatory framework conditions implemented over the course of 2012 and the resulting substantial increase in price competition, STADA expects that sales generated by the Group in the Belgian market in financial year 2012 will be approximately at the level of the previous year. Operating profitability will, thereby, remain approximately at the Group average.

1) Compound (active ingredients: azithromycin, secnidazole and fluconazole) for the treatment of infections of the urogenital tract.

In **Spain**, sales rose slightly in the first three quarters of the current financial year by 1% to € 83.9 million (1-9/2011: € 83.1 million).

Sales generated by STADA in the Spanish market with generics decreased by 2% to € 76.6 million (1-9/2011: € 78.5 million). In addition to the termination of the hospital business in 2012 and to increasingly intense price competition, this development was attributable to changes to various regulatory framework conditions carried out in the third quarter of 2012. Overall, generics contributed 91% to STADA's local sales (1-9/2011: 94%).

Sales of branded products increased by 58% to € 7.3 million (1-9/2011: € 4.6 million). Branded products thus contributed 9% (1-9/2011: 6%) to STADA's Spanish sales.

In connection with ongoing proceedings due to a potential patent infringement in the Spanish market, the Group reported a one-time special effect in the amount of € 0.2 million before or € 0.1 million after taxes in the third quarter of 2012 (see "Earnings development of the STADA Group").

In financial year 2012, STADA expects further sales growth in Spain with operating profitability that will remain above Group average.

In **France**, sales increased by 9% to € 63.6 million in the reporting period (1-9/2011: € 58.1 million).

Despite the still difficult framework conditions in the French market including, among other things, a high level of price competition, STADA's sales of generics in France increased by 3% to € 56.2 million (1-9/2011: € 54.7 million). Generics thus contributed 88% (1-9/2011: 94%) to local STADA sales.

STADA's sales of branded products recorded a plus of 115% to € 7.4 million (1-9/2011: € 3.4 million). This positive development was based on the acquisition of the French company LERO carried out in the first quarter of 2012. Branded products had a total share of 12% in STADA's sales in France (1-9/2011: 6%).

For financial year 2012, the Group now expects a sales increase in France with operating profitability that continues to be below Group average.

In **Serbia**, local sales achieved in the first nine months of 2012 declined as expected. Applying the exchange rates of the previous year, sales decreased by 21%. In euro, sales decreased by 29% to € 51.2 million (1-9/2011: € 72.2 million). The expected decrease in sales was largely attributable to the conversion of the local distribution model in order to better control cash flows. Furthermore, a significantly negative currency effect of the Serbian dinar also contributed to this development.

STADA's sales generated by generics in the Serbian market declined by 29% to € 41.0 million (1-9/2011: € 57.9 million). Generics thus contributed 80% (1-9/2011: 80%) to STADA's Serbian sales. Sales of branded products in Serbia decreased by 13% to € 7.9 million (1-9/2011: € 9.1 million). Branded products thereby contributed a share of 16% (1-9/2011: 13%) to STADA's sales in the Serbian market.

STADA continues to assume that its own operating business in Serbia is fundamentally stable and that it offers further growth opportunities. In view of the adjustment of the local distribution model, however, the Executive Board expects, from today's perspective, that sales will not reach the level of previous year in financial year 2012 because the local market is still characterized by liquidity bottlenecks in the sales channels. For the following years, the Executive Board nevertheless expects to be able to achieve sales growth in the local currency. With a look to the operational measures taken, it should still potentially be possible – despite the sales decrease – for the locally managed subgroup to generate operating profitability slightly above the Group average in 2012.

Generally, 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 whose respective sales developments in the first nine months of 2012 as compared to the first nine months of 2011 were as follows:

- **The United Kingdom:** +5% to € 40.8 million (1-9/2011: € 39.0 million) – applying the exchange rates of the previous year -3% – the very positive development of the two branded products ApoGo®[1] and Cetraben®[2] could not completely compensate for the difficult market environment for generics.
- **The Netherlands:** -16% to € 34,7 million (1-9/2011: € 41.3 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 € 29.2 million – primarily due to a generics business consolidated in the Group since January 2012.

In the 17 **additional European countries** with Group-owned local sales companies, sales generated by STADA increased by 19% to € 150.2 million in the reporting period (1-9/2011: € 126.7 million).

The development in the Group's most important **Asian markets** with Group-owned local sales companies in the first three quarters of the current financial year was as follows:

In **Vietnam**, sales consolidated by STADA on a pro rata basis – generated in the scope of a 50:50 joint venture with a local partner – increased by 7% applying the exchange rates of the previous year. In euro, sales grew by 17% to € 10.3 million (1-9/2011: € 8.8 million). In **China**, sales grew by 14% applying the exchange rates of the previous year. In euro, STADA recorded a growth in sales of 26% to € 3.2 million (1-9/2011: € 2.5 million). In **Thailand**, sales increased by 3% applying the exchange rates of the previous year. In euro, sales grew by 11% to € 1.9 million (1-9/2011: € 1.7 million). In the **Philippines**, sales decreased to € 1.4 million applying the exchange rates of the previous year. In euro, sales declined by 61% to € 1.6 million (1-9/2011: € 4.0 million).

In the third quarter of 2012, STADA's Australian subsidiary, STADA Pharmaceuticals Australia Pty Ltd[3], founded in the first quarter of 2012 commenced its business activities according to plan.[4]

In countries without own sales companies, **export sales** generated by STADA recorded growth in the reporting period of 52% to € 59.4 million (1-9/2011: € 39.2 million).

1) Active ingredient apomorphine for the treatment of Parkinson's disease.
2) Treatment series for the treatment of skin eczema and dry skin.
3) Currently not consolidated.
4) See the Company's corporate news of March 27, 2012.

Development, production and procurement

Research and development costs amounted to € 38.6 million in the first nine months of the current financial year (1-9/2011: € 36.6 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 € 10.6 million in the reporting period (1-9/2011: € 8.3 million).

Overall, STADA launched 584 individual products worldwide in the first three quarters of 2012 (1-9/2011: 437 product launches) in individual national markets.

In view of the product pipeline, which remains well-filled, the Executive Board expects to be able to continuously launch new products in the individual national markets, with a focus on generics in European countries, in the future as well.

In the third quarter of 2012, STADA was able to reach a significant goal of "STADA – build the future" the Group-wide cost efficiency program scheduled to run from 2010 to the end of 2013 ahead of schedule, because with the sale of the two Russian production facilities in Moscow and Ryazanskaya obl., the number of employees from the year 2010 has already been reduced by approx. 10% (corresponding to approx. 800 full-time jobs) in the current financial year and not, as originally planned, by the end of 2013.

In the course of the restructuring of the Russian production facilities in line with "STADA – build the future", the sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., was successfully completed within the context of a partial management buyout to LLC DMN Invest, Moscow, in the third quarter of the current financial year (see "STADA – build the future" as well as "Acquisitions and disposals").[1] As a result of this disposal, which represents another significant step in the production restructuring of this program, STADA incurred a one-time burden on earnings in the amount of approx. € 8.4 million before taxes or approx. € 8.0 million after taxes, which STADA reported as a one-time special effect in the third quarter of 2012 (see "Earnings development of the STADA Group"). This burden is less than the expenses originally planned in the context of "STADA – build the future" for the Russian production restructuring.

In the context of the completion as part of the restructuring, 186 full-time positions were immediately reduced in the STADA production companies at the locations of both sold production facilities. The affected persons have been employed at previous conditions by the purchaser since the time of the disposal. Additionally, in the course of the transaction, the purchaser has assumed the contractual obligation for a further up to approx. 200 full-time positions, which initially remain with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production and product transfers. Each affected person will be offered employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. As a result of the total personnel reduction, STADA could incur further one-time burdens of up to € 1 million by the end of 2014, for which, however, from today's perspective, a total amount of significantly less than € 0.5 million is expected.

As a general rule, appropriate investments ensure that all of STADA's production facilities are maintained at the level required by legal stipulations and technical production considerations. For the expansion and renewal of production sites and facilities, the Group invested a total of € 5.7 million in the first nine months of 2012 (1-9/2011: € 4.4 million).

Following the previously communicated technical problems in part of the Serbian production for injection substances in 2011, which is primarily used for contract manufacturing, the US regulatory authority FDA published an "import alert" in the second quarter of 2012 as well as a "warning letter" in the third quarter of 2012 regarding the Vrsac production location. The topics and measures mentioned here had

1) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.

already been integrated to a large extent with the completed technical optimization – which made use of external experts – of the facility and production processes that were inspected by the FDA, but this has not yet been taken into account by the FDA. Due to the optimizations carried out, it was possible to re-commence production on the affected production line for the local and European markets as announced in the second quarter of 2012. An inspection of the affected production line and the connected processes, which also include microbiological quality control, on July 17, 2012 by the responsible Serbian supervisory authority confirmed the measures taken by Hemofarm and did not result in any objections. In the third quarter of the current financial year, the topics addressed by the FDA were processed according to plan with the use of additional external experts and a corresponding status report was sent to the FDA in a timely manner at the end of the third quarter.

As a result of new EU regulations, in the course of 2013 increased documentation and information requirements will be placed on pre-suppliers of pharmaceutical ingredients, in particular also from non EU countries, which require greater involvement of national and/or local authorities in the third countries. From today's perspective, it is somewhat questionable whether these new EU requirements on suppliers and third countries can even be met on time. Supply bottlenecks that arise as a result for pharmaceutical ingredient procurement would significantly impact the entire European generics industry and thus also STADA. Even though there is currently no viable solution for this, STADA assumes, from today's perspective, that as a result of measures introduced by STADA as well as ongoing efforts from the entire industry at both the EU and national level aimed at an appropriate solution, the necessary import of the relevant pharmaceutical ingredients will also be possible in 2013.

Financial position and cash flow

The financial position of the STADA Group remains stable. As of the reporting date September 30, 2012, the **equity-to-assets ratio** was 30.4% (December 31, 2011: 30.9%) and thereby satisfactory in the opinion of the Executive Board.

With a view to the very high payments in the first nine months of 2012 for the acquisition of companies and products for the expansion of the Group portfolio in the short term in the total amount of € 402.0 million (1-9/2011: € 53.7 million), **net debt** rose to € 1,279.1 million as of September 30, 2012 (December 31, 2011: € 900.3 million). The **net debt to adjusted EBITDA ratio** amounted in the first nine months of 2012 on linear extrapolation of the adjusted EBITDA of the first three quarters on a full year basis to 3.6 (1-9/2011: 2.6) and thus in light of the investments made recently was, as expected, above the value of 3 targeted by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013.

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 were as of September 30, 2012 long-term promissory notes with maturities in the area of 2012–2017 in the total amount of € 829.5 million.

As of September 30, 2012, **intangible assets** included € 462.7 million (December 31, 2011: € 319.2 million) goodwill. Furthermore, fair values determined in the context of the preliminary purchase price allocations from business combinations led to additions to intangible assets, without consideration of amortization, in the amount of € 252.4 million in the reporting period. Thereof € 199.8 million resulted from the acquisition of the branded product portfolio from Grünenthal as well as € 52.6 million from the acquisition of the generics business from Spirig. Furthermore, additions to intangible assets in the amount of € 64.6 million resulted from the purchase of distribution rights for the branded product Tranexam® in Russia, the branded product Vuka Vuka® in Russia and the CIS countries and Vuka Drive® in Russia, as well as from a package of five branded products with a focus on the gynecology area of indication for the Ukraine.

The decrease of **property, plant and equipment** to € 272.7 million (December 31, 2011: € 299.5 million) is particularly attributable to the sale of the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, as well as of the two Russian production facilities OOO Makiz Pharma, Moscow, Russia, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., Russia.

Inventories increased from € 399.1 million as of December 31, 2011 to € 480.9 million as of September 30, 2012, among other things, as a result of the business combinations in the sense of IFRS 3 as well as new inventories in the context of product acquisitions and stockpiling in Russia.

Other financial assets increased by € 11.0 million to a total of € 57.0 million (December 31, 2011: € 46.0 million), among other things as a result of an increase in receivables from factoring in Germany. The unchanged largest item under other financial assets is the loan from STADA Arzneimittel AG in the amount of € 16.8 million granted to BIOCEUTICALS Arzneimittel AG (December 31, 2011: € 23.9 million).

Other assets increased from € 47.6 million as of December 31, 2011 to € 62.5 million as of September 30, 2012. This development is a result of increased sales tax receivables, among other things.

Cash and cash equivalents, which include cash and call deposits as well as short-term financial investments, decreased from € 320.7 million as of December 31, 2011 to € 57.2 million as of September 30, 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 nine months of 2012 as well as acquisitions of products for the expansion of the Group portfolio in the short term. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

Other provisions within equity amounted to € -140.9 million as of September 30, 2012 and thereby decreased by € 23.0 million as compared to December 31, 2011. The main reason for this was the negative development of the Serbian dinar to Euro, which reduced equity from the foreign currency translation reserve.

The increase of **other non-current provisions** to € 40.8 million is primarily attributable to interest rate changes as well as the initial consolidation of the generics business of Spirig in financial year 2012 (December 31, 2011: € 34.9 million).

As of September 30, 2012, the current and non-current **financial liabilities** amounted to € 1,336.4 million (December 31, 2011: 1,221.1 million). The increase was particularly a result of the promissory notes secured in the first quarter of 2012 in the amount of € 100.0 million.

Deferred tax assets increased as of September 30, 2012 to € 76.8 million (December 31, 2011: € 63.4 million) – primarily due to the acquisition of the generics business of Spirig and the preliminary purchase price allocation carried out in the context of IFRS 3.

The reduction of **other financial liabilities** from € 252.4 million as of December 31, 2011 to € 238.8 million as of September 30, 2012 is primarily as a result of the payment of purchase price liabilities due from the business combinations in the sense of IFRS 3. The increasing liabilities from discount agreements had an opposing effect that partially compensated for this reduction.

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 89.8 million (1-9/2011: € 143.6 million) in the first nine months of 2012. The change of € 53.8 million compared to the corresponding period in the previous year is due in particular to a significant cash-effective increase of inventories.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -446.4 million (1-9/2011: € -98,8 million) in the period under review. The cash flow from investing activities in the first nine months of 2012 was significantly characterized by high payments for investments in business combinations according to IFRS 3, in particular for the purchase 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 Group portfolio in the short term.

Free cash flow in the first nine months of the 2012 was at € -356.6 million resulting from cash flow from investing activities characterized by the high payments for investments (1-9/2011: € 44.8 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 48.6 million in the reporting period (1-9/2011: € 98.6 million).

Cash flow from financing activities amounted to € 97.1 million in the first nine months of the current financial year, while cash flow from financing activities in the amount of € -60.3 million was recorded in the corresponding period in the previous year. This development 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 primarily characterized by the strong increase in cash flow from investing activities, for strategic reasons, for company acquisitions and product purchases to expand the Group portfolio in the short term.

Result from associated companies

Earnings from associated companies reported in the period under review in the amount of € 1.4 million (1-9/2011: € 0.4 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 continues to pursue an expansive acquisition policy to complement the Group's organic growth with external growth impulses. The main focus is on both the regional expansion of business activities with concentration on high-growth emerging markets and on the expansion and internationalization of the core segments, in particular in the area of branded products which is generally characterized by better margins and less regulatory intervention than the generics area.

Within the scope of acquisitions, strict standards geared toward the profitability and appropriateness of the purchase price fundamentally apply in the STADA Group. For larger acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

Already in the second quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, concluded a purchasing contract for a package of five branded products with a focus on the gynecology area of indication for the Ukraine. As planned, sales responsibility for this branded product portfolio was assumed in the third quarter of the current financial year upon official registration by the relevant national authority.

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 September 30, 2012. STADA's financial exposure as of September 30, 2012 amounted to € 19.3 million in payments for equity share and a loan granted in the amount of € 16.8 million.

In the third quarter of 2012, STADA's Russian subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts for the acquisition of rights for the brand Baktistatin® [1] for Russia and the CIS countries. The purchase price was composed of a one-time payment in the amount of € 3.5 million and deferred payments on a quarterly basis depending on the product success in the future. Sellers included a Cypriot company and two Russian companies as well as a private person. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 1.53 million.

Following the purchase of a generics business in Switzerland including the corresponding sales structures[2] in the first quarter of 2012, STADA concluded a contract in the third quarter of 2012 through Spirig Health Care AG for the acquisition of the pharmaceutical wholesaling and merchandising business of Spirig Pharma AG. Execution of the acquisition is expected for the first quarter of 2013.

In addition, STADA's Russian subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a contract for the purchase of the rights to the registration dossier and documentation related to Safocid® [3] for Russia and the CIS countries in the current fourth quarter of 2012. The purchase price was USD 2.75 million (approx. € 2.1 million). The seller was an Indian company. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 2.25 million.

In the course of the restructuring of the Russian production facilities according to "STADA – build the future", the sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., was successfully completed within the context of a partial management buyout to LLC DMN Invest, Moscow, in the third quarter of 2012 (see "STADA – build the future" as well as "Development, production and procurement").[4] As a result of this disposal, which represents another significant step in the production restructuring of the Group-wide cost efficiency program introduced in 2010, STADA incurs a one-time burden on earnings in the amount of approx. € 8.4 million before taxes or approx. € 8.0 million after taxes, which STADA reported as a one-time special effect in the third quarter of 2012 (see "Earnings development of the STADA Group").

STADA share

In light of the volatile development of the global financial markets as a result of the ongoing international financial and economic crisis and discussions surrounding the European Stability Mechanism (ESM), the STADA share price was also subject to fluctuations in the first nine months 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, finished the second quarter at € 24.10 and closed the third quarter at € 22.66. The STADA share price thus increased in the first nine months of 2012 by 18%. At the end of the first nine months of 2012, STADA's market capitalization amounted to € 1.344 billion. At the end of 2011, this figure was € 1.135 billion.

As of September 30, 2012, the subscribed share capital of STADA Arzneimittel AG amounted to € 154,263,876.00 (December 31, 2011: € 153,312,536.00) consisting of 59,332,260 registered shares with restricted transferability[5], each with an arithmetical share in share capital of € 2.60 (December 31, 2011: 58,966,360 registered shares). The changes in the first nine months of 2012 resulted from the exercising of 18,295 warrants 2000/2015[6]. As of September 30, 2012, 152,898 warrants 2000/2015 for the subscription of 3,057,960 STADA registered shares were thus still outstanding.

STADA assumes, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company, according to Section 21 (1) of the German Securities Trading Act (WpHG) that Gryphon International Investment Corporation[7], Toronto/Ontario, Canada, with 3.20%, and DWS Investment GmbH, Frankfurt am Main, Germany, a subsidiary of Deutsche Bank AG[8], London, United Kingdom, with 2.66%, hold a stake that exceeds or falls short of the legal reporting threshold of 3%. Of the shareholding of Gryphon Interna-

1) Active ingredient bazillus subtilis 3 (probiotic), for the treatment of gastrointestinal disorders.
2) 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.
3) Compound (active ingredients: azithromycin, secnidazole and fluconazole) for the treatment of infections of the urogenital tract.
4) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
5) Under the Company's articles of incorporation, STADA's registered shares with restricted transferability can only be transferred in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the 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.
6) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
7) See the Company's disclosure of January 14, 2011.
8) See the Company's disclosure of October 26, 2012.

tional 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. SOCIETE GENERALE SA[1], 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% in relation to the entire amount of shares with voting rights of STADA Arzneimittel AG of 58,966,480. Thereby, SOCIETE GENERALE SA directly holds 0.1% of shares and has 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). In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the fundamental outlook and the opportunities and risk report published for the Group in STADA's Annual Report 2011 on page 103 ff. 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 can 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 have to deal with the effects of the global economic and financial crisis also in the future. 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 last major acquisitions of the current financial year.[2]

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 thereby continue to grow.

1) See the Company's disclosure of March 14, 2012.
2) See the Company's ad hoc releases of May 12, 2011 and May 19, 2011 as well as the Company's ad hoc updates of July 22, 2011, November 9, 2011, December 30, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.

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[1] will continue to be reported as one-time special effects according to the progress of the project in each case.

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 means 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[2], 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 release of June 7, 2010.
2) See the Company's ad hoc releases of June 7, 2010 and March 1, 2012.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2012 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement in € 000s	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30	3rd quarter 2012 July 1 – Sept. 30	3rd quarter 2011 July 1 – Sept. 30
Sales	1,332,455	1,251,665	447,220	421,919
Cost of sales	674,231	647,552	225,838	218,326
Gross profit	**658,224**	**604,113**	**221,382**	**203,593**
Selling expenses	312,768	278,806	101,376	92,828
General and administrative expenses	116,861	102,774	39,291	34,126
Research and development expenses	38,597	36,639	12,854	13,121
Other income	23,378	17,058	-1,807	6,716
Other expenses	36,061	136,778	9,928	117,139
Expenses in connection with the “STADA – build the future” project	28,709	6,930	8,986	1,446
Operating profit	**148,606**	**59,244**	**47,140**	**-48,351**
Result from associated companies	1,391	443	638	225
Investment income	1,691	126	19	1
Financial income	3,158	5,613	-443	834
Financial expenses	52,719	44,690	18,027	14,379
Financial result	**-46,479**	**-38,508**	**-17,813**	**-13,319**
Earnings before taxes	**102,127**	**20,736**	**29,327**	**-61,670**
Taxes on income	33,062	27,022	8,835	701
Earnings after taxes	**69,065**	**-6,286**	**20,492**	**-62,371**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	68,366	-6,485	20,221	-62,552
• distributable to non-controlling shareholders	699	199	271	181
Earnings per share in € (basic)	1.16	-0.11	0.34	-1.06
Earnings per share in € (diluted)	1.14	-0.11	0.34	-1.04

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30	3rd quarter 2012 July 1 – Sept. 30	3rd quarter 2011 July 1 – Sept. 30
Earnings after taxes	**69,065**	**-6,286**	**20,492**	**-62,371**
Currency translation gains and losses	**-19,545**	**2,830**	**9,532**	**-14,376**
thereof				
• income taxes	558	-61	-213	193
Gains and losses on available-for-sale financial assets	**-4**	**-11**	**1**	**-14**
thereof				
• income taxes	1	3	0	4
Gains and losses on hedging instruments (cash flow hedges)	**-1,525**	**120**	**-683**	**-975**
thereof				
• income taxes	565	-45	253	360
Actuarial gains and losses from defined benefit plans	**-2,059**	**91**	**-700**	**53**
thereof				
• income taxes	783	-24	247	-10
Other comprehensive income	**-23,133**	**3,030**	**8,150**	**-15,312**
Consolidated comprehensive income	**45,932**	**-3,256**	**28,642**	**-77,683**
thereof				
• distributable to shareholders of STADA Arzneimittel AG	44,660	-3,238	28,402	-77,837
• distributable to non-controlling shareholders	1,272	-18	240	154

Consolidated Balance Sheet

Consolidated Balance Sheet as of Sept. 30 in € 000s Assets	Sept. 30, 2012	Dec. 31, 2011
Non-current assets	**1,787,306**	**1,532,764**
Intangible assets	1,425,423	1,147,181
Property, plant and equipment	272,740	299,480
Financial assets	10,260	10,082
Investments in associates	35,059	34,003
Other financial assets	5,381	12,147
Other assets	2,092	1,839
Deferred tax assets	36,351	28,032
Current assets	**1,156,491**	**1,267,081**
Inventories	480,852	399,125
Trade accounts receivable	476,815	446,214
Income tax receivables	29,176	21,310
Other financial assets	51,652	33,858
Other assets	60,452	45,730
Non-current assets and disposal groups held for sale	335	104
Cash and cash equivalents	57,209	320,740
Total assets	**2,943,797**	**2,799,845**

Equity and liabilities	Sept. 30, 2012	Dec. 31, 2011
Equity	**894,544**	**863,911**
Share capital	154,264	153,312
Capital reserve	472,464	467,403
Retained earnings	399,236	352,652
Other provisions	-140,851	-117,836
Treasury shares	-1,595	-1,621
Equity attributable to shareholders of the parent	**883,518**	**853,910**
Shares relating to non-controlling shareholders	11,026	10,001
Non-current liabilities	**1,282,763**	**1,254,956**
Other non-current provisions	40,834	34,917
Financial liabilities	1,135,228	1,124,829
Other financial liabilities	24,934	26,003
Other liabilities	4,984	5,802
Deferred tax liabilities	76,783	63,405
Current liabilities	**766,490**	**680,978**
Other provisions	10,620	11,835
Financial liabilities	201,122	96,229
Trade accounts payable	226,717	241,561
Income tax liabilities	25,106	18,311
Other financial liabilities	213,894	226,383
Other liabilities	89,031	86,659
Total equity and liabilities	**2,943,797**	**2,799,845**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	Sept. 30, 2012	Sept. 30, 2011
Earnings after taxes	69,065	-6,286
Depreciation and amortization net of write-ups of non-current assets	86,774	74,763
Income taxes	33,062	27,022
Interest income and expenses	50,231	40,067
Result from associated companies	-1,391	-443
Result from the disposals of non-current assets	-407	-1,358
Changes in pension provisions	-473	491
Currency translation income and expenses	-3,765	8,414
Other non-cash expenses and gains	49,599	109,850
Gross cash flow	**282,695**	**252,520**
Changes in inventories	-107,312	-27,921
Changes in trade accounts receivable	-41,854	-19,080
Changes in trade accounts payable	-5,578	-18,311
Changes in other net assets	22,448	16,487
Interest and dividends received	6,231	2,513
Interest paid	-37,827	-35,627
Income tax paid	-28,974	-26,938
Cash flow from operating activities	**89,829**	**143,643**
Payments for purchases of		
• intangible assets	-99,523	-65,184
• property, plant and equipment	-17,447	-22,374
• financial assets	-592	-202
• shares in associated companies	-	-15,502
• business combinations according to IFRS 3	-333,299	-
Proceeds from the disposal of		
• intangible assets	5,293	1,008
• property, plant and equipment	1,828	3,238
• financial assets	502	250
• shares in consolidated companies	-3,206	-32
Cash flow from investing activities	**-446,444**	**-98,798**
Borrowing of funds	412,348	68,335
Settlement of financial liabilities	-299,242	-108,311
Dividend distribution	-22,080	-21,926
Capital increase from share options	6,020	1,480
Changes in non-controlling interests	51	103
Changes in treasury shares	19	41
Cash flow from financing activities	**97,116**	**-60,278**
Changes in cash and cash equivalents	**-259,499**	**-15,433**
Changes in cash and cash equivalents due to Group composition	157	-
Changes in cash and cash equivalents due to exchange rates	-4,189	659
Net change in cash and cash equivalents	**-263,531**	**-14,774**
Balance at beginning of year	**320,740**	**199,102**
Balance at end of year	**57,209**	**184,328**

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 Sept. 30, 2012	**59,332,260**	**154,264**	**472,464**	**50,935**
Dividend distribution				
Capital increase from share options	365,900	952	5,068	
Changes in treasury shares			-7	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				-2,059
Balance as of Dec. 31, 2011	**58,966,360**	**153,312**	**467,403**	**52,994**
Previous year				
Balance as of Sept. 30, 2011	**58,966,360**	**153,312**	**467,416**	**39,606**
Dividend distribution				
Capital increase from share options	90,000	234	1,246	
Changes in treasury shares			-3	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				91
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
399,236	-185,765	45	-6,066	-1,595	883,518	11,026	894,544
-21,782					**-21,782**	-298	**-22,080**
					6,020		**6,020**
				26	**19**		**19**
					-		**-**
					-	51	**51**
	691				**691**	-	**691**
68,366	-20,120	-2	-1,525		**44,660**	1,272	**45,932**
352,652	-166,336	47	-4,541	-1,621	853,910	10,001	863,911
337,702	-157,523	41	-3,924	-1,654	834,976	9,609	844,585
-21,747					**-21,747**	-179	**-21,926**
					1,480		**1,480**
				44	**41**		**41**
					-		**-**
					-	103	**103**
-346					**-346**		**-346**
-6,485	3,050	-14	120		**-3,238**	-18	**-3,256**
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 September 30, 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.

In June 2012, IASB published transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) for the standards adopted in May 2011 of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of Interests in Other Entities". In the context of these amendments, the transition guidance in IFRS 10 was clarified and additional simplification was ensured in all three standards. The effects of these new standards on STADA's consolidated financial statements were already explained in the 2011 Annual Report.

The other standards and interpretations adopted by the IASB in 2012, but not yet effective and/or changed, 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 September 30, 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'études et de recherches en oligo éléments théraphie SA (LERO), Colombes, on February 21, 2012.

Furthermore, the Spanish subsidiary STADA Consumer Health S.L., Barcelona, Spain, as a result of a merger with Laboratorio STADA S.L., Barcelona, Spain, and the Lithuanian subsidiary UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania, were included as consolidated subsidiaries as of January 1, 2012 within STADA's scope of consolidation.

In the course of the further implementation of the "STADA – build the future" project in the first nine months of 2012, the Group sold the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland[3)], as well as both Russian production facilities founded in the first quarter of 2012, OOO Makiz Pharma, Moscow, Russia, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., Russia[4)].

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 addition, the Swiss subsidiary HF Pharmasuisse AG, Chur, Switzerland, and the Russian Subsidiary Grunenthal 000, Moscow, Russia, were deconsolidated in the reporting period due to lack of material significance.

In the consolidated financial statements of the STADA Group, 68 companies were thereby consolidated as subsidiaries, two companies as joint ventures and four companies as associates as of the balance sheet date on September 30, 2012.

1.4. Business combinations

In financial year 2011 as well as in the first nine months 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.[5)]

1) See the Company's ad hoc update of January 31, 2012.
2) See the Company's ad hoc update of January 31, 2012.
3) See the Company's ad hoc release of February 6, 2012.
4) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
5) See the Company's ad hoc update of December 30, 2011.

In the first nine months 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.[1)]

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. € 320.2 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 € 116.2 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.	320.2
Expected fair values of the assets and liabilities acquired	204.0
Goodwill	**116.2**

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	199.8
Other non-current assets	0.8
Trade accounts receivable	5.5
Other current assets	0.8
Cash and cash equivalents	4.1
Assets	**211.0**
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.

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

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 nine months of 2012 in the context of the purchase of the generics business including the respective sales structures of Spirig, a Swiss pharmaceuticals company based in Egerkingen, Canton Solothurn. The underlying contract between STADA Arzneimittel AG and the shareholders of Spirig 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) and 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:

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	50.0
Goodwill	**31.4**

In this regard, goodwill results primarily from a strengthening of the sales presence on the Swiss market and, in addition, in the rest of the European pharmaceuticals market.

For the assets acquired and liabilities assumed in the context of the business combination, the following 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**

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

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 since January 1, 2012.

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 and Italy for example. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 5.5 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. Other expenses

Other expenses decreased as compared to the corresponding period of the previous year to € 36.1 million (1-9/2011: € 136.8 million). This development is primarily attributable to impairments on receivables to the Serbian subsidiary Hemofarm in the corresponding period of the previous year included in this amount that were reported as a one-time special effect in financial year 2011.

2.3. Expenses in connection with the “STADA – build the future” project

Expenses in connection with the “STADA – build the future” project primarily included in the first nine months of 2012, as special effects, burdens from the disposals of the Irish production facility STADA Production Ireland Limited, the sale of the two Russian production locations OOO Makiz Pharma and OOO Skopin Pharmaceutical Plant and engineering companies that were not part of the Group’s core business as well as for external consulting services.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of September 30, 2012, intangible assets included € 462.7 million (December 31, 2011: € 319.2 million) goodwill. Furthermore, fair values determined in the context of the preliminary purchase price allocations from business combinations led to additions to intangible assets, without consideration of amortization, in the amount of € 252.4 million in the reporting period. Of that total, € 199.8 million resulted from the acquisition of the branded-product portfolio from Grünenthal as well as € 52.6 million from the acquisition of the generics business from Spirig. Furthermore, additions to intangible assets in the amount of € 64.6 million resulted from the purchase of distribution rights for the branded product Tranexam® in Russia, the branded product Vuka Vuka® in Russia and the CIS countries and Vuka Drive® in Russia, as well as from a package of five branded products with a focus on the gynecology area of indication for the Ukraine.

3.2. Property, plant and equipment

The decrease of property, plant and equipment to € 272.7 million (December 31, 2011: € 299.5 million) is particularly attributable to the sale of the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, as well as of the two Russian production facilities OOO Makiz Pharma, Moscow, Russia, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., Russia.

3.3. Cash and cash equivalents

Cash and cash equivalents, which include cash and call deposits as well as short-term financial investments, decreased from € 320.7 million as of December 31, 2011 to € 57.2 million as of September 30, 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 nine months of 2012. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

3.4. Financial liabilities

As of September 30, 2012, the Group's current and non-current financial liabilities in the amount of € 201.1 million and € 1,135.2 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.

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 89.8 million (1-9/2011: € 143.6 million) in the first nine months of 2012. The change of € 53.8 million as compared to the corresponding period of the previous year was primarily attributable to the significant cash-effective increase in inventories.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -446.4 million (1-9/2011: € -98,8 million) in the period under review. The cash flow from investing activities in the first nine months of 2012 was significantly characterized 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 purchase of Spirig's generics business including the respective sales structures, and investments in products for the expansion of the portfolio in the short term.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € 97.1 million in the first nine months of the current financial year, while cash flow from financing activities in the amount of € -60.3 million was recorded in the corresponding period in the previous year. This development 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 thus substantially characterized by the strong increase in cash flow from investing activities, for strategic reasons, for company acquisitions and product purchases to expand the Group 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 € 000s		9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30
Generics	**External sales**	**872,376**	**857,378**
	Sales with other segments	1,814	873
	Total sales	874,190	858,251
	Operating profit	100,257	24,264
Branded Products	**External sales**	**437,851**	**350,052**
	Sales with other segments	2,013	1,769
	Total sales	439,864	351,821
	Operating profit	97,046	77,489
Commercial Business	**External sales**	**13,427**	**27,363**
	Sales with other segments	303	96
	Total sales	13,730	27,459
	Operating profit	361	-1,443
Reconciliation Group holdings/ other and consolidation	**External sales**	**8,801**	**16,872**
	Sales with other segments	-4,130	-2,738
	Total sales	4,671	14,134
	Operating profit	-49,058	-41,066
Group	**External sales**	**1,332,455**	**1,251,665**
	Sales with other segments	0	0
	Total sales	1,332,455	1,251,665
	Operating profit	148,606	59,244

5.3. Reconciliation of segment results to net profit

in € 000s	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30
Operating segment profit	197,664	100,310
Reconciliation Group holdings/other and consolidation	-49,058	-41,066
Result from associated companies	1,391	443
Investment income	1,691	126
Financial income	3,158	5,613
Financial expenses	52,719	44,690
Earnings before taxes, Group	**102,127**	**20,736**

5.4. Reconciliation of segment assets to Group assets

in € 000s	Sept. 30, 2012	Sept. 30, 2011
Segment assets	1,495,323	1,093,496
Reconciliation Group holdings/other and consolidation	213,100	220,130
Other non-current assets	78,883	100,689
Current assets	1,156,491	1,065,289
Total assets, Group	**2,943,797**	**2,479,604**

6. Additional Information

6.1. Information by region[1]

Sales in € 000s	9 months 2012 Jan. 1 – Sept. 30	9 months 2011 Jan. 1 – Sept. 30	±%	±% adjusted[2]
Europe	**1,258,275**	**1,201,719**	**+5%**	***-1%***
• Belgium	100,106	105,809	-5%	*-5%*
• Bosnia-Herzegovina	9,241	8,229	+12%	*+26%*
• Bulgaria	5,683	4,575	+24%	*+24%*
• Denmark	15,949	25,431	-37%	*-37%*
• Germany	344,709	359,021	-4%	*-4%*
• Finland	4,685	4,524	+4%	*+4%*
• France	63,564	58,131	+9%	*+3%*
• United Kingdom	40,766	38,984	+5%	*-5%*
• Ireland	15,795	15,161	+4%	*+4%*
• Italy	114,177	107,665	+6%	*+7%*
• Croatia	4,301	596	>100%	*-19%*
• Lithuania	956	879	+9%	*+9%*
• Macedonia	2,329	2,155	+8%	*+21%*
• Montenegro	4,128	4,701	-12%	*-2%*
• The Netherlands	34,654	41,270	-16%	*-16%*
• Austria	12,210	10,893	+12%	*+12%*
• Poland	12,479	2,338	>100%	*-15%*
• Portugal	9,079	10,339	-12%	*-12%*
• Romania	3,641	3,420	+6%	*+12%*
• Russia	232,969	193,352	+20%	*+14%*
• Sweden	4,219	3,740	+13%	*+11%*
• Switzerland	29,158	756	>100%	*>100%*
• Serbia	51,162	72,212	-29%	*-19%*
• Slovakia	10,997	5,901	+86%	*+22%*
• Slovenia	3,950	1,428	>100%	*+85%*
• Spain	83,865	83,125	+1%	*0%*
• Czech Republic	13,760	8,708	+58%	*+1%*
• Ukraine	21,002	17,388	+21%	*+10%*
• Rest of Europe	8,741	10,988	-20%	*-30%*
Africa	**7,656**	**7,719**	**-1%**	***+2%***
The Americas	**7,659**	**7,082**	**+8%**	***>100%***
• USA	7,017[3]	6,525[3]	+8%	*>100%*
• Rest of America	642	557	+15%	*+14%*
Asia/pacific region	**58,865**	**35,145**	**+67%**	***+40%***
• China	3,189	2,529	+26%	*+14%*
• Kazakhstan	10,774	8,392	+28%	*+19%*
• The Philippines	1,556	4,042	-62%	*-66%*
• Thailand	1,928	1,744	+11%	*+3%*
• Vietnam	10,280	8,802	+17%	*+7%*
• Rest of Asia/Pacific region	31,138	9,636	>100%	*>100%*

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 € 16.8 million (December 31, 2011: € 23.9 million) had been used as of September 30, 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

STADA's Russian subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a contract for the purchase of the rights to the registration dossier and documentation related to Safocid®[1] for Russia and the CIS countries in the current fourth quarter of 2012. The purchase price was USD 2.75 million (approx. € 2.1 million). The seller was an Indian company. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 2.25 million.

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

Rounding: The key performance indicators presented in this interim report are generally stated in euro millions, while in the interim financial statements presented at the end of this report the same figures are generally stated more precisely in euro thousands. Thus, some rounding differences may occur, although they are not material by their nature.

This interim report is published in German (original version) and English (non-binding translation) and is subject to German law.

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1) Compound (active ingredients: azithromycin, secnidazole and fluconazole) for the treatment of infections of the urogenital tract.
2) Employee representatives.

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