STADA Interim Report on the First Three Months

2010

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	1/1-3/31/2010	1/1-3/31/2009	± %
Group Sales	395.7	375.9	+5%
• Generics (core segment)	278.4	269.5	+3%
• Branded Products (core segment)	101.2	92.0	+10%
• Commercial Business	14.5	11.9	+22%
• Group holdings / other	1.6	2.6	-40%
Operating profit	51.4	48.6	+6%
Operating profit, adjusted[1)]	*57.0*	*50.3*	*+13%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	75.8	67.5	+12%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1)]	*76.0*	*67.6*	*+12%*
EBIT (Earnings before interest and taxes)	51.3	48.2	+6%
EBIT (Earnings before interest and taxes), adjusted[1)]	*56.8*	*49.9*	*+14%*
EBT (Earnings before taxes)	38.4	32.2	+19%
EBT (Earnings before taxes), adjusted[1)]	*44.9*	*38.0*	*+18%*
Net income[2)]	28.1	24.1	+17%
Net income[2)], adjusted[1)]	*33.1*	*28.3*	*+17%*
Cash flow from operating activities	64.6	37.9	+70%
Capital expenditure	48.5	27.9	+74%
Depreciation and amortization	24.5	19.3	+27%
Average number of employees (Jan. 1 – Mar. 31)	7,995	8,141	-2%

Key share figures	1/1-3/31/2010	1/1-3/31/2009	± %
Market capitalization in € million (as of Mar. 31)	1,716.7	723.9	+137%
Closing price (XETRA®) in € (as of Mar. 31)	29.17	12.32	+137%
Average number of shares not including treasury shares (Jan. 1 – Mar. 31)	58,747,293	58,652,785	+0.2%
Earnings per share in €	0.48	0.41	+17%
Earnings per share in €, adjusted[1)]	*0.56*	*0.48*	*+17%*
Diluted earnings per share in €	0.47	0.41	+15%
Diluted earnings per share in €, adjusted[1)]	*0.55*	*0.48*	*+15%*

1) Adjusted for one-time special effects as well as effects from currency influences and interest rate hedge transactions in the first quarter of 2009 and the first quarter of 2010.
2) Unless otherwise stated, "net income" in this interim report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.

MANAGEMENT REPORT

Overview

With growth in sales and earnings, the STADA Group recorded the expected positive business development in the first quarter of 2010.

Group sales increased by 5% to € 395.7 million in the first three months of the current financial year (1-3/2009: € 375.9 million). Net income rose clearly by 17% in the reporting quarter to € 28.1 million (1-3/2009: € 24.1 million). All other Group-related key earnings figures also improved in the first quarter of 2010 compared with the first quarter of 2009; in addition, all the respective sales-related margins were higher than in the comparative quarter of the previous year. In view of the continued difficult environment in various national markets, STADA, in the Executive Board's view, achieved a very good result in the reporting period.

In the current assessment of the Executive Board, it should thus continue to be possible in the 2010 financial year to achieve overall growth in terms of sales and in terms of all operational key earnings figures, i.e. adjusted for one-time special effects.

Sales development of the STADA Group

In the first quarter of 2010, **Group sales** rose by 5% to € 395.7 million (1-3/2009: € 375.9 million). This was due in particular to the Group's international sales which, in the first quarter of 2010, made up a total of 64% (1-3/2009: 61%) of Group sales and increased by 11% to € 252.3 million (1-3/2009: € 228.1 million).

Adjusting for effects on sales from changes in the Group portfolio and currency effects also resulted in a total Group sales growth rate in the first quarter of 2010 of 5% compared to the corresponding period in the previous year.

In detail, these effects influenced Group sales in the first quarter of 2010 as follows:

- Additional Group sales totaling € 1.7 million were due to portfolio changes[1] in the first three months of 2010; this corresponded to a positive contribution to sales growth in the first quarter of 2010 of 0.4 percentage points.

- As a result of applying foreign exchange rates from the first quarter of 2010 compared with those of the first quarter of 2009 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly positive currency effect in the amount of € 0.4 million or 0.1 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 Group sales increased by 5% to € 378.2 million (1-3/2009: € 360.9 million) in the first quarter of 2010. Sales achieved by STADA in European markets thus contributed 95.6% (1-3/2009: 96.0%) to Group sales. Adjusted, Group sales in Europe showed an increase of 4%.

In **Western Europe**, STADA recorded an increase in sales of 3% to € 291.4 million in the reporting period (1-3/2009: € 282.5 million). STADA's sales in Western Europe thus had a share of 73.7% in Group sales (1-3/2009: 75.1%). STADA's adjusted sales in Western European markets increased by 3%.

1) Acquisition of the branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln – for sale through the German STADA subsidiary Hemopharm GmbH – as of November 13, 2009, and the purchase in Denmark of a portfolio of mainly branded products with eight pharmaceutical active ingredients as of January 15, 2010 and consolidation since January 18, 2010.
2) The adjusted sales figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison.

In **Eastern Europe**[1)] the Group recorded a sales increase of 11% to € 86.8 million (1-3/2009: € 78.5 million) in the first three months of the current financial year. Sales in the Eastern European markets thus contributed 21.9% (1-3/2009: 20.9%) to Group sales. Adjusted Group sales in Eastern Europe increased by 10%.

In **Asia**, STADA's sales in the first three months of 2010 went up by 14% to € 12.4 million (1-3/2009: € 10.9 million). STADA's sales in Asia thus amounted to 3.1% (1-3/2009: 2.9%) of Group sales. STADA's adjusted sales in the Asian markets increased by 19%.

Group sales in the **rest of the world** rose in the reporting quarter by 23% to € 5.1 million (1-3/2009: € 4.1 million). Sales in the rest of the world thus amounted to a share of 1.3% of Group sales (1-3/2009: 1.1%). Adjusted sales growth of the Group amounted here to 23%.

The Group's positive sales development was achieved despite the continued difficult environment in various local markets. Sales in individual national markets significant for STADA are described in more detail in the context of the reporting on regional developments (see "Regional development in individual national markets").

Based on sales development in the individual national markets, the Executive Board, from today's perspective, continues to expect to be able to achieve sales growth in the STADA Group in financial year 2010.

Earnings development of the STADA Group

All reported key earnings figures increased in the first three months of the current financial year.

In the first quarter of 2010, **net income** rose clearly by 17% to € 28.1 million (1-3/2009: € 24.1 million). **Earnings before interest, taxes, depreciation and amortization (EBITDA)** increased by 12% in the reporting quarter to € 75.8 million (1-3/2009: € 67.5 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from currency influences and interest rate hedge transactions, **adjusted net income** rose clearly in the first three months of the current financial year by 17% to € 33.1 million (1-3/2009: € 28.3 million). **Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA)** increased in the reporting period by 12% to € 76.0 million (1-3/2009: € 67.6 million).

One-time special effects in the first three months of 2010 contributed to a net burden on earnings in the amount of € 7.9 million before or € 6.0 million after taxes. These included specifically:

- a burden in the amount of € 5.3 million before or € 3.9 million after taxes for unscheduled amortization on intangible assets after impairment tests.
- a burden in the amount of € 0.4 million before or € 0.3 million after taxes as a result of expenses for external consulting services related to the strategic and structural positioning of the Group, particularly also in connection with the "STADA – build the future" project.
- a burden in the amount of € 1.3 million before or € 1.2 million after taxes for value adjustments on receivables from local wholesalers in Serbia.
- a burden in the amount of € 0.9 million before or € 0.6 million after taxes for unscheduled personnel expenses due to management changes at STADA subsidiaries.

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

The one-time special effects in the first quarter of 2009 had resulted at that time in a slight net relief on earnings in the amount of € 0.2 million before or € 0.02 million after taxes.

Non-operational earnings-influencing effects from currency influences and interest rate hedge transactions amounted, in the first three months of 2010, to a total relief of € 1.4 million before or € 1.0 million after taxes, which was composed as follows:

- relief on earnings due to currency effects in the form of net currency translation income of a Russian subsidiary in connection with existing loans from an earlier acquisition financing in the amount of € 2.4 million before or € 1.7 million after taxes (reported under other operating income).
- burden on earnings from the evaluation of interest rate hedge transactions in the Group in the amount of € 1.0 million before or € 0.7 million after taxes.[1)]

Non-operational earnings-influencing effects from currency influences and interest rate hedge transactions in the first quarter of 2009 had resulted at that time in a net burden in the amount of € 6.1 million before or € 4.2 million after taxes.

To the extent that reference is made in the following to adjusted key earnings figures, the earnings adjustments carried out each include all these effects both for the reporting quarter as well as for the respective corresponding comparison period.[2)]

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 earnings-influencing effects from currency influences and interest rate hedge transactions for the first quarter of 2010 and 2009 to allow for comparison.

This shows that all other Group-related key earnings figures also improved in the first quarter of 2010 compared with the first quarter of 2009; in addition, all the respective sales-related margins were higher than in the comparative quarter of the previous year.

Development of the STADA Group's key earnings figures

in € million	1–3/2010	1–3/2009	± %	Margin[3)] 1–3/2010	Margin[3)] 1–3/2009
Operating profit	51.4	48.6	+6%	13.0%	12.9%
• Operating segment result Generics	37.8	39.0	-3%	13.6%	14.5%
• Operating segment result Branded Products	23.5	17.8	+32%	23.2%	19.3%
EBITDA[4)]	75.8	67.5	+12%	19.2%	18.0%
EBIT[5)]	51.3	48.2	+6%	13.0%	12.8%
EBT[6)]	38.4	32.2	+19%	9.7%	8.6%
Net income	28.1	24.1	+17%	7.1%	6.4%
Earnings per share in €	0.48	0.41	+17%		
Diluted earnings per share in €	0.47	0.41	+15%		

1) In the first quarter of 2010, an interest rate swap of a Russian subsidiary which also included a compensation payment based on the currency relation ruble/euro, expired without a substantial burden on the financial result in financial year 2010.
2) The adjusted key earnings figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison (see "Notes – 5.2.").
3) Related to relevant Group sales.
4) Earnings before interest, taxes, depreciation and amortization.
5) Earnings before interest and taxes.
6) Earnings before taxes.

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

in € million	1–3/2010	1–3/2009	± %	Margin[2] 1–3/2010	Margin[2] 1–3/2009
Operating profit, adjusted	57.0	50.3	+13%	14.4%	13.4%
• Operating segment result Generics, adjusted	39.1	36.6	+7%	14.0%	13.6%
• Operating segment result Branded Products, adjusted	22.1	21.6	+2%	21.8%	23.4%
EBITDA[3], adjusted	76.0	67.6	+12%	19.2%	18.0%
EBIT[4], adjusted	56.8	49.9	+14%	14.4%	13.3%
EBT[5], adjusted	44.9	38.0	+18%	11.3%	10.1%
Net income, adjusted	33.1	28.3	+17%	8.4%	7.5%
Earnings per share in €, adjusted	0.56	0.48	+17%		
Diluted earnings per share in €, adjusted	0.55	0.48	+15%		

In order to strengthen mid and long-term earnings potential, STADA had, as is known, introduced the Group-wide "STADA – build the future" project in financial year 2009 for the optimization of Group structures.[6] Strategic goals of this Group-wide project, in which external consultants are also deployed, are a reduction of the complexity of the Group structures, more efficient centralized control of Group companies as well as an acceleration of continuous cost optimization with a focus on the fields of cost of sales/production locations as well as organizational, reporting and personnel structures.

STADA's Executive Board stands by its expectation that the "STADA – build the future" project will allow additional earnings contributions to be achieved which, with the implementation of the individual measures, will amount to annual savings in the double-digit million area.

However, increased investments and burdens on the income statement due to project-related one-time special effects, are, as is known, to be expected after decisions on the implementation of the measures anticipated in the first half of 2010. In the first quarter of 2010, in connection with the project "STADA – build the future", expenses in the amount of € 0.4 million before taxes or € 0.3 million after taxes were incurred for external consultancy services related to the strategic and structural positioning of the Group, which were recorded by STADA as one-time special effects.

Group-wide, the analysis of the results of the current full structure and process analysis will be completed in the current first half of 2010 and can subsequently be used as the basis for decisions on the measures to be taken.[7]

For financial year 2010, the Executive Board continues to expect that there is the opportunity for operating earnings growth and at least a stabilization of operating margins. It should thus generally be possible, from today's perspective, to achieve growth in all operational, i.e. adjusted for one-time special effects, key earnings figures in 2010.

Development of Segments

Sales of the two **core segments**, Generics and Branded Products, increased in the first quarter of 2010 by a total of 5% or 4% when adjusted. These two core segments thus had a share of 95.9% in Group sales (1-3/2009: 96.2%) in the reporting period.

1) Adjusted for one-time special effects and non-operational earnings-influencing effects from currency influences and interest rate hedge transactions.
2) Related to relevant Group sales.
3) Earnings before interest, taxes, depreciation and amortization.
4) Earnings before interest and taxes.
5) Earnings before taxes.
6) See STADA's Annual Report 2009.
7) For an essential subproject in Russia, an implementation phase had already begun in the fourth quarter of 2009; from this Russian subproject alone, gradually increasing savings are expected to be reached in the course of implementation, which, when all measures have been completed, are expected to add up to more than € 10 million per year. In the course of the current financial year 2010, reasonable investments still in the single-digit millions area will create the operational requirements for this purpose.

Sales of **Generics**, which continues to be the significantly larger core segment, increased in the reporting quarter – despite the partly very difficult framework conditions in individual national markets (see "Regional development in individual national markets") – by 3% to € 278.4 million (1-3/2009: € 269.5 million). Generics thus contributed 70.4% of Group sales in the first three months of the current financial year (1-3/2009: 71.7%). Adjusted, Generics sales in the Group increased by 4%.

Branded Products recorded an increase in sales of 10% to € 101.2 million in the reporting period (1-3/2009: € 92.0 million). Branded Products thus had a share of 25.6% in Group sales in the reporting quarter (1-3/2009: 24.5%). Adjusted, sales of branded products in the Group increased by 7%.

In **Commercial Business**, which is not part of the core business, sales rose to € 14.5 million in the first three months of 2010 (1-3/2009: € 11.9 million). Sales reported under **Group holdings/other** decreased to € 1.6 million in the reporting period (1-3/2009: € 2.6 million).

The development of the **operating segment earnings** as well as the resulting **operating segment margins** based on the respective segment sales can be seen in the chart above "Development of the STADA Group's key earnings figures".

Regional development in individual national markets

In **Germany**, which continues to be the largest national market for STADA, sales decreased by 3% to € 143.4 million (1-3/2009: € 147.9 million). The share of the German business activities in Group sales thus amounted to 36.2% in the first three months of 2010 (1-3/2009: 39.3%).

The decline in sales in Germany was due to the continued difficult local framework conditions in the Generics segment. The German generics market continued to be marked by the direct and indirect effects of regulatory interventions. These include in particular the discount agreements[1)] with health insurance organizations brought about as a result of regulatory changes in 2007. Although awards of discount agreements are generally associated with gains in sales and market share, they can only be achieved at low margins; not gaining awards normally means significant losses in sales and market share. STADA regularly participates in tenders for such discount agreements using different bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results.

Against this backdrop, STADA's generics sales in Germany declined by 6% to € 106.1 million in the first quarter of 2010 (1-3/2009: € 112.9 million). Generics thus had a 74% share in German Group sales (1-3/2009: 76%). The STADA Group's market share in terms of generics sold in German pharmacies was approx. 13.2% (financial year 2009: approx. 13.5%) in the reporting period; the STADA Group thus remains the third largest local generics supplier.

The Group's generics sales in Germany are generated via various sales labels. ALIUD PHARMA, the largest of the Group-owned sales lines in the German generics market, recorded a sales decrease in the first quarter of 2010 of 8% to € 61.1 million (1-3/2009: € 66.5 million). The second Group-owned German generics label STADApharm also recorded a sales decline in the reporting period of 6% to € 37.6 million (1-3/2009: € 39.9 million). In contrast, STADA's other generics sales label cell pharm, special supplier for the indication areas oncology and nephrology, recorded a considerable sales increase in the first quarter of 2010 of 17% to € 7.1 million (1-3/2009: € 6.1 million). This was primarily due to the continued positive development of the Group's first biosimilar[2)] SILAPO® (active ingredient Epo-zeta[3)]), which generated sales of € 3.6 million in the reporting quarter (1-3/2009: € 2.4 million).

1) There continues to be legal discussion on various types of discount agreements, both at a national and EU level, as to the fundamental legality and configuration of specific details.
2) Biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.
3) Epo-zeta is used in nephrology for treatment of renal anaemia with chronic renal insufficiency and in oncology for treatment of chemotherapy-induced anaemia.

More structural changes in the German health care system are expected from the federal government for the current year 2010. Under discussion are also changes to the structural element of discount agreements – with the goal, among other things, of a greater degree of acceptance among patients and improved anti-trust protection – which, if actually implemented, in the current assessment of the Executive Board, could lead overall to moderately positive effects in the mid-term for generics suppliers.

Such modifications are expected to be passed and to take effect during the current year or as of January 1, 2011; STADA continues to prepare adequately in the scope of what is operatively possible for the various result scenarios and for the respective market implementation of the tenders still outstanding or recently awarded. STADA thus also modified the local sales strategy in the German market previously followed by the Group and as of January 1, 2010, again separated the Group's pharmacy sales force for generics[1)] and branded products in Germany.

Sales of branded products in Germany – predominantly under the local sales labels STADA GmbH and Hemopharm – increased in the first quarter of 2010 by 6% to € 36.4 million (1-3/2009: € 34.2 million);[2)] this development was due, among other things, to the branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln, which was acquired by STADA in Germany at the end of 2009 for sale through Hemopharm, and which contributed € 1.1 million to sales in the first quarter of 2010.[3)]

In the current financial year 2010, from today's perspective, the Executive Board continues to expect sales approximately at the level of the previous year for the Group's German activities with operating profitability slightly below Group average.

In **Russia**, which continues to be STADA's second most important national market, the Group recorded encouraging sales growth in the first quarter of 2010 in the amount of 17%, applying last year's exchange rates. In euro, sales increased by 23% to € 44.7 million (1-3/2009: € 36.2 million).

The two core segments in the Russian market continued to have nearly the same share of local Group sales. Generics thus contributed € 22.4 million (1-3/2009: € 20.6 million) or 50% (1-3/2009: 57%) to STADA's sales in Russia. Sales of branded products amounted to € 22.2 million (1-3/2009: € 15.5 million) or 50% of STADA's sales in Russia (1-3/2009: 43%).

At the end of 2009, as is known, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a purchasing contract for a package of five Russian branded products with a focus on the gynecology area of indication.[4)] It is planned that sales responsibility will be assumed in the second quarter of the current financial year 2010; no sales contribution by the acquired products to Group sales had yet been recorded in the first quarter.

On March 22, 2010, the Russian subsidiary Nizhpharm signed a contract to acquire a share of 50% in Hetmak FZCO, Dubai, United Arab Emirates. The purchase price was € 0.2 million. Hetmak carries out purchasing functions for selected products of the Group's Russian sales company. As approval by the antitrust authorities is still pending, the shareholding is not currently being consolidated.

Within the scope of the Group-wide project "STADA – build the future" for the optimization of Group structures, the implementation phase of a substantial sub-project in Russia began, as is known, in the fourth quarter 2009.[4)] From this Russian sub-project alone, successively increasing savings will be achieved over the course of the implementation which, once all measures have been completed, should add up to more than € 10 million per year. In the course of 2010, reasonable investments in the single-digit millions area will create the operational requirements for this purpose.

For the current financial year 2010, STADA continues to expect further strong sales growth in local currency in the Russian market with operating profitability which continues to be above Group average. The sales and earnings contributions of the Russian business activities

1) Only generics from the STADApharm label were previously supported by the pharmacy sales force with sales activities; since the beginning of the second quarter of the current financial year, specific sales force employees in test regions have been supporting the sale to pharmacies of the ALIUD PHARMA label, which previously operated without any external sales force.
2) Like numerous other suppliers, STADA is also affected by a recall of drugs containing Bufexamac ordered by the German regulatory authority, the Federal Institute for Drugs and Medical Devices (BfArM), in the current second quarter. Regulatory authorities in other countries have only partly adopted this measure to date. The relevant STADA product with this active ingredient had achieved annual sales within the Group of € 5.6 million and annual sales of € 1.2 million in the German market alone in 2009. STADA is striving to offer a successor product using the former trademark before the end of the current financial year.
3) See STADA's Annual Report 2009. EUNOVA Multi-Vitalstoffe Langzeit Kapseln contributed a total of € 1.3 million to sales in the first quarter of 2010; in addition to sales in the German market, export sales in the amount of € 0.2 million were achieved.
4) See STADA's Annual Report 2009.

at Group level will remain largely dependent on the development of the currency relation of the local currency, the Russian ruble, to the euro.

In **Italy**, STADA recorded an increase in sales of 8% to € 32.0 million in the reporting quarter (1-3/2009: € 29.5 million).

This was largely due to the Group's generics sales in the Italian market, which rose considerably by 31% to € 22.1 million (1-3/2009: € 16.8 million). Generics thus had a share of 69% in local sales in the first three months of the current financial year (1-3/2009: 57%). This significant sales growth in generics was based on the one hand on the relatively low comparable basis of the corresponding quarter in the previous year and, on the other, on newly introduced limitations on discounts for the trade channels.

The Branded Products segment in contrast, recorded a sales decline in Italy in the first quarter of 2010 of 22% to € 9.9 million (1-3/2009: € 12.6 million) and thus still contributed 31% (1-3/2009: 43%) to STADA's sales in Italy.

Sales growth with an operating profitability which will again be at about Group average can, from today's perspective, continue to be expected in Italy for the current financial year 2010.

In **Belgium**, sales generated by STADA increased by 13% to € 30.0 million in the first quarter of 2010 (1-3/2009: € 26.6 million).

Generics thus continued to have the largest share of local sales in the Belgian market in the reporting period. Generics sales generated by STADA there in the first quarter of 2010 rose by 11% to € 28.5 million (1-3/2009: € 25.7 million). Generics thus made up 95% of local sales in the first three months of 2010 (1-3/2009: 96%).

STADA generated sales of € 1.5 million with branded products in Belgium in the reporting period (1-3/2009: € 0.9 million). Their share of STADA's Belgian sales thus amounted to 5% (1-3/2009: 4%).

In view of further product launches in the Generics segment, STADA continues to anticipate another significant increase in sales for financial year 2010 with an operating profitability that will continue to be at about Group average.

Sales generated by STADA in **Spain** also recorded a considerable increase of 25% to € 23.4 million in the first quarter of 2010 (1-3/2009: € 18.8 million); these are, however, partly temporary sales increases in advance of expected regulatory changes, which do not offer any indication for the full-year sales development in Spain.

This particularly applies to the growth of the local generics business. In a market with increased growth momentum Generics sales generated by STADA in Spain in the first quarter of 2010 grew by 26% to € 21.3 million (1-3/2009: € 16.8 million). Generics thus made up 91% of local sales in the first three months of 2010 (1-3/2009: 90%).

Sales of branded products in the reporting period amounted to € 2.1 million (1-3/2009: € 1.9 million). The share of branded products in Spain amounted to 9% (1-3/2009: 10%) of STADA's local sales.

For financial year 2010, STADA continues to expect a further increase in sales, with an operating profitability which continues to be below Group average.

In **Serbia**, – despite a continued difficult local economic situation – STADA increased sales by 34% in the first quarter of 2010 applying last year's exchange rates. In euro, sales in Serbia rose by 27% to € 21.3 million (1-3/2009: € 16.8 million).

The local management continues to implement security measures in order to limit the default risk of the Group, which is due to the macro-economic framework conditions and the resulting tense liquidity situation of local wholesalers in Serbia. It can, however, not be ruled out that the local Serbian subsidiaries will be confronted with payment difficulties on the part of local wholesalers in the current financial year 2010. Thus, value adjustments on receivables from local wholesalers in the amount of € 1.3 million before or € 1.2 million after taxes were made in the first quarter of 2010.

Generics generated sales of € 16.2 million in the Serbian market in the reporting period (1-3/2009: € 12.1 million). Their share of local sales thus amounted to 76% (1-3/2009: 72%). In the Branded Products segment, sales in Serbia in the first quarter of 2010 amounted to € 1.5 million (1-3/2009: € 1.0 million). They thus had a 7% share of local sales (1-3/2009: 6%).

For 2010, the Group continues to expect – provided there is adequate liquidity at Serbian wholesalers – approximate sales stability in Serbia in the local currency. Operating profitability of the subgroup, whose operative management is carried out from there, is expected to be about or slightly above Group average. Further cost reductions in the operating business activity, among other things, are expected to contribute to this. In view of this, the subgroup is also expected to be a focus for measures to improve earnings in the context of the Group-wide “STADA – build the future” project for the optimization of Group structures.

In 2010, the sales and earnings contributions of this subgroup will continue to largely depend on the development of the currency relation of the local currency, the Serbian dinar, in which the subsidiary consolidates all results, to the euro.

STADA’s ten largest markets also include the following national EU markets, in which STADA recorded the following mixed sales developments – by comparing the first quarter of 2010 and the first quarter of 2009 respectively:

- **France:** +4% to € 18.2 million (1-3/2009: € 17.6 million)
- **United Kingdom:** -1% to € 11.9 million (1-3/2009: € 12.1 million)
- **The Netherlands:** +5% to € 9.8 million (1-3/2009: € 9.3 million)
- **Denmark:** +43% to € 8.9 million (1-3/2009: € 6.2 million) – due, among other things, to the purchase of a portfolio of mainly branded products (see “Acquisitions and Disposals”)

In the 15 **other European countries** with Group-owned local sales companies, sales generated by STADA in the first three months of 2010 decreased by 16% to € 31.6 million (1-3/2009: € 37.5 million), the extraordinarily high sales base of the corresponding quarter in the previous year could, as expected, not be reached again.

Sales development in the Group’s most important **Asian markets** in the reporting period was as follows:

In the **Philippines** sales rose by 21% applying the exchange rates of the previous year. In euro, sales grew by 19% to € 3.6 million (1-3/2009: € 3.0 million). In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a joint venture with a local partner – increased by 19% applying the exchange rates of the previous year. In euro, sales went up by 6% to € 2.4 million (1-3/2009: € 2.2 million). In **Thailand**, sales decreased slightly by 1% applying the exchange rates of the previous year. In euro, sales slightly increased by 2% to € 0.6 million (1-3/2009: € 0.6 million). In **China**, sales rose by 16% applying the exchange rates of the previous year. In euro, sales increased by 9% to € 0.7 million (1-3/2009: € 0.6 million).

In countries without own sales companies, **export sales** generated by STADA increased in the reporting period by 20% to € 11.5 million (1-3/2009: € 9.6 million).

Research and development

Research and development costs amounted to € 12.0 million in the first three months of 2010 (1-3/2009: € 11.1 million). These costs continue to relate only to development costs as STADA, due to its business model, does not carry out any research into new active ingredients. In addition, in the context of the existing Group accounting guidelines, development costs for new products in the amount of € 3.9 million were capitalized in the reporting period (1-3/2009: € 3.2 million).

Overall, STADA launched 158 individual products worldwide in the first quarter of 2010 (1-3/2009: 121 product launches) in individual national markets.

The development activities of BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital, whose business activities focus on biosimilar products[1] and whose development activities are operationally carried out by STADA, currently continue to concentrate on Epo-zeta[2]. In addition to studies on pharmacovigilance, an expansion of the existing EU-wide approval for the subcutaneous application in the indication area of nephrology was strived for. After, as is known, the so-called “positive opinion” by the EMA was achieved in the first quarter of 2010[3], STADA received approval for this additional indication from the EU Commission on April 6, 2010.

In the Executive Board’s assessment, STADA’s unchanged well-filled product pipeline allows for a continuous flow of new products, particularly in view of generics in the EU countries, to be expected.

Financial position and cash flow

In the Executive Board’s view, the STADA Group’s financial position continues to be stable. As of the reporting date March 31, 2010, the **equity-to-assets ratio**, at 36.9% (December 31, 2009: 35.5%), continued to be clearly above the minimum ratio strived for by the Executive Board.

Net debt amounted to € 881.2 million as of March 31, 2010 (December 31, 2009: € 899.0 million) and as of this reporting date remained mainly financed via long-term promissory notes from various international and national banks with maturities in the area of 2010-2015.

If the net debt of the Group is placed in proportion to the adjusted EBITDA of STADA it results in – on linear extrapolation of the adjusted EBITDA of the first quarter on a full year basis – a value of 2.9. With this, the full year target, which envisages a return of this ratio to a maximum value of 3, was temporarily reached already in the first quarter of 2010 (value as of December 31, 2009: 3.1). This confirms the Executive Board’s opinion, that, from today’s perspective, it is possible to achieve the target strived for on a full year basis.

In addition, the Executive Board currently remains hesitant to again increase the Group’s net debt in order to finance external growth, without, however, ruling out taking advantage of special opportunities.

In view of the targeted optimization of the long-term refinancing structure to increase liquidity security, in the current second quarter of 2010, on April 14, 2010, STADA placed a corporate bond with a volume of € 350 million.[4] The bond has a term of five years with an interest rate of 4.00% per year. The issue price amounted to 99.987%. The denomination is € 1,000. The proceeds from the issue will be used for general business purposes.

1) A biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.
2) Erythropoietin is a biopharmaceutical active ingredient used in nephrology for treatment of renal anaemia for chronic renal insufficiency and in oncology for treatment of chemotherapy-induced anaemia.
3) See STADA’s Annual Report 2009.
4) See the Company’s Corporate News of April 14, 2010.

The Group continues to have short-term firmly-pledged bilateral credit lines. Currently STADA has access to over € 500 million in such open, i.e. not currently utilized by the Group, credit lines.

The Group's **cash flow from operating activities** in the first three months of the current financial year amounted to € 64.6 million (1-3/2009: € 37.9 million). **Free cash flow** amounted to € 24.6 million in the reporting period (1-3/2009: € 16.2 million). **Free cash flow adjusted** for expenses from acquisitions and proceeds from disposals amounted to € 46.7 million in the first three months of 2010, while free cash flow adjusted for expenses from acquisitions and proceeds from disposals had amounted to € 13.7 million in the first quarter of 2009.

Result from the accounting of shares in associated companies under the equity method

The reported result from the accounting of associated companies under the equity method in the first quarter of 2010 in the amount of € -0.1 million (1-3/2009: € -0.4 million) is the result of accounting for BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital[1)] whose business activities are oriented to so-called biosimilar products and which is accounted for in the STADA Group as per STADA's shareholding on the reporting date March 31, 2010, of 15.86% in accordance with the equity method.

Acquisitions and Disposals

In the reporting quarter, the Group continued to pursue a cautious acquisition policy and continued to apply stringent standards in terms of profitability and appropriateness of the purchase price. Against this backdrop, in the first quarter of 2010, STADA acquired a small product portfolio in Denmark and in the current second quarter a 50% share in a small purchasing joint venture.

On January 15, 2010, as is known, the Danish STADA subsidiary purchased a portfolio of mainly branded products with a focus on the antibiotics area of indication with eight pharmaceutical active ingredients.[2)] The seller was NordMedica A/S, Copenhagen. The purchase price was € 4.8 million. In 2009, sales with these products amounting to approx. € 2.2 million were achieved under the former owners. The acquired product package has contributed to the STADA Group sales and earnings since January 18, 2010.

On March 22, 2010, the Russian subsidiary Nizhpharm signed a contract to acquire a share of 50% in Hetmak FZCO, Dubai, United Arab Emirates. The purchase price was € 0.2 million. Hetmak carries out purchasing functions for selected products of the Group's Russian sales company. As approval by the antitrust authorities is still pending, the shareholding is not currently being consolidated.

As a result of the increasing concentration process in the industry, the Executive Board continues to see the opportunity, but also the necessity, to complement the Group's organic growth with additional external growth impulses. Against this backdrop, STADA will, also in the future, pursue an active but at the same time cautious acquisition policy and will continue to apply stringent standards in terms of profitability and appropriateness of the purchase price. In this context the Executive Board does not exclude cooperations with a significant capital investment.

The Executive Board, however, is currently hesitant to further increase the Group's net financial liabilities in order to finance external growth without, however, excluding taking advantage of special opportunities. For larger projects such as acquisitions or cooperations with capital investments, nevertheless, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

1) STADA's financial exposure as of March 31, 2010: € 19.3 million payments for equity share, € 36.1 million loans and € 6.3 million capital guarantee drawn.
2) See STADA Annual Report 2009.

STADA share

The share price development of the STADA share in the first quarter of 2010 was – with continuing marked volatility – encouraging. The STADA share price was listed at year-end 2009 at € 24.20 and was at € 29.17 as of March 31, 2010. The STADA share price thus increased in the first three months of 2010 by 21%. STADA market capitalization as of the reporting date March 31, 2010, was € 1.717 billion. At the end of 2009, the market capitalization was still € 1.424 billion.

As of March 31, 2010, subscribed share capital of STADA Arzneimittel AG was at an amount of € 153,012,652.00 (December 31, 2009: € 153,009,532.00) consisting of 58,851,020 registered shares[1)] with restricted transferability[2)], each with an arithmetical share in share capital of € 2.60 (December 31, 2009: 58,849,820 registered shares). The changes in the first three months of 2010 result from the exercising of 60 warrants 2000/2015[3)]. Thus, as of March 31, 2010, 176,960 warrants 2000/2015 for the subscription of 3,539,200 STADA registered common shares were still outstanding.

In the first quarter of 2010, STADA did not purchase any of its own shares and sold – exclusively as part of an employee stock ownership program – 1,151 treasury shares at an average price of € 25.29. As of March 31, 2010, 102,404 treasury shares were thus held by STADA, compared to 103,555 shares which the Company had held as of December 31, 2009.

As of March 31, 2010, STADA therefore assumes, considering 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 SKAGEN AS, Stavanger, Norway, holds a stake that exceeds the legal reporting threshold of 3%.[4)] In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

On March 1, 2010[5)], the Executive Board of STADA Arzneimittel AG resolved and published to propose a dividend in the amount of € 0.55 (previous year: € 0.52) per STADA common share for financial year 2009.

In the first quarter of 2010, the Supervisory Board member, Carl Ferdinand Oetker sold a total of 4,000 shares of STADA Arzneimittel AG (sale through option).[6)]

Personnel

On May 10, 2010, the Supervisory Board of STADA Arzneimittel AG decided at its meeting not to extend the contract of Christof Schumann, Chief Production and Development Officer.[7)]

Schumann's contract thus expires, as per agreement, on December 31, 2010; Schumann will continue to fulfill his contractual obligations until further notice.

This decision was made against the backdrop that the Supervisory Board, as part of the "STADA – build the future" project, a decision on the concrete implementation of which, as is known, will be made in the current quarter, had also sought a replacement to carry out Schumann's Executive Board responsibilities.

1) Thereof, after deducting treasury shares, 58,748,616 registered common shares are entitled to vote.
2) 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.
3) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
4) See the disclosure of August 11, 2009.
5) See the Company's ad hoc release of March 1, 2010.
6) See the Company's releases of March 17, 2010 and March 23, 2010 in accordance with Section 15a of the German Securities Trading Act (WpHG).
7) See the Company's ad hoc release of May 10, 2010.

Outlook

The Executive Board fundamentally confirms the outlook and risk report published for the Group in STADA's Annual Report 2009. Together with the supplementary statements and updates made in this interim report, it gives, in the view of the Executive Board, an accurate and up-to-date overall picture of the STADA Group's opportunities and risks.

STADA's business model is accordingly geared towards markets with long-term growth potential in the health care and pharmaceutical markets; inevitably linked to this, however, are risks and challenges that arise from repeatedly intensive competition and changed or additional state regulation. Therefore, in the Executive Board's assessment, far-reaching regulatory interventions, intensive competition and significant margin pressure will always occur in individual national markets. The latter applies in particular to the increasing volume of business in the Generics segment characterized by tenders.

Furthermore, the Group will, also in the future, have to deal with non-operational influence factors, particularly specific effects from the global financial and economic crisis. The development of the STADA Group in financial year 2010 will thus continue to depend to a large extent on currency relations, particularly those of the Russian ruble and Serbian dinar to the euro.

Thus, the sales and earnings development of the STADA Group will, also in the current financial year 2010, be characterized by differing and partially contradictory factors in the various national markets. From the expected sales increase for the Group assumed by the Executive Board in 2010, however, positive influences on earnings development can also be anticipated.

STADA's Executive Board expects that the continuing "STADA – build the future" project for the optimization of the Group structures will allow additional earnings contributions to be achieved which, with the gradual implementation of the individual measures, will amount to annual savings in the double digit million area. However, from today's perspective, after decisions on the implementation of the measures anticipated in the first half year of 2010 rising investments as well as burdens on the income statement due to project-related one-time special effects must be expected.

Against the backdrop of these factors influencing the Group's earnings development, the Executive Board in its overall assessment continues to expect that in financial year 2010 there is the opportunity for operating earnings growth and at least a stabilization of operating margins.

Overall, from today's perspective it should remain possible in financial year 2010 to achieve overall growth in terms of sales and in terms of all operational key earnings figures, i.e. adjusted for one-time special effects.

H. Retzlaff C. Schumann H. Kraft

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS OF 2010 (ABRIDGED)

Consolidated Income Statement

in € 000s	1/1-3/31/2010	1/1-3/31/2009
01. Sales	395,671	375,940
02. Cost of sales	213,055	198,268
03. Gross profit	**182,616**	**177,672**
04. Other operating income	17,341	15,910
05. Selling expenses	89,863	84,200
06. General and administrative expenses	33,400	29,883
07. Research and development expenses	12,011	11,142
08. Other operating expenses	13,251	19,732
09. Operating profit	**51,432**	**48,625**
10. Result from the accounting of shares in associated companies under the equity method	-127	-404
11. Interest result	-12,891	-16,068
thereof		
• interest income	669	1,398
• interest expenses	-13,560	-17,466
12. Financial result	**-13,018**	**-16,472**
13. Earnings before taxes	**38,414**	**32,153**
14. Taxes on income	10,236	7,948
15. Net income[1]	**28,178**	**24,205**
thereof		
• net income distributable to shareholders of STADA Arzneimittel AG	28,132	24,118
• net income relating to non-controlling shareholders	46	87
16. Earnings per share in €	0.48	0.41
17. Earnings per share in € (diluted)	0.47	0.41

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

Consolidated Statement of Comprehensive Income

in € 000s	1/1-3/31/2010	1/1-3/31/2009
Net income	**28,178**	**24,205**
thereof		
• net income distributable to shareholders of STADA Arzneimittel AG	28,132	24,118
• net income relating to non-controlling shareholders	46	87
Income and expenses recognized directly in shareholders' equity	**734**	**-37,170**
thereof		
• currency translation differences attributable to shareholders of STADA Arzneimittel AG	1,365	-35,656
• currency translation differences attributable to non-controlling shareholders	183	-
• fair value assessment Available for Sale (exclusively attributable to shareholders of STADA Arzneimittel AG)	-4	55
• fair value assessment Available for Sale at associated companies (exclusively attributable to shareholders of STADA Arzneimittel AG)	-30	-
• cash flow hedges (exclusively attributable to shareholders of STADA Arzneimittel AG)	-1,208	-2,256
• deferred taxes on fair value assessment Available for Sale	1	-15
• deferred taxes on fair value assessment Available for Sale at associated companies	8	-
• deferred taxes on cash flow hedges	340	602
• actuarial gains (+) and losses (-) from provisions for pensions (exclusively attributable to shareholders of STADA Arzneimittel AG)	108	137
• deferred taxes on actuarial gains (+) and losses (-) from provisions for pensions	-29	-37
Consolidated comprehensive income	**28,912**	**-12,965**
thereof		
• relating to shareholders of STADA Arzneimittel AG	28,683	-13,052
• relating to non-controlling shareholders	229	87

Consolidated Balance Sheet

Assets in € 000s	Mar. 31, 2010	Dec. 31, 2009
A. Non-current assets	**1,389,847**	**1,406,574**
1. Intangible assets	1,024,851	1,000,087
2. Property, plant and equipment	309,667	309,033
3. Financial assets	19,164	19,566
4. Shares in associated companies recognized under the equity method	7,051	7,200
5. Non-current trade accounts receivable	817	2,638
6. Non-current income tax receivables	-	1,064
7. Other non-current assets	5,417	44,469
8. Deferred tax assets	22,880	22,517
B. Current assets	**1,045,656**	**1,045,155**
1. Inventories	383,121	374,983
2. Current trade accounts receivable	416,108	419,435
3. Current income tax receivables	27,675	30,319
4. Other current assets	101,029	57,531
5. Non-current assets held for sale	5,877	5,582
6. Current securities	74	369
7. Cash and cash equivalents	111,772	156,936
Total assets	**2,435,503**	**2,451,729**

Equity and liabilities in € 000s		
A. Equity	**898,042**	**869,677**
1. Share capital	153,012	153,009
2. Reserves, treasury shares and unappropriated retained earnings	736,299	708,115
3. Shares relating to non-controlling shareholders	8,731	8,553
B. Non-current liabilities and provisions	**778,986**	**683,539**
1. Non-current provisions	23,700	23,490
2. Non-current financial liabilities	648,379	565,326
3. Non-current trade accounts payable	6	29
4. Other non-current liabilities	39,288	30,032
5. Deferred tax liabilities	67,613	64,662
C. Current liabilities and provisions	**758,475**	**898,513**
1. Current provisions	10,110	10,490
2. Current financial liabilities	344,626	490,951
3. Current trade accounts payable	260,790	266,577
4. Current income tax liabilities	21,818	21,823
5. Other current liabilities	121,131	108,672
Total equity and liabilities	**2,435,503**	**2,451,729**

Consolidated Cash Flow Statement

Net cash flow for the period in € 000s	1/1-3/31/2010	1/1-3/31/2009
Cash flow from operating activities	64,576	37,881
Cash flow from investing activities	-40,020	-21,720
Cash flow from financing activities	-68,854	-49,428
Changes in cash and cash equivalents (sub-total)	**-44,298**	**-33,267**
Changes in cash and cash equivalents due to Group composition and exchange rates	-866	-8,132
Total	**-45,164**	**-41,399**

Consolidated Statement of Equity

in € 000s	1/1-3/31/2010	1/1-3/31/2009
Equity capital at the beginning of the period	869,677	839,735
Net income including profit relating to non-controlling shareholders	28,178	24,205
Capital increase through the exercising of warrants	20	-
Changes in retained earnings in accordance with IAS 19	79	100
Changes in provision Available for Sale	-25	40
Changes in reserves for cash flow hedges	-868	-1,654
Other changes/currency translation	981	-37,709
Equity capital at the end of the period	898,042	824,717

Notes

1. General

1.1. Accounting policies

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

The consolidated interim management report has been prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of March 31, 2010 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, 2009 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, 2010 have been observed by STADA.

In the Executive Board's view, the interim report includes all usual adaptations that must be constantly made and which are necessary for an adequate presentation of the Group's business, financial and earnings situation. With regard to the principles and methods used in the context of Group Accounting we refer to the Notes to the consolidated financial statements of the Annual Report 2009.

1.2. Changes in accounting policies

As compared to financial year 2009 the following standards and interpretations are applied for the first time:

- IFRS 1 "First-Time Adoption of IFRS": changes relate to wording, therefore in general no influence on the presentation of the business, financial and earnings situation
- IFRS 2 "Share-based Payment": clarifies the accounting of share-based payments within the Group that are made in cash (not relevant for STADA)
- IAS 39 "Financial Instruments: Recognition and Measurement: Hedged Items": relates to changes concerning risk positions qualifying for hedge accounting
- IFRIC 9/IAS 39 "Reassessment of Embedded Derivatives" and "Financial Instruments: Recognition and Measurement": addresses the question of how embedded derivatives are to be accounted on reclassification of hybrid contracts out of the "fair value through profit or loss" category
- IFRIC 16 "Hedges of a net investment in a foreign operation": addresses the questions of the amount of the designatable risk (foreign currency risk), which company within a group is allowed to hold the hedging instrument in case of the hedge of a net investment into a foreign operation and how to measure the amounts for the hedge and the hedged item to be reclassified from equity to the income statement in case of a disposal of the foreign operation
- IFRIC 17 "Distributions of Non-cash Assets to Owners": governs the recognition and the measurement of liabilities from distributions in the form of non-cash dividends and how a difference between the carrying amount of the distributed assets and the carrying amount of the dividend paid out is to be accounted for
- Various changes in the context of the Annual Improvement Project from April 2009

1.3. Scope of consolidation

STADA's consolidated financial statements have been prepared for STADA Arzneimittel AG as parent company.

As of March 31, 2010, there were changes in the scope of consolidation as compared to December 31, 2009 as a result of the initial consolidation of STADA Consumer Health s.l., Barcelona, Spain.

In the consolidated financial statements of the STADA Group, 68 companies were thereby consolidated as subsidiaries, two companies as joint ventures and one subsidiary as an associate as of the balance sheet date on March 31, 2010.

2. Notes to the Consolidated Income Statement

2.1. Sales

Sales are recorded in this interim report in accordance with the principle of revenue recognition: Revenues from the sale of products and goods are recognized when goods have been delivered or services rendered and both risk and title have passed to the buyer.

2.2. Research and development expenses

In the case of research and development expenses of STADA Arzneimittel AG, it must be considered that it is only a matter of development expenses because STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients. In accordance with STADA Group's accounting guidelines presented in the Annual Report 2009, a part of development costs is capitalized.

2.3. Taxes on income

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group's consolidated financial statements for the first quarter of 2010.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of March 31, 2010, intangible assets included € 333.1 million (December 31, 2009: € 331.2 million) goodwill.

3.2. Consolidated statement of changes in shareholders' equity

Pursuant to IAS 1.134, STADA understands capital exclusively as equity reported in the Group's balance sheet and aims to continuously improve its market value through optimal capital management.

Shareholders' equity amounted to € 898.0 million as of March 31, 2010 (December 31, 2009: € 869.7 million). As of this reporting date, the equity-to-assets ratio was thus 36.9% (December 31, 2009: 35.5%).

3.3. Financial liabilities

As of March 31, 2010, the Group's current and non-current financial liabilities in the amount of € 344.6 million or € 648.4 million (December 31, 2009: € 491.0 million or € 565.3 million) include promissory notes in the amount of € 675.0 million (December 31, 2009: € 675.0 million).

3.4. Other financial obligations

Other financial obligations mainly relate to obligations from rental and leasing obligations as well as additional financial obligations. On March 31, 2010, rental and leasing obligations amounted to € 40,130 thousand (December 31, 2009: € 46,897 thousand) and the remaining financial liabilities amounted to € 52,160 thousand (December 31, 2009: € 51,120 thousand).

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

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

4.2. Cash flow from investing activities

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals.

4.3. Cash flow from financing activities

Cash flow from financing activities encompasses payments from changes in financial liabilities, for dividend payments and treasury shares as well as additions to shareholders' equity.

4.4. Net cash flow for the period

Net cash flow for the period is the balance of cash inflows and outflows from operating activities, from cash flows from financing activities and investing activities, as well as from changes in cash and cash equivalents due to Group composition and exchange rates.

5. Other Disclosures

5.1. Related party disclosures

Related party disclosures made in the Annual Report 2009 remain unchanged for the Interim Report on the First Three Months of 2010, with the following two exceptions or changes: that the utilization of the capital guarantee granted by STADA to BIOCEUTICALS Arzneimittel AG amounted to € 6.3 million as of March 31, 2010 and that a total of € 36.1 million has been used from the credit line facility given by STADA to BIOCEUTICALS.

5.2. One-time special effects and adjusted key figures

STADA's financial performance indicators have been influenced by a number of one-time special effects and/or non-operational effects in the reporting period.

The deduction of such effects which have an impact on STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous periods. To achieve this, STADA uses adjusted key figures, which, as so-called pro forma figures, are not governed by the international accounting requirements in accordance with the International Financial Reporting Standards (IFRS).

As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent. Adjusted key figures should not be viewed in isolation as an alternative to STADA's financial performance indicators presented in accordance with IFRS. In addition, a statement on the future development of adjusted key figures is only possible to a limited extent due to the one-time character of the special effects recognized in these figures.

5.3. Personalia

On January 1, 2010, the new Chief Financial Officer of STADA Group, Helmut Kraft, assumed his post. This position had been vacant since August 12, 2009. In addition to the area of Finance, Helmut Kraft has also been responsible for the areas of Procurement (previously under the management of Christof Schumann) and IT (previously under the management of Hartmut Retzlaff) since February 15, 2010.

In addition, responsibility for the Logistics area shifted from Christof Schumann to Hartmut Retzlaff as of March 1, 2010.

On May 10, 2010, the Supervisory Board of STADA Arzneimittel AG decided at its meeting not to extend the contract of Christof Schumann, Chief Production and Development Officer.[1)]

Schumann's contract thus expires, as per agreement, on December 31, 2010; Schumann will continue to fulfill his contractual obligations until further notice.

This decision was made against the backdrop that the Supervisory Board, as part of the "STADA – build the future" project, a decision on the concrete implementation of which, as is known, will be made in the current quarter, had also sought a replacement to carry out Schumann's Executive Board responsibilities.

1) See the Company's ad hoc release of May 10, 2010.

6. Segment Reporting

6.1. 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 offset 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 the segment liabilities is waived, as this is without relevance for Group monitoring and in Group reporting.

6.2. Information by operating segment

in € 000s		1/1-3/31/2010	1/1-3/31/2009
Generics	**External sales**	**278,367**	**269,465**
	Sales with other segments	274	904
	Total sales	278,641	270,369
	Operating profit	37,822	38,980
	Segment assets (Mar. 31)	895,633	890,236
Branded Products	**External sales**	**101,211**	**92,009**
	Sales with other segments	644	1,015
	Total sales	101,855	93,024
	Operating profit	23,523	17,764
	Segment assets (Mar. 31)	230,943	186,177
Commercial Business	**External sales**	**14,527**	**11,871**
	Sales with other segments	0	23
	Total sales	14,527	11,894
	Operating profit	1,717	1,260
	Segment assets (Mar. 31)	3,353	4,159
Group holdings / other	**External sales**	**1,566**	**2,595**
	Sales with other segments	0	0
	Total sales	1,566	2,595
	Operating profit	-11,630	-9,379
	Segment assets (Mar. 31)	223,753	223,342
Reconciliation consolidated financial statements	**External sales**	**0**	**0**
	Sales with other segments	-918	-1,942
	Total sales	-918	-1,942
	Operating profit	0	0
	Segment assets (Mar. 31)	0	0
Group	**External sales**	**395,671**	**375,940**
	Sales with other segments	0	0
	Total sales	395,671	375,940
	Operating profit	51,432	48,625
	Segment assets (Mar. 31)	1,353,683	1,303,914

6.3. Reconciliation of segment results to net profit

in € 000s	1/1-3/31/2010	1/1-3/31/2009
Operating segment profit	51,432	48,625
Result from the accounting of associated companies under the equity method	-127	-404
Interest result	-12,891	-16,068
Earnings before taxes, Group	**38,414**	**32,153**

6.4. Reconciliation of segment assets to Group assets

in € 000s	Mar. 31, 2010	Mar. 31, 2009
Segment assets	1,353,682	1,303,914
Other non-current assets	36,165	85,135
Current assets	1,045,656	996,195
Total assets, Group	**2,435,503**	**2,385,244**

7. Additional Information

7.1. Information by region[1]

Sales in € 000s	1/1-3/31/2010	1/1-3/31/2009	±%	±% adjusted[2]
Europe	**378,232**	**360,932**	**+5%**	***+4%***
• Belgium	30,003	26,589	+13%	
• Bosnia-Herzegovina	3,496	9,947	-65%	*-63%*
• Bulgaria	1,303	1,759	-26%	*-22%*
• Denmark	8,911	6,231	+43%	*+36%*
• Germany	143,383	147,882	-3%	*-4%*
• Finland	1,113	1,632	-32%	
• France	18,231	17,581	+4%	
• UK	11,916	12,085	-1%	*-4%*
• Ireland	4,702	4,901	-4%	
• Italy	31,951	29,495	+8%	
• Macedonia	706	686	+3%	*+9%*
• Montenegro	1,109	1,307	-15%	*-10%*
• The Netherlands	9,806	9,307	+5%	
• Austria	3,386	3,495	-3%	
• Poland	1,272	591	+115%	*+127%*
• Portugal	3,022	2,299	+31%	
• Romania	1,035	871	+19%	*+25%*
• Russia	44,660	36,162	+23%	*+17%*
• Sweden	1,023	1,046	-2%	*-2%*
• Serbia	21,303	16,795	+27%	*+34%*
• Slovakia	1,511	1,333	+13%	*+6%*
• Spain	23,399	18,782	+25%	
• Czech Republic	2,763	3,332	-17%	*-21%*
• Ukraine	4,931	4,157	+19%	*+24%*
• Rest of Europe	3,297	2,667	+24%	*+24%*
The Americas	**2,973**	**3,004**	**-1%**	***+1%***
Asia	**12,375**	**10,898**	**+14%**	***+19%***
• China	664	609	+9%	*+16%*
• Kazakhstan	1,721	1,522	+13%	*+25%*
• The Philippines	3,581	3,010	+19%	*+21%*
• Thailand	621	610	+2%	*-1%*
• Vietnam	2,358	2,214	+6%	*+19%*
• Rest of Asia	3,430	2,933	+17%	*+18%*
Rest of world	**2,091**	**1,106**	**+89%**	***+81%***

1) Broken down according to the national market in which the sales were achieved.
2) Adjustments due to changes in the Group portfolio as well as to currency effects (see "Sales development of the STADA Group").

Publisher: STADA Arzneimittel AG, Stadastrasse 2–18, D-61118 Bad Vilbel, Phone: +49 (0) 6101/603-0, Fax: +49 (0) 6101/603-259, E-mail: info@stada.de

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.

Contact: STADA Arzneimittel AG · STADA Corporate Communications · Phone: +49 (0) 61 01/6 03-1 13 · Fax: +49 (0) 61 01/6 03-5 06 · E-mail: communications@stada.de

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1) Employee representatives.