STADA
Interim Report on the First Nine Months of 2014

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30[1]	± %
Group sales	1,482.7	1,426.2	+4%
• Generics (core segment)	884.2	895.8	-1%
• Branded Products (core segment)	565.8	499.5	+13%
Operating profit	185.5	184.9	0%
Operating profit, adjusted[2)3)]	*232.6*	*202.1*	*+15%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	293.6	267.0	+10%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[2)3)]	*316.2*	*283.5*	*+12%*
EBIT (Earnings before interest and taxes)	186.5	188.6	-1%
EBIT (Earnings before interest and taxes), adjusted[2)3)]	*233.5*	*205.8*	*+13%*
EBT (Earnings before taxes)	137.3	141.8	-3%
EBT (Earnings before taxes), adjusted[2)4)]	*182.7*	*155.6*	*+17%*
Net income	99.1	90.2	+10%
Net income, adjusted[2)4)]	*136.1*	*100.3*	*+36%*
Cash flow from operating activities	123.8	81.9	+51%
Capital expenditure	211.3	270.6	-22%
Depreciation and amortization (net of write-ups)	107.1	78.4	+37%
Employees (average number calculated on the basis of full-time employees Jan. 1 – Sep. 30)[5]	10,127	8,528	+19%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	10,211	8,956	+14%

Key share figures	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30	± %
Market capitalization in € million (as of Sep. 30 / Sep. 30)	1,907.4	2,239.7	-15%
Closing price (XETRA®) in € (as of Sep. 30 / Sep. 30)	31.51	37.49	-16%
Average number of shares (without treasury shares, Jan. 1 – Sep. 30)	60,372,323	59,373,894	+2%
Earnings per share in €	1.64	1.52	+8%
Earnings per share in €, adjusted[2)4)]	*2.25*	*1.69*	*+33%*
Diluted earnings per share in €	1.62	1.49	+9%
Diluted earnings per share in €, adjusted[2)4)]	*2.22*	*1.65*	*+35%*

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 effects from the measurement of derivative financial instruments under financial income and expenses.
5) This average number includes changes in the scope of consolidation on a pro-rata basis.

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

In the first nine months of 2014, STADA's business development was within the scope of expectations. On the one hand, the Group was confronted by challenging framework conditions in the two market regions of Germany and CIS / Eastern Europe. On the other, it was burdened by one-time special effects in connection with currency effects recorded in the income statement in the total amount of € 19.2 million before or € 15.8 million after taxes, which resulted from the fluctuation of the Russian ruble as well as other significant currencies of the market region CIS / Eastern Europe. Nevertheless, Group sales increased by 4% to € 1,482.7 million (1-9/2013[1]: € 1,426.2 million). Reported EBITDA increased by 10% to € 293.6 million (1-9/2013[1]: € 267.0 million). Reported net income rose by 10% to € 99.1 million (1-9/2013: € 90.2 million). Adjusted EBITDA recorded a rise of 12% to € 316.2 million (1-9/2013[1]: € 283.5 million). Adjusted net income saw substantial growth of 36% to € 136.1 million (1-9/2013: € 100.3 million).

The STADA Group's financial position remained stable in the first three quarters of the current financial year. Net debt amounted to € 1,412.9 million as of September 30, 2014 (December 31, 2013: € 1,306.8 million). The net debt to adjusted EBITDA ratio was at 3.4 (1-9/2013[1]: 3.7).

In consideration of the development in the period under review, the Executive Board confirms its outlook for financial year 2014, according to which slight growth in Group sales, adjusted EBITDA and adjusted net income should be achieved.

Sales development of the STADA Group

Group sales in the first nine months of 2014 – with varying development in all four market regions – recorded growth of 4% to € 1,482.7 million (1-9/2013[1]: € 1,426.2 million).

When effects on sales attributable to changes in the Group portfolio and currency effects are deducted, Group sales decreased slightly by 1% to € 1,408.5 million in the reporting period.

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

- Portfolio changes amounted to a total of € 116.9 million or 8.2 percentage points in the first three quarters of 2014.
- As a result of applying foreign exchange rates from the first nine months of 2014 compared with the first nine 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 € 43.5 million or -3.0 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. The currency relationships in other countries relevant for STADA only had a small influence on the translation of sales and earnings in local currencies into the Group currency euro.

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.

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.).

Earnings development of the STADA Group

Earnings development in the first nine months 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 in the reporting period was slightly above the level of the corresponding period of the previous year with € 185.5 million (1-9/2013[1)]: € 184.9 million). **Reported EBITDA** rose by 10% to € 293.6 million (1-9/2013[1)]: € 267.0 million). **Reported net income** recorded an increase of 10% to € 99.1 million (1-9/2013: € 90.2 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** increased by 15% in the first three quarters of 2014 to € 232.6 million (1-9/2013[1)]: € 202.1 million). **Adjusted EBITDA** recorded growth of 12% to € 316.2 million (1-9/2013[1)]: € 283.5 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 a substantial 36% to € 136.1 million (1-9/2013: € 100.3 million).

The disproportionate increase of net income can primarily be attributed to a substantial reduction of the effective tax rate as of the first quarter of 2014. This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the "STADA – build the future" project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods.

In view of this, the adjusted effective tax rate for the first nine months of 2014 decreased to 22.9% in comparison to the corresponding period of the previous year (1-9/2013[1)]: 34.7%). The reported tax rate decreased to 25.1% as compared to the corresponding period of the previous year (1-9/2013[1)]: 35.5%).

One-time special effects amounted to a net burden on earnings of € 47.0 million before or € 38.5 million after taxes in the reporting period (1-9/2013: net burden on earnings due to one-time special effects in the amount of € 17.2 million before or € 12.5 million after taxes).

In the third quarter of the current financial year, there was a net burden on earnings in the amount of € 16.1 million before or € 13.7 million after taxes (third quarter of 2013: net burden on earnings of € 11.2 million before or € 8.2 million after taxes). In detail, these were as follows:

- a burden in the amount of € 6.6 million before or € 5.3 million after taxes in connection with currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the market region CIS / Eastern Europe
- a burden in the amount of € 5.5 million before or € 5.0 million after taxes for value adjustments netted of write-ups on intangible assets after impairment tests
- a burden in the amount of € 4.0 million before or € 3.4 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

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.).

Effects from the measurement of derivative financial instruments under financial income and expenses amounted, in the first three quarters of 2014, to a net relief on earnings of € 1.6 million before or € 1.5 million after taxes (1-9/2013: net relief on earnings from effects from the measurement of derivative financial instruments under financial income and expenses of € 3.4 million before or € 2.4 million after taxes).

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 nine months 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	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30[1]	± %	Margin[2] 9 months 2014 Jan. 1 – Sep. 30	Margin[2] 9 months 2013 Jan. 1 – Sep. 30[1]
Operating profit	185.5	184.9	0%	12.5%	13.0%
• Operating segment result Generics	118.8	117.5	+1%	13.4%	13.1%
• Operating segment result Branded Products	105.1	123.7	-15%	18.6%	24.8%
EBITDA[3]	293.6	267.0	+10%	19.8%	18.7%
EBIT[4]	186.5	188.6	-1%	12.6%	13.2%
EBT[5]	137.3	141.8	-3%	9.3%	9.9%
Net income	99.1	90.2	+10%	6.7%	6.3%
Earnings per share in €	1.64	1.52	+8%		
Diluted earnings per share in €	1.62	1.49	+9%		

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

in € million	*9 months 2014 Jan. 1 – Sep. 30*	*9 months 2013 Jan. 1 – Sep. 30[1]*	*± %*	*Margin[2] 9 months 2014 Jan. 1 – Sep. 30*	*Margin[2] 9 months 2013 Jan. 1 – Sep. 30[1]*
Operating profit, adjusted	*232.6*	*202.1*	*+15%*	*15.7%*	*14.2%*
• Operating segment result Generics, adjusted	*131.7*	*121.1*	*+9%*	*14.9%*	*13.5%*
• Operating segment result Branded Products, adjusted	*134.7*	*126.7*	*+6%*	*23.8%*	*25.4%*
EBITDA[3], adjusted	*316.2*	*283.5*	*+12%*	*21.3%*	*19.9%*
• EBITDA Generics, adjusted	*169.1*	*157.0*	*+8%*	*19.1%*	*17.5%*
• EBITDA Branded Products, adjusted	*171.7*	*163.5*	*+5%*	*30.4%*	*32.7%*
EBIT[4], adjusted	*233.5*	*205.8*	*+13%*	*15.7%*	*14.4%*
EBT[5], adjusted	*182.7*	*155.6*	*+17%*	*12.3%*	*10.9%*
Net income, adjusted	*136.1*	*100.3*	*+36%*	*9.2%*	*7.0%*
Earnings per share in €, adjusted	*2.25*	*1.69*	*+33%*		
Diluted earnings per share in €, adjusted	*2.22*	*1.65*	*+35%*		

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 effects from the measurement of derivative financial instruments under financial income and expenses.

General and administrative expenses decreased in the first nine months of 2014 as compared to the corresponding period of the previous year to € 112.1 million (1-9/2013[1]: € 122.3 million). The decrease was a result of earnings recorded within personnel expenses from past service cost in the amount of € 15.9 million in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan.

In the reporting period, **other income** decreased to € 10.9 million as compared to the corresponding period of the previous year (1-9/2013[1]: € 25.3 million). The reduction was, among other things, due to the fact that in the previous year this item included income from the preliminary revaluation of the shares in Pymepharco Joint Stock Company in the context of achieving control and the connected change of status.

Other expenses increased as compared to the corresponding period of the previous year to € 49.7 million in the first nine months of 2014 (1-9/2013[1]: € 21.9 million). This development is especially attributable to the strong devaluation of the significant currencies of the market region CIS / Eastern Europe and the resulting currency translation expenses, which are reported as one-time special effects. In addition, increased impairments of intangible assets that are also reported as one-time special effects resulted in a corresponding increase of other expenses.

The decrease in the first three quarters of 2014 to € 0.8 million in the **result from investments measured at equity** as compared to the corresponding period of the previous year (1-9/2013[1]: € 3.5 million) is due to the retrospective accounting for the company STADA Vietnam according to the equity method in the previous year pursuant to the new standard IFRS 11. In the context of achieving control over STADA Vietnam, the company has been consolidated as a subsidiary since the fourth quarter of 2013.

Income tax expense decreased as compared to the corresponding period of the previous year to € 34.4 million in the first three quarters of 2014 (1-9/2013[1]: € 50.4 million). This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the "STADA – build the future" project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods.

Development of segments

Sales of the two **core segments**, Generics and Branded Products, increased in the first nine months of the current financial year by 4%. They contributed a total of 97.8% to Group sales (1-9/2013[1]: 97.8%). Adjusted for portfolio effects and currency influences, sales of the two core segments slightly decreased by approx. 1% compared to the corresponding period in the previous year.

Sales of the core segment **Generics** decreased slightly by 1% to € 884.2 million in the reporting period (1-9/2013[1]: € 895.8 million). This reduction is primarily attributable to the development in the markets of Germany and Russia. Generics contributed 59.6% to Group sales (1-9/2013[1]: 62.8%). Adjusted, Generics sales in the Group decreased by 2%.

Sales of the core segment **Branded Products** in the reporting period recorded a significant growth of 13% to € 565.8 million (1-9/2013[1]: € 499.5 million). Branded Products thereby contributed 38.2% to Group sales (1-9/2013[1]: 35.0%). Adjusted sales of branded products were approximately at the same level of the corresponding period of the previous year.

In the **Commercial Business** segment, which is not part of the core segments, sales grew to € 32.7 million in the period under review (1-9/2013[1]: € 30.4 million). This development is based for the most part on the purchase of the pharmaceutical wholesale and commercial business in Switzerland that has been consolidated since March 1, 2013.

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.).

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. The development of the most important countries according to sales within the respective market region is also explained under the individual market regions.

Market region Germany

In the **market region Germany**, sales in the first nine months of 2014 increased slightly by 1% to € 341.6 million (1-9/2013: € 336.7 million). This development was due to opposing factors. The still decreasing generics sales in this market region as a result of the continuing difficult local framework conditions stood in opposition to rising sales both in the Branded Products segment as well as the export activities. The market region contributed 23.0% in total to Group sales (1-9/2013[1]: 23.6%). Of the sales generated by the market region Germany, € 45.8 million was attributable to export sales (1-9/2013: € 23.1 million). Adjusted sales in this market region grew slightly by 1%.

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 6% to € 295.8 million in the first three quarters of the current financial year (1-9/2013: € 313.6 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. As a result, sales in the German Generics segment in the period under review decreased by 8% to € 198.5 million (1-9/2013: € 215.6 million). Sales generated in Germany with generics had a share of 67% in the overall sales achieved in the German market (1-9/2013: 69%). The market share of generics sold in German pharmacies in the first nine months of 2014 was slightly above the level of corresponding period of the previous year by volume with approx. 13.7%[2] (1-9/2013: approx. 13.4%[2]). Despite the development in the reporting period in the Generics segment in Germany, the STADA Group remains the clear number 3[2] in the German generics market.

Sales of generics in Germany are almost exclusively generated with the sales companies ALIUD PHARMA GmbH, STADApharm GmbH and cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. Sales of the generics sales company cell pharm, a special supplier for the indication areas oncology and nephrology, which are included in these figures, decreased by 4% to € 23.5 million (1-9/2013: € 24.5 million).

Due to the increasingly difficult framework conditions in the German generics market, it has been decided that now only one of the previous two German subsidiaries will take part in tenders for discount agreements. Therefore, only ALIUD PHARMA shall make bids in the context of these tenders whereas STADApharm has discontinued the submission of bids. Previously concluded contracts, some of which continue until 2017, will still be fulfilled by STADApharm. With this step, the Group is following the longstanding and communicated decision to always participate in German tenders for discount agreements following the primary objective of appropriate operating profitability.

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

Sales generated with branded products in the German market – primarily with the two sales companies STADA GmbH and STADAvita GmbH – were approximately at the same level of the corresponding period of the previous year in the first three quarters of 2014 with € 97.3 million (1-9/2013: € 97.4 million).

Overall, the share of branded products in the reporting period in Germany amounted to 33% of the total sales achieved in the German market (1-9/2013: 31%).

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

In the **market region Central Europe**, sales in the first three quarters of 2014 increased significantly by 14% to € 691.0 million (1-9/2013: € 607.8 million). This pleasing development is especially attributable to sales growth in the United Kingdom – predominantly due to the purchase of the British OTC supplier Thornton & Ross –, as well as in Italy, in Belgium and in Spain, and took place despite a high comparable basis of the corresponding period of the previous year. Sales generated in this market region had a share of 46.6% of Group sales (1-9/2013[1]: 42.6%). Of the sales generated by market region Central Europe, € 26.8 million was attributable to export sales (1-9/2013: € 24.4 million). Adjusted sales in this market region increased by 3%.

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

The countries of market region Central Europe saw varying developments in the first nine months of 2014. The development of business in the five largest markets according to sales within this market region is described in detail below.

Sales generated in **Italy** increased by 5% to € 132.5 million in the first three quarters of 2014 (1-9/2013: € 125.7 million) and was attributable to continued positive regulatory framework conditions. This positive development was visible both in the Generics as well as the Branded Products segment.

Sales generated in the Italian market with generics increased by 4% to € 111.0 million despite the high level of the corresponding period of the previous year (1-9/2013: € 106.8 million). Generics contributed 84% to local sales (1-9/2013: 85%).

Sales achieved in the Italian market with branded products rose by 13% to € 21.5 million (1-9/2013: € 19.0 million). The share of branded products in Italian sales was at 16% (1-9/2013: 15%).

In **Belgium**, sales increased by 8% to € 112.0 million in the first nine months of the current financial year (1-9/2013: € 103.3 million).

Sales recorded in the Belgian market with generics rose by 8% to € 105.6 million (1-9/2013: € 97.9 million). The increase primarily resulted from strong growth in volume. Generics contributed 94% to local sales (1-9/2013: 95%).

Sales achieved in Belgium with branded products rose by 18% to € 6.4 million (1-9/2013: € 5.4 million). Branded products contributed 6% to sales in Belgium (1-9/2013: 5%).

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.).

Sales generated in the **United Kingdom** in the reporting period increased significantly applying the exchange rates of the previous year by 102%. In euro, sales rose even more significantly by 107% to € 93.1 million due to a positive currency effect of the pound sterling (1-9/2013: € 44.9 million). This pleasing development was primarily attributable to the consolidation of the British OTC supplier Thornton & Ross. Adjusted, sales increased by 2% to € 45.9 million.

Sales generated with branded products in the British market recorded substantial growth of 118% to € 83.3 million (1-9/2013: € 38.1 million). Branded products thereby contributed 89% to sales generated in the United Kingdom (1-9/2013: 85%).

Sales of generics in the United Kingdom, where STADA continues to be a niche provider of selected generics with only a few active pharmaceutical ingredients, grew despite heavy competition by a strong 46% to € 9.8 million (1-9/2013: € 6.8 million). Generics contributed 11% to local sales (1-9/2013: 15%).

In **Spain**, sales recorded a rise – despite continued high price competition – of 8% to € 86.0 million in the first nine months of 2014 (1-9/2013: € 79.4 million). This was a result of unchanged strong volume growth both in the Generics and the Branded Products segments.

Sales generated with generics in the Spanish market rose by 7% to € 76.3 million (1-9/2013: € 71.4 million). Generics contributed 89% to local sales (1-9/2013: 90%).

Sales achieved with branded products recorded substantial growth of 20% to € 9.7 million (1-9/2013: € 8.0 million). Branded products contributed 11% to local sales (1-9/2013: 10%).

In **France**, sales decreased by 5% to € 64.2 million in the period under review (1-9/2013: € 67.7 million).

Sales recorded in the French market with generics declined by 11% to € 53.2 million (1-9/2013: € 59.9 million). In addition to the high comparable basis of the corresponding period of the previous year, this development was a result of strong price competition. This was especially attributable to a fundamental regulatory change in the form of a decrease in reference prices as of September 1, 2014 which came in connection with the approval of a possible discount in the French generics market. The maximum permitted discount amount was substantially increased which in turn detracted from the development of sales. Overall, a general sales decrease can be observed in the French generics market, which appears to continue in the coming months. Generics contributed 83% to local sales (1-9/2013: 89%).

Sales achieved with branded products in France, however, recorded a substantial rise of 42% to € 11.0 million (1-9/2013: € 7.8 million). Branded products contributed 17% to sales in France (1-9/2013: 11%).

Market region CIS / Eastern Europe

In the **market region CIS / Eastern Europe**[1)], sales in the first nine months of the current financial year decreased by 2% applying the exchange rates of the previous year. In euro, sales recorded a decline of 13% to € 384.2 million as a result of negative currency effects (1-9/2013: € 440.3 million). Sales generated in this market region thus had a share of 25.9% of Group sales (1-9/2013[2)]: 30.9%). Of the sales generated by the market region CIS / Eastern Europe, € 7.8 million was attributable to export sales (1-9/2013: € 8.9 million). Sales adjusted for portfolio and currency effects in this market region decreased by 8%.

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.).

For financial year 2014, the Executive Board expects slight 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 applying the exchange rates of the previous year. Operating profitability adjusted for negative currency effects is expected to be above Group average.

The development of business in the two largest markets according to sales within this market region is described below.

In **Russia**, sales declined by 9% in the first three quarters of 2014 applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales strongly decreased in euro by 19% to € 236.1 million (1-9/2013: € 292.1 million). The sales decrease was primarily attributable to three factors. In addition to a substantially weaker exchange rate as compared to the corresponding period of the previous year, a reluctance to buy was noted among end consumers through whom approx. 92% of STADA's sales in Russia is generated. Furthermore, the development was particularly influenced by a significant reduction in demand on the part of wholesalers who are paying very strict attention to their liquidity situation in the course of substantially increased refinancing costs as a result of tightened EU sanctions. In the period under review, 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), which is no longer in the focus of the sales strategy due to continuously decreasing margins. In addition, approx. 3% of sales were generated directly or indirectly with other state clients, primarily via tenders. In the context of tenders, the decreased demand for medicines to treat HIV illnesses as a result of declining hospital budgets also had a small share in the sales decrease.

Sales generated with generics in the Russian market declined by 35% to € 76.9 million (1-9/2013: € 117.9 million). Generics contributed 33% to local sales (1-9/2013: 40%).

Sales recorded in Russia with branded products declined by 9% to € 159.1 million (1-9/2013: € 174.2 million). Branded products had a share in sales of 67% in the Russian market (1-9/2013: 60%).

For the outlook of Russian business activities, STADA still expects, from today's perspective, a challenging environment, but continues to see the possibility of an upturn in demand in the current fourth quarter.

In **Serbia**, sales rose by 13% in the first nine months of 2014 applying the exchange rates of the previous year. In euro, sales increased by 10% to € 67.9 million due to a negative currency effect of the Serbian dinar (1-9/2013: € 61.6 million). A general shift from generics to branded products can be observed in the sales mix of the Serbian market.

Sales recorded with generics in Serbia increased by 8% to € 55.5 million (1-9/2013: € 51.5 million). Since the beginning of financial year 2014, the development in the Serbian generics market has been characterized by regulatory changes in reimbursement amounts and reimbursement lists as well as by increasing national tenders to supply hospitals and government pharmacies. In consideration of pending price reductions, the wholesale business has been holding back orders for some time now. Generics contributed 82% to sales in Serbia (1-9/2013: 84%).

Sales recorded with branded products in Serbia recorded growth of 28% to € 12.4 million (1-9/2013: € 9.7 million). Branded products contributed 18% to local sales (1-9/2013: 16%).

In the first quarter of 2014, the insolvency administrator of Velefarm Holding and Velefarm VFB took 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)] Hemofarm and STADA still believe the lawsuit to be unfounded.

1) See the Company's ad hoc release of February 14, 2014.

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

Market region Asia & Pacific

In the **market region Asia & Pacific**, sales in the first nine months of the current financial year increased substantially by 59% to € 66.0 million (1-9/2013[1)]: € 41.4 million). This market region's contribution to Group sales amounted to 4.5% (1-9/2013[1)]: 2.9%). The pleasing development was predominately attributable to sales growth resulting from the consolidations of the Vietnamese company STADA Vietnam J.V. Co., Ltd. and the Chinese company STADA Pharmaceuticals Beijing Ltd. as subsidiaries. Adjusted sales in this market region decreased by 9%.

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

Development, production and procurement

Research and development costs amounted to € 44.4 million in the first nine months of the current financial year (1-9/2013[1)]: € 39.6 million). These costs relate only to development costs as STADA, due to its business model, does not carry out any research into new active ingredients. In addition, the Group capitalized development costs for new products in the amount of € 14.7 million in the reporting period (1-9/2013: € 10.7 million).

Worldwide, STADA launched a total of 459 individual products in the individual national markets in the first three quarters of 2014 (1-9/2013[1)]: 508 product launches).

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

STADA generally makes adequate annual investments to ensure that all Group-owned production facilities and test laboratories are maintained at the level required by legal stipulations and technical production considerations. Investments in the expansion and renewal of production facilities and plants, as well as test laboratories, amounted to € 13.3 million in the reporting period (1-9/2013[1)]: € 12.7 million).

Financial position and cash flow

The financial situation of the STADA Group remains characterized by stability. As of the reporting date September 30, 2014, the equity-to-assets ratio was 30.5% (December 31, 2013: 29.6%) and thereby satisfactory in the opinion of the Executive Board.

Net debt was at € 1,412.9 million as of September 30, 2014 (December 31, 2013: € 1,306.8 million). The **net debt to adjusted EBITDA ratio** was at 3.4 (1-9/2013[1)]: 3.7).

The long-term refinancing of the Group as of September 30, 2014 was provided for by a five-year corporate bond in the amount of € 350 million that was placed in 2010 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 € 600.5 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

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.).

interest rate of currently 1.40% applies for € 76 million. In the second quarter of 2014, STADA secured further promissory notes in the amount of € 20 million with maturity in 2019 and a variable interest rate of currently 1.56%.

As of September 30, 2014, **intangible assets** included € 451.4 million in goodwill (December 31, 2013: € 458.0 million). There were additions to other intangible assets from the acquisition of the Russian branded product portfolio Aqualor® – without consideration of impairment in the reporting period – in the amount of € 129.9 million.

Financial assets declined as of the balance sheet date of September 30, 2014 by € 6.8 million to € 2.2 million (December 31, 2013: € 9.0 million). This development primarily resulted from the inclusion of the Chinese subsidiary STADA Pharmaceuticals Beijing in the scope of consolidation of STADA Arzneimittel AG and the liquidation of the Swedish investment STADApharm AB.

Non-current other financial assets declined as of the balance sheet date of September 30, 2014 by € 15.6 million to € 12.2 million (December 31, 2013: € 27.8 million). This development is primarily attributable to the fact that in the previous year this item included the loan to the associated company BIOCEUTICALS Arzneimittel AG in the amount of € 15.6 million, while the credit line facility granted was not used as of September 30, 2014.

Current other financial assets increased to € 65.8 million as of September 30, 2014 (December 31, 2013: € 50.1 million). This development is mainly attributable to higher receivables from factoring business in Germany as well as increased accruals from the measurement of cross-currency swaps.

As of the reporting date September 30, 2014, **trade accounts receivable** decreased by € 75.5 million to € 516.2 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.

The increase of **income tax receivables** as of the balance sheet date of September 30, 2014 to € 36.4 million (December 31, 2013: € 24.8 million) is primarily due to high advance income tax payments in the market regions Central Europe and Germany.

The increase of **current other assets** by € 13.2 million to € 47.7 million as of the balance sheet date of September 30, 2014 (December 31, 2013: € 34.5 million) was mainly based on reporting date effects which led to increased input tax receivables particularly in the market region CIS / Eastern Europe.

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, effects from remeasurements of the net defined benefit liability that are recognized in other comprehensive income are reported under this item taking deferred taxes into account. In the context of measuring the significant defined benefit obligations as of June 30, 2014, as well as an update as of August 31, 2014 in connection with the change in the defined benefit plan of the Chairman of the Executive Board, an expense in the amount of € 9.2 million after deferred taxes recognized in other comprehensive income resulted from the remeasurement in the first nine months of 2014. It is based on the substantial decrease in the discount rate underlying the measurement as of June 30, 2014 and August 31, 2014 as compared to December 31, 2013. In the corresponding period of the previous year there was only a minor change in the discount rate, so that remeasurement was waived during the year in 2013.

Other provisions include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation recognized in other comprehensive income of financial statements of companies included in the Group, which are recognized in the statement of changes in shareholders' equity under provisions for currency translation. In the reporting period, an expense of € 14.5 million recognized directly in equity arose, which is primarily composed of the following opposing effects: On the one hand, income recognized directly in equity from the currency translation of financial statements of companies reporting in pound sterling has been recorded due to the appreciation of the pound sterling since December 31, 2013. On the other hand, there were higher expenses recognized directly in equity primarily from the currency translation of financial statements of companies reporting in Russian ruble and Serbian dinar due to the significant weakening of the Russian ruble as well as the weakening of the Serbian dinar since December 31, 2013.

As of September 30, 2014, **other non-current provisions** decreased to € 23.6 million (December 31, 2013: € 51.5 million). The decrease was primarily a result of a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan. Despite the transfer of the defined benefit plan of the Chairman of the Executive Board to an external pension fund, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly. The plan assets created in the context of the transfer lead to a provision of zero due to offsetting that must be carried out in the amount of the defined benefit obligations at the time of the plan amendment for this benefit plan.

As of September 30, 2014, the Group's current and non-current **financial liabilities** in the amount of € 518.6 million and € 1,012.0 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 € 600.5 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 half of 2014 in the total amount of € 220 million and a loan in the amount of approx. € 121 million for the financing of the purchase of the branded product portfolio Aqualor®. In opposition, financial liabilities were repaid in the current financial year.

Non-current other financial liabilities decreased to € 6.6 million as of the balance sheet date (December 31, 2013: € 13.0 million). This is mainly due to reclassifications from the non-current to the current area in accordance with maturities.

Trade accounts payable declined as of the balance sheet date of September 30, 2014 by € 46.6 million to € 285.1 million (December 31, 2013: € 331.7 million). This development was primarily based on temporary results of balance sheet date effects.

Current other liabilities decreased to € 85.7 million (December 31, 2013: € 111.4 million). This mainly resulted from a decrease in the area of personnel and tax liabilities in the market regions Central Europe and Germany.

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 123.8 million (1-9/2013[1]): € 81.9 million) in the first three quarters of 2014. The increase of € 41.9 million was based on opposing effects, assuming improved earnings before taxes compared to the corresponding period of the previous year. A significantly higher cash-effective decrease in trade accounts payable compared to the corresponding period of the previous year had a relieving effect on the cash flow from operating activities. A cash-effective decrease in other non-current provisions in the context of the transfer of a defined benefit plan to an external pension fund also contributed to this development. However, inventories and trade accounts receivable recorded a substantially lower cash-effective increase and a substantially higher cash-effective decrease respectively compared to the corresponding period of the previous year. Furthermore, income tax payments were substantially lower than in the corresponding period of the previous year.

Cash flow from investing activities – which reflects the cash outflows for investments with inflows from disposals deducted – amounted to € -186.7 million in the period under review (1-9/2013[1]): € -289.0 million). In the first nine months of 2014, cash flow from investing activities was particularly influenced by payments for investments in intangible assets, which primarily related to the purchase of the Russian branded product portfolio Aqualor®. Furthermore, there were payments for business combinations from the acquisition of the branded product portfolio Flexitol®. Proceeds from the disposal of property, plant and equipment mainly resulted from the sale of a building in the United Kingdom.

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.).

Free cash flow in the reporting period amounted to € -62.9 million (1-9/2013[1)]: € -207.1 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to € 75.6 million in the period under review (1-9/2013[1)]: € 32.6 million).

Cash flow from financing activities amounted to € 57.6 million in the first three quarters of the current financial year (1-9/2013[1)]: € 231.5 million). This development primarily resulted from securing promissory notes in the first half of 2014 in the total amount of € 220 million and a loan in the amount of approx. € 121 million for the financing of the purchase of the branded product portfolio Aqualor®, while higher proceeds from taking up financial liabilities, in particular due to the bond placed in the second quarter of 2013, were recorded in the corresponding period of the previous year. In opposition, more financial liabilities were repaid in the reporting period than in the corresponding period of the previous year. In the second quarter of 2014, furthermore, the dividend for financial year 2013 was distributed. A significant increase was thus achieved in the distributed volume as compared to the dividend for financial year 2012.

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 € -8.5 million in the first nine months of 2014 (1-9/2013[1)]: € 23.7 million).

Acquisitions and disposals

STADA generally pursues an active acquisition policy to further accelerate the Group's organic growth with external growth impulses. On the one hand, this focuses on the regional expansion of business activities concentrating on high-growth emerging markets. On the other hand, the Group focuses on 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.

Regardless of this active purchasing policy, profitability and the purchase price must strike a good balance in the view of the Executive Board. 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.

STADA share

The STADA share price decreased by 12% in the first nine months of 2014. Whereas the share price closed 2013 at € 35.93, it amounted to € 31.07 at the end of the first quarter. At the end of the second quarter, it closed at a price of € 34.79 and was at € 31.51 at the end of the third quarter. STADA's market capitalization amounted to € 1.907 billion at the end of the first nine months of 2014. At the end of 2013, this figure was € 2.172 billion.

As of September 30, 2014, the subscribed share capital of STADA Arzneimittel AG amounted to € 157,386,736.00 (December 31, 2013: € 157,150,500.00) consisting of 60,533,360 registered shares with restricted transferability[2)], each with an arithmetical share in share capital of € 2.60 (December 31, 2013: 60,442,500 registered shares). The changes in the first nine months of 2014 resulted from the exercising of 4,543 warrants 2000/2015[3)]. As of September 30, 2014, 92,843 warrants 2000/2015 for the subscription of 1,856,860 STADA registered shares were thus still outstanding.

In the first nine months of 2014, the Group published all of the received voting rights notices according to Section 26 of the German Securities Trading Act (WpHG). These 20 received voting rights notices, as well as any received later, can be viewed on the website at www.stada.de or www.stada.com.

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) 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.
3) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.

In the third quarter of 2014 according to information available to the Company, STADA reported a Directors' Dealing in the form of a sale. On September 29, 2014, Hartmut Retzlaff, Chairman of the Executive Board, sold 2,000 STADA warrants at a price of € 311.1325 per warrant.

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 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 characterized by tenders in the Generics core segment.

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 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. However, 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, non-operational burdens on earnings from currency influences, in particular from the devaluation of the Russian ruble and the Ukrainian hryvnia, as well as a further decrease in demand in the Russian pharmaceuticals market can not be ruled out. With regard to the stricter sanctions against Russia resolved in financial year 2014, STADA does not currently see any significant direct effects on the Group's business.

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.

With a view to the development in the first nine months of 2014, the Executive Board confirms its outlook for financial year 2014, according to which slight growth in Group sales, adjusted EBITDA and adjusted net income should be achieved. 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 nows aims for a net debt to adjusted EBITDA ratio at a level of nearly 3 in 2014.

H. Retzlaff H. Kraft Dr. M. Wiedenfels

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

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Sep. 30 in € 000s	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30[1]	3rd quarter 2014 July 1 – Sep. 30	3rd quarter 2013 July 1 – Sep. 30[1]
Sales	1,482,735	1,426,236	479,943	459,426
Cost of sales	779,837	734,779	256,917	241,615
Gross profit	**702,898**	**691,457**	**223,026**	**217,811**
Selling expenses	322,120	341,141	102,810	116,585
General and administrative expenses	112,127	122,324	26,742	38,586
Research and development expenses	44,375	39,557	15,099	12,200
Other income	10,913	25,268	2,413	13,796
Other expenses	49,659	21,942	16,498	3,834
Expenses in connection with the "STADA – build the future" project	-	6,890	-	5,004
Operating profit	**185,530**	**184,871**	**64,290**	**55,398**
Result from investments measured at equity	802	3,508	170	1,176
Investment income	153	228	2	2
Financial income	4,128	5,704	351	2,734
Financial expenses	53,332	52,522	18,313	19,567
Financial result	**-48,249**	**-43,082**	**-17,790**	**-15,655**
Earnings before taxes	**137,281**	**141,789**	**46,500**	**39,743**
Income taxes	34,400	50,387	12,590	15,797
Earnings after taxes	**102,881**	**91,402**	**33,910**	**23,946**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	99,076	90,180	32,325	23,537
• distributable to non-controlling shareholders	3,805	1,222	1,585	409
Earnings per share in € (basic)	1.64	1.52	0.54	0.40
Earnings per share in € (diluted)	1.62	1.49	0.53	0.39

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	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30	3rd quarter 2014 July 1 – Sep. 30	3rd quarter 2013 July 1 – Sep. 30
Earnings after taxes	102,881	91,402	33,910	23,946
Items to be recycled to the income statement in future:				
Currency translation gains and losses	-10,385	-45,390	-9,615	-13,601
thereof				
• income taxes	541	306	491	509
Gains and losses on available-for-sale financial assets	-1	-	-3	10
thereof				
• income taxes	0	-	1	-3
Gains and losses on hedging instruments (cash flow hedges)	957	2,038	399	293
thereof				
• income taxes	-354	-755	-147	-108
Items not to be recycled to the income statement in future:				
Remeasurements of the net defined benefit liability	-9,196	-	-4,127	-
thereof				
• income taxes	3,407	-	1,529	-
Other comprehensive income	-18,625	-43,352	-13,346	-13,298
Consolidated comprehensive income	84,256	48,050	20,564	10,648
thereof				
• distributable to shareholders of STADA Arzneimittel AG	76,225	47,478	14,815	10,745
• distributable to non-controlling shareholders	8,031	572	5,749	-97

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Sep. 30 in € 000s Assets	Sep. 30, 2014	Dec. 31, 2013	Jan. 1, 2013[1)]
Non-current assets	**2,140,571**	**2,059,989**	**1,806,292**
Intangible assets	1,745,364	1,641,623	1,417,050
Property, plant and equipment	319,732	318,428	269,361
Financial assets	2,203	8,991	12,463
Investments measured at equity	9,777	8,974	44,042
Other financial assets	12,215	27,785	16,158
Other assets	3,857	3,570	1,165
Deferred tax assets	47,423	50,618	46,053
Current assets	**1,317,463**	**1,353,193**	**1,169,679**
Inventories	533,340	524,374	466,496
Trade accounts receivable	516,187	591,678	489,567
Income tax receivables	36,420	24,836	31,209
Other financial assets	65,840	50,096	36,919
Other assets	47,706	34,475	50,879
Non-current assets and disposal groups held for sale	310	1,571	2,076
Cash and cash equivalents	117,660	126,163	92,533
Total assets	**3,458,034**	**3,413,182**	**2,975,971**

Equity and liabilities	Sep. 30, 2014	Dec. 31, 2013	Jan. 1, 2013[1)]
Equity	**1,053,289**	**1,010,099**	**910,317**
Share capital	157,387	157,151	154,264
Capital reserve	489,108	487,843	472,459
Retained earnings including net income	602,250	552,663	458,924
Other provisions	-255,072	-241,497	-184,467
Treasury shares	-1,519	-1,542	-1,572
Equity attributable to shareholders of the parent	**992,154**	**954,618**	**899,608**
Shares relating to non-controlling shareholders	61,135	55,481	10,709
Non-current borrowed capital	**1,209,172**	**1,358,414**	**1,102,404**
Other non-current provisions	23,594	51,478	50,486
Financial liabilities	1,012,012	1,140,571	941,572
Other financial liabilities	6,557	12,988	24,528
Other liabilities	3,977	2,937	3,054
Deferred tax liabilities	163,032	150,440	82,764
Current borrowed capital	**1,195,573**	**1,044,669**	**963,250**
Other provisions	21,643	17,536	10,538
Financial liabilities	518,596	292,484	326,183
Trade accounts payable	285,130	331,661	267,773
Income tax liabilities	27,881	30,569	25,633
Other financial liabilities	256,659	261,067	219,519
Other liabilities	85,664	111,352	113,604
Total equity and liabilities	**3,458,034**	**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	Sep. 30, 2014	Sep. 30, 2013[1)]
Net income	102,881	91,402
Depreciation and amortization net of write-ups of non-current assets	107,141	78,435
Income taxes	34,400	50,387
Interest income and expenses	50,776	50,242
Result from investments measured at equity	-802	-3,508
Result from the disposals of non-current assets	14	249
Changes in other non-current provisions	-25,317	39
Currency translation income and expenses	20,307	9,293
Other non-cash expenses and gains	192,552	185,989
Gross cash flow	**481,952**	**462,528**
Changes in inventories	-48,302	-60,691
Changes in trade accounts receivable	57,098	878
Changes in trade accounts payable	-64,650	-6,744
Changes in other net assets, unless attributable to investing or financing activities	-221,223	-227,685
Interest and dividends received	3,520	4,761
Interest paid	-47,862	-41,399
Income tax paid	-36,770	-49,724
Cash flow from operating activities	**123,763**	**81,924**
Payments for investments in		
• intangible assets	-155,838	-39,243
• property, plant and equipment	-26,218	-23,055
• financial assets	-61	-163
• shares in consolidated companies	-	-
• business combinations according to IFRS 3	-10,317	-230,412
Proceeds from the disposal of		
• intangible assets	1,961	2,611
• property, plant and equipment	3,785	973
• financial assets	-	289
• shares in consolidated companies	-	-
Cash flow from investing activities	**-186,688**	**-289,000**
Borrowing of funds	597,261	697,726
Settlement of financial liabilities	-498,339	-441,876
Dividend distribution	-42,542	-31,097
Capital increase from share options	1,495	6,721
Changes in non-controlling interests	-348	-
Changes in treasury shares	29	12
Cash flow from financing activities	**57,556**	**231,486**
Changes in cash and cash equivalents	**-5,369**	**24,410**
Changes in cash and cash equivalents due to Group composition	2,064	-
Changes in cash and cash equivalents due to exchange rates	-5,198	-738
Net change in cash and cash equivalents	**-8,503**	**23,672**
Balance at beginning of the period	**126,163**	**92,533**
Balance at end of the period	**117,660**	**116,205**

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 Sep. 30, 2014	60,533,360	157,387	489,108
Dividend distribution			
Capital increase from share options	90,860	236	1,259
Changes in treasury shares			6
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 Sep. 30, 2013	59,740,780	155,326	478,118
Dividend distribution			
Capital increase from share options	408,520	1,062	5,659
Changes in treasury shares			
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
602,250	-252,574	31	-2,529	-1,519	992,154	61,135	1,053,289
-39,832					-39,832	-2,710	-42,542
					1,495		1,495
				23	29		29
					-		-
					-	333	333
-381					-381		-381
-9,276	-14,528	-4	957		-22,851	4,226	-18,625
99,076					99,076	3,805	102,881
552,663	-238,046	35	-3,486	-1,542	954,618	55,481	1,010,099
519,498	-223,028	37	-3,797	-1,560	924,594	28,192	952,786
-29,620					-29,620	-1,477	-31,097
					6,721		6,721
				12	12		12
					-		-
					-	18,388	18,388
	395				395		395
14	-44,751	-3	2,038		-42,702	-650	-43,352
90,180					90,180	1,222	91,402
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 was prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of September 30, 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 nine 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 special purpose 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 nine months of 2013:

Consolidated Income Statement in € 000s	9 months 2013 Jan. 1 – Sep. 30	Adjustments in accordance with new IFRS 11	9 months 2013 Jan. 1 – Sep. 30 adjusted
Sales	1,436,735	-10,499	1,426,236
Cost of sales	740,456	-5,677	734,779
Gross profit	**696,279**	**-4,822**	**691,457**
Selling expenses	341,751	-610	341,141
General and administrative expenses	122,792	-468	122,324
Research and development expenses	39,784	-227	39,557
Other income	25,159	109	25,268
Other expenses	22,127	-185	21,942
Expenses in connection with the “STADA – build the future” project	6,890	-	6,890
Operating profit	**188,094**	**-3,223**	**184,871**
Result from investments measured at equity	579	2,929	3,508
Investment income	228	-	228
Financial income	5,685	19	5,704
Financial expenses	52,672	-150	52,522
Financial result	**-46,180**	**3,098**	**-43,082**
Earnings before taxes	**141,914**	**-125**	**141,789**
Taxes on income	50,512	-125	50,387
Earnings after taxes	**91,402**	**-**	**91,402**
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	90,180	-	90,180
• distributable to non-controlling shareholders	1,222	-	1,222
Earnings per share in € (basic)	1.52	-	1.52
Earnings per share in € (diluted)	1.49	-	1.49

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 included in the scope of consolidation of STADA Arzneimittel AG.

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

In the second quarter of 2014 in Belgium, the consolidated subsidiary S.A. Neocare N.V., Brussels, Belgium, was merged with S.A. Eurogenerics N.V., Brussels, Belgium, also a consolidated subsidiary.

In the consolidated interim financial statements of the STADA Group, 75 companies were thereby consolidated as subsidiaries and three companies as associates as of the balance sheet date on September 30, 2014.

1.4. Business combinations

In the first nine months of 2014, the following business combination as defined in IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

In the second quarter of 2014, STADA purchased the production and distribution rights for the branded product portfolio Flexitol® including the associated sales structures from the LaCorium group of companies. STADA achieved control upon conclusion of the contract on June 16, 2014.

The purchase price for the acquisition of the production and distribution rights including the associated sales structures totaled GBP 8.3 million (approx. € 10.3 million) including adjustments for inventory in the amount of GBP 1.7 million (approx. € 2.2 million). The acquired product portfolio comprises 15 prescription-free (OTC) and prescribable (OTX) products in the area of hand and foot care.

In the context of the preliminary purchase price allocation, goodwill in the amount of approx. € 1 resulted from the business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in the production and distribution rights approx.	10.3
Proportionate fair values of the assets and liabilities acquired incl. fair value of adjustments for inventory approx.	10.3
Goodwill	**0.0**

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

Fair values in € million	
Intangible assets	12.5
Inventories	0.8
Assets	**13.3**
Trade accounts payable	3.0
Liabilities	**3.0**

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

Sales generated in the market region Central Europe with the branded product portfolio Flexitol® since the acquisition date amounted to approx. € 1.3 million in financial year 2014. The adjusted operating profit of this business combination amounted to approx. € 0.4 million in financial year 2014. If STADA had already acquired the branded product portfolio Flexitol® by January 1, 2014, sales of approx. € 3 million and an adjusted operating profit of approx. € 1 million would have been achieved on linear extrapolation for the first nine months of 2014.

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 the sales rise in the Branded Products core segment as well as from sales 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 5.2 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. General and administrative expenses

General and administrative expenses decreased in the first nine months of 2014 as compared to the corresponding period of the previous year to € 112.1 million (1-9/2013[1]: € 122.3 million). The decrease was a result of earnings recorded within personnel expenses from past service cost in the amount of € 15.9 million in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan.

2.3. Other income

In the reporting period, other income decreased to € 10.9 million as compared to the corresponding period of the previous year (1-9/2013[1]: € 25.3 million). The reduction was, among other things, due to the fact that in the previous year this item included income from the preliminary revaluation of the shares in Pymepharco Joint Stock Company in the context of achieving control and the connected change of status.

2.4. Other expenses

Other expenses increased as compared to the corresponding period of the previous year to € 49.7 million in the first nine months of 2014 (1-9/2013[1]: € 21.9 million). This development is especially attributable to the strong devaluation of the significant currencies of the market region CIS/Eastern Europe and the resulting currency translation expenses, which are reported as one-time special effects. In addition, increased impairments of intangible assets that are also reported as one-time special effects resulted in a corresponding increase of other 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.).

2.5. Result from investments measured at equity

The decrease in the first three quarters of 2014 to € 0.8 million in the result from investments measured at equity as compared to the corresponding period of the previous year (1-9/2013[1)]: € 3.5 million) is due to the retrospective accounting for the company STADA Vietnam according to the equity method in the previous year pursuant to the new standard IFRS 11. In the context of achieving control over STADA Vietnam, the company has been consolidated as a subsidiary since the fourth quarter of 2013.

2.6. Taxes on income

Income tax expense decreased as compared to the corresponding period of the previous year to € 34.4 million in the first three quarters of 2014 (1-9/2013[1)]: € 50.4 million). This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the "STADA – build the future" project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of September 30, 2014, intangible assets included € 451.4 million in goodwill (December 31, 2013: € 458.0 million). There were additions to other intangible assets from the acquisition of the Russian branded product portfolio Aqualor® – without consideration of impairment in the reporting period – in the amount of € 129.9 million.

3.2. Financial assets

Financial assets declined as of the balance sheet date of September 30, 2014 by € 6.8 million to € 2.2 million (December 31, 2013: € 9.0 million). This development primarily resulted from the inclusion of the Chinese subsidiary STADA Pharmaceuticals Beijing Ltd. in the scope of consolidation of STADA Arzneimittel AG and the liquidation of the Swedish investment STADApharm AB.

3.3. Other financial assets

Non-current other financial assets declined as of the balance sheet date of September 30, 2014 by € 15.6 million to € 12.2 million (December 31, 2013: € 27.8 million). This development is primarily attributable to the fact that in the previous year this item included the loan to the associated company BIOCEUTICALS Arzneimittel AG in the amount of € 15.6 million, while the credit line facility granted was not used as of September 30, 2014. Current other financial assets increased to € 65.8 million as of September 30, 2014 (December 31, 2013: € 50.1 million). This development is mainly attributable to higher receivables from factoring business in Germany as well as increased accruals from the measurement of cross-currency swaps.

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.).

3.4. Trade accounts receivable

As of the reporting date September 30, 2014, trade accounts receivable decreased by € 75.5 million to € 516.2 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.

3.5. Income tax receivables

The increase of income tax receivables as of the balance sheet date of September 30, 2014 to € 36.4 million (December 31, 2013: € 24.8 million) is primarily due to high advance income tax payments in the market regions Central Europe and Germany.

3.6. Other assets

The increase of current other assets by € 13.2 million to € 47.7 million as of the balance sheet date of September 30, 2014 (December 31, 2013: € 34.5 million) was mainly based on reporting date effects which led to increased input tax receivables particularly in the market region CIS / Eastern Europe.

3.7. Retained earnings including net income

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, effects from remeasurements of the net defined benefit liability that are recognized in other comprehensive income are reported under this item taking deferred taxes into account. In the context of measuring the significant defined benefit obligations as of June 30, 2014, as well as an update as of August 31, 2014 in connection with the change in the defined benefit plan of the Chairman of the Executive Board, an expense in the amount of € 9.2 million after deferred taxes recognized in other comprehensive income resulted from the remeasurement in the first nine months of 2014. It is based on the substantial decrease in the discount rate underlying the measurement as of June 30, 2014 and August 31, 2014 in comparison to December 31, 2013. In the corresponding period of the previous year there was only a minor change in the discount rate, so that remeasurement was waived during the year in 2013.

3.8. Other provisions

Other provisions include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation recognized in other comprehensive income of financial statements of companies included in the Group, which are recognized in the statement of changes in shareholders' equity under provisions for currency translation. In the reporting period, an expense of € 14.5 million recognized directly in equity arose, which is primarily composed of the following opposing effects: On the one hand, income recognized directly in equity from the currency translation of financial statements of companies reporting in pound sterling has been recorded due to the appreciation of the pound sterling since December 31, 2013. On the other hand, there were higher expenses recognized directly in equity primarily from the currency translation of financial statements of companies reporting in Russian ruble and Serbian dinar due to the significant weakening of the Russian ruble as well as the weakening of the Serbian dinar since December 31, 2013.

3.9. Other non-current provisions

As of September 30, 2014, other non-current provisions decreased to € 23.6 million (December 31, 2013: € 51.5 million). The decrease was primarily a result of a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan. Despite the transfer of the defined benefit plan of the Chairman of the Executive Board to an external pension fund, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly. The plan assets created in the context of the transfer lead to a provision of zero due to offsetting that must be carried out in the amount of the defined benefit obligations at the time of the plan amendment for this benefit plan.

3.10. Financial liabilities

As of September 30, 2014, the Group's current and non-current financial liabilities in the amount of € 518.6 million and € 1,012.0 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 € 600.5 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 half of 2014 in the total amount of € 220 million and a loan in the amount of approx. € 121 million for the financing of the purchase of the branded product portfolio Aqualor®. In opposition, financial liabilities were repaid in the current financial year.

3.11. Other financial liabilities

Non-current other financial liabilities decreased to € 6.6 million as of the balance sheet date (December 31, 2013: € 13.0 million). This is mainly due to reclassifications from the non-current to the current area in accordance with maturities.

3.12. Trade accounts payable

Trade accounts payable declined as of the balance sheet date of September 30, 2014 by € 46.6 million to € 285.1 million (December 31, 2013: € 331.7 million). This development was primarily based on temporary results of balance sheet date effects.

3.13. Other liabilities

Current other liabilities decreased to € 85.7 million (December 31, 2013: € 111.4 million). This mainly resulted from a decrease in the area of personnel and tax liabilities in the market regions Central Europe and Germany.

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 123.8 million in the first three quarters of 2014 (1-9/2013[1)]: € 81.9 million). The increase of € 41.9 million was based on opposing effects, assuming improved earnings before taxes compared to the corresponding period of the previous year. A significantly higher cash-effective decrease in trade accounts

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.).

payable compared to the corresponding period of the previous year had a relieving effect on the cash flow from operating activities. A cash-effective decrease in other non-current provisions in the context of the transfer of a defined benefit plan to an external pension fund also contributed to this development. However, inventories and trade accounts receivable recorded a substantially lower cash-effective increase and a substantially higher cash-effective decrease respectively compared to the corresponding period of the previous year. Furthermore, income tax payments were substantially lower than in the corresponding period of the previous year.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments with inflows from disposals deducted – amounted to € -186.7 million in the period under review (1-9/2013[1)]: € -289.0 million). In the first nine months of 2014, cash flow from investing activities was particularly influenced by payments for investments in intangible assets, which primarily related to the purchase of the Russian branded product portfolio Aqualor®. Furthermore, there were payments for business combinations from the acquisition of the branded product portfolio Flexitol®. Proceeds from the disposal of property, plant and equipment mainly resulted from the sale of a building in the United Kingdom.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € 57.6 million in the first three quarters of the current financial year (1-9/2013[1)]: € 231.5 million). This development primarily resulted from securing promissory notes in the first half of 2014 in the total amount of € 220 million and a loan in the amount of approx. € 121 million for the financing of the purchase of the branded product portfolio Aqualor®, while higher proceeds from taking up financial liabilities, in particular due to the bond placed in the second quarter of 2013, were recorded in the corresponding period of the previous year. In opposition, more financial liabilities were repaid in the reporting period than in the corresponding period of the previous year. In the second quarter of 2014, furthermore, the dividend for financial year 2013 was distributed. A significant increase was thus achieved in the distributed volume as compared to the dividend for financial year 2012.

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 € -8.5 million in the first nine months of 2014 (1-9/2013[1)]: € 23.7 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		9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30[1]
Generics	**External sales**	**884,225**	**895,774**
	Sales with other segments	464	619
	Total sales	884,689	896,393
	Operating profit	118,808	117,521
	Depreciation / amortization	37,374	33,892
	Impairment losses	4,030	819
	Reversals	-	-
	Other significant non-cash items within operating result	-210,160	-187,765
Branded Products	**External sales**	**565,841**	**499,538**
	Sales with other segments	-	-
	Total sales	565,841	499,538
	Operating profit	105,095	123,701
	Depreciation / amortization	46,650	35,803
	Impairment losses	6,271	168
	Reversals	-	-
	Other significant non-cash items within operating result	-22,112	-7,801
Commercial Business	**External sales**	**32,669**	**30,368**
	Sales with other segments	-	-
	Total sales	32,669	30,368
	Operating profit	798	847
	Depreciation / amortization	103	137
	Impairment losses	-	-
	Reversals	-	-
	Other significant non-cash items within operating result	-111	-100
Reconciliation Group holdings / other and consolidation	**External sales**	**-**	**556**
	Sales with other segments	-464	-619
	Total sales	-464	-63
	Operating profit	-39,171	-57,198
	Depreciation / amortization	8,151	7,788
	Impairment losses	4,562	198
	Reversals	-	370
	Other significant non-cash items within operating result	15,768	-2,406
Group	**External sales**	**1,482,735**	**1,426,236**
	Sales with other segments	-	-
	Total sales	1,482,735	1,426,236
	Operating profit	185,530	184,871
	Depreciation / amortization	92,278	77,620
	Impairment losses	14,863	1,185
	Reversals	-	370
	Other significant non-cash items within operating result	-216,615	-198,072

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	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30[1)]
Operating segment profit	224,701	242,069
Reconciliation Group holdings / other and consolidation	-39,171	-57,198
Result from investments measured at equity	802	3,508
Investment income	153	228
Financial income	4,128	5,704
Financial expenses	53,332	52,522
Earnings before taxes, Group	137,281	141,789

5.4. Reconciliation of segment assets to Group assets

in € 000s	Sep. 30, 2014	Dec. 31, 2013
Segment assets	1,991,955	1,890,259
Reconciliation Group holdings / other and consolidation	75,344	78,783
Other non-current assets	73,272	90,947
Current assets	1,317,463	1,353,193
Total assets, Group	3,458,034	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	9 months 2014 Jan. 1 – Sep. 30	9 months 2013 Jan. 1 – Sep. 30[1)]	±%[2)]	±% adjusted[3)]
Germany	**341,568**	**336,717**	**+1%**	***+1%***
• Germany	295,761	313,580	-6%	*-6%*
• Export sales of the market region Germany	45,807	23,137	+98%	*+98%*
Central Europe	**690,952**	**607,770**	**+14%**	***+3%***
• Italy	132,469	125,721	+5%	*+2%*
• Belgium	111,984	103,334	+8%	*+8%*
• United Kingdom	93,129	44,888	>100%	*+2%*
• Spain	85,996	79,375	+8%	*+8%*
• France	64,212	67,688	-5%	*-7%*
• Switzerland	39,262	37,051	+6%	*-5%*
• The Netherlands	28,374	27,175	+4%	*+4%*
• Denmark	16,899	15,125	+12%	*+10%*
• Ireland	16,539	16,706	-1%	*-7%*
• Poland	16,263	12,617	+29%	*+27%*
• Other / Rest of Central Europe	59,069	53,655	+10%	*+10%*
• Export sales of the market region Central Europe	26,756	24,435	+9%	*-18%*
CIS / Eastern Europe	**384,215**	**440,345**	**-13%**	***-8%***
• Russia	236,082	292,060	-19%	*-17%*
• Serbia	67,855	61,596	+10%	*+13%*
• Ukraine	19,141	25,349	-24%	*+6%*
• Kazakhstan	10,070	14,971	-33%	*-19%*
• Bosnia-Herzegovina	10,036	9,985	+1%	*+1%*
• Other / Rest of CIS / Eastern Europe	33,190	27,517	+21%	*+30%*
• Export sales of the market region CIS / Eastern Europe	7,841	8,867	-12%	*-9%*
Asia & Pacific	**66,000**	**41,404**	**+59%**	***-9%***
• Vietnam	50,093	33,776	+48%	*-12%*
• China	9,089	2,352	>100%	*-37%*
• The Philippines	2,852	1,870	+53%	*+63%*
• Thailand	1,690	2,030	-17%	*-9%*
• Other / Rest of Asia & Pacific	1,827	1,255	+46%	*-3%*
• Export sales of the market region Asia & Pacific	449	121	>100%	*>100%*

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	
	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2014	Dec. 31, 2013
Available-for-sale financial assets (AfS)						
• Securities	41	46	-	-	-	-
Financial assets held for trading (FAHfT)						
• Currency forwards	-	-	-	-	93	17
• Interest rate / currency swaps	-	-	-	-	15,632	10,503
Financial liabilities held for trading (FLHfT)						
• Currency forwards	-	-	-	-	20	405
• Interest rate / currency swaps	-	-	-	-	128	466
Derivative financial liabilities with a hedging relationship						
• Cash flow hedges	-	-	-	-	3,437	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	
	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2014	Dec. 31, 2013
Non-current assets and disposal groups held for sale	-	-	310	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	4,156	1,713
• in the income statement	4,156	402
• directly in equity	-	1,311
Additions	-	-
Realizations	1,049	321
Reclassification in level 2	-	-
Balance at Sep. 30, 2014	**15,725**	**-3,585**
Income recognized in the income statement	**4,156**	**402**
Other earnings / other expenses	3,035	-49
thereof		
• attributable to assets / liabilities held as of the balance sheet date	3,025	-133
Financial result	1,121	451
thereof		
• attributable to assets / liabilities held as of the balance sheet date	1,121	451

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of September 30, 2014:

in € 000s	Carrying amount Sep. 30, 2014	Fair value Sep. 30, 2014	Carrying amount Dec. 31, 2013	Fair Value Dec. 31, 2013
Amounts due to banks	234,825	236,449	301,991	305,168
Promissory notes	598,802	648,165	434,943	471,285
Bonds	696,981	718,482	696,121	714,042
Financial liabilities	1,530,608	1,603,096	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 nine months 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

Contingent liabilities describe possible obligations with respect to third parties which result from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not recognized.

As compared to the contingent liabilities described in the Annual Report 2013, there were changes in contingent liabilities with regard to patent risks in the first nine months of 2014. On the one hand, in addition to the contingent liabilities for patent risks reported in the Annual Report 2013 there was another potential liability of € 5.0 million for a patent risk in the market region Central Europe. On the other hand, contingent liabilities for patent risks in the amount of € 0.6 million in the market region Central Europe no longer exist, as a provision has now been made for this issue due to a lost patent dispute.

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

in € 000s	Sep. 30, 2014	Dec. 31, 2013
Operating lease liabilities	64,263	70,973
Other financial obligations	36,917	166,705
Total	101,180	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 September 30, 2014, this other financial obligation no longer exists, as the residual amount of the purchase price liability still outstanding as of September 30, 2014 of € 15.7 million has been recorded in the balance sheet under other financial liabilities.

Furthermore, other financial obligations primarily included as of September 30, 2014 a guarantee amounting to € 25.0 million toward 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 September 30, 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 was a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of September 30, 2014.

Liabilities from operating leases related 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 which was not used as of September 30, 2014 (December 31, 2013: utilization in the amount of € 15.6 million).

In addition, there was a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of September 30, 2014.

There was a change to the defined benefit plan of the Chairman of the Executive Board in the third quarter of 2014 which resulted in changes with regard to the benefits awarded according to the former benefit plan. The resulting earnings from past service cost in the amount of € 15.9 million were recorded under administrative expenses within personnel expenses.

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.

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

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

Forward-looking statements: This STADA Arzneimittel AG (hereinafter "STADA") interim report contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the business, financial and earnings 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 results of clinical studies; 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 not assume any obligation to update these forward-looking statements.

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) 6101/603-113 · Fax: +49 (0) 6101/603-506 · E-mail: communications@stada.de

Always up to date – STADA on the Internet: www.stada.com

1) Employee representatives.

www.stada.de
www.stada.com