STADA
Interim Report on the First Three Months of 2014

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31[1]	± %
Group sales	507.4	473.2	+7%
• Generics (core segment)	299.5	303.4	-1%
• Branded Products (core segment)	196.8	161.7	+22%
Operating profit	63.1	70.0	-10%
Operating profit, adjusted[2][3]	*87.6*	*71.9*	*+22%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	97.7	96.6	+1%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[2][3]	*114.7*	*98.2*	*+17%*
EBIT (Earnings before interest and taxes)	63.5	70.8	-10%
EBIT (Earnings before interest and taxes), adjusted[2][3]	*88.0*	*72.8*	*+21%*
EBT (Earnings before taxes)	50.8	55.6	-9%
EBT (Earnings before taxes), adjusted[2][4]	*73.3*	*58.0*	*+26%*
Net income	35.0	34.9	0%
Net income, adjusted[2][4]	*52.6*	*36.7*	*+43%*
Cash flow from operating activities	35.8	41.5	-14%
Capital expenditure	153.8	23.5	>100%
Depreciation and amortization (net of write-ups)	34.3	25.7	+33%
Employees (average number calculated on the basis of full-time employees Jan. 1 – Mar. 31)[5]	10,021	8,438	+19%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	10,076	8,437	+19%

Key share figures	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31	± %
Market capitalization in € million (as of Mar. 31 / Mar. 28)	1,877.9	1,895.1	-1%
Closing price (XETRA®) in € (as of Mar. 31 / Mar. 28)	31.07	31.94	-3%
Average number of shares (without treasury shares, Jan. 1 – Mar. 31)	60,350,948	59,239,749	+2%
Earnings per share in €	0.58	0.59	-2%
Earnings per share in €, adjusted[2][4]	*0.87*	*0.62*	*+40%*
Diluted earnings per share in €	0.57	0.58	-2%
Diluted earnings per share in €, adjusted[2][4]	*0.86*	*0.61*	*+41%*

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) 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.
3) Within the context of this interim report, adjustments in connection with the operating profit, EBITDA and EBIT generally relate to one-time special effects.
4) Within the context of this interim report, adjustments in connection with EBT, net income, earnings per share and diluted earnings per share generally relate to one-time special effects and non-operational effects from the measurement of derivative financial instruments.
5) This average number includes changes in the scope of consolidation on a pro-rata basis.

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

Faced with challenging framework conditions in two of four market regions as well as one-time special effects in connection with currency translation expenses recorded in the income statement resulting from the devaluation of the Russian ruble as well as further significant currencies of the market region CIS / Eastern Europe in total the amount of € 15.9 million before taxes or € 13.0 million after taxes, the STADA Group recorded a positive business development in the first quarter of 2014 in line with the expectations of the Executive Board. Group sales went up by 7% to € 507.4 million (1-3/2013[1]: € 473.2 million). Reported EBITDA increased slightly by 1% to € 97.7 million (1-3/2013[1]: € 96.6 million). Reported net income was approx. at the same level of the corresponding period of the previous year with € 35.0 million (1-3/2013: € 34.9 million). Adjusted EBITDA recorded a plus of 17% to € 114.7 million (1-3/2013[1]: € 98.2 million). Adjusted net income recorded growth of 43% to € 52.6 million (1-3/2013: € 36.7 million).

The financial position of the STADA Group remained stable in the reporting period. Net debt amounted to € 1,411.8 million as of March 31, 2014 (December 31, 2013: € 1,306.8 million). The net debt to adjusted EBITDA ratio was at 3.1 (1-3/2013[1]: 3.0).

Against the backdrop of the strong devaluation of the Russian ruble and the Ukrainian hryvnia, as well as the uncertainties regarding the future business development in the context of the CIS crisis, the Executive Board in the first quarter of 2014 adjusted the outlook for 2014 as published in the context of a long-term prognosis in 2010 as the Board no longer expected to completely meet the prognosis.[2] In the outlook for Group sales, adjusted EBITDA and adjusted net income, the Executive Board now expects to achieve slight growth.

Sales development of the STADA Group

Group sales rose in the first three months of 2014 – with varying development in the individual market regions – by 7% to € 507.4 million (1-3/2013[1]: € 473.2 million).

When effects on sales based on changes in the Group portfolio and currency effects are deducted, Group sales increased by 3% to € 488.5 million in the reporting period.

In detail, these effects on sales, which can be attributed to changes in the Group portfolio and currency effects, were as follows:

- Portfolio changes[3] had a total share of € 40.2 million or 8.5 percentage points of the sales increase in the reporting period.
- As a result of applying the foreign exchange rates from the first quarter of 2014 compared with the first three months of 2013 for the translation of local sales contributions into the Group currency euro, STADA recorded a negative currency effect for Group sales in the amount of € 21.3 million or -4.5 percentage points because the development of two of the three most important national currencies for STADA was weaker as compared to the Group currency euro. In this context, the development of the Russian ruble was significantly weaker and the Serbian dinar was weaker. However, the Group's third most important national currency, the pound sterling, had a positive currency effect in the reporting period. The currency relationships in other countries relevant for STADA – apart from the weakening of exchange rates in STADA's CIS region – only had a small influence on the translation of sales and earnings in local currencies into the Group currency euro.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) See the Company's ad hoc release of March 24, 2014.
3) Sales of the wholesale business of the Swiss subsidiary Spirig HealthCare, sales of an acquired Italian product, sales in connection with the consolidation of the British OTC supplier Thornton & Ross, the consolidation of STADA Vietnam as a subsidiary, the consolidation of STADA Import/Export International as a subsidiary and the consolidation of STADA Beijing as a subsidiary and sales of the Russian branded product portfolio Aqualor®.

To the extent that adjusted sales figures are reported in the following, this refers to sales adjusted for these portfolio effects and currency fluctuations in each case.

Earnings development of the STADA Group

Earnings development in the first quarter of the current financial year was characterized by an increase in operating performance as shown by growth in all of the Group's adjusted key earnings figures.

Reported operating profit decreased by 10% to € 63.1 million in the first three months of 2014 (1-3/2013[1]: € 70.0 million). **Reported EBITDA** increased slightly by 1% to € 97.7 million (1-3/2013[1]: € 96.6 million). **Reported net income** was approx. at the same level of the corresponding period of the previous year with € 35.0 million (1-3/2013: € 34.9 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** increased by 22% in the reporting period to € 87.6 million (1-3/2013[1]: € 71.9 million). **Adjusted EBITDA** recorded growth of 17% to € 114.7 million (1-3/2013[1]: € 98.2 million). **Net income, adjusted** for one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses, increased by 43% to € 52.6 million (1-3/2013: € 36.7 million).

The development in the first quarter of 2014 of both the reported and adjusted net income primarily benefited from the tax optimization program introduced in the second half of 2013.

One-time special effects amounted to a net burden on earnings of € 24.5 million before or € 19.5 million after taxes in the first quarter of 2014 (1-3/2013: net burden on earnings due to one-time special effects in the amount of € 1.9 million before or € 1.5 million after taxes).

In detail, these were as follows:

- a burden in the amount of € 15.9 million before or € 13.0 million after taxes in connection with currency translation expenses recorded in the income statement resulting from the devaluation of the Russian ruble as well as other significant currencies of the market region CIS / Eastern Europe
- a burden in the amount of € 4.5 million before or € 3.3 million after taxes for value adjustments netted of write-ups on intangible assets after impairment tests
- a burden in the amount of € 4.1 million before or € 3.2 million after taxes resulting from additional impairments and other measurement effects due to purchase price allocations as well as significant product acquisitions taking a base level of financial year 2013

Effects from the measurement of derivative financial instruments under financial income and expenses amounted, in the first quarter of 2014, to a net relief on earnings of € 2.0 million before or € 1.9 million after taxes (1-3/2013: net burden on earnings from effects from the measurement of derivative financial instruments under financial income and expenses of € 0.5 million before or € 0.3 million after taxes).

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

In the charts below, further essential key earnings figures of the STADA Group as well as the resulting margins are presented both as reported figures as well as adjusted for aforementioned one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses for the first quarter of 2014 with the corresponding period of the previous year to allow for comparison.

Development of the STADA Group's reported key earnings figures

in € million	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31[1]	± %	Margin[2] 3 months 2014 Jan. 1 – Mar. 31	Margin[2] 3 months 2013 Jan. 1 – Mar. 31[1]
Operating profit	63.1	70.0	-10%	12.4%	14.8%
• Operating segment result Generics	38.0	43.4	-12%	12.7%	14.3%
• Operating segment result Branded Products	42.6	42.9	-1%	21.6%	26.6%
EBITDA[3]	97.7	96.6	+1%	19.3%	20.4%
EBIT[4]	63.5	70.8	-10%	12.5%	15.0%
EBT[5]	50.8	55.6	-9%	10.0%	11.7%
Net income	35.0	34.9	0%	6.9%	7.4%
Earnings per share in €	0.58	0.59	-2%		
Diluted earnings per share in €	0.57	0.58	-2%		

Development of the STADA Group's adjusted[6] key earnings figures

in € million	*3 months 2014 Jan. 1 – Mar. 31*	*3 months 2013 Jan. 1 – Mar. 31[1]*	*± %*	*Margin[2] 3 months 2014 Jan. 1 – Mar. 31*	*Margin[2] 3 months 2013 Jan. 1 – Mar. 31[1]*
Operating profit, adjusted	*87.6*	*71.9*	*+22%*	*17.3%*	*15.2%*
• Operating segment result Generics, adjusted	*43.5*	*43.6*	*0%*	*14.5%*	*14.4%*
• Operating segment result Branded Products, adjusted	*61.2*	*43.3*	*+41%*	*31.1%*	*26.7%*
EBITDA[3], adjusted	*114.7*	*98.2*	*+17%*	*22.6%*	*20.8%*
• EBITDA Generics, adjusted	*55.3*	*55.9*	*-1%*	*18.5%*	*18.4%*
• EBITDA Branded Products, adjusted	*73.3*	*55.0*	*+33%*	*37.2%*	*34.0%*
EBIT[4], adjusted	*88.0*	*72.8*	*+21%*	*17.3%*	*15.4%*
EBT[5], adjusted	*73.3*	*58.0*	*+26%*	*14.5%*	*12.3%*
Net income, adjusted	*52.6*	*36.7*	*+43%*	*10.4%*	*7.8%*
Earnings per share in €, adjusted	*0.87*	*0.62*	*+40%*		
Diluted earnings per share in €, adjusted	*0.86*	*0.61*	*+41%*		

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
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) Adjusted for one-time special effects and non-operational effects from the measurement of derivative financial instruments.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the quarter under review by 7%; their total share of Group sales thus amounted to 97.8% (1-3/2013[1)]: 98.3%). Adjusted for portfolio effects and currency influences, sales of the two core segments increased by 3% in the first three months of 2014.

Sales of the core segment **Generics** declined slightly by 1% to € 299.5 million in the reporting period (1-3/2013[1)]: € 303.4 million). Generics thus contributed 59.0% to Group sales (1-3/2013[1)]: 64.1%). Adjusted, Generics sales in the Group decreased by 2%.

The core segment **Branded Products** recorded a substantial increase in sales for the first quarter of the current financial year of 22% to € 196.8 million (1-3/2013[1)]: € 161.7 million). Branded Products thereby contributed 38.8% to Group sales (1-3/2013[1)]: 34.2%). Adjusted sales of Branded Products in the Group recorded a plus of 13%.

In the **Commercial Business** segment, which is not part of the core segments, sales increased to € 11.1 million in the reporting period (1-3/2013: € 8.0 million). This increase is based for the most part on the purchase of a pharmaceutical wholesale and commercial business in Switzerland that has been consolidated since March 1, 2013.

The development of the **operating earnings of the two core segments** and the resulting **operating segment margins** based on the respective segment sales can be seen in the above charts "Development of the STADA Group's reported key earnings figures" and "Development of the STADA Group's adjusted key earnings figures".

Development of the market regions

The following depicts the business development of STADA's four market regions Germany, Central Europe, CIS/Eastern Europe and Asia & Pacific. Furthermore, within the individual market regions, the development of the most important countries according to sales within these market regions is also described.

Market region Germany

In the **market region Germany**, sales in the reporting period were approx. at the same level of the corresponding period of the previous year with € 125.6 million (1-3/2013: € 126.0 million). This development is primarily attributable to the strong seasonal branded products business of the German sales companies, whereas the sales generated with generics continued to decline. Overall, the market region contributed 24.8% to Group sales (1-3/2013[1)]: 26.6%). Of the sales generated by the market region Germany, € 15.1 million was attributable to export sales (1-3/2013: € 7.7 million). Adjusted sales in the market region was at the same level of the corresponding period of the previous year.

Sales generated in **Germany**, i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany, decreased by 7% to € 110.4 million in the first quarter of 2014 (1-3/2013: € 118.3 million).

The sales development reported in the German market was still attributable to the difficult local framework conditions for generics, which stem from the intensive competition in tenders for discount agreements from public health insurance organizations. Also contributing to this, furthermore, was the deliberate partial renouncement of sales from discount agreements for the benefit of operating profitability. In light of this, sales of the German generics segment declined in the first three months of 2014 by 17% to € 66.6 million (1-3/2013: € 80.0 million). Sales generated in Germany with generics in the reporting period accounted for 60% of the total sales achieved in the German market

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

(1-3/2013: 68%). The market share of generics sold in German pharmacies in the first three months of 2014 was at the level of corresponding period of the previous year by volume with approx. 13.9%[1] (1-3/2013: approx. 13.3%[1]). Despite the development in the reporting period in the Generics segment in Germany, the STADA Group remains the clear number 3[1] in the German generics market.

Sales of generics in Germany are generated with various sales companies. In this context, sales of the largest German sales company ALIUD PHARMA GmbH decreased in the first three months of 2014 by 11% to € 38.5 million (1-3/2013: € 43.4 million). Sales achieved by German generics sales company STADApharm GmbH decreased by 31% to € 18.9 million (1-3/2013: € 27.4 million). Sales of the generics sales company cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, a special supplier for the indication areas oncology and nephrology, declined slightly by 1% to € 8.9 million (1-3/2013: € 9.0 million).

Back in the fourth quarter of 2013, STADA announced the optimization of the German sales activities and the foundation of STADAvita GmbH.[2] As a result, the new STADA subsidiary took over from the beginning of 2014 the sales of preventative branded products, nutritional supplements, plant-based products, and blood glucose tests for diabetes.

Sales generated with branded products in Germany – under the local sales labels STADA GmbH and STADAvita – recorded substantial growth due to the positive development of STADA GmbH and a successful start of STADAvita in the reporting period of 15% to € 43.8 million (1-3/2013: € 38.2 million).

In the first three months of the current financial year, branded products contributed a total of 40% to the total sales achieved in the German market (1-3/2013: 32%).

For financial year 2014, the Executive Board expects sales in the market region Germany to be below the level of the previous year with operating profitability under Group average.

Market region Central Europe

Sales in the **market region Central Europe** recorded pleasing growth – despite the high basis of comparison in the corresponding period of the previous year and in consideration of the acquisition of the British OTC supplier Thornton & Ross Ltd. completed in the second half of 2013 – of 15% to € 229.4 million in the reporting period (1-3/2013: € 199.1 million). Sales generated in this market region thus contributed a share of 45.2% to Group sales (1-3/2013[3]: 42.1%). Of the sales generated by market region Central Europe, € 6.8 million was attributable to export sales (1-3/2013: € 4.5 million). Adjusted Group sales in this market region increased by 2%.

For financial year 2014, the Executive Board expects substantial growth in sales with operating profitability at Group average for the market region Central Europe.

The individual countries of market region Central Europe recorded varying developments in the first quarter of 2014. The development of business in the five largest markets according to sales within this market region is described below.

Sales in **Italy** recorded growth in the first three months of 2014 based on continued favorable regulatory framework conditions of 7% to € 45.7 million (1-3/2013: € 42.5 million). The two segments Generics and Branded Products both showed positive developments.

1) Data from IMS Health based on pharmacy sales to customers (source: IMS/Pharmascope national).
2) See the Company's press release of October 1, 2013.
3) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Sales recorded in the Italian market with generics rose by 3% to € 38.0 million (1-3/2013: € 37.1 million). Generics contributed 83% to local sales (1-3/2013: 87%).

Sales generated with branded products in Italy increased substantially by 40% to € 7.6 million (1-3/2013: € 5.4 million). Branded products contributed 17% to sales in Italy (1-3/2013: 13%).

In **Belgium**, sales showed an increase of 7% to € 37.2 million in the first three months of 2014 (1-3/2013: € 34.9 million).

Sales recorded in the Belgian market with generics rose by 6% to € 35.3 million (1-3/2013: € 33.1 million). Generics contributed 95% to local sales (1-3/2013: 95%).

Sales achieved in Belgium with branded products increased by 9% to € 1.9 million (1-3/2013: € 1.7 million). Branded products contributed 5% to sales in Belgium (1-3/2013: 5%).

In the **United Kingdom**, sales generated in the reporting period increased by a significant 133% applying the exchange rates of the previous year. In euro, sales rose even more significantly by 137% to € 30.5 million due to a positive currency effect of the pound sterling (1-3/2013: € 12.9 million). The consolidation of the British OTC supplier Thornton & Ross contributed in particular to this pleasing development.

Sales achieved with branded products increased by a strong 139% to € 25.6 million (1-3/2013: € 10.7 million). Branded products thereby contributed 84% of the sales achieved in the United Kingdom (1-3/2013: 83%).

Sales of generics, where STADA continues to be a niche provider of selected generics in the United Kingdom with only a few active pharmaceutical ingredients, grew despite strong competition by a substantial 129% to € 4.9 million (1-3/2013: € 2.1 million). Generics contributed 16% to local sales (1-3/2013: 17%).

Back in the fourth quarter of 2013, the Group implemented a restructuring under company law in the United Kingdom, transferring the shares in the two local sales companies Genus Pharmaceuticals Ltd. and Britannia Pharmaceuticals Ltd. to STADA UK Holdings Ltd. With effect from January 1, 2014, this was followed by a fundamental restructuring of sales responsibilities and a stronger pooling of competencies for the overall product portfolio of the British companies. In this context, a major portion of the branded products and the generics portfolio of Genus Pharmaceuticals was transferred to Thornton & Ross to manage, and Britannia Pharmaceuticals took over global sales responsibility for the Parkinson's medication Apo-Go®.

In **Spain**, sales recorded a rise of 5% to € 28.7 million in the first three months of the current financial year (1-3/2013: € 27.4 million). The development in the Spanish market remained characterized by strong growth in volume both in the Generics as well as the Branded Products segment.

Sales recorded with generics in the Spanish market showed a plus of 4% to € 25.0 million (1-3/2013: € 24.1 million). The share of generics in Spanish sales was at 87% (1-3/2013: 88%).

Sales of branded products in Spain recorded growth of 12% to € 3.7 million (1-3/2013: € 3.3 million). Branded products contributed 13% to local sales (1-3/2013: 12%).

In **France**, sales decreased by 2% to € 21.9 million in the reporting period (1-3/2013: € 22.2 million).

Sales with generics decreased by 11% to € 17.3 million (1-3/2013: € 19.5 million). This development was attributable to the comparatively high level of the corresponding period of the previous year as well as to the introduction of decreased sales prices as of January 1, 2014. Generics contributed 79% to local sales (1-3/2013: 88%).

Sales achieved with branded products in France recorded a rise of 69% to € 4.6 million (1-3/2013: € 2.7 million). This pleasing development was, among other things, based on the introduction of new products, whereby this high growth rate compared with the previous year is not expected to continue over the course of the year. Branded products had a share in sales of 21% in France (1-3/2013: 12%).

Market region CIS / Eastern Europe

In the **market region CIS / Eastern Europe**[1], sales in the first three months of 2014 increased by 12% applying the exchange rates of the previous year. In euro, however, sales recorded a decline of 4% to € 130.0 million as a result of negative currency effects (1-3/2013: € 135.7 million). Sales achieved in this market region thereby contributed 25.6% to Group sales (1-3/2013[2]: 28.7%). Of the sales generated by the market region CIS / Eastern Europe, € 2.0 million was achieved with export sales (1-3/2013: € 1.7 million). Adjusted Group sales in this market region increased by a total of 9%.

For financial year 2014, the Executive Board expects growth in sales in the market region CIS / Eastern Europe also taking consideration of the acquisition of the Russian branded product portfolio Aqualor® and the consolidation of the resulting sales as from March 1, 2014. Operating profitability adjusted for negative currency effects is expected to be above Group average.

The development of the two largest markets according to sales within this market region, Russia and Serbia, is described in detail below.

In **Russia**, sales rose by 4% in the first quarter of 2014 applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales decreased in euro by 13% to € 78.2 million (1-3/2013: € 89.9 million). In addition to the substantially weaker exchange rate as compared to the corresponding period of the previous year, this development was particularly attributable to – due to the CIS crisis – a strong decrease in demand both in the area of wholesale as well as on the part of end consumers. For the Russian market, it should be taken into consideration that the demand structure is highly characterized by self-pay patients with whom, directly or indirectly via wholesalers, approx. 93% of Russian sales are generated. In the reporting quarter, only approx. 5% of Russian sales were recorded in the context of the state program for the reimbursement of selected medicines for individual population groups (DLO Program). In addition, approx. 2% of sales were generated directly or indirectly with other state clients, in particular via tenders. In the context of tenders, the decreased demand for medicines to treat HIV illnesses also contributed to the sales decrease in euro.

Sales generated with generics in the Russian market declined by 14% to € 31.0 million (1-3/2013: € 36.2 million). Generics contributed 40% to sales achieved in Russia (1-3/2013: 40%).

Sales of branded products declined by 12% to € 47.2 million (1-3/2013: € 53.7 million). Branded products contributed 60% to sales in Russia (1-3/2013: 60%).

STADA expects Russian market demand to pick up once again. From today's perspective, it cannot be foreseen, however, when this will be the case in consideration of the ongoing CIS crisis.

1) So-called CEE countries (Central and Eastern Europe) including Russia.
2) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

In **Serbia**, sales rose in the first three months of 2014 by 12% applying the exchange rates of the previous year. In euro, sales grew by 8% to € 21.6 million (1-3/2013: € 20.1 million) as a result of a negative currency effect of the Serbian dinar. This development remained attributable to increased demand. A change in the sales mix on the Serbian market is generally observable which points to increasing growth in the Branded Products segment.

Sales generated in Serbia with generics increased by 5% to € 18.0 million (1-3/2013: € 17.1 million). Generics contributed 83% to sales in Serbia (1-3/2013: 85%). The development in the Serbian generics segment is increasingly characterized by national tender processes to supply hospitals and government pharmacies.

Sales recorded with branded products in the Serbian market showed a significant plus of 18% to € 3.6 million (1-3/2013: € 3.1 million). Branded products contributed 17% to sales generated in the market (1-3/2013: 15%).

In the first quarter of 2014, the insolvency administrator of Velefarm Holding and Velefarm VFB has taken legal action in Belgrade's commercial court against Hemofarm A.D., a subsidiary of STADA Arzneimittel AG, and Velefarm Prolek, a company of the Velefarm group.[1] In the lawsuit, the insolvency administrator demands that certain agreements and statements from the years 2010 and 2011 reached between Hemofarm and companies of the Serbian wholesale group Velefarm with regard to the insolvent assets of Velefarm Holding and Velefarm VFB be declared invalid and demands repayments to the insolvent assets. In the statement of claim, these amounts are quantified with approx. € 54.2 million (in local currency). However, it has to be taken into consideration that Hemofarm as creditor of the insolvent assets would retrieve a quota of the insolvent assets in a significant amount. Hemofarm and STADA believe that the lawsuit is unfounded.

In Serbia, STADA assumes that its own operating business is fundamentally stable and that it offers further growth opportunities. In addition to the development of the liquidity situation of the wholesalers and distribution partners in Serbia, sales and earnings contributions in Serbia will continue to be significantly dependent on the currency relationship of the Serbian dinar to the euro also in the future.

Market region Asia & Pacific

In the **market region Asia & Pacific**, sales in the first three months of 2014 increased significantly by 81% to € 22.4 million (1-3/2013[2]: € 12.4 million). This market region's contribution to Group sales amounted to 4.4% (1-3/2013[2]: 2.6%). The growth in the market region Asia & Pacific was primarily attributable to the sales increase in Vietnam following the consolidation of STADA Vietnam J.V. Co., Ltd. as a subsidiary. This pleasing development can also be attributed to the consolidation of STADA Pharmaceuticals (Beijing) Ltd. in China, which specializes in the production and local sale of traditional cold remedies. Adjusted sales in this market region increased by 3%.

For financial year 2014, the Executive Board continues to expect a sales increase in the market region Asia & Pacific with operating profitability above Group average.

1) See the Company's ad hoc release of February 14, 2014.
2) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Development, production and procurement

Research and development costs were at € 13.9 million in the first quarter of 2014 (1-3/2013[1]: € 13.1 million). In consideration that STADA is not active in research for new active pharmaceutical ingredients in view of its business model, the item exclusively represents development costs. Furthermore, the Group capitalized development costs for new products in the amount of € 4.9 million in the first three months of the current financial year (1-3/2013: € 3.1 million).

Worldwide, STADA launched a total of 148 individual products in the individual national markets in the reporting period (1-3/2013[1]: 140 product launches).

In view of the well-filled product pipeline, the Executive Board expects to be able to continuously launch new products in the individual national markets of the respective market regions in the future as well. The focus here remains on generics in the EU countries.

As a general rule, STADA makes appropriate investments to ensure that all Group-owned production facilities are maintained at the level required by legal stipulations and technical production considerations. Investments in the expansion and renewal of production locations and plants amounted to € 3.3 million in the first quarter of 2014 (1-3/2013[1]: € 2.1 million).

Financial position and cash flow

The financial position of the STADA Group remains stable. As of the reporting date March 31, 2014, the **equity-to-assets ratio** was 29.0% (December 31, 2013: 29.6%) and thereby satisfactory in the opinion of the Executive Board.

Net debt was at € 1,411.8 million as of March 31, 2014 (December 31, 2013: € 1,306.8 million). The **net debt to adjusted EBITDA ratio** was at 3.1 (1-3/2013[1]: 3.0).

The long-term refinancing of the Group as of March 31, 2014 was provided for by a five-year corporate bond that was placed in 2010 the amount of € 350 million with an interest rate of 4.00% p.a. as well as a bond placed in the second quarter of 2013 in the amount of € 350 million and term of five years with an interest rate of 2.25% p.a. As of the balance sheet date, furthermore, there were promissory notes with maturities in the area of 2014–2019 in the total amount of € 636.5 million, of which STADA renewed a total of € 200 million with a term of five years in the first quarter of 2014. A fixed interest rate of 2.30% thereby applies for € 124 million. A variable interest rate of currently 1.51% applies for € 76 million.

Intangible assets included € 452.0 million goodwill as of March 31, 2014 (December 31, 2013: € 458.0 million). There were additions to the other intangible assets from the acquisition of the Russian branded product portfolio Aqualor® – not considering amortization in the reporting period – in the amount of € 133.5 million.

As of the reporting date March 31, 2014, **trade accounts receivable** decreased by € 58.7 million to € 533.0 million (December 31, 2013: € 591.7 million). This resulted, among other things, from reporting date effects as well as translation effects in the context of converting financial statements of foreign subsidiaries with a reporting currency other than the Group currency euro.

As of March 31, 2014, the Group's **current and non-current financial liabilities** in the amount of € 161.0 million and € 1,409.6 million (December 31, 2013: € 292.5 million and € 1,140.6 million) include, in particular, promissory notes which have a nominal value in the amount of € 636.5 million (December 31, 2013: € 436.5 million) and two bonds with a nominal value in the amount of € 350.0 million each (December 31, 2013: two bonds of € 350.0 million each). The increase in financial liabilities primarily resulted from securing promissory notes in the first quarter of 2014 in the total amount of € 200 million.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Trade accounts payable decreased as of the balance sheet date of March 31, 2014 by € 47.8 million to € 283.9 million (December 31, 2013: € 331.7 million). This development was primarily due to temporary results of balance sheet date effects.

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 Group composition or exchange rates – amounted to € 35.8 million in the first three months of 2014 (1-3/2013[1]: € 41.5 million). The change of € 5.7 million compared to the corresponding period of the previous year is due in particular to a significant cash-effective decrease in trade accounts payable, whereas a cash-effective increase in these payables was recorded in the corresponding period of the previous year. In opposition, there was a cash-effective decrease in trade accounts receivable as compared to a cash-effective increase in the corresponding period of the previous year. However, this only partially compensated for the decrease in cash flow from operating activities.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -133.2 million in the period under review (1-3/2013[1]: € -19.1 million). In the first quarter of 2014, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. These primarily relate to the purchase of the Russian branded product portfolio Aqualor®.

Free cash flow in the reporting period amounted to € -97.4 million (1-3/2013[1]: € 22.4 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 18.9 million in the reporting quarter (1-3/2013[1]: € 27.8 million).

Cash flow from financing activities amounted to € 136.7 million in the first three months of the current financial year (1-3/2013[1]: € -27.8 million). This development primarily resulted from securing promissory notes in the total amount of € 200 million in the first quarter of 2014.

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 32.6 million in the first quarter of 2014 (1-3/2013[1]: € -6.3 million).

Acquisitions and disposals

STADA pursues an active acquisition policy to accelerate the Group's organic growth with additional external growth impulses. This focuses on the regional expansion of business activities concentrating on high-growth emerging markets. The Group also targets the expansion and internationalization of the core segments, in particular branded products as they are generally characterized by better margins and less regulatory interventions than generics.

Despite this active acquisition policy, strict benchmarks are applied in the Group as a matter of principle which concern profitability and appropriateness of the purchase price. 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.

The STADA Group made further progress in the context of this active acquisition policy in the reporting period. In the first quarter of 2014 – after fulfillment of extensive completion conditions particularly in the areas of production documentation and supply chain – the contract was completed as planned for the purchase of the Russian branded product portfolio Aqualor®, which comprises ten prescription-free (OTC) product presentations based on seawater in the form of sprays and drops with the local regulatory status of medical products for the

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

treatment of sinusitis (infection of the paranasal sinus) and sore throat.[1] Sales of the products from the branded product package have been consolidated in the STADA Group since March 1, 2014.

STADA share

The STADA share price decreased by approx. 14% in the first three months of 2014. Whereas the STADA share price closed 2013 at € 35.93, it amounted to € 31.07 at the end of the first quarter. The decline in the share price on March 24, 2014 was attributable to the ad hoc release published on that day in connection with the adjustment of the outlook for 2014 based on the strong devaluation of the Russian ruble and the Ukrainian hryvnia as well as uncertainties regarding the future business development in the context of the CIS crisis.[2] Whereas STADA's market capitalization was € 2.172 billion at the end of 2013, it was € 1.878 billion at the end of the first quarter of 2014.

As of March 31, 2014, the subscribed share capital of STADA Arzneimittel AG amounted to € 157,150,500.00 (December 31, 2013: € 157,150,500.00) consisting of 60,442,500 registered shares with restricted transferability[3], each with an arithmetical share in share capital of € 2.60 (December 31, 2013: 60,442,500 registered shares). In the first three months of 2014, there were no changes as compared to December 31, 2013 as no warrants were exercised. As of March 31, 2014, 97,386 warrants 2000/2015[4] for the subscription of 1,947,720 STADA registered shares continued to be outstanding.

In the first quarter of 2014, the Group published all of the received voting rights notices according to Section 26 of the German Securities Trading Act (WpHG). These seven received voting rights notices, as well as any received later, can be viewed on the website at www.stada.de or www.stada.com.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the outlook for financial year 2014 and the opportunities and risk report published for the Group in the Management Report of STADA's Annual Report 2013. Together with the supplements and updates 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 generally geared towards markets with long-term growth potential in the health care and pharmaceutical markets. Inseparably linked to this, however, are also 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 markets of the respective market regions in the future. The latter applies primarily to the increasing volume of business activities in the Generics core segment characterized by tenders.

In addition, the Group will continue to have to deal with non-operational influence factors in future. Relevant Group currency relations, in particular of the Russian ruble, the Serbian dinar and the pound sterling to the euro, will also affect the Group's future development in financial year 2014. Furthermore, STADA will have to deal with residual effects of the global financial and economic crisis as well as the effects of the CIS crisis. Against this backdrop, the Group certainly 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 strong volatility in interest rate levels and currency relations that are relevant for the Group. In view of the residual effects of the global financial and economic crisis as well as the effects of the CIS crisis, resulting burdens such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences can not be ruled out.

1) See the Company's ad hoc release of October 18, 2013 and ad hoc update of February 28, 2014.
2) See the Company's ad hoc release of March 24, 2014.

3) Under the Company's Articles of Incorporation, STADA's registered shares with restricted transferability can only be entered into the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.
4) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.

On the whole, the sales and earnings development of the Group will continue in future to be characterized both by growth-stimulating and challenging framework conditions in the individual markets of the respective STADA market regions. In the overall assessment of opposing influence factors, however, the positive prospects are expected to prevail.

Against the backdrop of the strong devaluation of the Russian ruble and the Ukrainian hryvnia, as well as the uncertainties regarding the future business development in the context of the CIS crisis, the Executive Board in the first quarter of 2014 adjusted the outlook for 2014 as published in the context of a long-term prognosis in 2010 as the Board no longer expected to completely meet the prognosis.[1)] STADA does, however, expect slight growth in Group sales, adjusted EBITDA and adjusted net income. The core segment Generics is expected to generate slight growth in sales as compared to financial year 2013. Substantial sales growth is expected for the core segment Branded Products. The core segment Generics is expected to generate an adjusted EBITDA slightly above that of financial year 2013. The adjusted EBITDA of the core segment Branded Products is expected to grow significantly. The Executive Board aims for a net debt to adjusted EBITDA ratio of 3 in 2014.

H. Retzlaff H. Kraft Dr. M. Wiedenfels

1) See the Company's ad hoc release of March 24, 2014.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS OF 2014 (ABRIDGED)

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Mar. 31 in € 000s	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31[1)]
Sales	507,423	473,216
Cost of sales	257,984	240,737
Gross profit	**249,439**	**232,479**
Selling expenses	109,255	109,433
General and administrative expenses	41,813	39,786
Research and development expenses	13,851	13,137
Other income	4,050	6,548
Other expenses	25,478	6,022
Expenses in connection with the “STADA – build the future” project	-	675
Operating profit	**63,092**	**69,974**
Result from investments measured at equity	277	853
Investment income	105	-
Financial income	4,194	1,255
Financial expenses	16,844	16,503
Financial result	**-12,268**	**-14,395**
Earnings before taxes	**50,824**	**55,579**
Income taxes	15,010	20,343
Earnings after taxes	**35,814**	**35,236**
thereof		
• distributable to shareholders of STADA Arzneimittel AG (net income)	34,983	34,924
• distributable to non-controlling shareholders	831	312
Earnings per share in € (basic)	0.58	0.59
Earnings per share in € (diluted)	0.57	0.58

1) The previous year’s figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31
Earnings after taxes	35,814	35,236
Items to be recycled to the income statement in future:		
Currency translation gains and losses	-24,786	3,816
thereof		
• income taxes	236	-159
Gains and losses on available-for-sale financial assets	-2	-3
thereof		
• income taxes	0	1
Gains and losses on hedging instruments (cash flow hedges)	306	893
thereof		
• income taxes	-113	-331
Items not to be recycled to the income statement in future:		
Revaluation of net debt from defined benefit plans	-2,418	0
thereof		
• income taxes	896	0
Other comprehensive income	-26,900	4,706
Consolidated comprehensive income	8,914	39,942
thereof		
• distributable to shareholders of STADA Arzneimittel AG	8,064	38,937
• distributable to non-controlling shareholders	850	1,005

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Mar. 31 in € 000s Assets	Mar. 31, 2014	Dec. 31, 2013	Jan. 1, 2013[1]
Non-current assets	**2,147,903**	**2,059,989**	**1,806,292**
Intangible assets	1,746,226	1,641,623	1,417,050
Property, plant and equipment	319,674	318,428	269,361
Financial assets	4,092	8,991	12,463
Investments measured at equity	9,251	8,974	44,042
Other financial assets	15,957	27,785	16,158
Other assets	3,296	3,570	1,165
Deferred tax assets	49,407	50,618	46,053
Current assets	**1,361,921**	**1,353,193**	**1,169,679**
Inventories	512,059	524,374	466,496
Trade accounts receivable	533,035	591,678	489,567
Income tax receivables	30,454	24,836	31,209
Other financial assets	66,236	50,096	36,919
Other assets	59,861	34,475	50,879
Non-current assets and disposal groups held for sale	1,562	1,571	2,076
Cash and cash equivalents	158,714	126,163	92,533
Total assets	**3,509,824**	**3,413,182**	**2,975,971**

Equity and liabilities	Mar. 31, 2014	Dec. 31, 2013	Jan. 1, 2013[1]
Equity	**1,016,752**	**1,010,099**	**910,317**
Share capital	157,151	157,151	154,264
Capital reserve	487,848	487,843	472,459
Retained earnings including net income	584,852	552,663	458,924
Other provisions	-266,003	-241,497	-184,467
Treasury shares	-1,528	-1,542	-1,572
Equity attributable to shareholders of the parent	**962,320**	**954,618**	**899,608**
Shares relating to non-controlling shareholders	54,432	55,481	10,709
Non-current borrowed capital	**1,631,706**	**1,358,414**	**1,102,404**
Other non-current provisions	54,664	51,478	50,486
Financial liabilities	1,409,577	1,140,571	941,572
Other financial liabilities	9,366	12,988	24,528
Other liabilities	2,910	2,937	3,054
Deferred tax liabilities	155,189	150,440	82,764
Current borrowed capital	**861,366**	**1,044,669**	**963,250**
Other provisions	18,528	17,536	10,538
Financial liabilities	160,993	292,484	326,183
Trade accounts payable	283,926	331,661	267,773
Income tax liabilities	30,743	30,569	25,633
Other financial liabilities	272,363	261,067	219,519
Other liabilities	94,813	111,352	113,604
Total equity and liabilities	**3,509,824**	**3,413,182**	**2,975,971**

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	Mar. 31, 2014	Mar. 31, 2013[1]
Net income	35,814	35,236
Depreciation and amortization net of write-ups of non-current assets	34,254	25,744
Income taxes	15,010	20,343
Interest income and expenses	14,689	14,775
Result from investments measured at equity	-277	-853
Result from the disposals of non-current assets	94	-258
Changes in other non-current provisions	-289	15
Currency translation income and expenses	16,276	987
Other non-cash expenses and gains	110,935	97,672
Gross cash flow	**226,506**	**193,661**
Changes in inventories	-4,617	-10,928
Changes in trade accounts receivable	37,374	-13,172
Changes in trade accounts payable	-54,324	28,493
Changes in other net assets, unless attributable to investing or financing activities	-146,442	-134,254
Interest and dividends received	1,433	1,465
Interest paid	-7,653	-9,053
Income tax paid	-16,445	-14,698
Cash flow from operating activities	**35,832**	**41,514**
Payments for investments in		
• intangible assets	-124,681	-12,928
• property, plant and equipment	-9,006	-4,579
• financial assets	-	-
• shares in consolidated companies	-	-
• business combinations according to IFRS 3	-	-3,063
Proceeds from the disposal of		
• intangible assets	78	567
• property, plant and equipment	369	492
• financial assets	-	405
• shares in consolidated companies	-	-
Cash flow from investing activities	**-133,240**	**-19,106**
Borrowing of funds	462,036	85,512
Settlement of financial liabilities	-322,754	-112,484
Dividend distribution	-2,232	-844
Capital increase from share options	-	17
Changes in non-controlling interests	-348	-
Changes in treasury shares	19	7
Cash flow from financing activities	**136,721**	**-27,792**
Changes in cash and cash equivalents	**39,313**	**-5,384**
Changes in cash and cash equivalents due to Group composition	1,860	-
Changes in cash and cash equivalents due to exchange rates	-8,622	-926
Net change in cash and cash equivalents	**32,551**	**-6,310**
Balance at beginning of the period	**126,163**	**92,533**
Balance at end of the period	**158,714**	**86,223**

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

2014	Number of shares	Share capital	Capital reserve
Balance as of Mar. 31, 2014	60,442,500	157,151	487,848
Dividend distribution			
Capital increase from share options			
Changes in treasury shares			5
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income			
Net income			
Balance as of Jan. 1, 2014	60,442,500	157,151	487,843
Previous year			
Balance as of Mar. 31, 2013	59,333,260	154,267	472,472
Dividend distribution			
Capital increase from share options	1,000	3	14
Changes in treasury shares			-1
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income			
Net income			
Balance as of Jan. 1, 2013	59,332,260	154,264	472,459

Retained earnings including net income	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
584,852	-262,854	31	-3,180	-1,528	962,320	54,432	1,016,752
					-	-2,232	-2,232
					-		-
				14	19		19
					-		-
					-	333	333
-381					-381		-381
-2,413	-24,808	-4	306		-26,919	19	-26,900
34,983					34,983	831	35,814
552,663	-238,046	35	-3,486	-1,542	954,618	55,481	1,010,099
495,846	-175,548	38	-4,942	-1,564	938,569	28,657	967,226
					-	-844	-844
					17		17
				8	7		7
					-		-
					-	17,392	17,392
					-	395	395
-2	3,124	-2	893		4,013	693	4,706
34,924					34,924	312	35,236
458,924	-178,672	40	-5,835	-1,572	899,608	10,709	910,317

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 were prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of March 31, 2014 were prepared under consideration of the regulations outlined in 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, 2013 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, 2014 have been observed by STADA.

In these consolidated interim financial statements – with the exception of the changed accounting policies listed in Note 1.2. –, the same accounting policies and methods of computation are applied as in the consolidated financial statements for financial year 2013. With regard to the principles and methods used in the context of Group Accounting we insofar generally refer to the Notes on the consolidated financial statements of the Annual Report 2013.

1.2. Changes in accounting policies

In the first three months of 2014, STADA observed and, if relevant, applied the following IASB pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2014, which had no or no significant effect on the presentation of STADA's business, financial, earnings situation or cash flow:

- **IAS 32 "Financial Instruments: Presentation":** The amendment clarifies requirements for the netting of financial assets and financial liabilities on the balance sheet. The right to netting on the balance sheet must exist as of the balance sheet date.
- **IAS 36 "Impairments of Assets":** The amendment contains a clarification that the reporting of a recoverable amount is only required of those cash-generating units for which an impairment loss or reversal has been recognized within the current reporting period.
- **IAS 39 "Financial Instruments: Recognition and Measurement":** In order to improve the transparency and regulatory supervision of OTC derivatives, companies are, in certain circumstances, required to clear derivatives to central counterparties. Despite novation, derivatives can remain designated as hedging instruments under certain conditions.
- **IFRIC 21 "Levies":** The standard concerns the question of the accounting of public levies which do not represent income tax in the sense of IAS 12 and clarifies when the obligation to pay such levies should be recognized as a liability in the financial statements.

In May 2011, the IASB adopted the new standards IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 10 replaces the consolidation requirements of the former IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities” and introduces a uniform consolidation model for all subsidiaries. IFRS 11 governs the accounting for joint operations and joint ventures and thus replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. The former option to proportionately consolidate joint ventures is eliminated in favor of mandatory application of the equity method. In the context of IFRS 12, disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities are combined, expanded and replaced. The new regulations, which were adopted in European law in 2012, are applicable in the EU to financial years beginning on or after January 1, 2014. In June 2012, IASB published transition guidance adopted into European law in April 2013 (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 significant change here results from IFRS 11 “Joint Arrangements”. Joint ventures, which have been proportionately consolidated to date, are to be accounted for using the equity method as of financial year 2014, as well as retrospectively in the context of adjusting previous year figures. The proportionate share of assets and liabilities of these companies will thereby no longer be included in the consolidated balance sheet and the proportionate share of aggregated earnings of these units will be disclosed under one item within the income statement, whereas a disclosure was to be made under the relevant income and expense items in accordance with currently valid regulations.

For STADA, the initial application of the new standards has resulted in retroactively applicable changes in relation to the consolidation of joint ventures in accordance with IFRS 11. Up until the time of its change in status to subsidiary in the past financial year, STADA Vietnam, previously consolidated on a pro rata basis, was included in STADA’s consolidated financial statements retroactively according to the equity method up until the time control was acquired by STADA in accordance with IFRS 11 in connection with IAS 8 and in connection with IAS 1. As a result of the consolidation of this company as a subsidiary in the context of the control achieved over STADA Vietnam as of the fourth quarter of 2013, there were no more joint ventures within the scope of consolidation of STADA as of December 31, 2013. As a result, there have been no effects for STADA in financial year 2014 as a result of this changed accounting policy.

In the context of the retrospective adjustments carried out in accordance with the new standard IFRS 11 in connection with IAS 8 as well as in connection with IAS 1, balance sheet items changed as of January 1, 2013 as follows:

Consolidated Balance Sheet (abridged) in € 000s	Jan. 1, 2013	Adjustments in accordance with new IFRS 11	Jan. 1, 2013 adjusted
Non-current assets	**1,802,176**	**4,116**	**1,806,292**
Intangible assets	1,417,083	-33	1,417,050
Property, plant and equipment	273,822	-4,461	269,361
Investments measured at equity	34,885	9,157	44,042
Other non-current assets	76,386	-547	75,839
Current assets	**1,180,645**	**-10,966**	**1,169,679**
Inventories	475,311	-8,815	466,496
Trade accounts receivable	492,143	-2,576	489,567
Other current assets	120,461	622	121,083
Cash and cash equivalents	92,730	-197	92,533
Total assets	**2,982,821**	**-6,850**	**2,975,971**
Equity and liabilities	**910,317**	**-**	**910,317**
Non-current borrowed capital	**1,102,911**	**-507**	**1,102,404**
Financial liabilities	941,572	-	941,572
Other non-current borrowed capital	161,339	-507	160,832
Current borrowed capital	**969,593**	**-6,343**	**963,250**
Financial liabilities	328,519	-2,336	326,183
Trade accounts payable	268,973	-1,200	267,773
Other current borrowed capital	372,101	-2,807	369,294
Total equity and liabilities	**2,982,821**	**-6,850**	**2,975,971**

Due to the retrospective adjustments, the following changes resulted for the income statement in the first three months of 2013:

Consolidated Income Statement in € 000s	3 months 2013 Jan. 1 – Mar. 31	Adjustments in accordance with new IFRS 11	3 months 2013 Jan. 1 – Mar. 31 adjusted
Sales	476,966	-3,750	473,216
Cost of sales	242,979	-2,242	240,737
Gross profit	**233,987**	**-1,508**	**232,479**
Selling expenses	109,559	-126	109,433
General and administrative expenses	39,942	-156	39,786
Research and development expenses	13,217	-80	13,137
Other income	6,553	-5	6,548
Other expenses	6,129	-107	6,022
Expenses in connection with the "STADA – build the future" project	675	-	675
Operating profit	**71,018**	**-1,044**	**69,974**
Result from investments measured at equity	-71	924	853
Investment income	-	-	-
Financial income	1,247	8	1,255
Financial expenses	16,564	-61	16,503
Financial result	**-15,388**	**993**	**-14,395**
Earnings before taxes	**55,630**	**-51**	**55,579**
Taxes on income	20,394	-51	20,343
Earnings after taxes	**35,236**	**-**	**35,236**
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	34,924	-	34,924
• distributable to non-controlling shareholders	312	-	312
Earnings per share in € (basic)	0.59	-	0.59
Earnings per share in € (diluted)	0.58	-	0.58

The other new or changed standards and interpretations adopted by the IASB in 2014, but not yet effective, are not expected to have any or 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.

In the first quarter of 2014, the contract for the purchase of the Russian branded product portfolio Aqualor® was completed as planned. The Aqualor® product sales have been consolidated in the STADA Group since March 1, 2014. In this context, STADA's Russian subsidiary OOO Aqualor has also been inluded in the scope of consolidation of STADA Arzneimittel AG.

In addition, the Chinese subsidiary STADA Pharmaceuticals Beijing Ltd. has been included in the scope of consolidation of STADA Arzneimittel AG as of January 1, 2014.

In the consolidated interim financial statements of the STADA Group, 76 companies were thereby consolidated as subsidiaries and three companies as associates as of the balance sheet date on March 31, 2014.

1.4. Business combinations

In the first quarter of 2014, no business combinations in the sense of IFRS 3 occurred.

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 the Branded Products core segment as well as from growth in the market regions Central Europe, particularly in the United Kingdom, and Asia & Pacific. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 4.0 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5.) and in additional information (see Note 6.).

2.2. Other expenses

Other expenses increased as compared to the corresponding period of the previous year to € 25.5 million in the first three months of 2014 (1-3/2013[1)]: € 6.0 million). This development is particularly attributable to the strong devaluation of the Russian ruble and the Ukrainian hryvnia and the resulting currency translation expenses.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets included € 452.0 million goodwill as of March 31, 2014 (December 31, 2013: € 458.0 million). There were additions to the other intangible assets from additions from the acquisition of the Russian branded product portfolio Aqualor® – not considering amortization in the reporting period – in the amount of € 133.5 million.

3.2. Trade accounts receivable

Trade accounts receivable declined as of the balance sheet date March 31, 2014 by € 58.7 million to € 533.0 million (December 31, 2013: € 591.7 million). This resulted, among other things, from reporting date effects as well as translation effects in the context of converting financial statements of foreign subsidiaries with a reporting currency other than the Group currency euro.

3.3. Financial liabilities

As of March 31, 2014, the Group's current and non-current financial liabilities in the amount of € 161.0 million and € 1,409.6 million (December 31, 2013: € 292.5 million and € 1,140.6 million) include, in particular, promissory notes with a nominal value in the amount of € 636.5 million (December 31, 2013: € 436.5 million) and two bonds which have a nominal value in the amount of € 350.0 million each (December 31, 2013: two bonds of € 350.0 million each). The increase in financial liabilities primarily resulted from securing promissory note in the first quarter of 2014 in the total amount of € 200 million.

3.4. Trade accounts payable

Trade accounts payable decreased as of the balance sheet date of March 31, 2014 by € 47.8 million to € 283.9 million (December 31, 2013: € 331.7 million). This development was primarily due to temporary results of balance sheet date effects.

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 Group composition or exchange rates – amounted to € 35.8 million in the first three months of 2014 (1-3/2013[1)]: € 41.5 million). The change of € 5.7 million compared to the corresponding period of the previous year is due in particular to a significant cash-effective decrease in trade accounts payable, whereas a cash-effective increase in these payables was recorded in the corresponding period of the previous year. In opposition, there was a cash-effective decrease in trade accounts receivable as compared to a cash-effective increase in the corresponding period of the previous year. However, this only partially compensated for the decrease in cash flow from operating activities.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

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 € -133.2 million in the period under review (1-3/2013[1]: € -19.1 million). In the first quarter of 2014, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. These primarily relate to the purchase of the Russian branded product portfolio Aqualor®.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € 136.7 million in the first three months of the current financial year (1-3/2013[1]: € -27.8 million). This development primarily resulted from securing promissory notes in the total amount of € 200 million in the first quarter of 2014.

4.4. Net cash flow for the period

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 32.6 million in the first quarter of 2014 (1-3/2013[1]: € -6.3 million).

5. Segment information

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. 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.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

5.2. Information by operating segment

in € 000s		3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31[1)]
Generics	**External sales**	**299,526**	**303,399**
	Sales with other segments	198	249
	Total sales	299,724	303,648
	Operating profit	38,026	43,413
	Depreciation / amortization	12,460	11,199
	Impairment losses	-	205
	Reversals	-	-
	Significant non-cash items within operating result	-116,469	-96,587
Branded Products	**External sales**	**196,793**	**161,684**
	Sales with other segments	-	1,066
	Total sales	196,793	162,750
	Operating profit	42,577	42,946
	Depreciation / amortization	14,560	11,624
	Impairment losses	4,000	4
	Reversals	-	-
	Significant non-cash items within operating result	-12,753	-6,330
Commercial Business	**External sales**	**11,099**	**8,036**
	Sales with other segments	-	-
	Total sales	11,099	8,036
	Operating profit	530	75
	Depreciation / amortization	21	49
	Impairment losses	-	-
	Reversals	-	-
	Significant non-cash items within operating result	-32	23
Reconciliation Group holdings / other and consolidation	**External sales**	**5**	**97**
	Sales with other segments	-198	-1,315
	Total sales	-193	-1,218
	Operating profit	-18,041	-16,460
	Depreciation / amortization	2,706	2,547
	Impairment losses	507	116
	Reversals	-	-
	Significant non-cash items within operating result	-1,028	-617
Group	**External sales**	**507,423**	**473,216**
	Sales with other segments	-	-
	Total sales	507,423	473,216
	Operating profit	63,092	69,974
	Depreciation / amortization	29,747	25,419
	Impairment losses	4,507	325
	Reversals	-	-
	Significant non-cash items within operating result	-130,282	-103,511

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

5.3. Reconciliation of segment results to net profit

in € 000s	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31[1)]
Operating segment profit	81,133	86,434
Reconciliation Group holdings / other and consolidation	-18,041	-16,460
Result from investments measured at equity	277	853
Investment income	105	-
Financial income	4,194	1,255
Financial expenses	16,844	16,503
Earnings before taxes, Group	50,824	55,579

5.4. Reconciliation of segment assets to Group assets

in € 000s	Mar. 31, 2014	Dec. 31, 2013
Segment assets	1,986,250	1,890,259
Reconciliation Group holdings / other and consolidation	83,742	78,783
Other non-current assets	77,911	90,947
Current assets	1,361,921	1,353,193
Total assets, Group	3,509,824	3,413,182

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

6. Additional information

6.1. Information by market region

Sales by market regions in € 000s	3 months 2014 Jan. 1 – Mar. 31	3 months 2013 Jan. 1 – Mar. 31[1]	±%[2]	±% adjusted[3]
Germany	**125,569**	**125,982**	**0%**	***0%***
• Germany	110,440	118,281	-7%	*-7%*
• Export sales of the market region Germany	15,129	7,701	+96%	*+96%*
Central Europe	**229,435**	**199,128**	**+15%**	***+2%***
• Italy	45,653	42,528	+7%	*+4%*
• Belgium	37,166	34,885	+7%	*+6%*
• United Kingdom	30,453	12,851	>100%	*-5%*
• Spain	28,716	27,384	+5%	*+5%*
• France	21,887	22,226	-2%	*-3%*
• Switzerland	13,287	9,505	+40%	*+3%*
• The Netherlands	8,820	9,477	-7%	*-8%*
• Denmark	5,988	5,844	+2%	*+1%*
• Ireland	5,446	5,915	-8%	*-13%*
• Austria	5,212	4,665	+12%	*+12%*
• Other / Rest of Central Europe	20,016	19,391	+3%	*-6%*
• Export sales of the market region Central Europe	6,791	4,457	+52%	*+34%*
CIS / Eastern Europe	**129,986**	**135,690**	**-4%**	***+9%***
• Russia	78,232	89,874	-13%	*0%*
• Serbia	21,630	20,119	+8%	*+12%*
• Ukraine	11,405	7,701	+48%	*+89%*
• Kazakhstan	4,359	3,940	+11%	*+33%*
• Bosnia-Herzegovina	2,803	2,975	-6%	*-6%*
• Other / Rest of CIS / Eastern Europe	9,512	9,366	+2%	*+13%*
• Export sales of the market region CIS / Eastern Europe	2,045	1,715	+19%	*+24%*
Asia & Pacific	**22,433**	**12,416**	**+81%**	***+3%***
• Vietnam	16,144	9,712	+66%	*-4%*
• China	3,699	932	>100%	*-11%*
• The Philippines	1,008	566	+78%	*+99%*
• Thailand	648	763	-15%	*-3%*
• Other / Rest of Asia & Pacific	901	443	>100%	*>100%*
• Export sales of the market region Asia & Pacific	33	-	-	*-*

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) Calculated on thousand euro basis.
3) Adjustments due to changes in the Group portfolio and currency effects.

7. Disclosures about fair value measurements and financial instruments

The subsequent chart shows how the valuation rates of assets and liabilities measured at fair value were determined:

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Mar. 31, 2014	Dec. 31, 2013	Mar. 31, 2014	Dec. 31, 2013	Mar. 31, 2014	Dec. 31, 2013
Available-for-sale financial assets (AfS)						
• Securities	41	46	-	-	-	-
Financial assets held for trading (FAHfT)						
• Currency forwards	-	-	-	-	-	17
• Interest rate / currency swaps	-	-	-	-	15,624	10,503
Financial liabilities held for trading (FLHfT)						
• Currency forwards	-	-	-	-	288	405
• Interest rate / currency swaps	-	-	-	-	-	466
Derivative financial liabilities with a hedging relationship						
• Cash flow hedges	-	-	-	-	4,329	4,748

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market analyses and change analyses are carried out.

Available-for-sale financial assets (AfS) relate to shares for which market prices are available for measurement. Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate / currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values were determined using appropriate valuation models by external third parties. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows which are already fixed or calculated by means of the current yield curve are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date. The same applies for the calculation of the fair values of the derivative financial liabilities with a hedging relationship, which reflect the negative market values of the interest rate swaps used as hedging instruments.

The subsequent chart shows how the valuation rates of assets measured at fair value on a non-recurring basis were determined:

Fair values by levels of hierarchy in € 000s on a non-recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Mar. 31, 2014	Dec. 31, 2013	Mar. 31, 2014	Dec. 31, 2013	Mar. 31, 2014	Dec. 31, 2013
Non-current assets and disposal groups held for sale	-	-	1,562	1,571	-	-

The assets held for sale comprise real estate held by a STADA subsidiary in Serbia. The non-recurring basis for the determination of fair value is based on an appraisal prepared by an independent expert and was largely determined based on input parameters observable in the market.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
as of Jan. 1, 2014	10,520	-5,619
Reclassification from level 2	-	-
Currency changes	-	-
Total result	4,857	2,364
• in the income statement	4,857	1,945
• directly in equity	-	419
Additions	-	-
Realizations	247	-1,362
Reclassification in level 2	-	-
Balance at Mar. 31, 2014	15,624	-4,617
Income recognized in the income statement	4,857	1,945
Other earnings / other expenses	3,284	1,479
thereof		
• attributable to assets / liabilities held as of the balance sheet date	3,274	-288
Financial result	1,573	466
thereof		
• attributable to assets / liabilities held as of the balance sheet date	1,573	466

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of March 31, 2014:

in € 000s	Carrying amount Mar. 31, 2014	Fair value Mar. 31, 2014	Carrying amount Dec. 31, 2013	Fair Value Dec. 31, 2013
Amounts due to banks	240,005	243,557	301,991	305,168
Promissory notes	634,160	682,599	434,943	471,285
Bonds	696,405	719,422	696,121	714,042
Financial liabilities	1,570,570	1,645,578	1,433,055	1,490,495

Financial liabilities shown in the chart are allocated to the valuation category "Financial liabilities measured at amortized cost" in accordance with IAS 39. There have been no changes regarding the division of financial assets and financial liabilities into valuation categories in accordance with IAS 39 in the first quarter of 2014 as compared to the presentation in the Annual Report 2013.

For all other financial assets and liabilities not displayed in the chart above, the carrying amounts – approximately or based on valuation methods taking as basis the listed prices on active markets or observable input parameters in the market – correspond to the respective fair values of the individual assets and liabilities.

8. Contingent liabilities

There were no significant changes in contingent liabilities in the first quarter of 2014 as compared to those described in the Annual Report 2013.

In addition to the contingent liabilities, there were other future financial obligations, which can be broken down as follows:

in € 000s	Mar. 31, 2014	Dec. 31, 2013
Operating lease liabilities	65,505	70,973
Other financial obligations	38,996	166,705
Total	104,501	237,678

As of December 31, 2013, other financial obligations consisted of an obligation of OAO Nizhpharm amounting to € 131.0 million toward Butterwood Holdings Limited, Cyprus, for the purchase of the Russian branded product portfolio Aqualor® [1], whereby the completion of the contract was still subject to comprehensive completion conditions as of December 31, 2013. As of March 31, 2014, this other financial obligation no longer exists, as the residual amount of the purchase price liability still outstanding as of March 31, 2014 of € 15.7 million has been recorded in the balance sheet under other financial liabilities.

1) See the Company's ad hoc release of October 18, 2013 as well as the ad hoc update of February 28, 2014.

Furthermore, other financial obligations primarily include as of March 31, 2014 a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized according to the equity method. STADA, as guarantor, recognized this guarantee as of March 31, 2014 as a financial guarantee in accordance with IAS 39 with its fair value in the amount of € 0.3 million (December 31, 2013: € 0.3 million). Furthermore, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of March 31, 2014.

Liabilities from operating leases relate particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings.

9. 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 € 9.9 million had been used as of March 31, 2014 (December 31, 2013: € 15.6 million).

In addition, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of March 31, 2014.

Furthermore, no significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2013.

10. Significant events after the balance-sheet date

No material events have occurred since the reporting date that could have a significant effect on the Group's business, financial and earnings situation.

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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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