Interim Report on the First Nine Months of 2013

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1]	± %
Group sales	1,436.7	1,332.5	+8%
• Generics (core segment)	902.7	872.4	+3%
• Branded Products (core segment)	503.7	437.9	+15%
Operating profit	188.1	148.5	+27%
Operating profit, adjusted[2) 3)]	*205.3*	*191.8*	*+7%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	268.0	238.4	+12%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[2) 3)]	*284.4*	*266.7*	*+7%*
EBIT (Earnings before interest and taxes)	188.9	151.6	+25%
EBIT (Earnings before interest and taxes), adjusted[2) 3)]	*206.1*	*194.9*	*+6%*
EBT (Earnings before taxes)	141.9	102.1	+39%
EBT (Earnings before taxes), adjusted[2) 4)]	*155.7*	*144.7*	*+8%*
Net income	90.2	68.4	+32%
Net income, adjusted[2) 4)]	*100.3*	*105.7*	*-5%*
Cash flow from operating activities	83.6	89.8	-7%
Capital expenditure	270.7	364.8	-26%
Depreciation and amortization (net of write-ups)	79.1	86.8	-9%
Employees (average number calculated on the basis of full-time employees Jan. 1 – Sep. 30)[5)]	8,947	7,834	+14%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	9,719	7,758	+25%

Key share figures	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1]	± %
Market capitalization (as of Sep. 30/Sep. 28) in € million	2,239.7	1,344.5	+67%
Closing price (XETRA®) in € (as of Sep. 30/Sep. 28)	37.49	22.66	+65%
Average number of shares (without treasury shares Jan. 1 – Sep. 30)	59,373,894	58,999,821	+1%
Earnings per share in €	1.52	1.16	+31%
Earnings per share in €, adjusted[2) 4)]	*1.69*	*1.79*	*-6%*
Diluted earnings per share in €	1.49	1.14	+31%
Diluted earnings per share in €, adjusted[2) 4)]	*1.65*	*1.76*	*-6%*

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous years. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with IFRS. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.
3) Within the context of this interim report, adjustments in connection with the operating profit, EBITDA and EBIT generally relate to one-time special effects.
4) Within the context of this interim report, adjustments in connection with EBT, net income, earnings per share and diluted earnings per share generally relate to one-time special effects and non-operational effects from the measurement of derivative financial instruments.
5) This average number includes initial consolidations on a pro-rata basis.

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

In the first nine months of 2013, the sales and earnings development of the STADA Group was in line with the expectations of the Executive Board. Group sales in the first three quarters of the current financial year increased by 8% to € 1,436.7 million (1-9/2012: € 1,332.5 million). Reported EBITDA increased by 12% to € 268.0 million (1-9/2012[1]: € 238.4 million). Reported net income rose by 32% to € 90.2 million (1-9/2012[1]: € 68.4 million). Adjusted EBITDA recorded growth of 7% to € 284.4 million (1-9/2012[1]: € 266.7 million). Adjusted net income decreased by 5% to € 100.3 million (1-9/2012[1]: € 105.7 million).

With this development, STADA achieved a satisfactory result in the reporting period in the estimation of the Executive Board.

The STADA Group's financial position remained stable in the first nine months of 2013. Net debt amounted to € 1,412.8 million as of September 30, 2013 (December 31, 2012: € 1,177.3 million). The net debt to adjusted EBITDA ratio amounted in the first three quarters of 2013 on linear extrapolation of the adjusted EBITDA of the reporting period on a full year basis to 3.7 (1-9/2012[1]: 3.6), primarily due to the acquisition of the British OTC supplier Thornton & Ross Ltd.[2] in the third quarter of 2013, and was thus above the value of 3 targeted by the Executive Board.

In terms of the outlook, the Executive Board, from today's perspective, still expects further sales growth in the Group as well as in both core segments for financial years 2013 and 2014. In this context, the Branded Products core segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow. The Executive Board anticipates the opportunity for further growth in adjusted EBITDA in the Group in the high single-digit percentage range in financial years 2013 and 2014, thereby achieving a new record value. In addition, the Executive Board expects an increase in adjusted EBITDA in both core segments in 2013 and 2014. Furthermore, the Executive Board affirms the long-term prognosis envisaged for 2014[3], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached at minimum.

Sales development of the STADA Group

Group sales rose in the first nine months of 2013 – with varying development in the individual market regions – by 8% to € 1,436.7 million (1-9/2012: € 1,332.5 million).

When effects on sales based on changes in the Group portfolio and currency effects are deducted, Group sales increased by 5% to € 1,392.7 million in the first three quarters of the current financial year.

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

- Portfolio changes[4] had a total share of € 61.5 million or 4.6 percentage points of the sales increase in the reporting period.
- As a result of applying foreign exchange rates from the first nine months of 2013 compared with the corresponding period in the previous year for the translation of local sales contributions into the Group currency euro, STADA recorded a negative currency effect for Group sales in the amount of € 19.4 million or 1.5 percentage points because the development of two of the three most important national

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) See the Company's ad hoc release of August 6, 2013 and ad hoc update of August 16, 2013.
3) See the Company's ad hoc releases of June 7, 2010, March 1, 2012 and February 28, 2013.
4) Sales of a branded product portfolio in Central Europe since February 1, 2012, sales of the French company LERO since February 1, 2012, sale of the Engineering companies as of March 30, 2012, sales of Ingavirin® for Ukraine since April 1, 2012, sales of the branded product Tranexam® for Russia since May 2012, sales of a package of five branded products for Ukraine with a focus on the gynecology area of indication since September 2012, sales of the wholesale business of the Swiss subsidiary Spirig HealthCare since March 1, 2013, sales of a branded product portfolio of the Italian subsidiary Crinos disposed of in July 2012, sales in connection with the consolidation of the Vietnamese company Pymepharco as a subsidiary since January 1, 2013 and the consolidation of the British OTC supplier Thornton & Ross since September 1, 2013.

currencies for STADA was weaker as compared to the Group currency euro. In this context, the development of the Russian ruble and the pound sterling were weaker. However, the Group's third most important national currency, the Serbian dinar, had a slightly positive currency effect in the reporting period. The currency relationships in other countries relevant for STADA only had a small influence on the translation of sales and earnings in local currencies into the Group currency euro.

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

Earnings development of the STADA Group

Earnings development in the reporting period was characterized by an increase in operating performance as shown by growth in all of the Group's reported key earnings figures.

Reported operating profit increased by 27% to € 188.1 million in the first nine months of the current financial year (1-9/2012[1]: € 148.5 million). **Reported EBITDA** increased by 12% to € 268.0 million (1-9/2012[1]: € 238.4 million). **Reported net income** grew by 32% to € 90.2 million (1-9/2012[1]: € 68.4 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** showed growth of 7% in the 2013 reporting period to € 205.3 million (1-9/2012[1]: € 191.8 million). **Adjusted EBITDA** recorded a plus of 7% to € 284.4 million (1-9/2012[1]: € 266.7 million). **Net income, adjusted** for one-time special effects and non-operational effects from the measurement of derivative financial instruments, decreased by 5% to € 100.3 million (1-9/2012[1]: € 105.7 million). This development is primarily based on the so-called interest barrier in Germany, which stipulates that the net interest cost of a corporate body is only deductible up to an amount of 30% of the EBITDA stated for tax purposes in Germany. The decrease in EBITDA in Germany is attributable to reduced sales in Germany which was primarily a result of the last portfolio agreements that have now also fully expired and, for the first time for the benefit of operating profitability, the deliberate partial renouncement of sales from discount agreements (see "Development of the Market Regions – Germany"). On the whole, the interest barrier led to the non-deductibility of net interest costs in the amount of approx. € 26 million (1-9/2012: approx. € 19 million) as well as to a corresponding additional tax burden of approx. € 6.3 million (1-9/2012: approx. € 4.6 million).

In order to reduce the negative effect of this interest barrier, STADA took measures to introduce the tax optimization program ongoing in the Group already in the fourth quarter which should result in significant retroactive tax improvements for the full year 2013.

One-time special effects amounted to a net burden on earnings of € 17.2 million before or € 12.5 million after taxes in the first nine months of 2013 (1-9/2012: net burden on earnings in the amount of € 43.3 million before or € 37.8 million after taxes).

In the third quarter of 2013, a net burden on earnings in the amount of € 11.2 million before or € 8.2 million after taxes was incurred (third quarter of 2012: net burden on earnings in the amount of € 17.6 million before or € 14.9 million after taxes), which can be broken down as follows:

- a burden in the amount of € 5.5 million before or € 4.0 million after taxes for expenses in connection with the implementation of the Group-wide cost efficiency program "STADA – build the future" including external consulting services and related follow-up projects as well as unscheduled personnel expenses
- a burden in the amount of € 5.1 million before or € 3.8 million after taxes for various extraordinary expenses, among others for the integration of the acquired British OTC supplier Thornton & Ross (see "Acquisitions and disposals")
- a burden in the amount of € 0.6 million before or € 0.4 million after taxes for value adjustments netted of write-ups on intangible assets after impairment tests

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Non-operational effects from the measurement of derivative financial instruments amounted to a net relief on earnings in the amount of € 3.4 million before or € 2.4 million after taxes in the first nine months of 2013 (1-9/2012: net relief on earnings due to non-operational effects from the measurement of derivative financial instruments in the amount of € 0.7 million before or € 0.5 million after taxes).

In the third quarter of 2013, a net relief on earnings in the amount of € 2.1 million before or € 1.5 million after taxes was incurred for non-operational effects from the measurement of derivative financial instruments (third quarter of 2012: net burden on earnings due to non-operational effects from the measurement of derivative financial instruments in the amount of € 1.0 million before or € 0.7 million after taxes).

In the charts below, further essential key earnings figures of the STADA Group as well as the resulting margins are presented both as reported figures as well as adjusted for aforementioned one-time special effects and non-operational effects from the measurement of derivative financial instruments for the first nine months of 2013 with the corresponding period of the previous year to allow for comparison.

Development of the STADA Group's reported key earnings figures

in € million	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1]	± %	Margin[2] 9 months 2013 Jan. 1 – Sep. 30	Margin[2] 9 months 2012 Jan. 1 – Sep. 30[1]
Operating profit	188.1	148.5	+27%	13.1%	11.1%
• Operating segment result Generics	119.9	100.3	+20%	13.3%	11.5%
• Operating segment result Branded Products	124.6	97.0	+28%	24.7%	22.2%
EBITDA[3]	268.0	238.4	+12%	18.7%	17.9%
EBIT[4]	188.9	151.6	+25%	13.1%	11.4%
EBT[5]	141.9	102.1	+39%	9.9%	7.7%
Net income	90.2	68.4	+32%	6.3%	5.1%
Earnings per share in €	1.52	1.16	+31%		
Diluted earnings per share in €	1.49	1.14	+31%		

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

in € million	*9 months 2013 Jan. 1 – Sep. 30*	*9 months 2012 Jan. 1 – Sep. 30[1]*	*± %*	*Margin[2] 9 months 2013 Jan. 1 – Sep. 30*	*Margin[2] 9 months 2012 Jan. 1 – Sep. 30[1]*
Operating profit, adjusted	*205.3*	*191.8*	*+7%*	*14.3%*	*14.4%*
• Operating segment result Generics, adjusted	*123.5*	*126.6*	*-2%*	*13.7%*	*14.5%*
• Operating segment result Branded Products, adjusted	*127.6*	*102.5*	*+24%*	*25.3%*	*23.4%*
EBITDA[3], adjusted	*284.4*	*266.7*	*+7%*	*19.8%*	*20.0%*
• EBITDA Generics, adjusted	*157.9*	*159.7*	*-1%*	*17.5%*	*18.3%*
• EBITDA Branded Products, adjusted	*163.6*	*136.5*	*+20%*	*32.5%*	*31.2%*
EBIT[4], adjusted	*206.1*	*194.9*	*+6%*	*14.3%*	*14.6%*
EBT[5], adjusted	*155.7*	*144.7*	*+8%*	*10.8%*	*10.9%*
Net income, adjusted	*100.3*	*105.7*	*-5%*	*7.0%*	*7.9%*
Earnings per share in €, adjusted	*1.69*	*1.79*	*-6%*		
Diluted earnings per share in €, adjusted	*1.65*	*1.76*	*-6%*		

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) Related to relevant Group sales.
3) Earnings before interest, taxes, depreciation and amortization.
4) Earnings before interest and taxes.
5) Earnings before taxes.
6) Adjusted for one-time special effects and non-operational effects from the measurement of derivative financial instruments.

"STADA – build the future"

In the reporting period, the Group continued the outstanding measures of the program initiated in 2010 "STADA – build the future", which aims at strengthening the mid and long-term earnings potential. By the end of 2013, all significant measures will be concluded or initiated according to plan.

Following the evaluation carried out in cooperation with external consultants regarding further cost optimization, the Executive Board does not currently deem it necessary to introduce a new efficiency program because the culture of continuous cost optimization, that has meanwhile established itself to a wide extent in the Group, regularly leads to the identification and introduction of efficiency-improving individual projects. These currently include projects in the areas of operations and IT.

In the third quarter of 2013, for example, STADA founded STADA IT SOLUTIONS DOO, its own shared service center where a large number of IT services will be bundled in the future.[1] The company, which shall only provide intercompany services, is part of Hemofarm A.D., a wholly-owned subsidiary of the STADA Group in Serbia. Approximately 85 employees at the Serbian Hemofarm locations in Vrsac and Belgrade will be focused primarily on the implementation of SAP and Microsoft projects and the corresponding support for the entire Group. These projects include SAP roll-outs, upgrades and the introduction of new Sharepoint solutions. STADA will save a substantial portion of previous costs by foregoing the use of external consultants. As early as 2014, net cost savings of over € 2 million can be realized in the IT budget based on the present workload and cost volumes. STADA expects annual savings of significantly more than € 3 million as from 2015. In future the approximately 60 employees of what was previously Hemofarm IT will be part of the newly established STADA IT SOLUTIONS. As the new shared service center will take over IT projects for the entire STADA Group, the capacity will be increased, creating approximately 25 additional jobs.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the period under review by 7%; their share of Group sales thus amounted to a total of 97.9% (1-9/2012: 98.3%). Adjusted for portfolio effects and currency influences, sales of the two core segments increased by 5% in the first three quarters of the current financial year.

Sales of the core segment **Generics** increased by 3% to € 902.7 million in the first nine months of 2013 (1-9/2012: € 872.4 million). Generics thus contributed 62.8% to Group sales (1-9/2012: 65.5%). Adjusted, Generics sales in the Group increased by 2%.

The core segment **Branded Products** recorded sales growth of 15% to € 503.7 million (1-9/2012: € 437.9 million) in the reporting period. Branded Products thus contributed 35.1% to Group sales (1-9/2012: 32.9%). Adjusted sales of Branded Products in the Group recorded a plus of 11%.

In the **Commercial Business** segment, which is not part of the core segments, sales rose to € 29.8 million in the first three quarters of 2013 (1-9/2012: € 13.4 million). This growth is based for the most part on the acquisition of the pharmaceutical wholesale and commercial business in Switzerland that has been consolidated since March 1, 2013. Sales reported under the position **Group holdings / other** decreased to € 0.6 million in the first nine months of 2013 (1-9/2012: € 8.8 million). This development is primarily based on a reduction in sales with a Dutch contract manufacturer and changes in the local supply chain.

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

1) See the Company's press release of September 9, 2013.

Development of the market regions

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

Market region Germany

In the **market region Germany**, sales in the reporting period decreased by 7% to € 336.7 million (1-9/2012: € 361.2 million). When taking this development into account, it is especially important to consider that sales in the third quarter of 2013 decreased by 16%, whereas that figure decreased by 1% in the first quarter and by 3% in the second quarter. This development in the quarter primarily relates to a sales decrease in the German generics market and is primarily based on now fully expired portfolio agreements and a deliberate partial renouncement of sales from discount agreements for the benefit of operating profitability. Overall, this market region thus contributed 23.4% to Group sales (1-9/2012: 27.1%). Of the sales generated by market region Germany, € 23.1 million was attributable to export sales (1-9/2012: € 20.6 million). Adjusted sales in this market region decreased by 7%.

Sales generated in **Germany**, i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany, decreased by 8% to € 313.6 million in the reporting period (1-9/2012: € 340.5 million).

This sales decrease reported in the German market overall is attributable to the unchanged difficult local framework conditions for generics based on the intensive competition in tenders for discount agreements from public health insurance organizations. Also contributing to this were the above-mentioned now fully expired portfolio agreements as well as the deliberate partial renouncement of sales from discount agreements for the benefit of operating profitability. In light of this, sales of the German generics segment declined in the first nine months of 2013 by 12% to € 215.6 million (1-9/2012: € 245.8 million). Sales generated in Germany with generics in the reporting period accounted for 69% of the total sales achieved in the German market (1-9/2012: 72%). The market share of generics sold in German pharmacies in the first three quarters of 2013 was approximately at the level of the corresponding period of the previous year by volume with approx. 13.4%[1)] (1-9/2012: approx. 13.2%[1)]). Despite the development of the generics segment in Germany over the first nine months of 2013, the STADA Group remains the clear number 3[1)] in the German generics market.

Sales of generics in Germany are generated with various sales companies. Sales of the largest German sales company, ALIUD PHARMA, decreased in the first three quarters of 2013 by 15% to € 115.2 million (1-9/2012: € 135.3 million). Sales achieved by German generics sales company STADApharm decreased in the period under review by 7% to € 78.1 million (1-9/2012: € 84.0 million). Sales of the generics sales company cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, a special supplier for the indication areas oncology and nephrology, decreased in the first nine months of 2013 by 4% to € 24.5 million (1-9/2012: € 25.7 million).

Sales generated with branded products in Germany – primarily under the local sales labels STADA GmbH and Hemopharm GmbH Pharmazeutisches Unternehmen – recorded slight growth of 4% in the reporting period to € 97.4 million (1-9/2012: € 93.9 million).

Sales achieved in the German market with branded products in the first three quarters of the current financial year amounted to 31% of the total sales in Germany (1-9/2012: 28%).

In the current fourth quarter of 2013, STADA announced the optimization of the German sales activities and the foundation of STADAvita GmbH.[2)] From the beginning of 2014, the new STADA subsidiary will take over the sales of preventative branded products, such as nutritional supplements – like Magnetrans® – and plant-based products, as well as blood glucose tests for diabetics. STADA GmbH remains

1) Data from IMS Health based on pharmacy sales to customers (source: IMS/Pharmascope national).
2) See the Company's press release of October 1, 2013.

responsible for curative, non-prescription branded products such as Grippostad® and Mobilat®, as well as the sun protection line Ladival®. STADApharm GmbH, on the other hand, will concentrate on prescription generics in future. The sales brand Hemopharm that was also previously active in the branded products area will no longer appear in Germany as the sales of the corresponding products will be taken over by STADAvita. In the context of the reorganization of German sales, on one hand, all branded products will be marketed under the strong brand name "STADA". On the other hand, costs will be reduced as a result of the adjustment of portfolio overlaps and the realization of synergies in the marketing area. Other Group sales companies that are also active in Germany will remain unaffected by the realignment.

For financial year 2013, the Executive Board expects sales in the market region Germany to be below the level of the previous year with operating profitability under Group average.

Market region Central Europe

In the **market region Central Europe**, sales in the period under review increased by 2% to € 607.8 million (1-9/2012: € 596.7 million). Sales generated in this market region thus had a share of 42.3% of Group sales (1-9/2012: 44.8%). Of the sales generated by the market region Central Europe, € 15.8 million was attributable to export sales (1-9/2012: € 22.8 million). Adjusted Group sales in this market region decreased by 1%.

The Executive Board expects an increase in sales for financial year 2013 with operating profitability at Group average in the market region Central Europe.

Sales achieved in market region Central Europe in the first nine months of 2013 were subject to varying developments in the individual markets. The development of business in the five largest markets according to sales within this market region is described below.

Sales in **Italy** in the reporting period recorded growth of 10% to € 125.7 million (1-9/2012: € 114.0 million). The two segments Generics and Branded Products showed opposing developments.

Sales generated in the Italian market with generics increased – in particular as a result of regulations introduced over the course of financial year 2012 to stimulate generics – by 20% to € 106.8 million (1-9/2012: € 88.6 million). Generics contributed 85% to local sales (1-9/2012: 78%).

Sales achieved in the Italian market with branded products declined as expected by 25% to € 19.0 million (1-9/2012: € 25.4 million). This decline was, among other things, due to the sale of a portfolio in the third quarter of 2012, the products of which are being gradually transfered to the acquirer. Branded products had a share in sales of 15% in Italy (1-9/2012: 22%).

In **Belgium**, sales in the first three quarters of 2013 increased by 3% to € 103.3 million (1-9/2012: € 100.0 million). Whereas sales in the Belgian market were still down by 13% in the first quarter of 2013 and then increased by 14% in the second quarter, they increased by 14% in the third quarter. For the development of the third quarter, however, the relatively low level of the corresponding period of the previous year should be taken into account that was primarily based on the changes to regulatory framework conditions introduced in the second quarter of 2012 which led to a significant increase in price competition.

Sales generated in the Belgian market with generics increased by 3% to € 97.9 million (1-9/2012: € 95.1 million). Generics contributed 95% to local sales (1-9/2012: 95%).

Sales generated with branded products in Belgium increased by 10% to € 5.4 million (1-9/2012: € 4.9 million). Branded products contributed 5% to sales in Belgium (1-9/2012: 5%).

In **Spain**, sales recorded a decrease of 5% to € 79.4 million in the first nine months of the current financial year (1-9/2012: € 83.8 million). Whereas sales in the Spanish market in the first quarter of 2013 decreased by 24%, they showed a plus of 4% in the second quarter and grew by 13% in the third quarter. The development of the third quarter, however, should be viewed in consideration of the relatively low comparable basis of the previous year. Nevertheless, the development of business in Spain is evaluated as good in consideration of the economic circumstances which remain difficult.

Sales of generics reported in the Spanish market declined by 7% to € 71.4 million (1-9/2012: € 76.6 million). This is due to the deliberate termination of the Spanish hospital business in 2012, increasingly intense price competition as well as market-curbing, local regulations that were newly introduced in 2012. The share of generics in Spanish sales was at 90% (1-9/2012: 91%).

Sales generated with branded products in Spain, however, recorded growth of 11% to € 8.0 million (1-9/2012: € 7.3 million). Branded products contributed 10% to local sales (1-9/2012: 9%).

In **France**, sales rose by 6% to € 67.7 million in the reporting period (1-9/2012: € 63.6 million).

Despite decreased reimbursement amounts as of the second quarter of 2013, sales achieved with generics in the French market increased to € 59.9 million (1-9/2012: € 56.2 million) as a consequence of regulations to promote generics that took effect in the second half of 2012 and associated significant growth in volume. The share of generics in local sales was at 89% (1-9/2012: 88%).

Sales generated in France with branded products recorded growth of 5% to € 7.8 million (1-9/2012: € 7.4 million). This positive development was primarily based on the purchase of the French company LERO carried out in the first quarter of 2012. Branded products contributed 11% to sales in France (1-9/2012: 12%).

In the **United Kingdom**, sales in the first nine months of the current financial year increased by 17% applying the exchange rates of the previous year. In euro, sales increased by 12% to € 44.9 million due to a substantially negative currency effect of the pound sterling (1-9/2012: € 40.3 million). In the overall assessment, the difficult market environment for generics in the British market was compensated by the positive development in the sales of branded products in local currency. Contributing to this was the consolidation of British OTC supplier Thornton & Ross as of September 1, 2013 (see “Acquisitions and disposals”).

Sales achieved with branded products were above the level of the corresponding period of the previous year with € 38.1 million (1-9/2012: € 33.5 million). Branded products contributed 85% to sales achieved in the United Kingdom (1-9/2012: 83%). Sales of generics, where STADA continues to be a niche provider of selected generics in the United Kingdom with only a few active pharmaceutical ingredients, was approximately at the same level of the previous year in spite of increasing competition at € 6.8 million (1-9/2012: € 6.7 million). Generics contributed 15% to local sales (1-9/2012: 17%).

Market region CIS / Eastern Europe

In the **market region CIS / Eastern Europe**[1], sales in the first three quarters of 2013 increased significantly by 24% to € 440.3 million (1-9/2012: € 355.9 million). Sales of the market region thus contributed 30.7% to Group sales (1-9/2012: 26.7%). Of the sales generated by the market region CIS / Eastern Europe, € 7.5 million was achieved with export sales (1-9/2012: € 6.5 million). Adjusted Group sales in this market region increased by 26%.

For financial year 2013, the Executive Board expects significant growth in sales in the market region CIS / Eastern Europe. Operating profitability is expected to be above Group average.

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

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

Russia recorded a strong sales increase in the first nine months of 2013 of 31% applying the exchange rates of the previous year. In euro, sales grew significantly by 25% to € 292.1 million due to a negative currency effect of the Russian ruble (1-9/2012: € 233.0 million).

Sales generated in the Russian market with generics increased by a strong 14% to € 117.9 million (1-9/2012: € 103.0 million). Generics contributed 40% to sales achieved in Russia (1-9/2012: 44%).

Sales of branded products also saw substantial growth rising by 35% to € 174.2 million (1-9/2012: € 129.5 million). Branded products had a share in sales of 60% in Russia (1-9/2012: 56%).

In **Serbia**, strong sales growth of 19% was recorded in the reporting period applying the exchange rates of the previous year. In euro, sales increased substantially by 20% to € 61.6 million with a slightly positive currency effect of the Serbian dinar (1-9/2012: € 51.2 million). Despite the low comparable basis in the corresponding period of the previous year as a result of the conversion of the local distribution model for improved controlling of cash flows and a correlated, expected sales decrease, sales increase achieved in the Serbian market in the reporting period were attributable to increased demand.

Sales generated in Serbia with generics increased by 26% to € 51.5 million (1-9/2012: € 41.0 million). Generics contributed 84% to sales in Serbia (1-9/2012: 80%).

Sales generated in the Serbian market with branded products increased by 22% to € 9.7 million (1-9/2012: € 7.9 million). Branded products had a share in sales of 16% in Serbia (1-9/2012: 16%).

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

Market region Asia & Pacific

In the **market region Asia & Pacific**, sales in the first nine months of 2013 increased significantly by 179% to € 51.9 million (1-9/2012: € 18.6 million). Sales of the market region contributed 3.6% to Group sales (1-9/2012: 1.4%). The growth in the market region Asia & Pacific was primarily attributable to the sales increase in the Vietnamese market as a result of the consolidation of Pymepharco Joint Stock Company as a subsidiary since January 1, 2013. Adjusted sales in this market region increased by 10%.

For financial year 2013, the Executive Board expects another sales increase in the market region Asia & Pacific with operating profitability above Group average.

Development, production and procurement

Research and development costs amounted to € 39.8 million in the period under review (1-9/2012: € 38.6 million). Since STADA is not active in research for new active pharmaceutical ingredients in view of its business model, it is only a matter of development costs. Furthermore, the Group capitalized development costs for new products in the amount of € 10.7 million in the first three quarters of the current financial year (1-9/2012: € 10.6 million).

Worldwide, STADA launched a total of 526 individual products in the individual national markets in the reporting period (1-9/2012: 584 product launches).

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

As a general rule, appropriate investments are made to ensure that all Group-owned production facilities are maintained at the level required by legal stipulations and technical production considerations. For the expansion and renewal of production sites and facilities, STADA invested a total of € 12.9 million in the first nine months of 2013 (1-9/2012: € 5.7 million).

As a result of new EU regulations, as of July 2, 2013 increased documentation and information requirements will be placed on pre-suppliers of pharmaceutical ingredients, in particular also from non-EU countries, which require greater involvement of national and/or local authorities in the third countries. As non-EU countries are meeting these new regulations to a continously increasing extent and as STADA has taken bridging measures for the introductory period, the new requirements did not lead to any supply bottlenecks in terms of active ingredient procurement in the STADA Group.

Financial position and cash flow

The financial position of the STADA Group remains stable. As of the reporting date September 30, 2013, the **equity-to-assets ratio** was 28.8% (December 31, 2012[1]: 30.6%) and thereby satisfactory in the opinion of the Executive Board.

Net debt amounted to € 1,412.8 million as of September 30, 2013 (December 31, 2012: € 1,177.3 million). The **net debt to adjusted EBITDA ratio** amounted in the first three quarters of 2013 on linear extrapolation of the adjusted EBITDA of the reporting period on a full year basis to 3.7 (1-9/2012[1]: 3.6), primarily due to the acquisition of the British OTC supplier Thornton & Ross in the third quarter of 2013, and was thus above the value of 3 targeted by the Executive Board.

As of September 30, 2013, the long-term refinancing of the Group comprised a corporate bond placed in the second quarter of 2013 in the amount of € 350 million with a term of five years and an interest rate of 2.25% p.a., as well as a five-year bond placed in 2010 in the amount of € 350 million and an interest rate of 4.00% p.a. As of the balance sheet date, furthermore, there were long-term promissory notes with maturities in the area of 2013 to 2017 in the total amount of € 740.0 million, of which a total of € 189.5 million will reach maturity in the current fourth quarter of 2013 and the refinancing of which has already been secured by the bond issued in the second quarter of 2013.

As of September 30, 2013, **intangible assets** included € 559.8 million goodwill (December 31, 2012: € 455.8 million) including the additions from the preliminary purchase price allocations. Furthermore, there were additions to the other intangible assets from business combinations – not considering amortization in the reporting period – in the amount of € 134.4 million, which corresponds to the fair values determined in the context of the preliminary purchase price allocations.

Investments in associates decreased as compared to December 31, 2012 by € 26.1 million to € 8.8 million (December 31, 2012: € 34.9 million). This change was primarily attributable to the control achieved of the subsidiary Pymepharco as of January 1, 2013, which was previously included in the consolidated financial statements as an associated company and has been consolidated as a subsidiary as of 2013.

The increase in **inventories** as of September 30, 2013 to € 539.9 million (December 31, 2012: € 475.3 million) primarily resulted from the consolidation of the subsidiary Pymepharco since January 1, 2013 as well as the British OTC supplier Thornton & Ross since September 1, 2013.

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Trade accounts receivable increased as of the reporting date September 30, 2013 by € 31.5 million to € 523.6 million (December 31, 2012: € 492.1 million). This was primarily attributable to the consolidation of the subsidiary Pymepharco since January 1, 2013 as well as the British OTC supplier Thornton & Ross since September 1, 2013.

As of September 30, 2013, the Group's current and non-current **financial liabilities** in the amount of € 212.7 million and € 1,316.6 million respectively (December 31, 2012: € 328.5 million and € 941.6 million respectively) included, in particular, promissory notes with a nominal value in the amount of € 740.0 million (December 31, 2012: € 794.5 million) and two bonds with a nominal value in the amount of € 350.0 million each (December 31, 2012: one bond at € 350.0 million). The increase in financial liabilities especially resulted from the bond placed in the second quarter of the current financial year with a volume of € 350.0 million.

Cash flow from operating activities – which consists of changes in items not covered by investing activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 83.6 million in the first nine months of 2013 (1-9/2012: € 89.8 million). The change of € 6.2 million as compared to the corresponding period of the previous year was primarily a result of the significantly higher cash-effective decrease in other financial liabilities. The resulting decrease in cash flow from operating activities was only partially compensated by the cash-effective increase of inventories that was substantially lower than the corresponding period of the previous year as well as by the cash-effective decrease of trade accounts receivable, whereas a substantial cash-effective increase of trade accounts receivable was still recorded in the corresponding period of the previous year.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -289.1 million in the period under review (1-9/2012: € -446.4 million). In the first three quarters of 2013, the cash flow from investing activities was, as in the corresponding period of the previous year, especially affected by high payments for investments in business combinations in accordance with IFRS 3. The payments for investments in business combinations in the reporting period relate to the purchase price payment made for the acquisition of the British OTC supplier Thornton & Ross as well as the final purchase price payments for the additional shares and the control acquired of the operations of Pymepharco and for the pharmaceutical wholesaling and commercial business acquired from Spirig Pharma AG, in each case following the deduction of acquired cash and cash equivalents. In the previous year, payments for investments in business combinations according to IFRS 3 primarily related to the acquisition of the Grünenthal branded product portfolio including the related sales companies as well as the purchase of the generics business of Spirig Pharma including the respective sales structures.

Free cash flow in the reporting period amounted to € -205.5million (1-9/2012: € -356.6 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 34.2 million in the first nine months of 2013 (1-9/2012: € 48.6 million).

Cash flow from financing activities amounted to € 230.0 million in the first three quarters of the current financial year, while cash flow from financing activities in the amount of € 97.1 million was recorded in the corresponding period in the previous year. This development was primarily a result of the bond placed by STADA in the second quarter of 2013. In opposition, the repayment of financial liabilities increased as compared to the prior-year period.

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 23.8 million in the period under review (1-9/2012: € -263.5 million).

Acquisitions and disposals

The STADA Group generally pursues an active acquisition policy to further accelerate the Group's organic growth with external growth impulses. The main focus is, on the one hand, on the regional expansion of business activities with a focus on high-growth emerging markets and, on the other hand, on the expansion and internationalization of the core segments, in particular Branded Products, which is generally characterized by better margins and less regulatory intervention than Generics.

Despite this active approach to acquisition, strict benchmarks are still applied in the Group which are geared towards profitability and the appropriateness of the purchase price. For larger acquisitions or cooperations with capital investments, appropriate capital measures are generally imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

The STADA Group made further progress in the context of its active acquisitions policy in the reporting period. In the third quarter of 2013, for example, the British STADA subsidiary STADA UK Holdings Ltd. purchased the British OTC supplier Thornton & Ross after STADA and the owners had already announced exclusive contract negotiations on the issue.[1] The purchase price amounted to approx. GBP 221 million (approx. € 259 million with the exchange rate valid the day the ad hoc update was published). This corresponds to approx. GBP 193 million (approx. € 226 million with the exchange rate valid the day the ad hoc update was published) on a so-called cash and debt-free basis. Sales have been consolidated in the STADA Group as of September 1, 2013. The transaction has also made a positive contribution to net income since that date.

STADA share

The development of the STADA share was very encouraging in the first nine months of 2013. Whereas the STADA share price closed at € 24.41 at the end of 2012, it amounted to € 31.94 at the end of the first quarter of 2013. At the end of the second quarter, the share price was at € 33.07 and arrived at € 37.49 at the end of the third quarter of 2013. The STADA share price thereby showed growth of approx. 54% in the first nine months of 2013. At the end of the first nine months, the STADA market capitalization amounted to € 2.240 billion. At the end of 2012, this figure was € 1.448 billion.

As of September 30, 2013, the subscribed share capital of STADA Arzneimittel AG amounted to € 155,326,028.00 (December 31, 2012: € 154,263,876.00) consisting of 59,740,780 registered shares with restricted transferability[2], each with an arithmetical share in share capital of € 2.60 (December 31, 2012: 59,332,260 registered shares with restricted transferability). Changes in the first nine months of 2013 resulted from the exercising of 20,426 warrants 2000/2015[3]. As of September 30, 2013, 132,472 warrants 2000/2015 for the subscription of 2,649,440 STADA registered shares were still outstanding.

STADA assumes, as of September 30, 2013, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company according to Sections 21ff. of the German Securities Trading Act (WpHG) that Gryphon International Investment Corporation[4], Toronto/Ontario, Canada, with 3.20%, holds a share in voting rights that exceeds the legal reporting threshold of 3%. Thereof, 3.15% is attributable to Gryphon International Investment Corporation according to Section 22 (1) sentence 1, No. 6 of the German Securities Trading Act (WpHG) and 0.05% according to Section 22 (2) of the German Securities Trading Act (WpHG). With regard to Gryphon Investment Counsel Inc., the company also assumes a share in voting rights in the amount of 3.20% as of September 30, 2013. In this context, 3.15% is attributable to Gryphon Investment Counsel Inc. according to Section 22 (2) of the German Securities Trading Act (WpHG) and 0.05% according to Section 22 (1) sentence 1, No. 6 of the German Securities Trading Act (WpHG). SOCIETE GENERALE SA[5], Paris, France, reported, according to announcements made to the Company as of September 30, 2013 pursuant to Sections 25a (1), 21 (1) of the German Securities Trading Act (WpHG) that they held a share in voting rights requiring notification of 8.60% in relation to the entire amount of shares with voting rights of STADA Arzneimittel AG of 59,397,240. Thereby, SOCIETE GENERALE SA directly holds 0.09% of shares and has the option to purchase, via financial or other instruments according to Section 25a of the German Securities Trading Act (WpHG),

1) See the Company's ad hoc release of August 6, 2013 and the Company's ad hoc update of August 16, 2013.
2) Under the Company's Articles of Association, STADA's registered shares with restricted transferability can only be transferred in the share registry with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.
3) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
4) See the Company's disclosure of January 14, 2011.
5) See the Company's disclosure of June 14, 2013.

a 8.51% shareholding in STADA Arzneimittel AG (thereby directly 3.92% via SOCIETE GENERALE EFFEKTEN GMBH). Furthermore, STADA assumes, as of September 30, 2013, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company according to Section 25a (1) of the German Securities Trading Act (WpHG) that SOCIETE GENERALE EFFEKTEN GMBH[1], Frankfurt, Germany, has the option to purchase, via financial or other instruments according to Section 25a of the German Securities Trading Act (WpHG), a 3.92% shareholding in STADA Arzneimittel AG. DWS Investment GmbH, Frankfurt am Main, Germany, a subsidiary of Deutsche Bank AG[2], London, United Kingdom, holds a share in voting rights requiring notification of 3.04% according to reports made to STADA as of September 30, 2013, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG). Furthermore, STADA assumes, as of September 30, 2013, according to reports available to the company in accordance with Section 21 (1) of the German Securities Trading Act (WpHG) that Norges Bank[3], Oslo, Norway, and the government of Norway hold a share in voting rights of 3.02%, whereby the share in voting rights of Norges Bank are attributable to the government of Norway in accordance with Section 22 (1) sentence 1, No. 1 of the German Securities Trading Act (WpHG). According to Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

Boards of the Company

With effect from August 7, 2013, 12.00 a.m., Dr. Axel Müller, Chief Production and Development Officer, resigned from the Executive Board of STADA Arzneimittel AG.[4] The resignation was made on the most agreeable terms with the Supervisory Board, which released Dr. Müller from his responsibilities until the regular expiration of his Executive Board contract on December 31, 2014. The Supervisory Board decided not to fill the Executive Board position of Production and Development for the time being. The Executive Board responsibilities for the area of production and development were distributed among the three remaining members of the Executive Board. In this context, Hartmut Retzlaff, Chairman of the Executive Board, takes on additional responsibility for the areas Production, Research and Development as well as Purchasing and Procurement. Helmut Kraft, Chief Financial Officer, assumed additional responsibility for the area Biotechnology and Dr. Matthias Wiedenfels, Chief Business Development & Central Services Officer, took over the area Quality Assurance and Quality Control.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the fundamental outlook and the opportunities and risk report published for the Group in the Management Report of STADA's Annual Report 2012. Together with the supplements and updates, especially with reference to the current financial year, listed in this interim report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the STADA Group.

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

In addition, STADA will continue to have to deal with non-operational influence factors. The most important currency relations for the Group, in particular of the Russian ruble, the Serbian dinar and the pound sterling to the euro, will thus also affect the Group's future development in financial years 2013 and 2014. Furthermore, STADA will have to deal with the effects of the ongoing global financial and economic crisis also in the future. In view of this, the Group continues to prepare itself, within the realm of possibility, for specific potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or strong volatility in interest rate levels and currency relations that are relevant for the Group. However, in view of the extraordinary dimension of the ongoing 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 cannot be ruled out.

1) See the Company's disclosure of June 14, 2013.
2) See the Company's disclosure of May 22, 2013.
3) See the Company's disclosure of September 26, 2013.
4) See the Company's ad hoc release of August 7, 2013.

In future, the sales and earnings development of the STADA Group will also continue to be characterized by both stimulating and challenging framework conditions in the individual markets of the respective market regions in which STADA is active. In the overall assessment of opposing influence factors, the Executive Board, from today's perspective, nevertheless expects further growth in Group sales for financial years 2013 and 2014.

The Executive Board thereby expects that sales growth can be achieved in both core segments in 2013 and 2014. In this context, the Branded Products core segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow.

In order to strengthen the mid and long-term earnings potential, the Group will pursue the outstanding measures of the Group-wide cost efficiency program "STADA – build the future" scheduled for the period of 2010 to the end of 2013. In the process, the remaining expected, project-related costs[1] – from today's perspective only in the single-digit million-euro area – will be reported as one-time special effects according to the progress of the project as planned.

Nevertheless, in light of the Group's general growth prospects, the Executive Board anticipates the opportunity for further growth in adjusted EBITDA in the Group in the high single-digit percentage range in financial years 2013 and 2014, thereby achieving a new record value. In addition, the Executive Board expects an increase in adjusted EBITDA in both core segments in financial years 2013 and 2014.

Furthermore, the Executive Board affirms the long-term prognosis envisaged for 2014[2], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached at minimum.

H. Retzlaff H. Kraft Dr. M. Wiedenfels

1) See the Company's ad hoc release of June 7, 2010.
2) See the Company's ad hoc releases of June 7, 2010, March 1, 2012 and February 28, 2013.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2013 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to Sep. 30 in € 000s	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1)]	3rd quarter 2013 July 1 – Sep. 30	3rd quarter 2012 July 1 – Sep. 30[1)]
Sales	1,436,735	1,332,455	462,444	447,220
Cost of sales	740,456	674,228	243,043	225,837
Gross profit	**696,279**	**658,227**	**219,401**	**221,383**
Selling expenses	341,751	312,762	116,845	101,374
General and administrative expenses	122,792	116,945	38,737	39,319
Research and development expenses	39,784	38,597	12,276	12,854
Other income	25,159	23,378	13,760	-1,807
Other expenses	22,127	36,061	3,884	9,928
Expenses in connection with the "STADA – build the future" project	6,890	28,709	5,004	8,986
Operating profit	**188,094**	**148,531**	**56,415**	**47,115**
Result from associated companies	579	1,391	226	638
Investment income	228	1,691	2	19
Financial income	5,685	2,039	2,730	-816
Financial expenses	52,672	51,504	19,603	17,622
Financial result	**-46,180**	**-46,383**	**-16,645**	**-17,781**
Earnings before taxes	**141,914**	**102,148**	**39,770**	**29,334**
Taxes on income	50,512	33,065	15,824	8,836
Earnings after taxes	**91,402**	**69,083**	**23,946**	**20,498**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	90,180	68,384	23,537	20,227
• distributable to non-controlling shareholders	1,222	699	409	271
Earnings per share in € (basic)	1.52	1.16	0.40	0.34
Earnings per share in € (diluted)	1.49	1.14	0.39	0.34

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1)]	3rd quarter 2013 July 1 – Sep. 30	3rd quarter 2012 July 1 – Sep. 30[1)]
Earnings after taxes	**91,402**	**69,083**	**23,946**	**20,498**
Items to be recycled to the income statement in future:				
Currency translation gains and losses	**-45,390**	**-19,545**	**-13,601**	**9,532**
thereof				
• income taxes	306	558	509	-213
Gains and losses on available-for-sale financial assets	**-**	**-4**	**10**	**1**
thereof				
• income taxes	-	1	-3	0
Gains and losses on hedging instruments (cash flow hedges)	**2,038**	**-1,525**	**293**	**-683**
thereof				
• income taxes	-755	565	-108	253
Items not to be recycled to the income statement in future:				
Actuarial gains and losses from defined benefit plans	**-**	**-2,044**	**-**	**-695**
thereof				
• income taxes	-	783	-	247
Other comprehensive income	**-43,352**	**-23,118**	**-13,298**	**8,155**
Consolidated comprehensive income	**48,050**	**45,965**	**10,648**	**28,653**
thereof				
• distributable to shareholders of STADA Arzneimittel AG	47,478	44,693	10,745	28,413
• distributable to non-controlling shareholders	572	1,272	-97	240

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Balance Sheet

Consolidated Balance Sheet as of Sep. 30 in € 000s Assets	Sep. 30, 2013	Dec. 31, 2012[1)]
Non-current assets	**1,987,900**	**1,801,437**
Intangible assets	1,615,418	1,417,083
Property, plant and equipment	298,763	273,822
Financial assets	9,405	12,463
Investments in associates	8,782	34,885
Other financial assets	10,522	16,160
Other assets	3,918	1,677
Deferred tax assets	41,092	45,347
Current assets	**1,331,313**	**1,180,645**
Inventories	539,900	475,311
Trade accounts receivable	523,625	492,143
Income tax receivables	41,232	31,209
Other financial assets	59,894	36,137
Other assets	48,109	51,039
Non-current assets and disposal groups held for sale	2,034	2,076
Cash and cash equivalents	116,519	92,730
Total assets	**3,319,213**	**2,982,082**

Equity and liabilities	Sep. 30, 2013	Dec. 31, 2012[1)]
Equity	**954,784**	**912,315**
Share capital	155,326	154,264
Capital reserve	478,118	472,459
Retained earnings including net income	521,496	460,922
Other provisions	-226,788	-184,467
Treasury shares	-1,560	-1,572
Equity attributable to shareholders of the parent	**926,592**	**901,606**
Shares relating to non-controlling shareholders	28,192	10,709
Non-current borrowed capital	**1,512,057**	**1,100,174**
Other non-current provisions	49,261	47,749
Financial liabilities	1,316,642	941,572
Other financial liabilities	15,677	24,528
Other liabilities	3,653	3,561
Deferred tax liabilities	126,824	82,764
Current borrowed capital	**852,372**	**969,593**
Other provisions	7,931	10,538
Financial liabilities	212,737	328,519
Trade accounts payable	279,081	268,973
Income tax liabilities	19,808	25,759
Other financial liabilities	243,088	221,943
Other liabilities	89,727	113,861
Total equity and liabilities	**3,319,213**	**2,982,082**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	Sep. 30, 2013	Sep. 30, 2012[1)]
Net income	91,402	69,083
Depreciation and amortization net of write-ups of non-current assets	79,075	86,774
Income taxes	50,512	33,065
Interest income and expenses	50,411	50,135
Result from associated companies	-579	-1,391
Result from the disposals of non-current assets	249	-407
Changes in other non-current provisions	39	-512
Currency translation income and expenses	9,343	-3,765
Other non-cash expenses and gains	185,954	197,750
Gross cash flow	**466,406**	**430,732**
Changes in inventories	-59,579	-107,312
Changes in trade accounts receivable	246	-41,854
Changes in trade accounts payable	-7,271	-5,578
Changes in other net assets, unless attributable to investing or financing activities	-229,451	-125,589
Interest and dividends received	4,761	6,231
Interest paid	-41,610	-37,827
Income tax paid	-49,906	-28,974
Cash flow from operating activities	**83,596**	**89,829**
Payments for investments in		
• intangible assets	-39,243	-99,523
• property, plant and equipment	-23,148	-17,447
• financial assets	-163	-592
• shares in associated companies	-	-
• business combinations according to IFRS 3	-230,412	-333,299
Proceeds from the disposal of		
• intangible assets	2,611	5,293
• property, plant and equipment	991	1,828
• financial assets	289	502
• shares in consolidated companies	-	-3,206
Cash flow from investing activities	**-289,075**	**-446,444**
Borrowing of funds	700,276	412,348
Settlement of financial liabilities	-445,906	-299,242
Dividend distribution	-31,097	-22,080
Capital increase from share options	6,721	6,020
Changes in non-controlling interests	-	51
Changes in treasury shares	12	19
Cash flow from financing activities	**230,006**	**97,116**
Changes in cash and cash equivalents	**24,527**	**-259,499**
Changes in cash and cash equivalents due to Group composition	-	157
Changes in cash and cash equivalents due to exchange rates	-738	-4,189
Net change in cash and cash equivalents	**23,789**	**-263,531**
Balance at beginning of the period	**92,730**	**320,740**
Balance at end of the period	**116,519**	**57,209**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Statement of Changes in Shareholders' Equity

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

2013	Number of shares	Share capital	Capital reserve
Balance as of Sep. 30, 2013	**59,740,780**	**155,326**	**478,118**
Dividend distribution			
Capital increase from share options	408,520	1,062	5,659
Changes in treasury shares			
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income			
Net income			
Balance as of Jan. 1, 2013[1)]	**59,332,260**	**154,264**	**472,459**
Previous year			
Balance as of Sep. 30, 2012[1)]	**59,332,260**	**154,264**	**472,464**
Dividend distribution			
Capital increase from share options	365,900	952	5,068
Changes in treasury shares			-7
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income[1)]			
Net income[1)]			
Balance as of Jan. 1, 2012 adjusted	**58,966,360**	**153,312**	**467,403**
IAS 19 adjustments			
Balance as of Jan. 1, 2012	**58,966,360**	**153,312**	**467,403**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
521,496	-223,028	37	-3,797	-1,560	926,592	28,192	954,784
-29,620					-29,620	-1,477	-31,097
					6,721		6,721
				12	12		12
					-		-
					-	18,388	18,388
	395				395		395
14	-44,751	-3	2,038		-42,702	-650	-43,352
90,180					90,180	1,222	91,402
460,922	-178,672	40	-5,835	-1,572	901,606	10,709	912,315
450,297	-185,765	45	-6,066	-1,595	883,644	11,026	894,670
-21,782					-21,782	-298	-22,080
					6,020		6,020
				26	19		19
					-		-
					-	51	51
	691				691		691
-2,044	-20,120	-2	-1,525		-23,691	573	-23,118
68,384					68,384	699	69,083
405,739	-166,336	47	-4,541	-1,621	854,003	10,001	864,004
93					93		93
405,646	-166,336	47	-4,541	-1,621	853,910	10,001	863,911

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, 2013 were prepared under consideration of the regulations outlined in International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the consolidated financial statements as of December 31, 2012 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, 2013 have been observed by STADA.

In these consolidated interim financial statements – with the exception of the changed accounting policies listed in Note 1.2. –, the same accounting policies and methods of computation are applied as in the consolidated financial statements for financial year 2012. With regard to the principles and methods used in the context of Group Accounting, we generally refer to the Notes on the consolidated financial statements of the Annual Report 2012.

1.2. Changes in accounting policies

In the first nine months of 2013, STADA observed and, if relevant, applied the following IASB pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2013, which had no or no significant effect on the presentation of STADA's business, financial and earnings situation or cash flow:

- **IFRS 1 "First-time Adoption of IFRS":** The amendment introduces a new exception of general retrospective application of IFRS by first-time adopters in relation to government loans. As STADA already prepares the consolidated financial statements according to IFRS, revised versions of the standard or amendments to it are not relevant.
- **IFRS 7 "Financial Instruments: Disclosures":** The amendment relates to expanded disclosures in the reporting of netting agreements. Comprehensive disclosures are also intended for those netting rights that do not lead to offsetting according to IFRS.
- **IFRS 13 "Fair Value Measurement":** The new standard contains a definition of fair value, provides a framework for the measurement of fair value in a single IFRS and contains, moreover, regulations on disclosures of fair value measurement. IFRS 13 thus seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- **IAS 1 "Presentation of Financial Statements":** The amendment relates to the reporting of items in other comprehensive income within the statement of comprehensive income. According to the amendment, items reported under other comprehensive income are to be divided into two categories dependent on whether or not they will be recognized in the income statement (recycling) in the future.
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine":** The new interpretation deals with the question of the recognition and measurement of the costs of stripping at a surface mine that fall due during the production phase.

- **Amendments in the context of the Annual Improvement Project 2009–2011:**
  IFRS 1 "First-time Adoption of IFRS": The amendment includes clarifications that relate to a possible repeat application of IFRS 1, subject to certain conditions, as well as the application of the regulations of IAS 23. As STADA already prepares the consolidated financial statements according to IFRS, revised versions of the standard or amendments to it are not relevant.
  IAS 1 "Presentation of Financial Statements": The amendment includes a clarification on comparative information required to be disclosed when providing a third balance sheet either voluntarily or as required. With regard to the changes to be applied retrospectively resulting from the changed standard IAS 19, STADA dispensed, as permitted, with the presentation of a third balance sheet as well as any further voluntary information due to lack of material significance.
  IAS 16 "Property, Plant and Equipment": The amendment includes a clarification relating to the classification of spare parts and servicing equipment as property, plant and equipment or inventory.
  IAS 32 "Financial Instruments: Presentation": The amendment includes a clarification that tax effects of distributions and transaction costs from the issue or buyback of equity instruments is to be recognized in accordance with IAS 12.
  IAS 34 "Interim Financial Reporting": The amendment clarifies that the disclosure of segment assets and liabilities shall only be required if they are regularly reported to the Chief Operating Decision Maker and there has been a material change in these since the last annual financial statements.

The amended standard IAS 19 "Employee Benefits" was to be applied starting from the beginning of financial year 2013 and, in particular, had effects on STADA's consolidated financial statements as described below. As compared to the previous regulation the formerly optional corridor method for recognizing actuarial gains and losses was eliminated. Actuarial gains and losses shall hereafter only be recognized under other comprehensive income. In accordance with the new regulation, income from the return on plan assets shall now be exclusively recognized in the amount of the discount rate and thus a net interest on the net liabilities or net assets is introduced. Past service cost shall be recognized directly in profit or loss. Furthermore, the amended IAS 19 requires more extensive notes. In consideration that STADA already directly recognizes actuarial gains and losses under other comprehensive income, this does not result in any changes for STADA's consolidated financial statements. For STADA, the remaining amendments result primarily in the immediate recognition of a potential past service cost, a different calculation and a different recognition of income from the return on plan assets as well as additional notes. The new regulations additionally result in a different treatment of additional compensation in the context of partial retirement (Altersteilzeit) agreements.

In the context of the retrospective adjustments carried out in accordance with the amended standard IAS 19 in connection with IAS 8 as well as in connection with IAS 1, balance sheet items changed as of December 31, 2012 as follows: Other non-current provisions decreased by € 0.12 million to € 47.75 million. Other current and non-current liabilities decreased overall by € 0.04 million to € 117.42 million. Equity increased – relating to retained earnings including net income as well as other provisions – overall by € 0.14 million to € 912.32 million. Deferred tax assets increased by € 0.05 million to € 45.35 million. Deferred tax liabilities increased by € 0.07 million to € 82.76 million.

Due to the retrospective adjustments, the following changes resulted for the income statement in the first nine months of 2012:

Consolidated Income Statement in € 000s	9 months 2012 Jan. 1 – Sep. 30	Adjustments in accordance with amended standard IAS 19	9 months 2012 Jan. 1 – Sep. 30 adjusted
Sales	1,332,455		1,332,455
Cost of sales	674,231	-3	674,228
Gross profit	**658,224**	**3**	**658,227**
Selling expenses	312,768	-6	312,762
General and administrative expenses	116,861	84	116,945
Research and development expenses	38,597		38,597
Other income	23,378		23,378
Other expenses	36,061		36,061
Expenses in connection with the "STADA – build the future" project	28,709		28,709
Operating profit	**148,606**	**-75**	**148,531**
Result from associated companies	1,391		1,391
Investment income	1,691		1,691
Financial income	3,158	-1,119	2,039
Financial expenses	52,719	-1,215	51,504
Financial result	**-46,479**	**96**	**-46,383**
Earnings before taxes	**102,127**	**21**	**102,148**
Taxes on income	33,062	3	33,065
Earnings after taxes	**69,065**	**18**	**69,083**
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	68,366	18	68,384
• distributable to non-controlling shareholders	699		699
Earnings per share in € (basic)	1.16		1.16
Earnings per share in € (diluted)	1.14		1.14

In May 2011, the IASB adopted the new standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities". IFRS 10 replaces the consolidation requirements of the former IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and introduces a uniform consolidation model for all subsidiaries. IFRS 11 governs the accounting for joint operations and joint ventures and thus replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The former option to proportionately consolidate joint ventures is eliminated in favor of mandatory application of the equity method. In the context of IFRS 12, disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities are combined, expanded and replaced. The new regulations, which were adopted in European law in 2012, are applicable in the EU to financial years beginning on or after January 1, 2014. In June 2012, IASB published transition guidance adopted into European law in April 2013 (amendments to IFRS 10, IFRS 11 and IFRS 12) for the standards adopted in May 2011 of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of

Interests in Other Entities". In the context of these amendments, the transition guidance in IFRS 10 was clarified and additional simplification was ensured in all three standards. The significant change here results from IFRS 11 "Joint Arrangements". The joint ventures included in the consolidated financial statements, which have been proportionately consolidated to date, are to be accounted for using the equity method as of financial year 2014. The proportionate share of assets and liabilities of these companies will thereby no longer be included in the consolidated balance sheet and the proportionate share of aggregated earnings of these units will be disclosed under one item within the income statement, whereas a disclosure is now made under the relevant income and expense items in accordance with currently valid regulations. As a significant effect of this change on the business, financial and earnings position, this would have resulted in – on the basis of the income statements of the respective companies for financial year 2012 assuming a full financial year – a reduction of external sales by approx. € 15 million as well as a reduction in the operating profit of approx. € 4 million. However, no effects on net income are expected from this changed accounting policy for joint ventures as the proportionate profit from joint ventures is to be reported under one item in the financial result in accordance with the new standard.

The other new or changed standards and interpretations adopted by the IASB in 2013, but not yet effective, are not expected to have any significant effects on STADA's consolidated financial statements in the future.

In the first nine months of 2013, STADA made a reporting change within equity. For reasons of concentration of information, retained earnings and net income including profit brought forward will now be reported in one item retained earnings including net income. The prior-year figures were adjusted accordingly for the purpose of comparability. Overall, this change in reporting has no effects on equity beyond the combination of items previously reported separately.

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, 2013 as compared to December 31, 2012 resulted from the following listed mergers under company law:

- In Austria, the subsidiary STADA GmbH, Vienna, Austria, which had been consolidated since January 2012, was merged with the subsidiary STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria, which was also already consolidated.
- In the Czech Republic, the subsidiary STADA s.r.o., Roztoky, Czech Republic, which had been consolidated since February 2012, was merged with the subsidiary STADA PHARMA CZ, s.r.o., Prague, Czech Republic, which was also already consolidated.

These mergers did not have any effect on the Group's business, financial and earnings situation.

Furthermore, the Vietnamese subsidiary Pymepharco was included in the scope of consolidation, which was previously included in the consolidated financial statements of STADA as an associate. Control of the subsidiary was achieved on January 1, 2013.

Since April 1, 2013 the company Well Light Investment Joint Stock Company has also been consolidated as a subsidiary. STADA holds a share of 49% of this company. Taking into account additional contractual obligations STADA exerts a controlling influence on the company.

In the second quarter of the current financial year, furthermore, the subsidiary STADA Import/Export International Limited was founded and has been consolidated since April 1, 2013 in STADA's consolidated financial statements.

In addition, the Irish subsidiary SFS International Limited, Clonmel, Ireland, was deconsolidated as of June 30, 2013. These did not have any significant effect on the Group's business, financial and earnings situation.

In the third quarter of the current financial year, the subsidiary STADA UK Holdings Ltd. was founded and included in STADA's consolidated financial statements as of August 1, 2013.

In the third quarter of 2013, furthermore, the acquisition of the British OTC supplier Thornton & Ross was completed in accordance with corporate law. The initial consolidation as subsidiaries of the companies acquired occurred on September 1, 2013.

In addition, the Romanian subsidiary STADA M&D S.R.L., headquartered in Bucharest, was founded in the third quarter of 2013 and included in STADA's consolidated financial statements as of September 30, 2013.

In the consolidated interim financial statements of the STADA Group, 71 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, 2013.

1.4. Business combinations

In the first nine months of 2013, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocations are described in more detail below.

Since January 1, 2013, STADA has controlled the Vietnamese pharmaceutical company Pymepharco, whose business activities include the production and sale of pharmaceutical products as well as import activities for the Vietnamese health and pharmaceutical market, via additional indirect investments and legal arrangements. Accordingly, Pymepharco, which was previously treated as an associated company, has been consolidated in the STADA Group as a subsidiary since January 1, 2013 taking into account minority interests.

In the context of the preliminary purchase price allocation, goodwill in the amount of approx. € 11.1 million resulted from the business combination and is broken down as follows:

in € million	
Purchase price for 10% of the shares in Pymepharco approx.	7.4
Fair value of shares recognized according to the equity method at the acquisition date approx.	30.3
Proportionate fair values of the assets and liabilities acquired approx.	26.6
Goodwill	11.1

An amount of approx. € 3.6 million, which was reported in other income, resulted from the preliminary revaluation of shares recognized up to the acquisition date according to the equity method at the time control was achieved.

Goodwill here results primarily from a strengthened presence in the market region Asia & Pacific as well as a stronger participation in the growth market Vietnam. The partial goodwill method was used for the recognition of this goodwill in the balance sheet.

The share of non-controlling interest in the acquired company in the context of the preliminary purchase price allocation determined at the acquisition date is approx. € 18.4 million.

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

Fair values in € million	
Intangible assets	30.9
Other non-current assets	13.0
Trade accounts receivable	13.2
Other current assets	15.1
Cash and cash equivalents	0.3
Assets	72.5
Deferred tax liabilities	8.8
Other non-current liabilities	0.1
Financial liabilities	9.2
Other current liabilities	9.4
Liabilities	27.5

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

In the third quarter of the current financial year, furthermore, there was an additional significant business combination in the context of the purchase of the British OTC supplier Thornton & Ross, headquartered in Huddersfield. The initial consolidation as subsidiaries of the companies acquired occurred on September 1, 2013.

The purchase price for the acquisition of the British OTC supplier including the product portfolio, the sales structures, a production facility and the research and development activities amounts to a total of approx. GBP 221 million and was completely paid in cash or cash equivalents.

In the context of the preliminary purchase price allocation, goodwill in the amount of € 89.8 million results from this business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares of the British OTC supplier approx.	259.1
Proportionate fair values of the assets and liabilities acquired approx.	169.3
Goodwill	89.8

Goodwill thereby results primarily from the strengthened presence in the British pharmaceutical market within the especially strategically important segment of branded products for self medication as well as from the future opportunity to introduce prescription-free branded products from STADA's comprehensive Group portfolio.

In the first nine months of 2013, furthermore, the following insignificant business combination in the sense of IFRS 3 was recorded:

STADA concluded a contract through Spirig HealthCare AG in the third quarter of 2012 for the acquisition of the pharmaceutical wholesale and commercial business of Spirig Pharma. The acquisition was completed in the first quarter of 2013. The purchase price was CHF 5.1 million (approx. € 4.2 million). The business has been consolidated in the STADA Group since March 1, 2013.

Sales achieved with the business operations of Pymepharco, the pharmaceutical wholesale and commercial business and the British OTC supplier Thornton & Ross since their acquisition dates (January 1, 2013, March 1, 2013 and September 1, 2013 respectively) amounted to a total of about € 52 million in the first nine months of 2013. The operating profit adjusted for effects from the preliminary purchase price allocations (about € 3 million) of these business combinations amounted to about € 7 million in the first nine months of 2013. If STADA had purchased the pharmaceutical wholesale and commercial business as well as the British OTC supplier on January 1, 2013, sales of approx. € 109 million and operating profit, adjusted for effects from the preliminary purchase price allocations (about € 6 million), of approx. € 17 million would have been achieved from all of the business combinations in the first nine months of 2013.

2. Notes to the Consolidated Income Statement

2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from growth in both core segments as well as the growth in the market regions CIS/Eastern Europe, in particular in the Russian and Serbian markets, and Asia & Pacific. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 3.1 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5.) and in additional information (see Note 6.).

2.2. Other expenses

Other expenses decreased in the first nine months of 2013 as compared to the corresponding period of the previous year to € 22.1 million (1-9/2012: € 36.1 million). This development is primarily attributable to a reduction in value adjustments of intangible assets.

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

Expenses in connection with the "STADA – build the future" project primarily included in the first nine months of 2013, as special effects, burdens from external consulting services, related follow-up projects as well as unscheduled personnel expenses in the framework of this project.

In the first nine months of 2012, this item primarily included burdens from the disposals of the Irish production facility STADA Production Ireland Limited, of the two Russian production locations OOO Makiz Pharma and OOO Skopin Pharmaceutical Plant and of the engineering companies that were not part of the Group's core business as well as from external consulting services.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of September 30, 2013, intangible assets included € 559.8 million (December 31, 2012: € 455.8 million) goodwill including the additions from the preliminary purchase price allocations. Furthermore, there were additions to the other intangible assets from business combinations – not considering amortization in the reporting period – in the amount of € 134.4 million, which correspond to the fair values determined in the context of the preliminary purchase price allocations.

3.2. Investments in associates

As of the balance sheet date, investments in associates decreased by € 26.1 million to € 8.8 million (December 31, 2012: € 34.9 million) primarily due to the control achieved as of January 1, 2013 of the subsidiary Pymepharco, which was previously included in the consolidated financial statements as an associated company and has been consolidated as a subsidiary as of 2013.

3.3. Inventories

The increase of inventories to € 539.9 million at September 30, 2013 (December 31, 2012: € 475.3 million) was predominantly a result of the consolidation of the subsidiary Pymepharco since January 1, 2013 as well as the British OTC supplier Thornton & Ross since September 1, 2013.

3.4. Trade accounts receivable

As of the reporting date September 30, 2013, trade accounts receivable increased by € 31.5 million to € 523.6 million (December 31, 2012: € 492.1 million). This is also primarily attributable to the consolidation of the subsidiary Pymepharco since January 1, 2013 as well as the British OTC supplier Thornton & Ross since September 1, 2013.

3.5. Financial liabilities

As of September 30, 2013, the Group's current and non-current financial liabilities in the amount of € 212.7 million and € 1,316.6 million (December 31, 2012: € 328.5 million and € 941.6 million) include, in particular, promissory notes with a nominal value in the amount of € 740.0 million (December 31, 2012: € 794.5 million) and two bonds with a nominal value of € 350.0 million each (December 31, 2012: one bond at € 350.0 million). The increase in financial liabilities thus mainly resulted from the bond placed in the second quarter of the current financial year with a volume of € 350.0 million.

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 83.6 million in the first nine months of 2013 (1-9/2012: € 89.8 million). The change of € 6.2 million as compared to the corresponding period of the previous year was primarily a result of the significantly higher cash-effective decrease in other financial liabilities. The resulting decrease in cash flow from operating activities was only partially compensated by the cash-effective increase of inventories that was substantially lower than the corresponding period of the previous year as well as by the cash-effective decrease of trade accounts receivable, whereas a substantial cash-effective increase of trade accounts receivable was still recorded in the corresponding period of the previous year.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -289.1 million in the period under review (1-9/2012: € -446.4 million). In the first three quarters of 2013, the cash flow from investing activities was, as in the corresponding period of the previous year, especially affected by high payments for investments in business combinations in accordance with IFRS 3. The payments for investments in business combinations in the reporting period relate to the purchase price payment made for the acquisition of the British OTC supplier Thornton & Ross as well as the final purchase price payments for the additional shares and the control acquired of the operations of Pymepharco and for the pharmaceutical wholesaling and commercial business acquired from Spirig Pharma, in each case following the deduction of acquired cash and cash equivalents. In the previous year, payments for investments in business combinations according to IFRS 3 primarily related to the acquisition of the Grünenthal branded product portfolio including the related sales companies as well as the purchase of the generics business of Spirig Pharma including the respective sales structures.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € 230.0 million in the first three quarters of the current financial year, while cash flow from financing activities in the amount of € 97.1 million was recorded in the corresponding period in the previous year. This development was primarily a result of the bond placed by STADA in the second quarter of 2013. In opposition, the repayment of financial liabilities increased as compared to the prior-year period.

4.4. Net cash flow for the period

Net cash flow for the period is the balance of cash inflows and outflows from cash flow from operating, investing and financing activities as well as from changes in cash and cash equivalents due to exchange rates and Group composition and amounted to € 23.8 million in the period under review (1-9/2012: € -263.5 million).

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. Reporting of individual non-current assets according to segment as well as segment liabilities is waived, as this information is not used for Group monitoring.

5.2. Information by operating segment

in € 000s		9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1]
Generics	**External sales**	**902,716**	**872,376**
	Sales with other segments	619	1,814
	Total sales	903,335	874,190
	Operating profit	119,894	100,274
	Depreciation / amortization	34,339	31,893
	Impairment losses	819	5,047
	Reversals	-	410
	Significant non-cash items within operating result	187,784	184,385
Branded Products	**External sales**	**503,703**	**437,851**
	Sales with other segments	-	2,013
	Total sales	503,703	439,864
	Operating profit	124,596	97,047
	Depreciation / amortization	35,995	33,995
	Impairment losses	168	1,917
	Reversals	-	87
	Significant non-cash items within operating result	7,809	7,982
Commercial Business	**External sales**	**29,760**	**13,427**
	Sales with other segments	-	303
	Total sales	29,760	13,730
	Operating profit	847	361
	Depreciation / amortization	137	196
	Impairment losses	-	5
	Reversals	-	-
	Significant non-cash items within operating result	100	-223
Reconciliation Group holdings / other and consolidation	**External sales**	**556**	**8,801**
	Sales with other segments	-619	-4,130
	Total sales	-63	4,671
	Operating profit	-57,243	-49,151
	Depreciation / amortization	7,788	5,695
	Impairment losses	199	8,523
	Reversals	370	-
	Significant non-cash items within operating result	2,406	4,056
Group	**External sales**	**1,436,735**	**1,332,455**
	Sales with other segments	-	-
	Total sales	1,436,735	1,332,455
	Operating profit	188,094	148,531
	Depreciation / amortization	78,259	71,779
	Impairment losses	1,186	15,492
	Reversals	370	497
	Significant non-cash items within operating result	198,099	196,200

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

5.3. Reconciliation of segment results to net profit

in € 000s	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30[1)]
Operating segment profit	245,337	197,682
Reconciliation Group holdings / other and consolidation	-57,243	-49,151
Result from associated companies	579	1,391
Investment income	228	1,691
Financial income	5,685	2,039
Financial expenses	52,672	51,504
Earnings before taxes, Group	**141,914**	**102,148**

5.4. Reconciliation of segment assets to Group assets

in € 000s	Sep. 30, 2013	Dec. 31, 2012[1)]
Segment assets	1,843,053	1,488,504
Reconciliation Group holdings / other and consolidation	80,533	214,864
Other non-current assets	64,314	98,069
Current assets	1,331,313	1,180,645
Total assets, Group	**3,319,213**	**2,982,082**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

6. Additional Information

6.1. Information by market region

Sales by market regions in € 000s	9 months 2013 Jan. 1 – Sep. 30	9 months 2012 Jan. 1 – Sep. 30	±%[1]	±% adjusted[2]
Germany	**336,717**	**361,156**	**-7%**	***-7%***
• Germany	313,580	340,521	-8%	*-8%*
• Export sales of the market region Germany	23,137	20,635	+12%	*+11%*
Central Europe	**607,770**	**596,739**	**+2%**	***-1%***
• Italy	125,721	114,044	+10%	*+10%*
• Belgium	103,334	100,049	+3%	*+3%*
• Spain	79,375	83,811	-5%	*-5%*
• France	67,688	63,570	+6%	*+6%*
• United Kingdom	44,888	40,258	+12%	*+2%*
• Switzerland	37,051	25,346	+46%	*-3%*
• The Netherlands	27,175	34,498	-21%	*-21%*
• Ireland	16,706	15,722	+6%	*+6%*
• Denmark	15,125	15,949	-5%	*-5%*
• Austria	13,593	11,905	+14%	*+14%*
• Other / Rest of Central Europe	61,317	68,762	-11%	*-12%*
• Export sales of the market region Central Europe	15,797	22,825	-31%	*-28%*
CIS / Eastern Europe	**440,345**	**355,930**	**+24%**	***+26%***
• Russia	292,060	232,969	+25%	*+29%*
• Serbia	61,596	51,162	+20%	*+22%*
• Ukraine	25,349	21,002	+21%	*+8%*
• Kazakhstan	14,971	10,774	+39%	*+45%*
• Bosnia-Herzegovina	9,985	9,241	+8%	*+7%*
• Other / Rest of CIS / Eastern Europe	28,882	24,321	+19%	*+20%*
• Export sales of the market region CIS / Eastern Europe	7,502	6,461	+16%	*+15%*
Asia & Pacific	**51,903**	**18,630**	**>100%**	***+10%***
• Vietnam	44,049	10,260	>100%	*+22%*
• China	2,352	3,162	-26%	*-24%*
• Thailand	2,030	1,929	+5%	*+6%*
• The Philippines	1,870	1,556	+20%	*+23%*
• Other / Rest of Asia & Pacific	1,525	1,723	-11%	*-11%*
• Export sales of the market region Asia & Pacific	77	0	-	-

1) Calculated on thousand euro basis.
2) Adjustments due to changes in the Group portfolio and currency effects.

7. Disclosures about fair value measurements and financial instruments

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

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets Sep. 30, 2013	Level 2 Valuation methods with input parameters observable in the market Sep. 30, 2013	Level 3 Valuation methods with input parameters not observable in the market Sep. 30, 2013
Available-for-sale financial assets (AfS)	49	-	-
Derivative financial assets held for trading (FAHfT)	-	9,488	-
Derivative financial liabilities held for trading (FLHfT)	-	7,958	-
Derivative financial liabilities with hedging relationship	-	5,204	-

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

Fair values by levels of hierarchy in € 000s on a non-recurring basis	Level 1 Quoted prices in active markets Sep. 30, 2013	Level 2 Valuation methods with input parameters observable in the market Sep. 30, 2013	Level 3 Valuation methods with input parameters not observable in the market Sep. 30, 2013
Non-current assets and disposal groups held for sale	-	2,034	-

The assets classified as held for sale are buildings of a STADA subsidiary in Serbia. The non-recurring basis for the determination of fair value represents a valuation created by an independent expert, which was largely based on input parameters observable in the market.

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of September 30, 2013:

in € 000s	Carrying amount Sep. 30, 2013	Fair value Sep. 30, 2013	Carrying amount Dec. 31, 2012	Fair Value Dec. 31, 2012
Amounts due to banks	95,651	97,119	129,488	130,615
Promissory notes	737,896	794,548	791,507	836,330
Bonds	695,832	714,770	349,096	369,257
Financial liabilities	1,529,379	1,606,437	1,270,091	1,336,202

Financial liabilities shown in the chart are allocated to the valuation category "Financial liabilities measured at amortized costs" in accordance with IAS 39. There have been no changes regarding the division of financial assets and financial liabilities into valuation categories in accordance with IAS 39 in the first nine months of 2013 as compared to the presentation in the Annual Report 2012.

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

8. Contingent liabilities

The following lists significant changes in contingent liabilities in the first nine months of 2013 as compared to those described in the Annual Report 2012.

Contingent liabilities reported in the Annual Report 2012 from residual risks in the amount of € 4.0 million relating to legal proceedings regarding the violation of competition law in Serbia no longer existed in the first nine months of 2013 as the claim for this is now excluded.

As of September 30, 2013, furthermore, there were contingent liabilities in the amount of € 13.3 million relating to potential liabilities from patent risks or patent disputes for various active pharmaceutical ingredients.

Other financial obligations primarily include obligations from rental and leasing obligations and remaining financial obligations that are primarily characterized by a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized according to the equity method. STADA, as guarantor, recognized this guarantee as of September 30, 2013 as a financial guarantee in accordance with IAS 39 with its fair value in the amount of € 0.3 million (December 31, 2012: € 0.3 million). Furthermore, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of September 30, 2013. As of September 30, 2013, rental and leasing obligations totaled € 46.0 million (December 31, 2012: € 50.6 million) and the remaining financial obligations totaled € 37.8 million (December 31, 2012: € 32.0 million).

9. Related party transactions

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 8.9 million had been used as of September 30, 2013 (December 31, 2012: € 13.8 million).

In addition, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of September 30, 2013.

Furthermore, no significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2012.

10. Significant events after the balance-sheet date

In the current fourth quarter of 2013, the Russian subsidiary of STADA, OAO Nizhpharm, signed a framework agreement to purchase the branded product portfolio Aqualor®.[1] The purchase price for the Aqualor® product package amounts to a total of € 131 million in cash. The product package comprises ten prescription-free (OTC) product presentations based on seawater in the form of sprays and drops with the local regulatory status of medical devices for the treatment of sinusitis (infections of the paranasal sinus) and sore throat. In 2012 net sales generated with these Aqualor® products in Russia amounted to approx. € 28 million. In 2012 the Aqualor® product portfolio posted an EBITDA margin which is significantly above the average of the branded products in the STADA Group. The purchase does not include any production facilities or the transfer of personnel. The portfolio is mainly being sold by Butterwood Holdings Limited, a company located in Cyprus, and ZAO Pharmamed, a Russian pharmaceutical company located in Moscow. The completion of the contract and therefore the consolidation of Aqualor® product sales in the STADA Group is expected for the first quarter of 2014, after fulfillment of extensive completion conditions, particularly also in the areas of product documentation and supply chain.

1) See the Company's ad hoc release of October 18, 2013.

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

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

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

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