

Interim Report on the First Nine Months of 2011



STADA KEY FIGURES

Key figures for the Group in € million	1/1–9/30/2011	1/1–9/30/2010	± %
Group sales	1,251.7	1,177.8	+6%
• Generics (core segment)	857.4	815.7	+5%
• Branded Products (core segment)	350.1	311.4	+12%
Operating profit	59.2	104.9	-44%
<i>Operating profit, adjusted¹⁾</i>	<i>182.1</i>	<i>165.6</i>	<i>+10%</i>
EBITDA (Earnings before interest, taxes, depreciation and amortization)	134.6	182.9	-26%
<i>EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted¹⁾</i>	<i>240.7</i>	<i>224.2</i>	<i>+7%</i>
EBIT (Earnings before interest and taxes)	59.8	105.3	-43%
<i>EBIT (Earnings before interest and taxes), adjusted¹⁾</i>	<i>182.7</i>	<i>166.0</i>	<i>+10%</i>
EBT (Earnings before taxes)	20.7	66.1	-69%
<i>EBT (Earnings before taxes), adjusted¹⁾</i>	<i>142.6</i>	<i>127.4</i>	<i>+12%</i>
Net income	-6.5	38.8	-117%
<i>Net income, adjusted¹⁾</i>	<i>99.9</i>	<i>91.2</i>	<i>+10%</i>
Cash flow from operating activities	143.6	130.6	+10%
Capital expenditure	105.9	90.8	+17%
Depreciation and amortization (net of write-ups)	74.8	77.6	-4%
Employees (average number for the year calculated on the basis of full-time employees, Jan. 1 – Sept. 30)	7,826	8,083	-3%
Key share figures	1/1–9/30/2011	1/1–9/30/2010	± %
Market capitalization (as of Sept. 30) in € million	932.3	1,239.9	-25%
Closing price (XETRA®) in € (Sept. 30)	15.81	21.06	-25%
Average number of shares (without treasury shares, Jan. 1 – Sept. 30)	58,817,068	58,759,561	0%
Earnings per share in €	-0.11	0.66	-117%
<i>Earnings per share in €, adjusted¹⁾</i>	<i>1.70</i>	<i>1.55</i>	<i>+10%</i>
Diluted earnings per share in €	-0.11	0.65	-117%
<i>Diluted earnings per share in €, adjusted¹⁾</i>	<i>1.66</i>	<i>1.52</i>	<i>+9%</i>

1) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous years. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with IFRS. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.

MANAGEMENT REPORT

Overview

In the first nine months of 2011, the sales and operating earnings development was within the scope of expectations. In the third quarter of 2011, however, the Group recorded unexpectedly high one-time special effects in Serbia that burdened earnings (see “Earnings development of the STADA Group”, “Regional development in individual national markets – Serbia” as well as the Company’s ad hoc release of September 21, 2011) that led to a loss in reported net income in the third quarter of 2011 as well as in the accumulated reported net income for the first nine months of the current financial year. From today’s perspective, the Executive Board nevertheless expects a significantly positive reported net income in the double-digit million euro area for the full year 2011.

Group sales rose by 6% in the reporting period to € 1,251.7 million (1-9/2010: € 1,177.8 million). Adjusted for changes to the Group portfolio as well as currency effects, Group sales rose by 6% in the first nine months of the current financial year compared to the corresponding period of the previous year.

In view of high one-time special effects that burdened earnings, primarily as a result of impairments on outstanding receivables from various Serbian pharmaceutical wholesalers in the third quarter of 2011, the reported key earnings figures for the Group in the first nine months of 2011 decreased significantly and were, in part, negative; operationally, i.e. excluding one-time special effects, however, they all exceeded the key earnings figures, adjusted accordingly, from the comparable period in the previous year.

Net income declined in the first three quarters of 2011 to € -6.5 million (1-9/2010: € 38.8 million). Net income adjusted for one-time special effects and non-operational effects from interest rate hedge transactions, however, increased in the first nine months of the current financial year by 10% to € 99.9 million (1-9/2010: € 91.2 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 26% in the reporting period to € 134.6 million (1-9/2010: € 182.9 million). Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), however, increased by 7% in the same period to € 240.7 million (1-9/2010: € 224.2 million).

Despite the impairments as a result of the increased risk of default on outstanding receivables from various Serbian pharmaceutical wholesalers, the STADA Executive Board still expects growth in Group sales and earnings adjusted for one-time special effects in the Group for financial years 2011 and 2012. For the EBITDA adjusted for one-time special effects, the Executive Board, from today’s perspective, continues to see the opportunity for an increase in the high single-digit percent area. Furthermore, the Executive Board continues to hold to the long-term forecast envisaged for 2014¹⁾, according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million – on the basis of a largely organic business – should be reached.

Sales development of the STADA Group

Group sales recorded an increase of 6% in the first three quarters of 2011 to € 1,251.7 million (1-9/2010: € 1,177.8 million). The growth continues to be based on STADA’s international sales, whose share in Group sales in the reporting period totaled 71% (1-9/2010: 67%) and recorded growth of 14% to € 892.6 million (1-9/2010: € 785.1 million).

1) See the Company’s ad hoc release of June 07, 2010.

When effects on sales that were attributable to changes in the Group portfolio as well as currency effects are taken into account, Group sales rose by 6% in the first nine months of the current financial year compared to the corresponding period in the previous year.

In detail, the effects on sales were as follows:

- Portfolio changes¹⁾ contributed a total of € 10.0 million or 0.8 percentage points to sales growth in the reporting period.
- As a result of applying foreign exchange rates from the first nine months of 2011 compared with those of the first nine months of 2010 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly negative currency effect in the amount of € -8.3 million or -0.7 percentage points.

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

In **Europe**, STADA Group sales increased in the first nine months of 2011 by 7% to € 1,201.7 million (1-9/2010: € 1,122.1 million). STADA's sales in European markets thus amounted to a 96.0% (1-9/2010: 95.3%) share of Group sales. Adjusted, Group sales in Europe increased by 7%.

In **Western Europe**, STADA recorded an increase in sales in the first three quarters of 2011 of 2% to € 868.4 million (1-9/2010: € 852.1 million). STADA's sales in the Western European countries thus contributed 69.4% (1-9/2010: 72.3%) to Group sales. Despite decreasing sales in Germany in the amount of 9%, due to the considerable growth in several other European countries, such as Spain, Italy and Denmark, the adjusted STADA sales in Western Europe recorded growth of 1% (see "Regional development in individual national markets – Germany", "Regional development in individual national markets – Spain" and "Regional development in individual national markets – Italy").

In **Eastern Europe**³⁾, STADA achieved a sales increase of 23% to € 333.3 million in the reporting period (1-9/2010: € 270.0 million). This increase was primarily attributable to a strong increase in sales in Russia. Furthermore, local sales in Serbia increased, as expected, in comparison to the extraordinarily low level of the previous year. Sales in Eastern European countries had a total share of 26.6% in Group sales (1-9/2010: 22.9%). Adjusted Group sales in Eastern Europe recorded a plus of 25%.

In **Asia**, STADA sales decreased by 11% in the first nine months of 2011 to € 35.1 million (1-9/2010: € 39.7 million). Sales recorded by the Group in the Asian markets thus contributed 2.8% (1-9/2010: 3.4%) to Group sales. This development is based on opposing factors. On the one hand, STADA recorded, due to declining, low-margin commercial sales in the local market in the Philippines – especially in the first quarter of 2011 – a strong decrease in sales. On the other hand, the Group was able to significantly increase sales in Vietnam. On the whole, STADA's adjusted sales in Asian countries nevertheless declined by 5% (see "Regional development in individual national markets – Asia").

STADA's Group sales in the **rest of the world** decreased in the reporting period by 7% to € 14.8 million (1-9/2010: € 16.0 million). Sales in the rest of the world thus contributed 1.2% (1-9/2010: 1.4%) to Group sales. STADA's adjusted reduction in sales amounted to 8% here.

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

1) The purchase in Denmark of a portfolio of mainly branded products with eight pharmaceutical active ingredients as of January 15, 2010 and consolidation since January 18, 2010, the purchase in Russia, as of November 18, 2009, of a package of five Russian branded products with a focus on the gynecology area of indication with sales contributions since April 1, 2010, sales with the transferred Dutch packaging unit in Etten-Leur since August 1, 2010, as well as sales with the small chemical plant in Serbia disposed of as of March 22, 2011.

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

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

With a view to sales development in the individual national markets in the first three quarters of 2011, the Executive Board, from today's perspective, continues to expect further growth in Group sales for financial years 2011 and 2012.

Earnings development of the STADA Group

In view of high one-time special effects that burdened earnings, primarily as a result of impairments on outstanding receivables from Serbian pharmaceutical wholesalers in the third quarter of 2011 (see "Regional development in individual national markets – Serbia" as well as the Company's ad hoc release of September 21, 2011), the reported key earnings figures for the Group in the reporting period decreased significantly and were, in part, negative; operationally, i.e. excluding one-time special effects, however, they all exceeded the key earnings figures, adjusted accordingly, of the comparable period in the previous year.

Operating profit declined in the first three quarters of 2011 by 44% to € 59.2 million (1-9/2010: € 104.9 million). **Net income** declined to -6.5 million (1-9/2010: € 38.8 million) in the reporting period. **EBITDA** decreased by 26% in the first nine months of 2011 to € 134.6 million (1-9/2010: € 182.9 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from interest rate hedge transactions (1-9/2010: adjusted for one-time special effects as well as non-operational effects from currency influences and interest rate hedge transactions), **adjusted operating profit** recorded a plus of 10% in the first nine months of 2011 to € 182.1 million (1-9/2010: € 165.6 million). **Adjusted net income** recorded growth of 10% to € 99.9 million (1-9/2010: € 91.2 million) in the reporting period. **Adjusted EBITDA** increased in the first three quarters of the current financial year by 7% to € 240.7 million (1-9/2010: € 224.2 million).

One-time special effects amounted to a net burden on earnings of € 122.9 million before or € 107.1 million after taxes in the reporting period (1-9/2010: net burden on earnings due to one-time special effects in the amount of € 63.1 million before or € 53.6 million after taxes).

In the third quarter of 2011, net burdens on earnings due to one-time special effects in the total amount of € 109.1 million before or € 96.6 million after taxes were incurred (third quarter of 2010: net burden on earnings due to one-time special effects in the amount of € 49.7 million before or € 43.1 million after taxes), which can be broken down as follows:

- a burden in the amount of € 96.9 million before or € 87.2 million after taxes in connection with an increased risk of default on outstanding receivables from various Serbian pharmaceutical wholesalers including impairments of equity interests in various Serbian pharmaceutical wholesalers (see "Regional development in individual national markets – Serbia").
- a burden in the amount of € 6.1 million before or € 4.5 million after taxes for value adjustments on assets after impairment tests.
- a burden in the amount of € 5.4 million before or € 3.9 million after taxes in connection with the dissolution agreement between the British STADA subsidiary Genus Pharmaceuticals Ltd. and Cephalon GmbH for the sale of Apo-Go® in the German market (see "Regional development in individual national markets – Germany").
- a burden in the amount of € 1.4 million before or € 1.3 million after taxes due to technical problems in part of the Serbian production of injection substances (see "Regional developments in individual national markets – Serbia").
- a burden in the amount of € 1.4 million before or € 1.2 million after taxes due to expenses in connection with the "STADA – build the future" project (see "STADA – build the future").
- a burden in the amount of € 0.6 million before or € 0.4 million after taxes in connection with maintaining an existing license agreement.

- a burden in the amount of € 0.4 million before or € 0.3 million after taxes for unscheduled personnel expenses due to management changes at STADA subsidiaries.
- a burden in the amount of € 0.1 million before or € 0.1 million after taxes in connection with the Pharmaceutical Market Restructuring Act (AMNOG), which took effect in Germany on January 1, 2011 (see “Regional development in individual national markets – Germany”).
- a relief in the amount of € 1.8 million before or € 1.3 million after taxes in connection with the sale of the development stage of the biosimilar Trastuzumab (see “Research and development” as well as “Acquisitions and disposals”).
- a relief in the amount of € 1.4 million before or € 1.0 million after taxes in connection with the sale of a product from the German sales company cell pharm (see “Regional development in individual national markets – Germany” as well as “Acquisitions and disposals”).

Non-operational effects from interest rate hedge transactions amounted, in the first three quarters of 2011, to a net relief on earnings of € 1.0 million before or € 0.7 million after taxes, which resulted from the measurement of these transactions (1-9/2010: net relief on earnings as a result of non-operational effects from currency influences and interest rate hedge transactions of € 1.8 million before or € 1.2 million after taxes).

In the third quarter of the current financial year, a burden on earnings from non-operational effects from interest rate hedge transactions thereby amounted to a total of € 0.5 million before or € 0.4 million after taxes (third quarter of 2010: burden on earnings due to non-operational effects from interest rate hedge transactions in the amount of € 0.5 million before or € 0.3 million after taxes).

In the chart below, further essential key earnings figures of the STADA Group as well as the resulting margins are each also reported adjusted for aforementioned one-time special effects and non-operational effects from interest rate hedge transactions for the first nine months of 2011 and the non-operational effects from currency influences and interest rate hedge transactions for the corresponding period in the previous year to allow for comparison.

Development of the STADA Group's key earnings figures

in € million	1-9/2011	1-9/2010	± %	Margin ¹⁾ 1-9/2011	Margin ¹⁾ 1-9/2010
Operating profit	59.2	104.9	-44%	4.7%	8.9%
• Operating segment result Generics	24.3	86.2	-72%	2.8%	10.6%
• Operating segment result Branded Products	77.5	51.4	+51%	22.1%	16.5%
EBITDA ²⁾	134.6	182.9	-26%	10.8%	15.5%
EBIT ³⁾	59.8	105.3	-43%	4.8%	8.9%
EBT ⁴⁾	20.7	66.1	-69%	1.7%	5.6%
Net income	-6.5	38.8	-117%	-0.5%	3.3%
Earnings per share in €	-0.11	0.66	-117%		
Diluted earnings per share in €	-0.11	0.65	-117%		

1) Related to relevant Group sales.

2) Earnings before interest, taxes, depreciation and amortization.

3) Earnings before interest and taxes.

4) Earnings before taxes.

Development of the STADA Group's adjusted¹⁾ key earnings figures

<i>in € million</i>	<i>1–9/2011</i>	<i>1–9/2010</i>	<i>± %</i>	<i>Margin²⁾ 1–9/2011</i>	<i>Margin²⁾ 1–9/2010</i>
<i>Operating profit, adjusted</i>	182.1	165.6	+10%	14.6%	14.1%
• <i>Operating segment result Generics, adjusted</i>	113.6	118.9	-4%	13.3%	14.6%
• <i>Operating segment result Branded Products, adjusted</i>	94.2	66.7	+41%	26.9%	21.4%
<i>EBITDA³⁾, adjusted</i>	240.7	224.2	+7%	19.2%	19.0%
<i>EBIT⁴⁾, adjusted</i>	182.7	166.0	+10%	14.6%	14.1%
<i>EBT⁵⁾, adjusted</i>	142.6	127.4	+12%	11.4%	10.8%
<i>Net income, adjusted</i>	99.9	91.2	+10%	8.0%	7.7%
<i>Earnings per share in €, adjusted</i>	1.70	1.55	+10%		
<i>Diluted earnings per share in €, adjusted</i>	1.66	1.52	+9%		

Despite the impairments and unscheduled depreciation and amortization, the STADA Executive Board continues to expect growth in earnings adjusted for one-time special effects in the Group for financial years 2011 and 2012. For the EBITDA adjusted for one-time special effects, the Executive Board, from today's perspective, continues to see the opportunity for an increase in the high single-digit percent area.

„STADA – build the future“

In the third quarter of 2011, the Group continued the evaluation initiated in the context of “STADA – build the future” of a possible sale of the Irish production facility as well as the sale of two Russian production facilities. Furthermore, the commenced successive transfer of the production volumes of these three production facilities to other STADA-owned production facilities, will improve the utilization there and thus lower unit costs of the respective products in the medium term. If the respective facilities are sold, a significant expense in the low net double-digit million euro area is, however, initially to be anticipated, as expected and already announced in the context of the publication of the “STADA – build the future” project in 2010. From today's perspective, however, relevant decisions are not expected until financial year 2012.

In the course of further implementing the Group-wide cost efficiency program, STADA continued in the reporting period to restructure the sales model for the Russian market, which also led to a reduction in the number of local employees in the sales area due to an increased concentration of sales activities there.

Moreover, the Serbian STADA subgroup remained a focus for measures to improve earnings in the context of the “STADA – build the future” project, which also brings with it a further optimization in the number of local employees over the coming years.

Furthermore, various new or optimized IT modules for the central planning and controlling of the supply chain and production were introduced in the third quarter of 2011, which should allow for the more efficient utilization of resources in the medium term within the Group.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the reporting period by a total of 7%; their share of Group sales thus amounted to 96.5% (1-9/2010: 95.7%). Sales of the two core segments adjusted for portfolio effects and currency influences increased by 8% in the first nine months of 2011.

1) In the first nine months of 2011 adjusted for one-time special effects and non-operational effects from interest rate hedge transactions, in the first nine months of 2010 adjusted for one-time special effects and non-operational effects from currency influences and interest rate hedge transactions.

2) Related to relevant Group sales.

3) Earnings before interest, taxes, depreciation and amortization.

4) Earnings before interest and taxes.

5) Earnings before taxes.

Sales in **Generics**, which continues to be the clearly larger core segment, recorded growth in the first three quarters of the current financial year of 5% to € 857.4 million (1-9/2010: € 815.7 million). Generics thus achieved a share of 68.5% of Group sales in the first nine months of 2011 (1-9/2010: 69.3%). Adjusted, generics sales in the Group also increased by 5%.

The core segment **Branded Products** recorded growth in sales of 12% to € 350.1 million (1-9/2010: € 311.4 million) in the reporting period. Branded Products thereby contributed 28.0% to Group sales in the first nine months of the current financial year (1-9/2010: 26.4%). Adjusted sales of branded products in the Group recorded a plus of 13%.

In the **Commercial Business** segment, which is not part of the core segments, sales decreased to € 27.4 million in the reporting period (1-9/2010: € 44.4 million). The expected decrease of the low-margin commercial business in the Philippines had a particularly noticeable effect here. In the first three quarters of 2011, sales reported under the position **Group holdings/other** showed an increase to € 16.9 million (1-9/2010: € 6.3 million) and included, among other things, sales with the Dutch packaging unit transferred in the third quarter of 2010.

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

Regional development in individual national markets

In **Germany**, STADA's largest national market, as expected, sales in the first nine months of 2011 decreased by 9% to € 359.0 million (1-9/2010: € 392.7 million). Whereas the decrease in sales in the German market in the second quarter of the current financial year still amounted to 9%, sales in the third quarter of 2011 declined by 5%. In total, STADA activities in Germany had a share of 28.7% in Group sales in the first three quarters of 2011 (1-9/2010: 33.3%).

The anticipated decrease in sales in Germany was still attributable to the difficult local framework conditions for generics. Sales in the German Generics segment in the first nine months of 2011 thus decreased by 11% to € 265.1 million (1-9/2010: € 298.6 million). The STADA Group's market share of generics sold in German pharmacies was stable by volume in the first three quarters of 2011 at approx. 12.5% (financial year 2010: approx. 12.5%).¹⁾ Viewed in the third quarter of 2011 alone, the market share, as expected – in view of good results in recent tenders for discount agreements – even rose by volume to approx. 13.2%.¹⁾ This, however, continued to be contrasted by operating profitability in the German Group business as expected only just under Group average.

Total sales achieved by STADA in the German market with generics in the first three quarters of 2011 amounted to 74% (1-9/2010: 76%) of sales achieved in Germany.

The development in the German market was primarily based on the good results achieved by STADA sales companies in the context of the numerous tenders for discount agreements by statutory health insurance organizations. STADA's German sales companies continue to participate on an ongoing basis in these tenders using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results. The Group's overriding objective in this respect of reaching an appropriate operating profitability in Germany led, in the reporting period, to a decrease in sales and market share for STADA in the Generics segment in Germany, without, however, negatively affecting the position of the STADA Group as the clear number 3¹⁾ in the German generics market.

In the third quarter of 2011, the two STADA sales companies STADapharm GmbH and ALIUD PHARMA GmbH achieved very good results in the fourth round of tenders of the Deutsche Angestellten Krankenkasse (DAK) for discount agreements valid throughout Germany.²⁾ The

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

2) See the Company's corporate news of August 1, 2011.

DAK, which insures approx. 6.5 million individuals, thus concluded respective contracts with these two STADA sales companies, each for ten active ingredients from a total of 33 active ingredients – including some product launches and in-house production. The contracts took effect on October 1, 2011 and have a regular term of two years. In the current fourth quarter, the two STADA sales companies STADApHarm GmbH and ALIUD PHARMA GmbH were also awarded contracts for numerous active ingredients in recent tenders with KKH-Allianz, Vereinigte IKK and the Techniker Krankenkasse. The contracts take effect on January 1, 2012 and February 1, 2012 respectively and have a regular term of two years.¹⁾ Furthermore, in recent tender rounds with various public health insurers, the STADA sales company cell pharm was also awarded the respective contracts in the current fourth quarter. In light of partly high-volume discount agreements concluded in 2011, the STADA Executive Board expects that the Group's market share by volume will grow again in the German market.

The repackaging required as a result of the German Pharmaceutical Market Restructuring Act (AMNOG), which became effective as of January 1, 2011, and the product returns associated with it will lead to costs totaling in the six-digit euro area at maximum in the current financial year, which STADA recognizes as a one-time special effect in 2011. In this context, € 0.4 million were incurred as of the first nine months.

Generics sales generated by STADA in Germany were still achieved via various sales companies. Sales of ALIUD PHARMA, the largest of the Group-owned sales companies in the German generics market, decreased in the first three quarters of 2011 by 10% to € 145.9 million (1-9/2010: € 162.8 million). Sales achieved by the Group-owned German generics sales company STADApHarm decreased in the reporting period by 16% to € 93.0 million (1-9/2010: € 111.3 million).

Sales of STADA's generics sales company, cell pharm, special supplier for the indication areas oncology and nephrology, decreased in the first nine months of the current financial year by 2% to € 22.6 million (1-9/2010: € 23.1 million). In the third quarter of 2011, cell pharm sold the oncological product Tobra-cell® (annual sales 2010: € 0.4 million, accumulated sales in 2011 up to the date of sale: € 0.7 million) and thereby achieved earnings of € 1.4 million before taxes, which was reported as a relieving one-time special effect (see "Earnings development of the STADA Group" as well as "Acquisitions and disposals").

In the second quarter of 2011, in the context of competition proceedings based on patent law, an injunction was issued in first instance against the German STADA sales companies ALIUD PHARMA GmbH and STADApHarm GmbH to refrain from sale of the product with the pharmaceutical ingredient Leflunomid for treatment of active rheumatoid arthritis and active psoriatic arthritis. Following review of the opinion of the court, STADA had decided to appeal against the injunction.

Sales generated with branded products – primarily under the local sales labels STADA GmbH and Hemopharm – recorded a plus of 1% in the first nine months of 2011 to € 92.9 million (1-9/2010: € 92.1 million).

The total share achieved by STADA in the reporting period with Branded Products in Germany amounted to 26% (1-9/2010: 23%).

In the third quarter of 2011, the British STADA subsidiary Britannia Pharmaceuticals Ltd. dissolved an existing agreement with Cephalon GmbH for the sale of Apo-Go® in the German market. In addition to the fact that Cephalon GmbH became part of the Israeli Teva Group, and thus part of a direct global competitor of STADA, by way of an acquisition, this therefore also takes the decision²⁾ of the Munich district court of July 19, 2011 into account, according to which Cephalon, in the sale of the licensed STADA product, was in violation of the obligation to sell in pharmacies. In connection with dissolving this agreement, a burden on earnings resulted in the amount of € 5.4 million before or € 3.9 million after taxes, which was reported as one-time special effect (see "Earnings development of the STADA Group").

1) See the Company's corporate news of October 31, 2011.

2) This decision is not yet legally binding.

For financial year 2011, the Executive Board expects, with a sales strategy that continues to be geared toward an appropriate local operating profitability, further sales decreases in the generics area and thus for the German business overall.

In **Russia**, the Group's second most important national market in terms of sales, STADA recorded a significant sales increase in the first nine months of 2011 of 27%, applying last year's exchange rates. In euro, sales increased by a strong 24% to € 193.4 million (1-9/2010: € 156.0 million).

With generics, the Group recorded sales growth in the amount of 10% to € 85.4 million (1-9/2010: € 77.9 million), so that their share of STADA's sales in the Russian market amounted to 44% (1-9/2010: 50%). Sales of branded products rose significantly by 38% to € 107.2 million (1-9/2010: € 78.0 million) and thereby to 55% of STADA's sales in Russia (1-9/2010: 50%).

For financial year 2011, STADA continues to expect strong sales growth in local currency in the Russian market with operating profitability above Group average. The sales and earnings contributions of STADA's business in Russia as well as at the Group level will remain affected by the development of the currency relation of the Russian ruble to the euro.

In **Italy**, the Group recorded a significant increase in sales of 8% to € 107.7 million in the reporting period (1-9/2010: € 99.9 million).

Sales achieved by STADA in the Italian market with generics rose by 14% to € 77.2 million (1-9/2010: € 68.0 million) and was – despite another burdening price regulation for reimbursable products introduced on April 1, 2011 – primarily based on successful product launches as well as overall strong market growth. Generics thereby had a 72% share of STADA's local sales (1-9/2010: 68%).

Sales achieved by STADA with branded products in Italy declined by 5% to € 30.4 million in the first nine months of 2011 (1-9/2010: € 32.0 million). Branded products thus contributed 28% (1-9/2010: 32%) to local STADA sales.

For financial year 2011, the Executive Board expects another sales increase in Italy with an operating profitability which will again be at about Group average.

In **Belgium**, STADA recorded a sales plus in the first three quarters of the current financial year in the amount of 7% to € 105.8 million (1-9/2010: € 99.1 million).

With a sales increase of 7% to € 100.2 million (1-9/2010: € 94.0 million), the Group continued to have the largest share of local sales with generics in the Belgian market. Generics contributed 95% (1-9/2010: 95%) to local STADA sales.

Sales of STADA branded products in Belgium in the first nine months of 2011 increased by 12% to € 5.6 million (1-9/2010: € 5.1 million). Branded products thereby contributed 5% to sales achieved by STADA in Belgium (1-9/2010: 5%).

For financial year 2011, STADA expects another sales increase in the Belgian market with an operating profitability which will again be at about Group average.

In **Spain**, sales rose significantly by 35% to € 83.1 million in the reporting period (1-9/2010: € 61.8 million).

Sales generated by STADA in the Spanish generics market, characterized by a sustained increased growth dynamic, rose in the first nine months of 2011 by 38% to € 78.5 million (1-9/2010: € 56.9 million). This was largely due to a very successful product launch on schedule

with a patent expiration in the first quarter of 2011. Generics contributed 94% to STADA's Spanish sales in the reporting period (1-9/2010: 92%).

Sales of branded products decreased by 6% to € 4.6 million (1-9/2010: € 4.9 million) in the first three quarters of the current financial year. Branded products thereby had a 6% share of STADA's local sales (1-9/2010: 8%).

In view of continued strong growth in the generics market, STADA expects additional growth in sales for Spain in financial year 2011. In this local market, operating profitability should be approximately at Group average.

In **Serbia**, local sales increased in the reporting period in comparison to the extraordinarily low level of the previous year as expected. Applying the exchange rates of the previous year, sales increased by 36%. In euro, sales increased by 37% to € 72.2 million (1-9/2010: € 52.7 million).

STADA's sales achieved by generics in the Serbian market rose by 57% to € 57.9 million in the first nine months of 2011 (1-9/2010: € 36.9 million). Generics thus contributed 80% (1-9/2010: 70%) to STADA's Serbian sales. Sales of branded products in Serbia recorded growth of 98% in the first three quarters of 2011 to € 9.1 million (1-9/2010: € 4.6 million). Branded products thereby contributed a share of 13% (1-9/2010: 9%) to STADA's sales in the Serbian market.

The Serbian subgroup faces technical problems in part of the Serbian production for injection substances which is primarily used for contract manufacturing. In this context, Hemofarm, together with the respective customers, decided to discontinue the distribution of several batches in various European markets as well as the US market in the third quarter of 2011. Due to this decision an extraordinary burden on earnings of € 1.4 million before taxes was incurred in the third quarter of 2011 (see "Earnings development of the STADA Group"). Until the technical problems are completely solved, commercial production will remain discontinued in the respective production line.

In an extraordinary meeting of the Executive Board on September 21, 2011 following a Supervisory Board meeting of the Serbian subsidiary Hemofarm on the previous day, the STADA Executive Board came to the assessment that outstanding receivables due to Hemofarm from various Serbian pharmaceutical wholesalers are potentially, to a significant extent, not recoverable. In connection with this increased risk of default, the Executive Board decided to carry out corresponding impairments and unscheduled depreciation in the amount of € 96.9 million before taxes which were reported in the third quarter of 2011 as burdening one-time special effects in the Group (see "Earnings development of the STADA Group"). The resulting burden on earnings after taxes was € 87.2 million. The liquidity situation at STADA was not significantly burdened from this step because the impairments and depreciation had, for the most part, no effect on cash (see the Company's ad hoc release of September 21, 2011).

At the meeting of the Hemofarm Supervisory Board, the Serbian management, against the backdrop of a once again worsening global financial and economic crisis, presented its assessment on the impact of the financial and economic crisis on the Serbian economy, on increasing liquidity bottlenecks at the Serbian National Health Care Fund (RZZO) and at various Serbian pharmaceutical wholesalers as well as on the tightening of the application of the Serbian insolvency regulations in 2012. The STADA Executive Board was thus compelled to impair all unsecured receivables as well as the majority of the secured receivables due to Hemofarm from various Serbian pharmaceutical wholesalers with a suspected restricted liquidity situation. In addition, the Executive Board decided to write down the carrying amount for existing minority stakes of Hemofarm in various Serbian pharmaceutical wholesalers (19.65% in Velefarm A.D., Belgrade, and 15% in Vetfarm A.D., Belgrade) to € 1.00 respectively. This resulted, as a portion of the burdening one-time special effects, in unscheduled depreciation in the total amount of € 3.7 million.

Hemofarm and STADA, in discussions with all local market participants and with the Serbian state, continue to actively seek sustainable solutions for an improvement in the liquidity situation in the Serbian pharmaceutical market and thus also for the servicing of the outstanding Hemofarm receivables. If, as a result, the now extensive write-downs on outstanding receivables due to Hemofarm from Serbian pharmaceutical wholesalers be served to a better extent than anticipated, STADA will report such receipt of payments successively in the respective reporting period as earnings improving one-time special effects.

STADA also assumes that its own operating business in Serbia is fundamentally stable and that it offers further growth opportunities. The inventories of Hemofarm products in local pharmaceutical wholesalers were reduced to a low level as a result of targeted distribution control, so that the currently strong sales growth in the Serbian business is based on stable demand of Hemofarm products in the Serbian market. In consideration of stable demand for Hemofarm products in the Serbian market, the Group continues to expect a sales increase in the local currency in Serbia for financial year 2011 and the following years.

The operating profitability – i.e. not including the burdening effects primarily of impairments – of the subgroup Hemofarm, managed in Serbia, should be slightly above Group average in 2011. This subgroup is still a focus for measures to improve earnings in the context of “STADA – build the future”, which should contribute to further cost savings in the operational business and will result in a further optimization in the number of employees there over the coming years.

The extensive value adjustments in Serbia in the third quarter of 2011 gave reason to examine the value of goodwill in the Hemofarm Group throughout the year. The respective impairment test as of September 30, 2011 on the basis of the current sales and earnings prognoses of the local Serbian management revealed no necessity for an impairment on goodwill for the subgroup Hemofarm.

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

STADA's ten largest markets also include the national EU markets listed below, in which the Group recorded the following mixed sales developments – by comparing the first nine months of 2011 and the first nine months of 2010 respectively:

- **France:** +2% to € 58.1 million (1-9/2010: € 57.0 million).
- **The Netherlands:** +29% to € 41.3 million (1-9/2010: € 32.0 million).
- **United Kingdom:** -2% to € 39.0 million (1-9/2010: € 40.0 million) – applying last year's exchange rates -1%.
- **Denmark:** unchanged € 25.4 million (1-9/2010: € 25.4 million) – applying last year's exchange rates also unchanged.

In the 15 **additional European countries** with Group-owned local sales companies, sales achieved by STADA increased by 7% to € 103.0 million in the first three quarters of 2011 (1-9/2010: € 96.4 million).

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

In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a joint venture with a local partner – increased significantly by 28% applying the exchange rates of the previous year. In euro, sales increased by 10% to € 8.8 million (1-9/2010: € 8.0 million). In **China**, STADA's sales increased by 35% applying the exchange rates of the previous year. In euro, STADA recorded a growth in sales of 25% to € 2.5 million (1-9/2010: € 2.0 million). In **Thailand**, sales decreased by 4% applying the exchange rates of the previous year.

In euro, sales decreased by 6% to € 1.7 million (1-9/2010: € 1.8 million). In the **Philippines**, STADA recorded a decrease in sales of 62% applying the exchange rates of the previous year. In euro, sales decreased – due to expected declining low-margin commercial sales, particularly in the first quarter of 2011 – by 63% to € 4.0 million (1-9/2010: € 10.9 million).

In countries without own sales companies, **export sales** generated by STADA recorded growth in the reporting period of 7% to € 38.2 million (1-9/2010: € 35.6 million).

Research and development

Research and development costs amounted to € 36.6 million in the first nine months of the current financial year (1-9/2010: € 39.1 million). Since STADA does not carry out any research into new active pharmaceutical ingredients due to its business model, it is only a matter of development costs. Furthermore, the Group capitalized development costs for new products in the amount of € 8.3 million in the first three quarters of 2011 (1-9/2010: € 9.3 million).

Overall, STADA launched 437 individual products worldwide in the reporting period (1-9/2010: 442 product launches) in individual national markets.

In the third quarter of 2011, STADA Arzneimittel AG and Gedeon Richter Plc. signed two separate license and collaboration agreements for the development and marketing of two biosimilar products for the two monoclonal antibodies Rituximab and Trastuzumab.¹⁾

According to the agreement, STADA receives non-exclusive distribution rights for the area of geographical Europe and the CIS area – but due to regulatory reasons, excluding Russia – for the biopharmaceutical active ingredient Rituximab, which Richter is currently developing as a biosimilar and whose approval from today's perspective can be expected at the end of 2017. In addition to STADA and eventual own marketing, Richter may grant a maximum of one additional partner a relevant distribution license in the contract area. If such a partially exclusive license marketing in Russia becomes regulatory possible, STADA would also receive such a distribution license there from Richter.

Under the terms of the agreement, in addition to a payment at the signing of the contract, STADA is obliged to make further payments each depending on the progress of the project which amount in total to a low double-digit million euro figure. STADA will exclusively purchase the Rituximab biosimilar from Richter for marketing and distribution of the product for which the major commercial terms have already been agreed on.

STADA, as is known, has done preparatory work for a biosimilar for the biopharmaceutical active ingredient Trastuzumab, which, however, was stopped at the end of 2010 because STADA made the strategic decision to pursue the lower-cost approach of an in-licensing. The stage of development that STADA had reached up until that point was acquired by Richter for a low single-digit million euro figure as part of the contract concluded, in order to thus accelerate the ongoing own development for a Trastuzumab biosimilar. Earnings of € 1.8 million before taxes thereby achieved were recorded as a relieving one-time special effect (see "Earnings development of the STADA Group" as well as "Acquisitions and disposals"). In addition, STADA receives, at the time of the beginning of the clinical studies in approximately two years, a unilaterally for STADA exercisable option from Richter to acquire also for such a Trastuzumab biosimilar a distribution license at commercial conditions analogous to those of the Rituximab biosimilar.

The development of both biosimilars will now be continued under the leadership of Richter. A supporting function from STADA for specific patent rights questions in both projects has also already been agreed upon with the signing of the agreement. STADA will also support if necessary the relevant approval processes with its own expertise in the area of EU approvals of biosimilars.

1) See the Company's corporate news of August 30, 2011.

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

Financial position and cash flow

In the Executive Board's view, the STADA Group's financial position continues to be stable. As of the reporting date September 30, 2011, the **equity-to-assets ratio** was 34.1% (December 31, 2010: 34.6%) and thereby remained clearly above the intended minimum rate strived for by the Executive Board.

Net debt amounted to € 836.5 million as of September 30, 2011 (December 31, 2010: € 864.1 million). The **net debt to adjusted EBITDA ratio** amounted in the first nine months of 2011 on linear extrapolation of the adjusted EBITDA of the first nine months on a full year basis to 2.6 (1-9/2010: 2.9) and thus continued to be significantly below the maximum value of 3 targeted by the Executive Board.

In addition to a corporate bond, long-term promissory notes with maturities in the area of 2012–2015 in the total amount of € 329.5 million as of September 30, 2011 still exist for the long-term refinancing of the Group. A large tranche of short-term promissory notes of approx. € 186.0 million will reach maturity in the current fourth quarter; a part of the tranche was already repaid in the beginning of November. STADA currently reviews – also with regard to interest expenses – the renewed use of promissory notes as an alternative to a considered further corporate bond, and does not see, due to existing offers, any difficulties in agreeing a long-term refinancing in a significant amount in the current fourth quarter.

Intangible assets increased to € 1,005.5 million as of September 30, 2011 (December 31, 2010: € 986.0 million) primarily due to the acquisition of the British branded product Cetraben®.

Investments in associates grew as of the reporting date September 30, 2011 to € 33.7 million (December 31, 2010: € 17.3 million) predominantly as a result of the increase in shareholdings in the Vietnamese Pymepharco Joint Stock Company.

Other financial assets decreased to € 35.9 million as of September 30, 2011 (December 31, 2010: € 50.7 million). This development resulted, among other things, from the reduced utilization of the credit line facility given by STADA Arzneimittel AG to BIOCEUTICALS Arzneimittel AG.

Trade accounts receivable decreased as of the balance sheet date to € 382.3 million (December 31, 2010: € 448.9 million), primarily due to the impairments on receivables in Serbia carried out in the third quarter. With the exception of Serbia, the difficult macroeconomic framework conditions, which are part of the intensifying global financial and economic crisis in numerous local markets, were not yet negatively noticeable to a significant extent in the current overview of due-date oriented receivables.

Trade accounts payable decreased as of September 30, 2011 to € 221.7 million (December 31, 2010: € 233.5 million). This reduction can mainly be attributed to the high corresponding figure as of December 31, 2010, which was based on high order volumes from pre-suppliers.

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 143.6 million in the first three quarters of 2011. The growth of € 13.0 million compared to the corresponding period in the previous year period is in particular due to the cash-effective changes in the inventories, for which a significantly smaller cash-effective increase was recorded in the first three quarters as in the respective previous

year period. A rise in comparison to the first nine months of 2010 in a cash-effective increase of trade accounts receivable in the current financial year compensated, in part, for this positive effect on cash flow from operating activities.

For earnings after taxes in the first three quarters of 2011, a significant decrease was recorded as compared to the corresponding period of the previous year. This decrease, however, will be completely compensated by other non-cash expenses to be adjusted, which primarily result from value adjustments carried out by the Serbian subsidiary Hemofarm on outstanding receivables from various Serbian pharmaceutical wholesalers.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. Cash flow from investing activities amounted to € -98.8 million in the reporting period and was thus € 24.4 million above the figure of the corresponding period of the previous year due to a higher investment volume.

Free cash flow in the first nine months of the current financial year was at € 44.8 million (1-9/2010: € 56.2 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 98.6 million in the first nine months of 2011 (1-9/2010: € 82.7 million).

Cash flow from financing activities amounted to € -60.3 million in the first nine months of 2011, while cash flow from financing activities in the amount of € -55.4 million was recorded in the corresponding period in the previous year. This is primarily due to a negative balance from the borrowing and settlement of financial liabilities in the first nine months of 2011 as compared to the respective period of the previous year.

Result from associated companies

The result from associated companies reported in the first three quarters of 2011 in the amount of € 0.4 million (1-9/2010: € 0.3 million) relates to the companies BIOCEUTICALS Arzneimittel AG¹⁾ and Pymepharco Joint Stock Company²⁾ as well as, since the beginning of the current financial year, the pharmacy purchasing syndicate Pharm Ortho Pedic SAS, which are accounted for using the equity method.

Acquisitions and disposals

With a view to the continued concentration processes in the industry, the Executive Board plans to complement the Group's organic growth with further external growth impulses. In view of this, STADA has again pursued an accelerated approach to acquisition since the beginning of the year. The focus is, thereby, on the one hand on the regional expansion of business activities with concentration on high-growth emerging markets and, on the other hand, on the expansion and internationalization of the Branded Products core segment, which is generally characterized by better margins and less regulatory intervention than the generics area. Furthermore, the Executive Board still does not exclude cooperations with a significant capital investment.

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

In the second quarter of 2011, STADA and Grünenthal GmbH, a globally active research pharmaceuticals company located in Aachen, Germany, agreed to negotiate exclusively on the purchase of a branded product portfolio including the associated sales structures for numerous national markets in Central and Eastern Europe as well as in the Middle East.³⁾ In the third quarter of 2011, both negotiating partners signed the respective contracts.⁴⁾

1) This is a company initiated by STADA and predominantly financed via venture capital whose business activities focus on so-called biosimilar products and in which STADA holds a shareholding of 15.86% as of the reporting date September 30, 2011. STADA's financial exposure as of September 30, 2011 is as follows: € 19.3 million payments for equity share and € 23.4 million loans.

2) Third quarter of 2008 purchase STADA share of 11.2% for € 3.2 million, second quarter of 2010 increase STADA share to 23.7% for € 6.9 million, second quarter of 2011 increase STADA share to 49.0% for € 15.1 million.

3) See the Company's ad hoc release of May 12, 2011.

4) See the Company's ad hoc release of July 22, 2011.

The purchase price for the branded product portfolio including sales structures and various pipeline products amounts to a total of approx. € 360 million in cash. The products, which include, among others, the branded products Tramal®, Zaldiar®, Transtec® and Palexia® in the relevant countries, are for the most part prescription drugs and positioned primarily in the pain area of indication. Expected sales in the current financial year 2011 for the existing product package in the respective markets amounts to approx. € 68.6 million. The expected EBITDA in the same period should be approx. € 25.6 million. Both values do not yet consider the sales and earnings of the licensed product Palexia® from the acquired product pipeline, which will be gradually introduced in the contract area in the next two years and from which thereafter an additional annual sales contribution of € 20 to € 25 million is expected.

The acquired product portfolio consists of over 14 own and licensed brands for Central and Eastern Europe as well as the Middle East. The products are currently sold in the contract area in Poland (approx. 30% share of sales), Russia (approx. 20% share of sales), Czech Republic, Slovakia, Slovenia, Romania, Bosnia, Serbia, Croatia, Latvia, Estonia, Ukraine, Hungary, Saudi Arabia, Kuwait, Lebanon, Jordan, the United Arab Emirates, Egypt, Yemen, Oman, Bahrain and Qatar and are each generally market leader in the relevant area of indication. With the purchase, STADA also takes over all legal sales units in these markets, along with the approximately 240 employees – thereof about 70% sales representatives – as well as the brand names and existing licenses. Grünenthal will itself continue to market the products in all other markets outside of the contract area under the same brand names. In addition, STADA has acquired all rights to these products for the national markets of the contract area in which the products acquired have not yet been introduced.

The purchase does not include any production facilities. For a contractually agreed period, Grünenthal will continue to manufacture the products for STADA, insofar as these are not licensed products. For the licensed products, STADA seeks a long term entry into the existing license and supply contracts. If, contrary to expectations, this is not possible, an appropriate reduction in the purchase price is called for.

The acquisition requires the approval of the responsible anti-trust authorities, so that the implementation of the transaction and the consolidation of product sales is expected for the current fourth quarter. Payment of the purchase price will be made at the time of completion of the acquisition.

STADA will use cash on hand and existing free credit lines to finance the acquisition. STADA currently reviews – also with regard to interest expenses – the renewed use of promissory notes as an alternative to a considered further corporate bond, and does not see, due to existing offers, any difficulties in agreeing a long-term refinancing in a significant amount in the current fourth quarter.

With the acquisition, the STADA Group strengthens its presence in Central and Eastern Europe, one of the largest growth regions in the world, and further expands its basis in the Middle East and thus its international presence overall. Moreover, STADA opens up new strategic distribution channels for appropriate products from the comprehensive Group portfolio which in future can also be marketed as branded products via the acquired sales structures in the respective markets in Central and Eastern Europe as well as the Middle East.

In addition, STADA resolved in the second quarter of the current financial year to enter into concrete negotiations with the shareholders of Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, on the acquisition of Spirig's generics business in Switzerland.¹⁾ In the current fourth quarter, both negotiating partners signed the respective contract.²⁾

1) See the Company's ad hoc release of May 19, 2011.

2) See the Company's ad hoc update of November 9, 2011.

The purchase price for this generics business amounts to a total of approx. CHF 97 million (applying the exchange rate of the date of the signing of the contract, approx. € 78 million) and also includes the right to continue marketing the purchased products under the Spirig umbrella brand. The acquired portfolio includes 56 prescription (RX) and 15 non-prescription (OTC) and discretionary prescription (OTX) products. With regard to the acquired products, STADA estimates the current annual sales volume to be approx. CHF 42 million (applying the exchange rate of the date of the signing of the contract, approx. € 34 million) and EBIDTA, adjusted to the business structure being spun off, to be approx. CHF 9.5 million (applying the exchange rate of the date of the signing of the contract, approx. € 7.7 million). The acquisition under consideration does not include any production facilities.

The transaction is subject to usual completion conditions as well as the condition that Spirig hive off the target business to an independent business unit. The purchase is expected to be completed in the first quarter of 2012. Payment of the purchase price will be made at the time of completion. STADA will use cash on hand and existing free credit lines to finance the acquisition.

In the third quarter of 2011, cell pharm sold the oncological product Tobra-cell® (annual sales 2010: € 0.4 million, accumulated sales in 2011 up to the date of sale: € 0.7 million) and thereby achieved earnings of € 1.4 million before taxes, which was reported as a relieving one-time special effect (see "Earnings development of the STADA Group" as well as "Regional development in individual national markets – Germany").

In the reporting period, STADA and Gedeon Richter signed two separate license and collaboration agreements for the development and marketing of two biosimilar products for the two monoclonal antibodies Rituximab and Trastuzumab.¹⁾ STADA, as is known, has done preparatory work for a biosimilar for the biopharmaceutical active ingredient Trastuzumab, which, however, was stopped at the end of 2010 because STADA made the strategic decision to pursue the lower-cost approach of an in-licensing. The stage of development that STADA had reached up until that point was acquired by Richter as part of a contract concluded for a low single-digit million euro figure, in order to thus accelerate the ongoing own development for a Trastuzumab biosimilar. The earnings before taxes of € 1.8 million thereby achieved were recorded as a relieving one-time special effect (see "Earnings development of the STADA Group" as well as "Research and development").

In the current fourth quarter, STADA purchased a 20% share in the French company AELIA in order to further strengthen its sales presence in the French market, which STADA will include as an associated company using the equity method in the consolidated financial statements for the first time in the fourth quarter of 2011. The purchase price amounted to € 1.0 million.

STADA share

STADA's share price decreased significantly in the third quarter of 2011 as a result of the ad hoc release²⁾ published on September 21, 2011 regarding the high burdening one-time special effects. The STADA share closed at € 25.38 at the end of 2010, was listed at € 27.34 on March 31, 2011 and was € 27.00 on June 30, 2011. As of September 30, 2011, the STADA share price amounted to € 15.81 and thereby declined by 38% in the first nine months of 2011. On the reporting date September 30, 2011, the STADA market capitalization amounted to € 0.932 billion. At the end of 2010, this figure was € 1.494 billion.

As of September 30, 2011, the subscribed share capital of STADA Arzneimittel AG amounted to € 153,312,536 (December 31, 2010: € 153,078,536) consisting of 58,966,360 registered shares with restricted transferability³⁾, each with an arithmetical share in share capital of € 2.60 (December 31, 2010: 58,876,360 registered shares with restricted transferability). The changes in the first nine months of 2011 resulted from the exercising of 4,500 warrants 2000/2015⁴⁾. As of September 30, 2011, 171,193 warrants 2000/2015 for the subscription of 3,423,860 STADA registered shares were thus still outstanding.

1) See the Company's corporate news of August 30, 2011.

2) See the Company's ad hoc release of September 21, 2011.

3) Under the Company's Articles of Incorporation, STADA's registered shares with restricted transferability can only be transferred in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

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

As of September 30, 2011, STADA assumes, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that SKAGEN AS¹⁾, Stavanger, Norway, and Gryphon International Investment Corporation²⁾, Toronto/Ontario, Canada, hold a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada. In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus amounts to 100%.

On September 23, 2011, STADA reported two Directors' Dealings according to which Helmut Kraft, Chief Financial Officer, purchased 3,000 STADA shares at a price of € 17.505 per share, and Hartmut Retzlaff, Chairman of the Executive Board, purchased 5,000 STADA shares at a price of € 17.1766 per share. In the current fourth quarter, STADA reported an additional Director's Dealing according to which Dr. Eckhard Brüggemann purchased 3,000 STADA shares at a price of € 14.725 per share on October 5, 2011.

Outlook

The Executive Board confirms the fundamental outlook and risk report published for the Group in STADA's Annual Report 2010. Together with the supplements and updates, especially with reference to the current financial year, listed in this interim report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the STADA Group.

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

In addition, STADA will continue to be confronted with non-operational influence factors. The most important currency relations for the Group, in particular of the Serbian dinar and the Russian ruble to the euro, will therefore also affect the Group's future development in financial years 2011 and 2012.

Furthermore, STADA will still have to deal with the effects of the global economic and financial crisis. In view of this, the Group continues to prepare itself, within the realm of possibility, for specific potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or continued strong volatility in interest rate levels and currency relations that are relevant for the Group. However, in view of the extraordinary dimension of the global financial and economic crisis, burdens which result from this such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences can, as before, not be ruled out.

The sales and earnings development of the STADA Group will indeed be characterized in 2011 and 2012 and in the future by differing and partially contradictory factors in the various national markets.

In the overall assessment of influence factors, the Executive Board, however, continues to expect an increase in Group sales for financial year 2011, as well as in 2012, from today's perspective.

1) See the Company's disclosure of August 11, 2009.

2) See the Company's disclosure of January 14, 2011.

In view of the factors mentioned in this overview that influence the Group's earnings development, the Executive Board expects – despite the negative net income reported after the first nine months of 2011 due to the high burdening one-time special effects – from today's perspective, nevertheless, a significantly positive reported net income in the double-digit million euro area for the full year 2011. For 2012, the Executive Board once again expects a significantly higher reported net income.

At the same time the Group expects positive effects on earnings as a result of the implementation of the "STADA – build the future" project for EBITDA adjusted for one-time special effects and the correspondingly adjusted net income in the coming years. By 2013, from today's perspective, project-related investments of a total of approx. € 20 million as well as project-related expenditures for special write-offs, personnel expenses and consultancy services of a total of approx. € 50 million are expected (in each case including the past financial year 2010). The Group will recognize each of these project-related costs as one-time special effects according to progression of the project. In the case of the sale of production facilities in Ireland and Russia, currently evaluated in the context of "STADA – build the future", a significant expense in the low net double-digit million euro area would be expected for financial year 2012 from today's perspective.

The STADA Executive Board continues to expect growth in the key earnings figures adjusted for one-time special effects in the Group for both 2011 and 2012. For 2011, the Executive Board continues to see, from today's perspective, the opportunity for an increase in the high single-digit percent area in EBITDA adjusted for one-time special effects.

Furthermore, the Executive Board continues to hold to the long-term prognosis envisaged for 2014¹⁾, according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million – on the basis of a largely organic business – should be reached.



H. Retzlaff



H. Kraft



Dr. A. Müller

1) See the Company's ad hoc release of June 7, 2010.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2011 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to Sept. 30 in € 000s	1/1-9/30/2011	1/1-9/30/2010	7/1-9/30/2011	7/1-9/30/2010
Sales	1,251,665	1,177,757	421,919	399,661
Cost of sales	647,552	616,293	218,326	212,380
Gross profit	604,113	561,464	203,593	187,281
Selling expenses	278,806	276,919	92,828	86,282
General and administrative expenses	102,774	92,041	34,126	28,417
Research and development expenses	36,639	39,123	13,121	13,131
Other income	17,058	24,843	6,716	-3,860
Other expenses	136,778	56,587	117,139	34,089
Expenses in connection with the "STADA – build the future" project	6,930	16,695	1,446	15,157
Operating profit	59,244	104,942	-48,351	6,345
Result from associated companies	443	257	225	8
Investment income	126	141	1	139
Financial income	5,613	2,720	834	630
Financial expenses	44,690	41,980	14,379	13,447
Financial result	-38,508	-38,862	-13,319	-12,670
Earnings before taxes	20,736	66,080	-61,670	-6,325
Taxes on income	27,022	27,157	701	4,897
Earnings after taxes	-6,286	38,923	-62,371	-11,222
<i>thereof</i>				
• distributable to shareholders of STADA Arzneimittel AG (net income)	-6,485	38,839	-62,552	-11,184
• distributable to non-controlling shareholders	199	84	181	-38
Earnings per share in € (basic)	-0.11	0.66	-1.06	-0.19
Earnings per share in € (diluted)	-0.11	0.65	-1.04	-0.19

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	1/1-9/30/2011	1/1-9/30/2010	7/1-9/30/2011	7/1-9/30/2010
Earnings after taxes	-6,286	38,923	-62,371	-11,222
Currency translation gains and losses	2,830	-38,882	-14,376	-30,313
Gains and losses on available-for-sale financial assets	-11	-29	-14	3
<i>thereof</i>				
• income taxes	3	10	4	-1
Gains and losses on hedging instruments (cash flow hedges)	120	-1,086	-975	313
<i>thereof</i>				
• income taxes	-45	426	360	-117
Actuarial gains and losses from defined benefit plans	91	180	53	51
<i>thereof</i>				
• income taxes	-24	-20	-10	-19
Other comprehensive income	3,030	-39,817	-15,312	-29,946
Consolidated comprehensive income	-3,256	-894	-77,683	-41,168
<i>thereof</i>				
• distributable to shareholders of STADA Arzneimittel AG	-3,238	-1,562	-77,837	-41,226
• distributable to non-controlling shareholders	-18	668	154	58

Consolidated Balance Sheet

Consolidated Balance Sheet as of September 30 in € 000s		
Assets	Sept. 30, 2011	Dec. 31, 2010
Non-current assets	1,414,315	1,381,450
Intangible assets	1,005,516	985,952
Property, plant and equipment	298,002	297,968
Financial assets	10,108	14,419
Investments in associates	33,690	17,332
Other financial assets	25,683	34,467
Other assets	4,324	1,595
Deferred tax assets	36,992	29,717
Current assets	1,065,289	1,125,283
Inventories	392,536	386,088
Trade accounts receivable	382,347	448,946
Income tax receivables	35,258	34,943
Other financial assets	10,190	16,194
Other assets	60,378	37,126
Non-current assets and disposal groups held for sale	252	2,884
Cash and cash equivalents	184,328	199,102
Total assets	2,479,604	2,506,733
Equity and liabilities	Sept. 30, 2011	Dec. 31, 2010
Equity	844,585	868,489
Share capital	153,312	153,078
Capital reserve	467,416	466,173
Retained earnings	337,702	366,280
Other provisions	-121,800	-125,047
Treasury shares	-1,654	-1,698
Equity attributable to shareholders of the parent	834,976	858,786
Shares relating to non-controlling shareholders	9,609	9,703
Non-current liabilities	899,292	910,477
Other non-current provisions	34,173	32,612
Financial liabilities	766,957	781,627
Other financial liabilities	25,151	25,519
Other liabilities	7,031	5,701
Deferred tax liabilities	65,980	65,018
Current liabilities	735,727	727,767
Other provisions	10,681	9,012
Financial liabilities	253,879	281,685
Trade accounts payable	221,733	233,503
Income tax liabilities	27,750	30,803
Other financial liabilities	129,149	93,118
Other liabilities	92,535	79,646
Total equity and liabilities	2,479,604	2,506,733

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	Sept. 30, 2011	Sept. 30, 2010
Net income	-6,286	38,923
Depreciation and amortization net of write-ups of non-current assets	74,763	77,552
Income taxes	27,022	27,157
Interest income and expenses	40,067	37,977
Result from associated companies	-443	-257
Result from the disposals of non-current assets	-1,358	283
Changes in pension provisions	491	61
Currency translation income and expenses	8,414	-7,824
Other non-cash expenses and gains	82,958	28,504
Gross cash flow	225,628	202,376
Changes in inventories	-4,000	-44,724
Changes in trade accounts receivable	-27,663	-720
Changes in trade accounts payable	-18,311	4,754
Changes in other net assets	28,041	18,089
Interest and dividends received	2,513	2,965
Interest paid	-35,627	-33,840
Income tax paid	-26,938	-18,285
Cash flow from operating activities	143,643	130,615
Payments for purchases of		
• intangible assets	-65,184	-47,674
• property, plant and equipment	-22,374	-24,302
• financial assets	-202	-3,486
• shares in consolidated companies	-15,502	-3,126
Proceeds from the disposal of		
• intangible assets	1,008	1,619
• property, plant and equipment	3,238	1,572
• financial assets	250	287
• shares in consolidated companies	-32	744
Cash flows from investing activities	-98,798	-74,366
Borrowing of funds	68,335	479,255
Settlement of financial liabilities	-108,311	-502,746
Dividend distribution	-21,926	-32,362
Capital increase from share options	1,480	437
Changes in non-controlling interests	103	-
Changes in treasury shares	41	23
Cash flows from financing activities	-60,278	-55,393
Changes in cash and cash equivalents	-15,433	856
Changes in cash and cash equivalents due to Group composition	-	-
Changes in cash and cash equivalents due to exchange rates	659	-1,674
Net change in cash and cash equivalents	-14,774	-818
Balance at beginning of the period	199,102	156,936
Balance at end of the period	184,328	156,118

Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statement of Changes in Shareholders' Equity in € 000s				
2011	Number of shares	Share capital	Capital reserve	Retained earnings
Balance as of Sept. 30, 2011	58,966,360	153,312	467,416	39,606
Dividend distribution				
Capital increase from share options	90,000	234	1,246	
Changes in treasury shares			-3	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				91
Balance as of Dec. 31, 2010	58,876,360	153,078	466,173	39,515
Previous year				
Balance as of Sept. 30, 2010	58,876,360	153,078	466,176	29,880
Dividend distribution				
Capital increase from share options	26,540	69	368	
Changes in treasury shares			-4	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				164
Comprehensive income				180
Balance as of Dec. 31, 2009	58,849,820	153,009	465,812	29,536

Net income incl. profit brought forward	Provisions for currency translation	Provisions Available for Sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
337,702	-157,523	41	-3,924	-1,654	834,976	9,609	844,585
-21,747					-21,747	-179	-21,926
					1,480		1,480
				44	41		41
					-		-
					-	103	103
-346					-346		-346
-6,485	3,050	-14	120		-3,238	-18	-3,256
366,280	-160,573	55	-4,044	-1,698	858,786	9,703	868,489
354,712	-169,423	43	-4,869	-1,722	827,875	9,125	837,000
-32,311					-32,311	-51	-32,362
					437		437
				27	23		23
					-		-
					-	-45	-45
					164		164
38,864	-39,493	-27	-1,086		-1,562	668	-894
348,159	-129,930	70	-3,783	-1,749	861,124	8,553	869,677

Notes

1. General

1.1. Accounting policies

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

The consolidated interim management report has been prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of September 30, 2011 were prepared under consideration of the regulations outlined in the International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the consolidated financial statements as of December 31, 2010 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, 2011 have been observed by STADA.

In these consolidated interim financial statements, the same accounting policies and methods of computation are applied as in the consolidated financial statements for financial year 2010. With regard to the principles and methods used in the context of Group Accounting we insofar refer to the Notes on the consolidated financial statements of the Annual Report 2010.

1.2. Changes in accounting policies

No significant effects on the consolidated financial statements resulted from the standards and interpretations that have been applicable since the beginning of 2011.

In May 2011, the IASB adopted the new standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of Interests in Other Entities". IFRS 10 replaces the consolidation requirements of the former IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and introduces a uniform consolidation model for all subsidiaries. IFRS 11 governs the accounting for joint operations and joint ventures and thus replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The former option to proportionately consolidate joint ventures is eliminated in favor of mandatory application of the equity method. In the context of IFRS 12, disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities are combined, expanded and replaced. The new regulations are effective for financial years beginning on or after January 1, 2013, if they are not voluntarily applied in advance of this time. The new standards have not yet been endorsed by the European Union. The impact that application of the new standards will have on STADA's consolidated financial statements is currently reviewed by STADA.

The other new or changed standards and interpretations adopted by the IASB in 2011, but not yet effective, are not expected to have any significant effects on STADA's consolidated financial statements in the future.

1.3. Scope of consolidation

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

Changes in the scope of consolidation as of September 30, 2011 as compared to December 31, 2010 resulted from of the initial inclusion of the 25% share acquired in the first quarter of 2011 in the French pharmacy purchasing syndicate, Pharm Ortho Pedic SAS, which is included by STADA as an associated company using the equity method. In addition, the subsidiary Hemofarm USA Corporation, based in Washington, USA was deconsolidated due to a lack of material significance.

In the course of the implementation of the "STADA – build the future" project, the Group, in the first quarter of the current financial year, deconsolidated the Serbian subsidiary Zorka Pharma – Hemija Sabac d.o.o., as the activities of this chemical factory were not part of the Group's core business and were sold.

In addition, there were changes in the scope of consolidation due to the following mergers under company law:

- STADA R&D GmbH, Bad Vilbel, Germany, into STADA Arzneimittel AG, Bad Vilbel, Germany
- LIFE TRANS Pharma Vertriebs GmbH, Bad Vilbel, Germany, into STADA Arzneimittel AG, Bad Vilbel, Germany
- ALIUD PHARMA Verwaltungs GmbH, Laichingen, Germany, into BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany
- Eurovax GmbH, Bad Vilbel, Germany, into BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany
- Cajavec sistemi upravljanja A.D., Banja Luka, Bosnia-Herzegovina, into Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina, with an increased share to a total of 91.5% from the perspective of the Serbian parent company Hemofarm A.D., Vrsac, Serbia

In the consolidated financial statements of the STADA Group, 62 companies were thereby consolidated as subsidiaries, two companies as joint ventures and three companies as associates as of the balance sheet date on September 30, 2011.

2. Notes on the Consolidated Income Statement

2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from a good development of sales in various national markets. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 0.1 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting.

2.2. Research and development expenses

In the case of research and development expenses of STADA Arzneimittel AG, it must be considered that it is only a matter of development expenses because STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients. In accordance with the STADA Group's accounting guidelines presented in the Annual Report 2010, a part of development costs is capitalized.

2.3. Other income and other expenses

Other income in the first nine months of 2011 decreased by € 7.8 million as compared to the corresponding period in the previous year. This resulted mainly from net currency translation income in the amount of € 7.8 million included in this item in the first three quarters of 2010, while net currency translation expenses in the amount of € 8.4 million, which were recognized in other expenses, had to be recorded in the first nine months of 2011.

The increase in other expenses to € 136.8 million (previous year: € 56.6 million) is due primarily to the write-downs on receivables due to the Serbian subsidiary Hemofarm which are included in that figure and which will be reported as one-time special effects in financial year 2011.

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

Expenses in connection with the “STADA – build the future” project primarily include, as one-time special effects, external consultancy services in the reporting period.

2.5. Income taxes

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group's consolidated financial statements for the first nine months of 2011. Due to the high special effects in the third quarter, reported earnings before taxes were lower than the income tax expense incurred, resulting in negative earnings after taxes.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of September 30, 2011, intangible assets included € 322.4 million (December 31, 2010: € 322.9 million) goodwill. Furthermore, additions from the acquisition of the branded product Cetraben® of € 34.6 million are recognized in the current financial year.

3.2. Investments in associates

In the first nine months of 2011, additions to investments in associates include the increase of shareholdings in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company from 23.7% to 49.0%. The purchase price for this investment amounts to a total of € 25.2 million.

3.3. Trade accounts receivable

The decrease in trade accounts receivable resulted for the most part from the receivables from various Serbian pharmaceutical wholesalers which were written down in the Serbian subsidiary Hemofarm in the third quarter of 2011 in the amount of € 93.2 million.

3.4. Other financial assets

Other financial assets decreased to € 35.9 million as of September 30, 2011 (December 31, 2010: € 50.7 million). This development resulted, among other things, from the partial repayment of loan receivables of STADA Arzneimittel AG with respect to BIOCEUTICALS Arzneimittel AG.

3.5. Consolidated statement of changes in shareholders' equity

Shareholders' equity amounted to € 844.6 million as of September 30, 2011 (December 31, 2010: € 868.5 million). As of this reporting date, the equity-to-assets ratio was thus 34.1% (December 31, 2010: 34.6%).

As of September 30, 2011, the Company held 98,267 treasury shares (December 31, 2010: 100,706). In the first nine months of 2011, 2,439 treasury shares were sold at an average price of € 23.96.

3.6. Financial liabilities

As of September 30, 2011, the Group's current and non-current financial liabilities in the amount of € 253.9 million and € 767.0 million (December 31, 2010: € 281.7 million and € 781.6 million) include promissory notes and a bond which have a nominal value in the amount of € 515.5 million (December 31, 2010: € 515.5 million) and € 350.0 million (previous year: € 350.0 million) respectively.

3.7. Contingent liabilities and other financial obligations

Contingent liabilities at STADA continue to relate primarily to a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG, which are recognized using the equity method.

Other financial obligations mainly relate to obligations from rental and leasing obligations as well as additional financial obligations. As of September 30, 2011, rental and leasing obligations amounted to € 41.9 million (December 31, 2010: € 46.8 million) and the remaining financial liabilities amounted to € 17.4 million (December 31, 2010: € 10.9 million).

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 143.6 million in the first three quarters of 2011. The growth of € 13.0 million compared to the corresponding period in the previous year period is in particular due to the cash-effective changes in the inventories, for which a significantly smaller cash-effective increase was recorded in the first three quarters as in the respective previous year period. A rise in comparison to the first nine months of 2010 in a cash-effective increase of trade accounts receivable in the current financial year compensated, in part, for this positive effect on cash flow from operating activities.

For earnings after taxes in the first three quarters of 2011, a significant decrease was recorded as compared to the corresponding period of the previous year. This decrease, however, will be completely compensated by other non-cash expenses to be adjusted, which primarily result from value adjustments carried out by the Serbian subsidiary Hemofarm on outstanding receivables from various Serbian pharmaceutical wholesalers.

4.2. Cash flow from investing activities

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. Cash flow from investing activities amounted to € -98.8 million in the reporting period and was thus € 24.4 million above the figure of the corresponding period of the previous year due to a higher investment volume.

4.3. Cash flow from financing activities

Cash flow from financing activities encompasses payments from changes in financial liabilities, for dividend payments and from additions to shareholders' equity as well as changes in treasury shares. Cash flow from financing activities amounted to € -60.3 million in the first nine months of 2011, while cash flow from financing activities in the amount of € -55.4 million was recorded in the corresponding period in the previous year. This is primarily due to a negative balance from the borrowing and settlement of financial liabilities in the first nine months of 2011 as compared to the respective period of the previous year.

4.4. Net cash flow for the period

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

5. Segment Reporting

5.1. General information

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

Reported segment result corresponds to the operating profit of the income statement of the STADA Group in accordance with IFRS. Disclosures on segment assets relate to non-current assets (intangible assets, property, plant and equipment as well as financial assets). Reporting of the segment liabilities is waived, as this is without relevance for Group monitoring and in Group reporting.

5.2. Information by operating segment

in € 000s		1/1–9/30/2011	1/1–9/30/2010
Generics	External sales	857,378	815,684
	Sales with other segments	873	602
	Total sales	858,251	816,286
	Operating profit	24,264	86,185
	Segment assets (Sept. 30)	838,908	860,233
Branded Products	External sales	350,052	311,428
	Sales with other segments	1,769	1,897
	Total sales	351,821	313,325
	Operating profit	77,489	51,371
	Segment assets (Sept. 30)	251,141	218,035
Commercial Business	External sales	27,363	44,393
	Sales with other segments	96	163
	Total sales	27,459	44,556
	Operating profit	-1,443	-1,849
	Segment assets (Sept. 30)	3,447	3,406
Reconciliation Group holdings/ other and consolidation	External sales	16,872	6,252
	Sales with other segments	-2,738	-2,662
	Total sales	14,134	3,590
	Operating profit	-41,066	-30,765
	Segment assets (Sept. 30)	220,130	226,545
Group	External sales	1,251,665	1,177,757
	Sales with other segments	0	0
	Total sales	1,251,665	1,177,757
	Operating profit	59,244	104,942
	Segment assets (Sept. 30)	1,313,626	1,308,219

5.3. Reconciliation of segment results to net profit

in € 000s	1/1–9/30/2011	1/1–9/30/2010
Operating segment profit	100,310	135,707
Reconciliation Group holdings/other and consolidation	-41,066	-30,765
Result from associated companies	443	257
Investment income	126	141
Financial income	5,613	2,720
Financial expenses	44,690	41,980
Earnings before taxes, Group	20,736	66,080

5.4. Reconciliation of segment assets to Group assets

in € 000s	Sept. 30, 2011	Sept. 30, 2010
Segment assets	1,093,496	1,081,675
Reconciliation Group holdings/other and consolidation	220,130	226,544
Other non-current assets	100,689	34,244
Current assets	1,065,289	1,088,902
Total assets, Group	2,479,604	2,431,365

6. Additional Information

6.1. Information by region¹⁾

Sales in € 000s	1/1–9/30/2011	1/1–9/30/2010	±%	±% adjusted ²⁾
Europe	1,201,719	1,122,075	+7%	+7%
• Belgium	105,809	99,058	+7%	
• Bosnia-Herzegovina	8,229	9,646	-15%	-16%
• Bulgaria	4,575	4,138	+11%	+11%
• Denmark	25,431	25,412	0%	0%
• Germany	359,021	392,707	-9%	
• Finland	4,524	4,323	+5%	
• France	58,131	57,047	+2%	
• UK	38,984	39,975	-2%	-1%
• Ireland	15,161	14,383	+5%	
• Italy	107,665	99,929	+8%	
• Macedonia	2,155	1,967	+10%	+11%
• Montenegro	4,701	4,266	+10%	+9%
• The Netherlands	41,270	31,979	+29%	+3%
• Austria	10,893	11,302	-4%	
• Poland	2,338	1,898	+23%	+23%
• Portugal	10,339	9,034	+14%	
• Romania	3,420	3,367	+2%	+1%
• Russia	193,352	156,033	+24%	+25%
• Sweden	3,740	2,758	+36%	+34%
• Serbia	72,212	52,665	+37%	+38%
• Slovakia	5,901	5,033	+17%	+16%
• Spain	83,125	61,779	+35%	
• Czech Republic	8,708	8,080	+8%	+3%
• Ukraine	17,388	15,727	+11%	+20%
• Rest of Europe	14,648	9,569	+53%	+53%
Africa	7,719	7,192	+7%	+7%
The Americas	7,082	8,794	-19%	-20%
• USA	6,525 ³⁾	8,336 ³⁾	-22%	-22%
• Rest of America	557	458	+22%	+22%
Asia	35,116	39,662	-11%	-5%
• China	2,529	2,017	+25%	+35%
• Kazakhstan	8,392	6,299	+33%	+43%
• The Philippines	4,042	10,943	-63%	-62%
• Thailand	1,744	1,845	-6%	-4%
• Vietnam	8,802	8,017	+10%	+28%
• Rest of Asia	9,608	10,541	-9%	-7%
Rest of world	29	34	-15%	-13%

1) Broken down according to the national market in which the sales were achieved.

2) Adjustments due to changes in the Group portfolio and currency effects.

3) Exclusively export sales to the USA.

7. Related party transactions

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 23.4 million (December 31, 2010: € 31.8 million) had been used as of September 30, 2011.

Beyond this, no significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2010.

8. Significant events after the balance-sheet date

In the second quarter of the current financial year STADA resolved to enter into concrete negotiations with the shareholders of Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, on the acquisition of Spirig's generics business in Switzerland. In the current fourth quarter both negotiating partners signed the respective contract.

The purchase price for this generics business amounts to a total of approx. CHF 97 million (applying the exchange rate of the date of the signing of the contract, approx. € 78 million) and also includes the right to continue marketing the purchased products under the Spirig umbrella brand. The acquired portfolio includes 56 prescription (RX) and 15 non-prescription (OTC) and discretionary prescription (OTX) products. With regard to the acquired products STADA estimates the current annual sales volume to be approx. CHF 42 million (applying the exchange rate of the date of the signing of the contract, approx. € 34 million) and EBIDTA, adjusted to the business structure being spun off, to be approx. CHF 9.5 million (applying the exchange rate of the date of the signing of the contract, approx. € 7.7 million). The acquisition under consideration does not include any production facilities.

The transaction is subject to usual completion conditions as well as the condition that Spirig hive off the target business to an independent business unit. The purchase is strived to be completed in the first quarter of 2012. Payment of the purchase price will be made at the time of completion. STADA will use cash on hand and existing free credit lines to finance the acquisition.

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Members of the Executive Board: Hartmut Retzlaff (Chairman), Helmut Kraft, Dr. Axel Müller

Members of the Supervisory Board: Dr. Martin Abend (Chairman), Manfred Krüger¹⁾ (Vice Chairman), Dr. Eckhard Brüggemann, Heike Ebert¹⁾, Dr. K. F. Arnold Hertzsch, Dieter Koch, Constantin Meyer, Carl Ferdinand Oetker, Karin Schöpfer¹⁾

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

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

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

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1) Employee representatives.

