STADA Annual Report

2012

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	2012	Previous year	± %
Group sales	1,837.5	1,715.4	+7%
• Generics (core segment)	1,213.1	1,188.3	+2%
• Branded Products (core segment)	596.2	471.9	+26%
Operating profit	202.1	120.1	+68%
Operating profit, adjusted[1)2)]	*266.3*	*257.6*	*+3%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	323.8	223.2	+45%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1)2)]	*367.5*	*337.2*	*+9%*
EBIT (Earnings before interest and taxes)	206.0	121.2	+70%
EBIT (Earnings before interest and taxes), adjusted[1)2)]	*270.1*	*258.7*	*+4%*
EBT (Earnings before taxes)	135.6	69.5	+95%
EBT (Earnings before taxes), adjusted[1)3)]	*200.5*	*205.8*	*-3%*
Net income	86.5	22.0	>100%
Net income, adjusted[1)3)]	*147.9*	*146.6*	*+1%*
Cash flow from operating activities	212.7	169.0	+26%
Capital expenditure	401.0	286.6	+40%
Depreciation and amortization (net of write-ups)	117.9	102.1	+16%
Employees (average number for the year calculated on the basis of full-time employees)[4)]	7,814	7,826	0%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	7,761	7,900	-2%

Key share figures	2012	Previous year	± %
Market capitalization (year-end) in € million	1,448.3	1,135.1	+28%
Year-end closing price (XETRA®) in €	24.41	19.25	+27%
Number of shares (year-end)	59,332,260	58,966,360	+1%
Average number of shares (without treasury shares)	59,059,393	58,830,209	0%
Earnings per share in €	1.46	0.37	>100%
Earnings per share in €, adjusted[1)3)]	*2.50*	*2.49*	*+0.4%*
Diluted earnings per share in €	1.44	0.37	>100%
Diluted earnings per share in €, adjusted[1)3)]	*2.47*	*2.44*	*+1%*
Dividend per share in €	0.50[5)]	0.37	+35%
Total dividend payments in € million	29.6[5)]	21.8	+36%
Distribution ratio as a percentage	34%[5)]	99%	-66%

1) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous years. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with IFRS. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.
2) Within the context of this report, adjustments in connection with the operating profit, EBITDA and EBIT, generally relate to one-time special effects.
3) Within the context of this 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.
4) This average number includes initial consolidations on a pro-rata basis.
5) Proposed.

STADA AT A GLANCE

The business model

- Focus on products with off-patent active pharmaceutical ingredients in the health care and, in particular, in the pharmaceutical market
- Core segments
  - Generics (66% of Group sales)
  - Branded Products (32% of Group sales)
- Strategic success factors
  - Orientation on long-term growth markets
  - Strong presence in European market regions and continuous expansion focused on Eastern Europe
  - Comprehensive generics portfolio and ongoing growth in attractive margin branded products
  - Functionally organized Group with short decision-making processes and strong local presence in the market regions at the same time
  - Successful product development with a "time and cheap to market" strategy and cooperations with experienced partners for complex products
  - Organic growth complemented by acquisitions with concentration on high-growth emerging markets and high-margin branded products segment
  - Efficient cost management and the program "STADA – build the future" with the aim of strengthening the mid and long-term earnings potential

Successful financial year 2012

- Group sales increase to € 1.84 billion (+7%) – adjusted +1%
- All reported key earnings figures exceed previous year
  - Reported net income increases to € 86.5 million (>100%)
  - Reported EBITDA shows an increase to € 323.8 million (+45%), adjusted EBITDA margin 20.0% (previous year: 19.7%)
  - Earnings per share increases to € 1.46 (>100%)
- Increase in many adjusted key earnings figures
  - Adjusted net income increases slightly to € 147.9 million (previous year: € 146.6 million)
  - Adjusted EBITDA shows an increase to € 367.5 million (previous year: € 337.2 million)
  - Adjusted earnings per share increases slightly to € 2.50 (previous year: € 2.49)
- Continued strong growth in emerging markets especially in Russia (+23%)
- International expansion of self-pay patient portfolio from substantial growth in branded products (+26%)
- At 717 product launches worldwide, the highest number in corporate history (previous year: 600 product launches)
- Active acquisition policy with attractive purchases – integration of acquired business activities as planned
- Stable financing structure – additional promissory note in the amount of € 100 million successfully secured
- Conclusion of the personnel reduction as part of "STADA – build the future" a year earlier than originally planned
- Significantly increased dividend proposal of 35.1% to € 0.50 per STADA common share (previous year: € 0.37)

Outlook

- Further growth in Group sales in 2013 and 2014
- Opportunity in 2013 and 2014 for renewed growth in adjusted EBITDA in the high single-digit percentage area
- Long-term targets for 2014[1)] affirmed: Group sales of approx. € 2.15 billion, adjusted EBITDA of approx. € 430 million and adjusted net income of approx. € 215 million.

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

STADA ANNUAL REPORT 2012

LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear shareholders,

In financial year 2012, we were able to increase Group sales as well as all reported key earnings figures. STADA's sales and operating earnings development was thereby within the scope of our positive expectations, and we achieved the ambitious goals set for 2012. We reached a new record high with adjusted EBITDA increasing by 9% to € 367.5 million. The adjusted EBITDA margin rose to 20.0%, an increase of 30 basis points as compared to the previous year.

The development of branded products was particularly pleasing in the reporting year. With sales growth of 26% to € 596.2 million, we were able to further improve our positioning in the segment that is not only characterized by fewer regulatory measures, but also by significantly more attractive margins. With branded products, we are now generating almost half of the adjusted operating profit of the core segments.

In the framework of the further implementation of our Group-wide cost efficiency program "STADA – build the future", we have restructured the internal controlling of our business activities in financial year 2012. By determining four market regions, we free ourselves from the former reporting by country and thereby take account of the changed structure resulting from the efficiency program. We were also able to integrate the sales structures in Central and Eastern Europe as well as the Middle East, which were fully acquired in January 2012, as well as allocate the newly defined areas of responsibility. As a result of this, STADA's Consolidated Financial Statements for 2012 now report the four market regions of Germany, Central Europe, CIS / Eastern Europe and Asia & Pacific. These four regions correspond to the operating segments according to market region used for internal reporting since 2012.

We were particularly successful in the market region CIS / Eastern Europe. There we recorded sales growth of 10% to € 526.5 million in the reporting year, which was primarily based on a significant sales increase of 23% to € 343.0 million in Russia as well as sales contributions from the above-mentioned branded product portfolio acquired.

Both the development of the branded products core segment as well as the business development in the market region CIS / Eastern Europe show the effectiveness of our strategy to, on the one hand, further the expansion and internationalization of our branded product portfolio and, on the other hand, to strengthen our business activities in high-growth emerging markets.

With the expansion of our product portfolio and the launch of 717 individual products worldwide, we have once again proven the strength of our product development in financial year 2012. At the same time, this means that we have reached a new record high for product launches in the Company's history. In the biosimilars area, we are continually reviewing offers for in-licensing further biosimilars in addition to existing license and collaboration agreements for the development and marketing of such products for the two monoclonal antibodies Rituximab and optionally Trastuzumab.

We have also had success in the course of our active acquisitions policy. Of particular note in this context are two acquisitions that we initiated back in 2011 and saw through to completion in 2012. On the one hand, we signed contracts for the aforementioned purchase of a product portfolio primarily of prescription branded products including the respective sales structures for EU markets in Central Europe

which we had already acquired for Eastern Europe and the Middle East in the prior year. The integration of products, companies and markets acquired in the context of this branded product portfolio proceeded according to plan, and therefore both the units from the STADA Group and the newly added units are now under uniform management responsibility and have a uniform brand presence. On the other hand, we were able to conclude the purchase of a generics business in Switzerland including the related sales structures.

We strengthened our financing structure in 2012 by securing additional promissory notes in the amount of € 100 million at favorable conditions. The strong interest in this financing round once again showed us that investors still have a high degree of trust in the viability and sustainability of the STADA Group. Overall, we still have a balanced maturity dates profile and a stable financing structure with promissory notes with staggered maturities.

We were able to make further significant progress in the implementation of "STADA – build the future". In addition to numerous measures to improve efficiency in the areas of production, procurement and supply chain as well as development, quality management, and marketing and sales, we sold our Irish production facility in the first quarter of 2012. In the third quarter of 2012, we were also able to achieve an important goal of our Group-wide cost efficiency program ahead of schedule by disposing of two of our four Russian production facilities, because this enabled us to reduce the number of employees by about 10% already in 2012 and therefore substantially earlier than planned. The resulting one-time burdens from the sale of the three factories, however, were all below the expenses that were originally planned in the scope of the "STADA – build the future" program.

In light of the volatile development of the global financial markets as a result of the ongoing international financial and economic crisis and discussions surrounding the European Stability Mechanism, the STADA share price was subject to fluctuation. Taken on the whole, however, our share price recorded a plus of 27% in 2012. This positive trend has continued in the current financial year.

We expect continued positive development for the Group's outlook. We thereby anticipate another increase in Group sales in 2013 and 2014. In addition, for adjusted EBITDA, we see the opportunity for renewed growth in the high single-digit percent area and therefore another new record value. Furthermore, we anticipate an increase in adjusted EBITDA of both core segments in the financial years 2013 and 2014.

Moreover, we affirm our long-term forecast envisaged for 2014, according to which we aim to achieve Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million.

Our successes achieved in financial year 2012 are first and foremost attributable to our employees, to whom, with their extensive expertise, their great experience and their strong commitment, I would like to express my sincere gratitude on behalf of the entire Executive Board. Our gratitude also extends to our Supervisory Board and Advisory Board for their constructive and professional cooperation.

Hartmut Retzlaff
Chairman of the Executive Board

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In financial year 2012, the Supervisory Board of STADA Arzneimittel AG carefully executed the duties imposed on it in accordance with the law and the Articles of Incorporation. The Supervisory Board monitored the management of the Company and advised the Executive Board regularly in the management of the Group. In all decisions of fundamental importance for the Company, the Executive Board involved the Supervisory Board regularly, directly and in a timely manner. The Executive Board informed the Supervisory Board promptly and comprehensively through monthly oral and written reports on business development, the strategy and corporate planning as related to the Company and the STADA Group. At all times, the members of the Supervisory Board had sufficient opportunity in the committees and in the plenum to critically examine the reports and proposed resolutions submitted by the Executive Board and to present input of their own. In particular, the Supervisory Board intensively discussed all business transactions of importance for the Company and reviewed them for their plausibility on the basis of the Executive Board reports. The Executive Board briefed the Supervisory Board – also between the regular meetings – on the progress of business including the sales development and profitability, important business events and issues of particular importance. In addition, the Supervisory Board reviewed and monitored the risk situation and the measures taken by the Executive Board for risk management, the internal control system and that of the internal auditing system as well as the compliance measures taken. The Executive Board explained in detail to the members of the Supervisory Board eventual deviations in the business development from the plans and objectives.

All Executive Board procedures requiring consent in accordance with the Articles of Incorporation and rules of procedure were submitted to the Supervisory Board. The Supervisory Board treated and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, the risks and effects of the respective procedure.

Meetings of the Supervisory Board and focus of activities

The Supervisory Board convened for a total of nine meetings in financial year 2012 (on January 23, February 28, March 22, May 9, May 29, August 7, September 25, November 7 and December 11).

These meetings focused on the following themes, among others:

- the Company strategy and its operative implementation,
- the acquisition policy,
- the economic situation of the Group, its segments and subsidiaries and, in particular, their respective sales, sales volume, costs and earnings development, the development of working capital, the cash flow, inventories, the balances and terms of receivables as well as the effects of the global financial and economic crisis,
- the market structures, development of demand, the competitive situation and the price, conditions and discount development in the individual market regions and in particular the development of market shares of the Group and the relevant competitors,
- the assets situation of the Group and its finance and liquidity situation considering especially the investment plans in the Group, the financing structures and refinancing strategy as well as the development of the debt-to-equity ratio,
- the risk and opportunities management and the significant risks for the Group that were revealed as a result as well as the internal control and auditing systems, contemplated, planned and executed acquisitions, disposals and cooperations of the Group as well as the integration of acquired companies in the Group,
- the effects of regulatory state interventions on the Group and/or on the individual subsidiaries and the necessary reactions to these, especially in the German home market with regard to discount agreements with health insurance organizations,

- all significant aspects in the context of the implementation of the "STADA – build the future" Group project carried out in financial year 2012, in particular measures taken to improve internal efficiency in the areas of production, procurement and supply chain, development, quality management as well as marketing and sales,
- the situation of the Group in Serbia and in other regions,
- the product development and product portfolio of the Group,
- STADA's capital market position,
- issues on the composition and the efficiency of the Supervisory Board,
- issues of corporate governance and compliance as well as
- the Annual Report and the interim reports of the Group prior to their respective publication,

Composition of the Executive Board and the Supervisory Board

The composition of the Executive Board and the Supervisory Board remained unchanged in financial year 2012.

Work of the committees

The committees established by the Supervisory Board, the Audit Committee and the Human Resources Committee, supported the Supervisory Board in its duties in the reporting year.

The Audit Committee convened for five meetings in financial year 2012 (on January 23, March 21, May 8, August 6 and November 6). Within the framework of these meetings, it dealt primarily with the results, key figures, accounting, Group financing principles, internal risk management, internal auditing and compliance, as well as the situation of the Group in Serbia and other regions. Furthermore, the auditor reported to the Supervisory Board in a meeting on the audit of the condensed interim consolidated financial statements of June 30, 2012 and the interim group management report.

The Human Resources Committee held three meetings in financial year 2012 (March 20, November 6 and December 3). The Committee dealt with Executive Board personnel issues and questions of remuneration, among other things.

Due to the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board believes that a Nomination Committee as recommended by the German Corporate Governance Code in the version of May 15, 2012 is structurally superfluous. The Supervisory Board created a Nomination Panel in financial year 2011, consisting of the Chairmen of the Human Resources Committee and the Audit Committee. The Nomination Panel had the task of developing objectives and profiles for the composition of the future Supervisory Board. The full Supervisory Board, in its meeting on January 23, 2012, decided upon the goals presented by the Nomination Panel as well as an appointment plan for the composition of the members of the Supervisory Board to be elected in financial year 2013 as representatives of the shareholders. Further details on the goals decided upon by the full Supervisory Board, as well as the appointment plan, can be found in the Corporate Governance Report.

The Chairmen of the committees informed the Supervisory Board Plenum at its ordinary meetings regularly and thoroughly on their work.

Corporate governance

In financial year 2012, too, the Supervisory Board and Executive Board dealt with the further development of corporate governance in the Company while taking the current version of the German Corporate Governance Code into account. The new joint Declaration of Compliance pursuant to Article 161 of the German Stock Corporation Act issued by the Executive Board and the Supervisory Board on September 25,

2012 on the basis of the German Corporate Governance Code as amended on May 15, 2012 is printed in this Annual Report in the chapter "Corporate Governance Report" and is publicly available on the Company's website at www.stada.de or www.stada.com.

No conflicts of interest arose in the reporting year which would have had to be disclosed to the Supervisory Board and about which the Annual General Meeting must be informed.

Annual and consolidated financial statements, audit

The Supervisory Board satisfied itself that the Company is being properly managed. The financial statements of STADA Arzneimittel AG and the consolidated financial statements as well as the Company's Management Report for financial year 2012 were audited by PKF Deutschland GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg, and issued with an unqualified audit opinion. The main areas of the audit were established by the Supervisory Board within the scope of the commissioning of the auditor. The Audit Committee reviewed the financial statements and consolidated financial statements as well as the Management Report and the Group Management Report as well as the proposal for the appropriation of profits and also included the reports of the auditor on the audit of the financial statements in its review. The auditor reported on significant results of the audit in a meeting of the Audit Committee and was available for questions to the members of the Committee. The members of the Audit Committee dealt extensively with the submissions from the Executive Board and the audit reports and discussed these with the auditor. The Audit Committee raised no objections and recommended to the Supervisory Board to approve the financial statements and the Management Report as well as the Group Management Report and assent to the Executive Board's proposal for the appropriation of profits.

On the basis of the preparation by the Audit Committee, the Supervisory Board examined the financial statements and the consolidated financial statements prepared by the Executive Board, the Management Report and the Group Management Report of the Executive Board on the financial year 2012 as well as the Executive Board's proposal for the appropriation of profits. The Chairman of the Audit Committee reported to the Supervisory Board on the work and the audit results of the Audit Committee. The auditor reported to the Supervisory Board on significant results of the audit and was available for questions from members of the Supervisory Board. The Supervisory Board discussed the submissions mentioned above and the conclusions of the auditor in detail with the auditor and the Executive Board. Following the final results of the Supervisory Board's own examination, the Supervisory Board had no objections to the financial statements, the Management Report, the consolidated financial statements and the Group Management Report on the financial year 2012 and concurred with the outcome of the audit. The auditor also determined that the Executive Board had implemented an appropriate information and monitoring system which, in its concept and use, is suitable for the early recognition of any developments that could threaten the continuation of the company.

The Supervisory Board approved the financial statements and the consolidated financial statements prepared by the Executive Board. The financial statements are thus adopted. The Supervisory Board concurred with the individual assessments of the business situation and the outlook as given in the Management Report of the Executive Board and with the proposal of the Executive Board for the appropriation of profits that provides for a dividend of € 0.50 per STADA common share.

The Supervisory Board wishes to express its gratitude to all of the Group's employees, the Executive Board and management for their commitment to their work and the good result in financial year 2012.

Bad Vilbel, March 19, 2013

Dr. Martin Abend
Chairman of the Supervisory Board

OVERVIEW OF 2012

Five-year comparison in € million	2012	2011	2010	2009	2008
Group sales	1,837.5	1,715.4	1,627.0	1,568.8	1,646.2
Operating profit	202.1	120.1	161.8	191.9	176.4
Operating profit, adjusted	*266.3*	*257.6*	*239.3*	*211.1*	*221.4*
EBITDA[1)]	323.8	223.2	268.8	280.1	255.4
EBITDA, adjusted	*367.5*	*337.2*	*315.9*	*287.5*	*294.3*
EBIT[2)]	206.0	121.2	162.1	192.5	175.2
EBIT, adjusted	*270.1*	*258.7*	*239.6*	*210.8*	*219.0*
EBT[3)]	135.6	69.5	109.0	141.5	105.5
EBT, adjusted	*200.5*	*205.8*	*186.2*	*163.0*	*164.8*
Net income	86.5	22.0	68.4	100.4	76.2
Net income, adjusted	*147.9*	*146.6*	*133.3*	*115.8*	*116.0*

Sales and operating earnings development within the scope of expectations

In financial year 2012, the sales and operating earnings development of the STADA Group was within the scope of positive expectations and thereby conformed to the ambitious outlook given by the Executive Board at the beginning of the year.

Group sales rose in the reporting year – with varying development in the individual market regions – by 7% to € 1,837.5 million (previous year: € 1,715.4 million). When effects on sales based on changes in the Group portfolio and currency effects are taken into account, Group sales increased by 1% in 2012.

The earnings development in financial year 2012 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 68% to € 202.1 million (previous year: € 120.1 million). Reported net income rose to € 86.5 million (previous year: € 22.0 million). Reported EBITDA increased by 45% to € 323.8 million (previous year: € 223.2 million).

Adjusted operating profit recorded growth of 3% in the reporting year to € 266.3 million (previous year: € 257.6 million). Adjusted net income was slightly above the level of the previous year with € 147.9 million (previous year: € 146.6 million). Adjusted EBITDA recorded a plus of 9% to € 367.5 million (previous year: € 337.2 million) and thereby reached a new record value in Company history.

With this development, STADA has achieved an overall positive result in the Executive Board's assessment in financial year 2012. It is based on the Group's sustainable business model focused on market regions with long-term growth potential.

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

Stable financial position

In the Executive Board's view, the STADA Group's financial position continues to be stable.

As of December 31, 2012, the equity-to-assets ratio was 30.6% (December 31, 2011: 30.9%) and was thereby satisfactory in the opinion of the Executive Board. In view of the investments in larger acquisitions made in financial year 2012[1)] , net debt increased to € 1,177.3 million as of the balance sheet date (December 31, 2011: € 900.3 million).

In view of the investments made in 2012, the net debt to adjusted EBITDA ratio amounted to 3.2 (previous year: 2.7) and therefore as expected above the maximum value of 3 envisaged by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013. Against this backdrop, the improvement achieved in this ratio in the fourth quarter of 2012 from 3.6 on September 30, 2012 to 3.2 on December 31, 2012 shows a satisfactory trend.

The financing structure was further optimized in the first quarter of 2012 by successfully securing additional promissory notes in the amount of € 100 million with long-term maturities at favorable conditions in the estimation of the Executive Board. In addition to a five-year corporate bond that was placed in 2010 the amount of € 350 million with an interest rate of 4.00% p.a. for the long-term refinancing of the Group, there were as of December 31, 2012 long-term promissory notes with maturities in the area of 2013–2017 in the total amount of € 794.5 million.

Cash flow from operating activities amounted to € 212.7 million in the reporting year (previous year: € 169.0 million). Free cash flow, in view of significant acquisitions in 2012 (see "Financial Situation") amounted to € -255.8 million (previous year: € -18.1 million). Free cash flow adjusted for payments for significant acquisitions and proceeds from significant disposals increased, in contrast, to € 149.6 million (previous year: € 123.3 million).

Off-balance sheet assets

In addition to the recognized assets, the Group has only partially quantifiable off-balance sheet assets, such as the high international reputation of STADA Arzneimittel AG and the subsidiaries, which, among other things, is an important success factor in the framework of new business or in health care policy discussions.

An additional significant off-balance sheet asset, which can be approximately calculated according to estimates, is the original, i.e. self-generated, goodwill of consolidated Group companies. According to IFRS, only derivative goodwill resulting from company acquisitions can be capitalized, while it is not permitted to capitalize original goodwill. In consideration of derivative goodwill, furthermore, it should be noted that impairments may have to be carried out in the context of annual impairment tests, but reversals of impairments may not be recognized. Taking the evaluation criteria used for impairment tests of derivative goodwill as a basis, STADA's non-capitalized original goodwill is over € 500 million.

Successful product development with highly promising pipeline

With further expansion of the product portfolio and the introduction of 717 individual products worldwide (previous year: 600 product launches), the Group once again revealed the strength of STADA's product development in financial year 2012. This also represents a new record figure in the Company's history.

1) See the Company's ad hoc releases of May 12, 2011 and May 19, 2011 as well as the Company's ad hoc updates of July 22, 2011, November 9, 2011, December 30, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.

In the area of product development, STADA and Gedeon Richter still have license and collaboration agreements[1] for the development and marketing of biosimilar products for the two monoclonal antibodies rituximab and optionally trastuzumab. The Group is also continually reviewing offers for the in-licensing of additional biosimilars.

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

Active acquisition policy with attractive purchases

With a view to the continued concentration processes in the industry, the Group continued to follow an active acquisition policy in financial year 2012 with the goal of supplementing the Group's organic growth with external growth impulses. As a result, this focused on the regional expansion of business activities concentrating on high-growth emerging markets. There was an additional focus on the expansion and internationalization of the core markets, in particular branded products as they are generally characterized by better margins and less regulatory interventions than the generics area.

Of particular note in the reporting year were two acquisitions, one of which was attributable to the Branded Products core segment and the other to the Generics core segments.

In 2012, STADA successfully concluded the acquisition of a product portfolio primarily of prescription branded products including the respective sales structures for EU markets in Central Europe (see "Financial Situation").[2] As early as the end of 2011, STADA had acquired the portfolio that included the branded products Tramal®[3], Zaldiar®[4], Transtec®[5] and Palexia®[6], among others, for numerous markets in Eastern Europe and the Middle East.[7] In the course of this transaction carried out in two installments on December 30, 2011 and January 31, 2012, the original purchase price of approx. € 360 million was reduced to approx. € 320 million as a result of subsequent negotiation. With this acquisition, STADA further expanded its international presence and strategically opened up new distribution channels for appropriate products from the comprehensive Group portfolio which can also be marketed as branded products via the acquired sales structures in the respective markets in Central and Eastern Europe as well as the Middle East which belong to the market regions of Central Europe and CIS / Eastern Europe. The integration of products, companies and markets acquired in the context of this branded product portfolio proceeded according to plan in the reporting year. In this context, all business activities of the individual market regions – both those from the STADA Group and the integrated former Grünenthal units – are now carried out under the uniform management responsibility of the respective market region and have a uniform brand presence.

As of January 31, 2012, furthermore, STADA successfully concluded the purchase of a generics business in Switzerland including the respective sales structures and thereby further strengthen the Group's Generics segment (see "Financial Situation").[8]

Planned continuation of "STADA – build the future" with further progress

In the course of the consistent implementation of the Group-wide cost efficiency program "STADA – build the future" to strengthen the mid and long- term earnings potential planned for the period from 2010 to the end of 2013, STADA made significant progress in the reporting year.

1) See the Company's corporate news of August 30, 2011.
2) See the Company's ad hoc release of May 12, 2011 as well as the Company's ad hoc updates of July 22, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.
3) Active pharmaceutical ingredient: Tramadol for the treatment of pain.
4) Active pharmaceutical ingredient: Tramadol/Paracetamol for the treatment of pain.
5) Active pharmaceutical ingredient: Buprenorphin for the treatment of pain.
6) Active pharmaceutical ingredient: Tapentadol for the treatment of pain.
7) See the Company's ad hoc release of May 12, 2011 and the Company's ad hoc updates of July 22, 2011 and December 30, 2011.
8) See the Company's ad hoc release of May 19, 2011 and the Company's ad hoc updates of November 9, 2011 and January 31, 2012.

In addition to numerous measures of improving internal efficiency in the areas of production, procurement and supply chain, development, quality management, and sales and marketing, STADA disposed of the Group's Irish production facility in the first quarter of 2012 and thereby reduced its personnel by an additional approx. 180 employees.[1] In the second quarter of 2012, STADA sold the engineering companies, which were not part of the Group's core business, with a total of 58 employees. In the third quarter of 2012, the Group disposed of the two Russian production facilities in Moscow and Ryazanskaya obl. with a consequent initial reduction of 186 full time positions.

In light of the corresponding reduction in the number of employees of the year 2010 by approx. 10% (corresponding to approx. 800 full-time positions), the Group was thereby able to achieve a significant goal of "STADA – build the future" early in 2012 rather than the originally planned date at the end of 2013.[2]

In the current financial year 2013, the Group will continue to implement the remaining measures of "STADA – build the future". In the process, the remaining expected, project-related costs[3] – 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.

Overall, STADA achieved its set intermediate goal for 2012 of improving adjusted EBITDA. In the view of the Executive Board, this substantially contributed to the Group achieving record growth of 9% in adjusted EBITDA.

Increased STADA share price despite volatile development

In light of the volatile development of the global financial markets as a result of the ongoing international financial and economic crisis and discussions surrounding the European Stability Mechanism, the STADA share price was subject to fluctuations in the year 2012. At the end of 2012, however, the STADA share price closed at € 24.41 and thereby 27% above the closing price of the previous year.

Dividend proposal

STADA's Executive Board recommends the Supervisory Board to propose a dividend for financial year 2012 in the amount of € 0.50 per common share to the next Annual Shareholder's Meeting on June 5, 2013.[4] This corresponds to a significant dividend increase of 35.1% as compared to € 0.37 per common share in the previous year. The total dividend payments amount to € 29.6 million (previous year: € 21.8 million). The distribution ratio amounts to approx. 34% of reported net income (previous year: approx. 99%). With this proposed resolution, Executive Board aims to give shareholders a share in the increased reported net income without placing too great a restriction on the Group's financial flexibility for further growth nor jeopardizing the mid-term goal of further decreasing net debt.

Established, comprehensive risks and opportunities management

The established, comprehensive risks and opportunities management system in the STADA Group aims to continuously identify important risks that may jeopardize the Company's continued existence, to assess their effects to the Group and to determine measures that can be taken in due time if necessary. Furthermore, the Group consistently analyzes and evaluates arising opportunities to promote growth.

1) See the Company's ad hoc release of February 6, 2012.
2) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
3) See the Company's ad hoc release of June, 7, 2010.
4) See the Company's ad hog release of February 28, 2013.

STADA will generally continue to be confronted with challenging framework conditions in the future as well. With a view to the current state of the risks and opportunities management system and the opportunities available to the Group, there are currently no recognizable risks that could jeopardize the continued existence of the Group from the Executive Board's perspective.

Outlook

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.

Furthermore, the Executive Board expects that sales growth can be achieved in both core segments in 2013 and 2014. In this context, the Branded Products 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 the light of the Group's general growth prospects, the Executive Board anticipates the opportunity for a further growth in adjusted EBITDA in the Group in the high single-digit percentage range in financial years 2013 and 2014 and 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.

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.

BOARDS OF THE COMPANY

The STADA Supervisory Board (as of March 1, 2013)

Dr. Martin Abend, Dresden (Chairman)
Manfred Krüger[1)], Mühlheim am Main (Deputy Chairman)

Dr. Eckhard Brüggemann, Herne
Heike Ebert[1)], Niddatal
Dr. K. F. Arnold Hertzsch, Dresden
Dieter Koch, Kiel
Constantin Meyer, Seelze
Carl Ferdinand Oetker, Düsseldorf
Karin Schöpper[1)], Bad Vilbel

The Supervisory Board members can be contacted via STADA Arzneimittel AG's business address.

1) Employee representative.

The STADA Executive Board (as of March 1, 2013)

Hartmut Retzlaff
Chairman of the Executive Board
Executive Board member since 1993
Chairman of the Executive Board since 1994
Contract until August 31, 2016

Helmut Kraft
Chief Financial Officer
Executive Board member since 2010
Contract until December 31, 2014

Dr. Axel Müller
Chief Production & Development Officer
Executive Board member since 2010
Contract until December 31, 2014

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

The STADA Advisory Board (as of March 1, 2013)

Members of the STADA Advisory Board are appointed by the Chairman of the Supervisory Board on the recommendation of the Executive Board and the Supervisory Board. According to the Company's Articles of Incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board, appointed for five years from 2009 through 2013, currently includes the following orderly members:

Dr. Thomas Meyer, Seelze (Chairman)
Dr. Frank-R. Leu, Gießen (Deputy Chairman)

Rika Aschenbrenner, Mainburg
Wolfgang Berger, Gießen
Gerd Berlin, Haßloch
Alfred Böhm, Munich
Jürgen Böhm, Kirchhain
Axel Boos, Darmstadt
Frank Füßl, Wiesbaden
Reimar Michael von Kolczynski, Stuttgart
Dr. Hanns-Dietrich Rahn, Wiesbaden
Dr. Wolfgang Schlags, Mayen
Jürgen Schneider, Offenbach

The Advisory Board members can be contacted via STADA Arzneimittel AG's business address

THE STADA SHARE

STADA share codes	
Identification numbers	ISIN: DE0007251803, WKN: 725180
Ticker symbols	Reuters: STAGn.DE, Bloomberg: SAZ:GR

Capital structure

As of December 31, 2012, the subscribed share capital of STADA Arzneimittel AG was at an amount of € 154,263,876 (December 31, 2011: € 153,312,536) consisting of 59,332,260 registered shares with restricted transferability[1] (December 31, 2011: 58,966,360 registered shares), each with an arithmetical share in share capital of € 2.60. Changes from the previous year resulted from the exercising of 18,295 warrants 2000/2015[2]. As of December 31, 2012, 152,898 warrants 2000/2015 for the subscription of 3,057,960 STADA registered shares with restricted transferability were thus still outstanding.

Capital structure of STADA Arzneimittel AG	Dec. 31, 2012	Dec. 31, 2011
Number of issued registered shares with restricted transferability	59,332,260	58,966,360
Number of outstanding warrants 2000/2015[2]	152,898	171,193
Number of potential shares from warrants 2000/2015[2]	3,057,960	3,423,860

Volatile development of the STADA share price

In light of the volatile development of the global financial markets as a result of the ongoing international financial and economic crisis and discussions surrounding the European Stability Mechanism, the STADA share price was also subject to fluctuations in the year 2012. Whereas the STADA share price stood at € 24.61 at the end of the first quarter of 2012, it amounted to € 24.10 at the end of the second quarter and was at € 22.66 at the end of the third quarter. At the end of 2012, the STADA share traded at € 24.41 while the year-end closing price of 2011 was € 19.25. Despite the volatile development, the STADA share ended 2012 at 27% over the closing price of the previous year.

The relevant national comparative indices for STADA showed percentage-rate differences in their share price rises during the course of 2012. The German benchmark index DAX®[3] increased by 29% as compared to the previous year. The MDAX®[4], of which the STADA share is part, recorded growth of 34% in the same period (respectively XETRA®[5] closing prices). The Bloomberg Pharmaceutical Index[6] increased in 2012 by 11% in comparison with year end 2011.

At the end of 2012, STADA's market capitalization amounted to € 1.448 billion. At the previous year-end it had been € 1.135 billion. Based on Deutsche Börse AG's index system, which only considers free float, STADA, in terms of market capitalization, took place 24 in the MDAX® in 2012. STADA had occupied position 22 in this category in the previous year.

1) Under the Company's articles of incorporation, STADA's registered shares with restricted transferability can only be transfered in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.
2) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
3) DAX® is the index of Deutsche Börse AG, largely consisting of the 30 biggest companies by market capitalization and order book volume.
4) MDAX® is the index of Deutsche Börse AG for midcap companies, largely consisting of the 50 next-biggest companies by market capitalization and order book volume below the DAX®, thus also including the STADA share.
5) XETRA® is the electronic trading system of Deutsche Börse AG.
6) The Bloomberg Pharmaceutical Index is a market capitalization-weighted index of all companies involved in the pharmaceutical sector of the Bloomberg Europe 500 Index and it also comprises the STADA share.

The average daily volume of the STADA share in the trading volume at the XETRA® trading and the Frankfurt Stock Exchange amounted to a total of € 7.9 million in the year 2012. In 2011, the average trading volume per day of the STADA share had been € 10.0 million. Thus in trading volume based on Deutsche Börse AG's index system, STADA occupied place 20 in 2012. In the previous year, STADA had occupied position 19 in this area.

STADA key share data	2012	2011
Number of shares (year-end)	59,332,260	58,966,360
Number of treasury shares (year-end)	93,676	96,391
Average number of shares (without treasury shares)	59,059,393	58,830,209
Year-end closing price (XETRA®) in €	24.41	19.25
High (XETRA® closing price) in €	26.23	31.22
Low (XETRA® closing price) in €	19.28	14.40
Market capitalization (XETRA®) in € million (year-end)	1,448.3	1,135.1
Earnings per share in €	1.46	0.37
Adjusted earnings per share in €	*2.50*	*2.49*
Diluted earnings per share in €	1.44	0.37
Adjusted diluted earnings per share in €	*2.47*	*2.44*
Dividend per share in €	0.50[1)]	0.37

Broadly based shareholder structure with 100% free float

On December 31, 2012, a total of approx. 42,000 shareholders held share capital of STADA Arzneimittel AG. Based on results of regularly occurring analyses of the Company's shareholder structure, STADA assumes that at least approx. 58% of STADA's shares are held by institutional investors and that approx. 12% of STADA's capital is held by pharmacists and doctors.

In the year 2012, STADA sold 2,733 treasury shares at an average price of € 21.91 as part of the employee stock ownership program and purchased 18 shares at a price of € 22.89 per share. As of December 31, 2012, 93,676 treasury shares were thus held by the Company, compared to 96,391 shares which STADA had held as of December 31, 2011.

STADA assumes, as of December 31, 2012, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company according to Section 21 (1) of the German Securities Trading Act (WpHG) that Gryphon International Investment Corporation[2)], Toronto/Ontario, Canada, with 3.20%, holds a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada. SOCIETE GENERALE SA[3)], Paris, France, reported, according to reports made to the Company as of December 31, 2012, pursuant to Section 41 (4d) of the German Securities Trading Act (WpHG) that they held a share in voting rights requiring notification of 5.75% in relation to the entire amount of shares with voting rights of STADA Arzneimittel AG of 58,966,480. Thereby, SOCIETE GENERALE SA directly holds 0.1% of shares and has the option to purchase, via financial or other instruments according to section 25a of the German Securities Trading Act, a 5.65% shareholding in STADA Arzneimittel AG (thereby indirectly 2.82% via SOCIETE GENERALE EFFEKTEN GMBH). In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

1) Recommendation.
2) See the Company's disclosure of January 14, 2011.
3) See the Company's disclosure of March 14, 2012.

Directors' Dealings

In financial year 2012, STADA reported, according to information available to the Company, one Director's Dealing in the form of a sale. Dr. Eckhard Brüggemann, member of the Supervisory Board, sold 1,000 STADA shares at a price of € 25.44694 per share on May 22, 2012.

There were no purchases in the reporting year in the context of Directors' Dealings according to information available to the Company.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report pursuant to Section 3.10 of the German Corporate Governance Code and the Declaration of Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB) are available on the STADA website at www.stada.de/cg and www.stada.com/cg.

Declaration of Corporate Governance

The Declaration of Corporate Governance according to Section 289a of the German Commercial Code includes the declaration on the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG), the relevant information on corporate management practices and a description of the working practices of the Executive Board and the Supervisory Board as well as the composition and working practices of the Supervisory Board committees.

1. Declaration of Compliance 2012

Joint Declaration of the Executive Board and the Supervisory Board of STADA Arzneimittel AG concerning the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

STADA Arzneimittel AG complies with the recommendations of the German Corporate Governance Code in the version of May 15, 2012 (published on June 15, 2012 in the electronic Federal Gazette) with the following deviations:

Section 5.3.3: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board with six shareholder representatives the Supervisory Board believes that such an additional committee is structurally superfluous, but assigned the task of a nomination panel to the Chairmen of the Human Resources Committee and the Audit Committee; the additional remuneration, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus avoided.

Section 5.4.6, para. 2, sentence 2: Performance-related compensation of the Supervisory Board

Pursuant to Section 18 of the Company`s Articles of Association, resolved upon by the Annual General Meeting on June 15, 2004, the Supervisory Board receives an annual fixed sum and an additional remuneration depending on the Group earnings before tax. The annual remuneration depending on the earning is oriented toward the performance of the Company and is a performance-related compensation of the members of the Supervisory Board in accordance with legal requirements.

Section 6.6, para. 1 and 2: Shares held by members of the Executive Board and Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BaFin) in accordance with legal requirements and are published in accordance with legal requirements. However, the respective holdings of shares and options to purchase and sell such shares by individual members of the Executive Board and Supervisory Board are not published in the Notes to the Company's consolidated financial statements. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency.

For STADA, the recommendations of the German Corporate Governance Code serve as a general basis for the Company`s activity. In daily practice, however, individual situations may occur in which the application of the Code could lead to limitations in the flexibility of the Company or in the proven corporate practice. In these individual cases, contrary to the Declaration of Compliance, deviations from the recommendations of the Code may take place. STADA will, however, regularly review and, if necessary correct compliance with the code and the above mentioned exceptions.

Bad Vilbel, September 25, 2012

signed	signed
Dr. Martin Abend	Hartmut Retzlaff
Chairman of the Supervisory Board	Chairman of the Executive Board

2. Relevant information on Company practices

Corporate Governance

STADA Arzneimittel AG is a joint stock corporation under German law and has a dual management and monitoring structure which consists of the Executive Board and the Supervisory Board. The third body of the Company is the Annual General Meeting. Furthermore, there is an Advisory Board according to the Articles of Incorporation.

In the Executive Board and Supervisory Board's view, good corporate governance is an important basis for the Company's success. The Executive Board and the Supervisory Board of STADA view corporate governance as a comprehensive concept of responsible, transparent and value-based corporate management. The Executive Board, Supervisory Board and management staff ensure that corporate governance is actively approached and continuously developed in all areas at STADA. In addition to legal and regulatory requirements as well as the German Corporate Governance Code, corporate governance at STADA also comprises the standards of the internal control system and compliance, the regulations on organizational and supervisory duties in the Company, as well as STADA's internal business guidelines and shared principles and values.

Risk Management and Internal Auditing

The responsible handling of risks is an element of good corporate governance. STADA has systematic opportunities and risk management and a control system that puts the Executive Board in the position to recognize risks and market trends at an early stage and to immediately react to relevant changes in the risk profile. STADA's risk management and control system thus contributes to the success of the Company. Risk management is part, in regular intervals, of the annual audit of financial statements as well as Internal Auditing. Details hereof can be found in the Management Report under "Opportunities and Risk Report".

Furthermore, Internal Auditing supports the Executive Board as an independent department outside of the daily operational business. The department evaluates internal procedures and processes from an objective perspective and with the distance necessary. The goal is to maintain optimized business processes, reduced costs and increased efficiency, and to achieve internally determined goals, by way of improved internal controls.

Strong compliance culture

Compliance comprises all actions taken by a company in line with legal requirements as well as the drafting and monitoring of internal regulations which a company places on itself. The goal of all compliance efforts is to avoid possible damage to the company and to prevent wrong-doing. At STADA, compliance is embedded in the mission statement of a responsible company leadership and corporate governance.

All of STADA's business processes and Group activities are carried out exclusively within the framework of respective laws in force.

STADA's Code of Conduct details Group-wide, binding behavioral guidelines for the entire management and staff of the STADA Group and provides the basis for all compliance activities. The goal of the Code of Conduct is to support all employees in legal and ethical challenges in their daily work and to provide them orientation for correct behavior. Furthermore, internal guidelines, the so-called Corporate Policies, make these behavioral guidelines more concrete for specific topics.

With the aid of various measures such as traditional training, regular newsletters and leaflets with compliance-relevant content, STADA employees are informed on an ongoing basis of relevant legal requirements and internal guidelines.

The Chief Compliance Officer who is responsible for the Compliance Management System reports directly to the Executive Board, coordinates the entire system and receives complaints and information – also anonymously if needed. The officer is supported by an external Ombudsman in Germany, and by Compliance Managers outside of Germany. In order to guarantee the adherence to external legal regulations and internal company policies of compliance in an effective manner, STADA regularly controls and further develops the Compliance Management System.

Quality and safety, sustainability and environment, and the STADA mission statement

Details on the topics of "quality and safety", "sustainability and environment" and the mission statement of STADA can be found in this Annual Report in the chapters "Procurement, Production and Quality Management" and "Responsibility and Sustainability".

3. Description of the working practices of the Executive Board and the Supervisory Board as well as the composition and working practices of their committees

The Executive Board and the Supervisory Board of STADA work in close cooperation for the good of the Company and, after extensive consultation, make fundamental strategic decisions in the context of their legal responsibilities. The Executive Board briefs the Supervisory Board – in the context of its legal obligation to make reports – regularly, promptly and comprehensively regarding all Company-relevant questions of strategy, planning, business development, the risk situation, risk management and compliance. The Executive Board confirms the strategic orientation of the Company with the Supervisory Board and discusses the status of the implementation of the strategy at regular intervals. Furthermore, the Chairman of the Supervisory Board maintains regular contact with the Executive Board, particularly with the Chairman of the Executive Board, and discusses with them the strategy, planning, business development, the risk situation and risk management of the Company and the Group. The Executive Board and the Supervisory Board adhere to the rules of proper corporate management and have each established their own rules of procedure.

a) Executive Board

The Executive Board is appointed and dismissed in accordance with legal regulations. The Articles of Incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints Executive Board members for a maximum period of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

Tasks and responsibilities

The Executive Board manages the Company with the goal of sustainable added value in its own responsibility in consideration of the concerns of the shareholders, its employees and other groups connected to the Company. The members of the Executive Board are jointly responsible for corporate governance. The Executive Board runs the businesses in accordance with the legal requirements, the Articles of Incorporation, the rules of procedure and the schedule of responsibilities.

STADA's Executive Board comprises at least two people in accordance with the Articles of Incorporation.

As of the balance sheet date, the Executive Board consisted of three members responsible for the following areas:

- Hartmut Retzlaff, Chairman of the Executive Board (under contract until August 31, 2016), is the Executive Board member responsible for the areas of Marketing and Sales, Corporate Development, Corporate Strategy, Legal, Personnel, Compliance, Corporate Communications and Risk Management.

- Helmut Kraft, Chief Financial Officer (under contract until December 31, 2014), is responsible for, in addition to the area of finance (Controlling and Accounting, Treasury and Taxes), the areas of Internal Audit, IT and Investor Relations.

- Dr. Axel Müller, Chief Production & Development Officer (under contract until December 31, 2014), is responsible in STADA's Executive Board for the areas of Production, Research and Development, Purchasing and Procurement, Portfolio Management, Facility Management as well as Quality Assurance and Quality Control.

Working practices of the Executive Board

Despite the overall responsibility of the Executive Board, each member of the Executive Board manages his area of the business in his own responsibility. The distribution of the business areas to individual members of the Executive Board results from a schedule of responsibilities that is a component of the rules of procedure for the Executive Board. The Executive Board as a whole decides upon all matters of fundamental and/or strategic significance or of particular importance for the Company. All members of the Executive Board are to inform themselves of the significant proceedings within the business areas. Regarding proceedings that also impact the business area of another member of the Executive Board, a member of the Executive Board must first confer with other affected members of the Executive Board.

According to the rules of procedure for the Executive Board, the Chairman of the Executive Board is responsible for the coordination of the Executive Board as a whole. The Chairman of the Executive Board represents the Executive Board and the Company in public matters, in particular concerning authorities, associations, economic organizations and publication outlets. He can delegate this task to another member of the Executive Board for particular areas or in individual cases.

The Executive Board regularly holds Executive Board meetings that are convened by the Chairman of the Executive Board. Upon request of a member of the Executive Board, the Chairman must convene an Executive Board meeting. The Executive Board can make resolutions when all members have been invited and at least half of the members take part in the resolution. The Executive Board passes resolutions with a simple majority of votes cast. Absent members of the Executive Board can cast their votes in written form, via text or telephone. The use of a representative is not permitted. Resolution by circulation procedure is also possible provided no member of the Executive Board objects. In case of a tie, the Chairman of the Executive Board shall have the deciding vote. If the Chairman of the Executive Board is absent or delayed, the proposed resolution is rejected in the case of a tie.

For certain business defined in the Executive Board's rules of procedure, the Executive Board must first obtain the approval of the Supervisory Board.

The STADA Executive Board has not established any Executive Board committees.

Conflicts of interest

According to the rules of procedure of the Executive Board, every member of the Executive Board is required to disclose conflicts of interest without delay to the Supervisory Board and to inform the other members of the Executive Board of this. Carrying out ancillary activities, particularly taking on Group-external Supervisory Board positions, requires the prior approval of the Supervisory Board.

Remuneration report

The remuneration report, which can be found in the Management Report of the Executive Board, presents the principles of the remuneration system of the Executive Board of STADA as well as individual details of the remuneration of individual members of the Executive Board.

b) Supervisory Board

In accordance with the provisions of the One-Third Participation Act, the STADA Supervisory Board is comprised of nine members of which six are representatives of the shareholders and three represent the employees. The Annual General Meeting elects the representatives of the shareholders, and the employees elect the employee representatives.

Tasks and responsibilities

The Supervisory Board appoints the members of the Executive Board. Furthermore, the Supervisory Board monitors and advises the Executive Board in the running of its business operations. Through a regular dialog with the Executive Board, the Supervisory Board is informed of the business development, strategy and company planning. It agrees the company planning and approves the annual financial statements of STADA Arzneimittel AG and the consolidated financial statements of the STADA Group.

The Supervisory Board included the following members on the balance sheet date:

- Dr. Martin Abend, Attorney, Dresden (Chairman)
- Manfred Krüger, Member of Worker's Council released from duty, Mühlheim am Main (Deputy Chairman) (Employee Representative)
- Dr. Eckhard Brüggemann, Doctor, in retirement, Herne
- Heike Ebert, Head of Packaging, Niddatal (Employee Representative)
- Dr. K. F. Arnold Hertzsch, Self-employed pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Self-employed pharmacist, Seelze
- Carl Ferdinand Oetker, Banker, Düsseldorf
- Karin Schöpper, Head of Market Research, Bad Vilbel (Employee Representative)

The term of all of the shareholder representatives on the Supervisory Board ends with the completion of the Annual General Meeting 2013.

Working practices of the Supervisory Board

The Chairman of the Supervisory Board is responsible for the coordination of work, chairing Supervisory Board meetings and handling the external matters of the Supervisory Board.

The Chairman of the Supervisory Board convenes the Supervisory Board in writing at least 14 days prior to a meeting according to need. Meetings of the Supervisory Board should convene at least once per quarter and must convene twice within a half year. The meetings of the Supervisory Board and its committees shall as a rule be by personal attendance. In exceptional cases with good reason, the Chairman of the Supervisory Board can elect to hold the meetings of the Supervisory Board and its committees in the form of a telephone or video conference, or permit individual members of the Supervisory Board to participate via telephone or video connection.

The Supervisory Board generally passes resolutions in meetings. Outside of meetings, resolutions in the written form, via telegraph, telephone or fax are also permitted provided no member objects to this procedure within the deadline as determined by the Chairman of the

Supervisory Board. The Supervisory Board shall constitute a quorum if at least two thirds of its members, including the Chairman of the Supervisory Board or the deputy, are present, or absent members have another member of the Supervisory Board submit their written vote. Supervisory Board resolutions are passed with a simple majority of votes cast. In case of a tie, the chairman of the meeting shall have the casting vote.

Composition and working practices of the Supervisory Board committees

According to the rules of procedure of the Supervisory Board, the following Supervisory Board committees exist: the Audit Committee and the Human Resources Committee. Other committees, such as a Nomination Committee, are created as needed.

- Audit Committee

  The Audit Committee is composed of two members from the shareholders and one from the employees.

  The Audit Committee deals in particular with monitoring the accounting process, the effectiveness of the internal control system and that of the internal auditing system, risk management and compliance. Furthermore, the Audit Committee deals with the financial statement audits, in particular the required independence of the auditor, the additional tasks rendered by the auditor, the award of the audit contract to the auditor, the determination of the main areas for the audit and the fees agreement with the auditor. In addition, it discusses the annual and interim reports with the Executive Board prior to their publication.

  The Chairman of the Audit Committee must have specialist knowledge and experience in the application of accounting principles and internal control processes. Furthermore, the Chairman of the Audit Committee shall be independent and neither the Chairman of the Supervisory Board, nor a former member of the Executive Board whose position ended less than two years ago.

  The members of the Audit Committee on the balance sheet date were Carl Ferdinand Oetker (Chairman), Dr. Martin Abend and Karin Schöpper.

- Human Resources Committee

  The Human Resources Committee is composed of two members from the shareholders and one from the employees.

  The Chairman of the Supervisory Board is also the Chairman of the Human Resources Committee. The Human Resources Committee prepares the personnel decisions of the Supervisory Board. The committee discusses, in particular, the conditions of the employment contracts for the members of the Executive Board and prepares the resolutions of the Supervisory Board regarding the remuneration system of the Executive Board in that it recommends to the Supervisory Board the structure of the remuneration system and the ranges of the fixed and variable components of the remuneration of the Executive Board. In addition, it ensures together with the Executive Board that long-term succession planning takes place.

  Moreover, the Human Resources Committee consults with the Executive Board regarding the strategic development of STADA Arzneimittel AG and prepares the decisions of the Supervisory Board in this area.

  The members of the Human Resources Committee on the balance sheet date were Dr. Martin Abend (Chairman), Dieter Koch and Manfred Krüger.

- Other committees

As the declaration on the German Corporate Governance Code submitted on September 25, 2012 describes in more detail, the Supervisory Board appointed a Nomination Panel, consisting of the Chairmen of the Human Resources Committee and the Audit Committee, to develop objectives and a profile for the composition of the future Supervisory Board.

The members of the Nomination Panel on the balance sheet date were Dr. Martin Abend and Carl Ferdinand Oetker.

Goals for the composition of the Supervisory Board

In financial year 2012, the Nomination Panel presented to the Supervisory Board Plenum goals as well as an appointment plan for the composition of the members of the Supervisory Board to be newly elected in 2013 as representatives of the shareholders.

In the first quarter of 2012, the Supervisory Board concluded **the following goals for its composition** at its meeting on January 23, 2012 in accordance with Section 5.4.1 of the German Corporate Governance Code (GCGC):

1. General goals

The Company's Supervisory Board is to be composed in a manner that its members as a whole have the required knowledge, abilities and specialist experience in order to appropriately assume the tasks (Section 5.4.1. GCGC), so that all competencies required for the Company's Supervisory Board are actually represented within the Supervisory Board, or rather among the representatives of the shareholders.

The general knowledge of the Supervisory Board members includes, in particular, theoretical knowledge and practical experience in the areas: legal principles and compliance, accounting and risk controlling.

Supervisory Board members are to be familiar with the core segments of the operations of the Company, the development and marketing of products with, generally, active pharmaceutical ingredients which are free of commercial property rights, particularly patents, and regularly also prescription drugs and products required to be or only sold in pharmacies.

Furthermore, the international activities of STADA Arzneimittel AG are to be considered in the composition of the shareholder representatives in the Supervisory Board. Here, criteria include, in addition to fluency in written and spoken English, the understanding of global economic connections and an international Group structure.

In particular, candidates should be recommended who, as a result of their integrity and personality, are in the position to take on the tasks of a Supervisory Board member of the publicly listed STADA Arzneimittel AG. Furthermore, diversity is to be considered.

2. Concrete goals, appointment plan

a) Required knowledge, abilities and specialist experience

Each member of the Supervisory Board is to fulfill the following requirements – in addition to the general requirements of reliability and the specific knowledge required to assume the control function as well as to evaluate, monitor and consult the Executive Board of STADA Arzneimittel AG:

- *general understanding of the business activities carried out by STADA Arzneimittel AG, the industry and market environment, and the strategic positioning of the Company,*
- *the ability to understand and evaluate the reports submitted to the Supervisory Board in order to draw independent conclusions from these; additionally the ability to evaluate and asses the decisions of the Executive Board and the transactions arising as well as to be able to analyze economic connections,*
- *the ability to understand the documentation submitted for the financial statements and to be able to evaluate these in consideration of company-specific issues, if necessary, with the support of an auditor,*
- *communicative abilities.*

Each member of the Supervisory Board is to contribute as particular in-depth specialist knowledge and sound experience as possible in one or several areas, in order to support the Supervisory Board as a whole in the task of monitoring and consulting.

The above-mentioned specialist knowledge and experience is to be widely represented as possible.

b) Personal requirements

Candidates are to be recommended who fulfill the determined personal requirements of the most current version of the German Corporate Governance Code. The personal requirements according to the most current version of the German Corporate Governance Code are also to be upheld during the active term of a Supervisory Board member.

It is also to be ensured that the Supervisory Board members are independent. For candidate recommendations to the Annual General Meeting, it is to be ensured that the individual candidate does not hold a management or consultory function at, nor is in the supervisory bodies of competitor companies, suppliers, significant lenders or customers, so that conflicts of interest can be avoided from the start.

c) Appointment plan

Diversity is to be considered in the recommendation of candidates for the election of shareholder representatives by the Annual General Meeting. Diversity in the Supervisory Board is reflected, among other things, in the various occupational careers and areas of activity, as well as with respect to the internationality of STADA Arzneimittel AG, in the diverse spectrum of experience of the shareholder representatives in the Supervisory Board.

The chairmen of the Human Resources Committee and of the Audit Committee will provide the Supervisory Board the following appointment plan for the new election of shareholder representatives at the Annual General Meeting in June 2013:

- *a practicing pharmacist,*
- *an experienced and knowledgeable pharmacist, in particular in the areas of medicinal care – patent-protected and generic RX and OTC products – at pharmacies, of advise on self-medication and of resulting opportunities thus available for STADA Arzneimittel AG,*
- *a pharmacist with many years of experience in the pharmaceutical industry, e.g. as the head of production and quality control (e.g. qualified person in the sense of Section 14f of the German Pharmaceutical Act, AMG),*
- *an independent financial specialist with expertise in the areas of accounting and financial report auditing,*
- *an attorney experienced in corporate and industrial law.*

For further candidates, expertise in the areas of future treatment methods, biotechnology, health care trends, health care systems (in and out patient care), among other things, is desirable.

Furthermore, the Supervisory Board decided against the determination of an age limit and against a fixed diversity quota. Specific age limits or fixed diversity quotas would only limit the selection of appropriate candidates.

Conflicts of interest

According to the rules of procedure of the Supervisory Board, members of the Supervisory Board shall not be a member of any board at, or provide consulting services to, significant competitors of the Company. Furthermore, the Supervisory Board members are required to disclose conflicts of interest to the Supervisory Board, particularly those which may arise as a result of consultation or board membership with customers, suppliers, banks or other third parties. Significant and not only temporary conflicts of interest for an individual in the Supervisory Board shall result in termination of the position. In its report, the Supervisory Board informs the Annual General Meeting whether conflicts of interest were recognized and how they were handled.

Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. The subject of the efficiency review includes, in addition to the qualitative criteria to be established by the Supervisory Board, in particular the procedural flows in the Supervisory Board and the flow of information between the committees and the plenary as well as the prompt and sufficient internal distribution of information.

Remuneration report

The remuneration report, which can be found in the Management Report of the Executive Board, presents the principles of the remuneration system of the STADA Supervisory Board as well as individual details of the remuneration of individual members of the Supervisory Board.

c) Advisory Board

The Chairman of the Supervisory Board convenes the members of the Advisory Board of STADA Arzneimittel AG upon recommendation of the Executive and Supervisory Boards. According to the Company's Articles of Incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board currently consists of 13 members. The remuneration report, which can be found in the Management Report of the Executive Board, presents the principles of the remuneration system of the STADA Advisory Board.

Shareholders and the Annual General Meeting

The shareholders[1)] assume their rights in the Annual General Meeting and exercise their voting rights. Each STADA share[2)] grants entitlement to one vote. Shareholders have the option to exercise their voting right themselves in the Annual General Meeting or to have their voting right exercised by an authorized representative of their choice or by way of a voting representative from the Company, but bound by instructions. Every shareholder is entitled to participate in the Annual General Meeting, to speak on individual agenda items there and to request information about Company issues, if this is required for the appropriate assessment of an item on the agenda.

The Annual General Meeting passes resolutions, among other things, on the allocation of profits, the approval of the Executive Board and Supervisory Board, the selection of the auditor as well as on any changes to the Articles of Incorporation and capital-changing measures.

Transparent Corporate Governance

In order to ensure transparent corporate governance, STADA informs shareholders, financial analysts, other capital market participants, the media and the interested public regularly and promptly about the situation of the company and about any significant business changes.

In order to ensure the equal treatment of all users and to provide market participants the same information in terms of content and in due time, STADA provides all the important documentation on the STADA website at www.stada.de and www.stada.com. There, all interested individuals are provided access, in particular, to all compulsory information such as financial reports (annual or interim reports) and ad hoc releases, voting rights notices, information on the Annual General Meeting, as well as other comprehensive Company and share information such as corporate news, Company profile, financial calendar, presentations and current share price information on STADA (including peer group comparisons). The Company generally publishes up-to-date presentations on its website for the capital markets.

The reporting about the situation and results of STADA Arzneimittel AG and the STADA Group is delivered by the Annual Report, the interim reports and at press and analysts' conferences which can generally be followed live and can be viewed for some time as a recording on the STADA website at www.stada.de and www.stada.com.

1) For capital and shareholder structure see "The STADA Share".
2) Under the Company's articles of incorporation, STADA's registered shares with restricted transferability can only be transfered in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

Financial Reporting and Financial Statement Audit

STADA prepares the consolidated financial statements and the consolidated interim financial statements in accordance with the relevant international financial reporting standards and the annual financial statements in accordance with the rules and regulations of the German Commercial Code.

The auditor and Supervisory Board audit the consolidated financial statements and the consolidated interim financial statements for the first half of the year provided by the Executive Board. The Audit Committee discusses the interim financial reports with the Executive Board prior to their publishing.

STADA publishes the annual financial statements of STADA Arzneimittel AG (including the Management Report) and the consolidated financial statements of the STADA Group (including the Group Management Report) within 90 days of the end of the respective financial year and, in addition, informs shareholders and third parties during the year via interim financial reports within 45 days of the end of the reporting period. The interim financial report for the first half of the year is voluntarily audited by the auditor elected by the Annual General Meeting for this purpose.

The Company does not have a stock option plan or similar share-based incentive systems.

The significant investments of the Company as well as the related parties are presented in the notes to the consolidated financial statements.

Prior to submitting the nomination, the Audit Committee receives a declaration from the selected auditor of whether and to what extent commercial, financial, personal or other relationships exist between the auditor, its board members and head auditors, on one side, and STADA and its board members on the other side, which could represent any doubts regarding the independence of the auditor. The declaration also covers to what extent in the past financial year other services were provided – or have been contractually agreed upon for the following year – to the Company, in particular in the area of consultancy.

The Supervisory Board agreed with the auditors that the Chairman of the Supervisory Board or Audit Committee shall be informed without delay of any possible grounds for exclusion or bias arising during the audit insofar as these are not remedied immediately.

Furthermore, the Supervisory Board agreed with the auditors that the auditor shall report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit, as well as that the auditor shall disclose and/or note in the Auditor's Report if, during the performance of the audit, the auditor comes across facts which show a misstatement by the Management Board and Supervisory Board in the declaration on the German Corporate Governance Code.

The auditor participates in the meetings of the Supervisory Board regarding the annual and consolidated financial statements and reports the significant results of the audit.

MANAGEMENT REPORT OF THE EXECUTIVE BOARD

Business and General Conditions

Business Model, Core Segments and Structural Environment

STADA business model

STADA's business model focuses on the health care market. At the center of the internationally oriented business activities is the pharmaceutical market.

The global health care and pharmaceutical markets recorded further growth in 2012 as well. Sales in the international pharmaceutical market increased by approx. 3.0% to approx. € 745.1 million in 2012 as compared to the previous year.

In the Executive Board's assessment, numerous national health care and, in particular, pharmaceutical markets will continue to provide the respective market regions with high growth opportunities that are relatively independent of economic activity in the future as well. On one hand, this is based on general growth drivers in the form of the global population increase, an aging society in industrialized countries and further medical progress. On the other hand, the growth opportunities are based on generics-specific drivers such as progressive generics penetration as a result of increasing spending restraints in individual national health systems and continuous patent expirations. Based on this continually increasing demand in the health care market and in view of the fact that in the health economy comparison, drugs continue to be viewed as relatively efficient in comparison to other treatment methods, the international pharmaceutical market will continue to be characterized by further growth in the future. According to forecasts, sales in the global pharmaceutical market will increase by 5% to 7% per year until 2017.[1)]

The Group focuses on selected segments within the health care and pharmaceutical market. With regard to costs and risks, STADA deliberately does not conduct any own research on, or marketing of new active pharmaceutical ingredients, but rather focuses on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents. The products sold by STADA are primarily positioned in the two core segments of Generics and Branded Products.

The strategic success factors of the STADA Group include, in particular, strong product development, a comprehensive product portfolio, an international sales structure with close market proximity, a high degree of flexibility due to short decision-making processes and functional reporting structures. In addition, efficient cost management and an active acquisition policy, including long-standing experience in integration management, are part of the Group's sustainable success story.

STADA's business activities focus on the four market regions of Germany, Central Europe, CIS/Eastern Europe and Asia & Pacific, which were newly defined in the context of the further implementation of the Group-wide cost efficiency program "STADA – build the future" in 2012.[2)] By determining these market regions, STADA frees itself from the former reporting by country and thereby takes account of the changed structure resulting from the efficiency program. At the same time, STADA was able to integrate the Grünenthal sales structures fully acquired in January 2012 and allocate the newly defined areas of responsibility. The four regions correspond to the operating segments according to market region used for internal reporting since 2012.

1) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013. Data based on the 32 leading pharmaceutical markets.
2) For a breakdown of the national sales activities of the STADA Group according to the four market regions, see "Development of Segments".

Core segments and non-core activities

According to the Group's strategic positioning, STADA focuses its business activities on products with off-patent active pharmaceutical ingredients, which are positioned in the two core segments of **Generics** and **Branded Products**.

Whereas Generics sales focus on low pricing and/or cross-product and cross-indication marketing, Branded Product marketing focuses on specific product characteristics and, in particular, the brand name of the individual products.[1)]

In addition to this different sales positioning, the two core segments are differentiated from one another in other areas such as the demand structure, growth and margin expectations as well as the respective requirements of portfolio expansion and development strategies.

In the Generics segment, the requirements on the product portfolio are closely tied to the regulatory structure of the individual markets in the respective market regions and the relative market power of the locally active STADA subsidiary. In the two market regions of Germany and Central Europe, STADA is generally positioned as a so-called full-portfolio concept in the Generics segment. The product portfolio includes numerous dosage forms and strengths for the most relevant active pharmaceutical ingredients and thus, among others, also includes products with an only low significance for Group sales. In only a few markets such as the United Kingdom, on the other hand, STADA is active as a niche provider and offers a selected product portfolio with special active pharmaceutical ingredients that have good sales prospects in the respective market. The Group adopts this kind of portfolio structure when it seems to be promising based on specific local conditions, and in particular taking earnings aspects into consideration.

STADA generally pursues a selective portfolio approach in the Branded Products core segment. In this context, the branded products are marketed in consideration of availability and demand in selected markets of the individual market regions. STADA relies on the concept of so-called "strong brands", which – as they are very well known and ideally the local market leader – have growth opportunities largely independent of local market trends with comprehensive promotional and sales support.

In financial year 2012, the two core segments Generics and Branded Products had a share of 98.5% (previous year: 96.8%) of Group sales.

The core segment Generics thereby had a share of Group sales of 66.0% (previous year: 69.3%) in the reporting year. At 89% (previous year: 91%), STADA generics primarily include prescription products.

The Branded Products core segment had a share of Group sales of 32.5% in 2012 (previous year: 27.5%). STADA Branded Products at 61% (previous year: 70%) primarily include non-prescription products.[2)]

STADA includes business and investments in areas outside the two core segments under non-core activities.

In this context, activities with trading character such as commercial activities are combined under the **Commercial Business** segment. In 2012, this segment had a share of 1.0% of Group sales (previous year: 1.9%).

Other non-core activities not presented separately are reported under **Group holdings / other**, which had a share of Group sales of 0.5% in the reporting year (previous year: 1.3%).

1) For a detailed segment definition see "Notes to the Consolidated Financial Statements – 43.".
2) At Group level, prescription products contributed approx. 73% (previous year: approx. 74%) and non-prescription products approx. 27% (previous year: approx. 26%) to Group sales (according to national categorization).

Core segment Generics

In the view of the Executive Board, the Generics segment, in particular, has growth opportunities within the pharmaceutical market, as generics provide a cost-effective medicative therapy without any loss in quality and thus counteract the increasing cost pressure in the individual health care markets. In addition, the potential available for generics competition is constantly expanding due to the continuous expiration of patents or other commercial property rights.

Sales in the global pharmaceutical market increased by approx. 11.2%[1)] to approx. € 113.4 billion[2)] in 2012 as compared to the previous year. The market share of generics in the global pharmaceutical market amounted to approx. 15.2% in 2012.

According to the estimates of IMS Health, a leading international pharmaceutical market research institute, the annual growth rate for the global generics market will be as high as 9.0%[3)] until 2017. It should, however, be taken into account that the actual growth rates of reported sales of companies of respective market regions, which are active in markets where significant discounts must be granted, could be substantially below gross sales generally only recorded by the market research institutions before discounts.

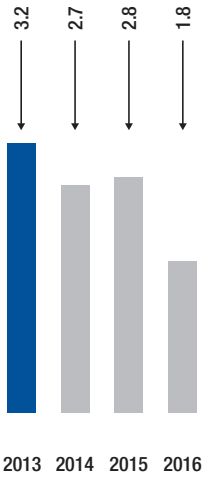
The STADA Group has maintained its unchanged position, according to its own estimate, as number 5[4)] in terms of sales among global classical generics companies. In a large number of the Group's important national markets of the individual market regions, the individual STADA subsidiaries occupied leading positions in the relevant market segments in 2012 as in past years.

In view of the sales volume for newly available active pharmaceutical ingredients for generics competition between 2013 and 2016 in the largest pharmaceutical markets by sales in Europe – Germany, France, Italy, the United Kingdom and Spain within the two market regions Germany and Central Europe – which, according to current market research figures, amount to more than € 10.5 billion, the STADA Executive Board expects that the EU generics market generally holds further growth potentials.[5)]

This assumption is supported by estimates from IMS Health as well, according to which average annual generics growth in the EU will amount to an average of 6.9%[6)] from 2012 to 2014. For selected markets in Eastern Europe[7)] of the market regions Central Europe and CIS/Eastern Europe, IMS Health[8)] expects annual average generics growth of 8.3% until 2017. According to estimates from IMS Health, generics growth in Russia from 2013 to 2017 will amount to 12.2% on average.[9)]

The Group has also gained access to additional growth opportunities in the Generics core segment by taking up business activities in countries of individual market regions where STADA had previously not been active. Examples of this include the acquisition successfully concluded in 2012 of a generics business in Switzerland[10)] including the associated sales structures and the founding of an own subsidiary in Australia[11)].

Newly available sales volumes for generics marketing in the five countries Germany, France, Italy, United Kingdom and Spain in € billion per year[5)]



1) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013.
2) Data based on the 32 leading generics markets and a projection for the other generics markets.
3) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013. The market data on Generics fluctuates – in some cases substantially – due to differing market definitions from source to source.
4) Source: STADA estimate.
5) STADA estimate of sales volumes in 2012 at ex-factory prices for active pharmaceutical ingredients for which STADA from today's perspective expects the patents or other commercial property rights relevant for generics competition to expire by 2016, based on data provided by various international market research institutes. STADA's expectations as to the date of availability of active pharmaceutical ingredients for Generics competition are continuously being reviewed from a legal perspective and may in the future significantly differ from today's expectations (as of: March 1, 2013) as expressed in this data. The actual sales volumes becoming available for generics competition at the respective dates are subject to fluctuations as a result of changing market success, legal situations or market structures, among other factors.
6) Own calculation based on the analysis from IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013; the calculation is based on the five leading West European generics markets.
7) Poland, Russia, Slovakia, the Czech Republic and Hungary.
8) Data from IMS Syndicated Analytics: Forecasting Premium Support Service (2012); own calculation based on the IMS estimates for Poland, Russia, Slovakia, the Czech Republic and Hungary.
9) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013.
10) See the Company's ad hoc release of May 19, 2011 and the Company's ad hoc updates of November 9, 2011 and January 31, 2012.
11) See the Company's corporate news of March 27, 2012.

Core segment Branded Products

The Executive Board is continuing its efforts to further expand and internationalize the Branded Products core segment as well as this area generally offers less regulatory interventions and better margins.

In consideration of these advantages as compared to generics, STADA strengthened this core segment significantly with acquisitions in financial year 2012.

Of particular note in this context, the acquisition of a product portfolio primarily of prescription branded products including the respective sales structures for EU markets in Central Europe was successfully concluded in the reporting year (see "Financial Situation").[1)] As early as the end of 2011, STADA had acquired the portfolio that included the branded products Tramal®[2)], Zaldiar®[3)], Transtec®[4)] and Palexia®[5)], among others, for numerous national markets in Eastern Europe and the Middle East.[6)] In the course of this transaction carried out in two installments on December 30, 2011 and January 31, 2012, the original purchase price of approx. € 360 million was reduced to approx. € 320 million as a result of subsequent negotiation. With this acquisition, STADA further expanded its international presence and strategically opened up new distribution channels for appropriate products from the comprehensive Group portfolio which can also be marketed as branded products via the acquired sales structures in the respective markets in Central and Eastern Europe as well as the Middle East which belong to the market regions of Central Europe and CIS / Eastern Europe.

Effects of overall economic and industry-specific framework conditions

The year 2012 was impacted by a continued global financial and economic crisis. In this context – especially in Europe and the USA –, this led to an increasing economic slowdown resulting in a high degree of volatility in international financial markets.

According to the International Monetary Fund, global economic output actually increased overall by 3.2%[7)] in 2012. It should, however, be considered that this growth is primarily attributable to strong ongoing developments in emerging markets with a plus 5.1% and, in particular, China with 7.8%.[7)] Advanced economies grew by 1.3%.[7)] Economic output increased by 2.3% in the USA.[7)] In EU countries, the gross domestic product (GDP) decreased slightly by 0.4%[7)] in the same period. In this context, the individual Euro countries continued to reflect quite variable growth rates. Whereas GDP grew in France and Germany by 0.9% and 0.2% respectively, the figures in Spain and Italy reduced by 1.4% and 2.1%.[7)]

Since the business model of STADA is oriented toward the health care market with demand that is relatively independent of the economy, the global economic conditions generally have less of a direct influence on the business development of the Group than the respective regulatory environment in the individual markets of the respective market regions in which the Group is active.

Economic activity does, however, have an effect on the business development of the Group in the form of currency and interest rate volatility. Therefore, STADA continually takes adequate precautionary measures in order to appropriately react to strong volatility in interest rates and Group-relevant currency relationships (see "Opportunities and Risk Report" as well as "Notes to the Consolidated Financial Statements – 46.").

1) See the Company's ad hoc release of May 12, 2011 as well as the Company's ad hoc updates of July 22, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.
2) Active pharmaceutical ingredient: Tramadol for the treatment of pain.
3) Active pharmaceutical ingredient: Tramadol/Paracetamol for the treatment of pain.
4) Active pharmaceutical ingredient: Buprenorphin for the treatment of pain.
5) Active pharmaceutical ingredient: Tapentadol for the treatment of pain.
6) See the Company's ad hoc release of May 12, 2011 and the Company's ad hoc updates of July 22, 2011 and December 30, 2011.
7) Source: International Monetary Fund: World Economic Outlook update of January 23, 2013.

With a view to the currency effects in financial year 2012, an uneven development can be seen in translation of sales and earnings in the national currencies important for STADA of the Russian ruble, Serbian dinar and the pound sterling. Whereas the Russian ruble had a slightly positive and the pound sterling a positive currency effect, the Serbian dinar had a clearly negative currency effect. Here it should be noted that a weakening of the Serbian dinar is resulting in positive effects for the Group's cost of sales as numerous products are also produced at Serbian production locations for sales in the euro zone. The currency relationships in other countries relevant for STADA only had a small influence on the translation of sales in local currencies into the Group currency euro.

Economic developments, furthermore, had effects on the operational business development of Group activities because STADA is partly active in markets which belong to the so-called self-pay markets. Thus the demand for STADA products, to a certain extent, is also influenced by the financial means of the respective patients in the affected markets of the individual market regions. A more or less strong cost pressure in the individual health care systems, which depends on the respective economic development, is also a burden that results in regulatory measures that can also affect generics suppliers (see "Earnings Situation – Development of Segments – Information by Market Region"). Furthermore, macroeconomic influences can also directly affect STADA's financial results, if individual state health care systems no longer have sufficient funds to finance adequate health care for their people.

STADA's development in Serbia in 2012 was still characterized by liquidity bottlenecks in the local distribution channels. Nevertheless, STADA still assumes that its own operating business in Serbia is fundamentally stable and that it offers further growth opportunities (see "Earnings Situation – Development of Segments – Information by Market Region – Serbia").

Operative alignment

In the context of the operative alignment, STADA has a predominantly function-based organizational structure in the areas of Finance, Development, Production including Procurement and Quality Management, Risk Management, Compliance, Corporate Governance as well as overall responsibility for the Group strategy. The sole targeted exception is sales functions, which are organized through the STADA market regions with a primarily local and regional focus in order to ensure the greatest degree of market proximity in accordance with Group strategy. On the basis of agreed targets, the sales responsibility related to sales and earnings of the market regions, their product portfolio and their personnel management lies both with the respective regional management.

Based on this operative alignment, STADA pursues the goal of possessing the necessary flexibility and market proximity for the business model to be able to react quickly to changed framework conditions, despite the Group-wide harmonization and centralization that is needed in order to increase efficiency.

In view of this, division into the core segments Generics and Branded Products as well as the non-core activity Commercial Business is carried out essentially on sales aspects. The different sales requirements of the respective product categories are thus also reflected in the operational management of the Group.

Substantial optimizations were carried out on the operative alignment in 2012. With the additional reporting structures of the so-called "functional reporting" introduced at the beginning of 2012, the development of operating costs can be better monitored, i.e. more independent of the legal unit that incurs them. This also laid the foundation to forgo the level of local units in favor of consolidated market regions in the observation of sales and earnings. Along with these changes, the reporting structures were adapted to the changed operative alignment as a result of the "STADA – build the future" program.

Key performance indicators

In the course of the growth strategy pursued by STADA, which is based on growth both by organic means and through acquisitions, the Group's corporate areas are managed based on strategic and operative guidelines as well as various financial indicators. The financial performance indicators the Group uses to manages the individual corporate areas and in particular the market regions, are the same for all Group segments.

The key figures used for the operational management of the STADA Group include Group sales, operating profit – particularly the operating profitability of the market regions as compared to the Group average – adjusted EBITDA, free cash flow, and the net debt to adjusted EBITDA ratio.

The development of **Group sales** is a key element to ensure business success. Top-line programs to increase sales in the STADA Group are thus a key pillar for the Group's future development. In euro, Group sales increased by 7% to € 1,837.5 million (previous year: € 1,715.4 million).

Operating profit, which is achieved in the context of normal business activities, increased in the reporting year by 68% to € 202.1 million (previous year: € 120.1 million). The adjusted operating profit recorded growth in the reporting year of 3% to € 266.3 million (previous year: € 257.6 million).

Adjusted EBITDA in the STADA Group corresponds to the EBITDA adjusted for one-time special effects. The development of adjusted EBITDA is used by the Group to measure the operational performance and the success of the individual business areas. In 2012 adjusted EBITDA increased by 9% to € 367.5 million (previous year: € 337.2 million).

Free cash flow is the Group's measure for the potential of further development of the Company in the form of organic and non-organic growth. In view of significant acquisitions in 2012, free cash flow in financial year 2012 amounted to € -255.8 million (previous year: € -18.1 million).

Net debt to adjusted EBITDA ratio is an indication of the financial stability of the Group and is accordingly used as a benchmark for the borrowing of funds. As a result of investments made in larger acquisitions in reporting year 2012, this key performance indicator was 3.2 (previous year: 2.7) and was thus, as expected, higher than the maximum value of 3 envisaged by the Executive Board. However, the improvement achieved in the fourth quarter of 2012 in the net debt to adjusted EBITDA ratio from 3.6 on September 30, 2012 to 3.2 on December 31, 2012 shows a satisfactory trend.

Key performance indicators of the STADA Group

in € million	2012	2011
Group sales	1,837.5	1,715.4
Operating profit	202.1	120.1
EBITDA, adjusted	367.5	337.2
Free cash flow	-255.8	-18.1
Net debt to adjusted EBITDA ratio	3.2	2.7

Further details on the development of STADA's key performance indicators can be found in the chapters "Earnings Situation", "Financial Situation" and "Assets Situation".

Group-wide cost-efficiency program "STADA – build the future"

In the context of the consistent implementation of the Group-wide cost efficiency program "STADA – build the future" started in 2010 to strengthen the mid and long-term earnings potential, STADA made continued progress in 2012 in numerous areas of the Group:

- In the area of **product development**, STADA continued the expansion of appropriate activities in low-cost Group locations. In the meantime approx. 55% of ongoing Group-wide in-house development projects are processed in Vrsac, Serbia.

  Analogue to this effort, STADA established a central project management with active interface management which, from the Group's perspective, contributes to the transparent management of product development.

  Two orders initially for two development projects were awarded to external developers in the first quarter of 2012 and the overall process was successful. As a result, STADA has since expanded these activities to four external development projects.

- In the area of **production**, the concentration of production processes into fewer locations was continued – in particular in Serbia, Bosnia-Herzegovina, Russia and Vietnam. This applies both to the gradual assumption of production volumes from contract manufacturing as well as to shifting production volumes within Group-owned plants. The objective is, on the one hand, to benefit from the structural cost advantages of these locations and, on the other hand, to reduce unit costs of respective products by improving capacities.

  As evaluated at the beginning of the "STADA – build the future" project, the sale of plants that render significant production volumes in the context of the concentration process was successfully concluded in 2012. Following the sale of the Dutch packaging unit in Etten-Leur back in 2010, the reporting year saw the disposal of both the Irish factory[1)] in Clonmel as well as the two Russian production facilities[2)] in Moscow and Ryazanskaya obl. Overall, STADA was thereby able to reach a significant goal of "STADA – build the future", the Group-wide cost efficiency program scheduled to run from 2010 to the end of 2013 ahead of schedule, because with the sale of the two Russian production facilities the number of employees from the year 2010 was reduced by approx. 10% (corresponding to approx. 800 full-time jobs) within financial year 2012 and not, as planned, by the end of 2013. The respective burdens[3)] were less than the expenses originally planned in the scope of the program for the sale of both the Irish as well as the Russian production facilities.

  STADA significantly raised the utilization of Group-owned production capacities with the introduction of previously externally awarded production orders to in-house production and by increasingly producing new products in-house. In order to adjust previously, in part, significantly diverging capacities of various production stages – such as bulk production and packaging – STADA made investments in 2012 in the low single-digit million-euro area for various sub-areas of several existing production locations. In addition, the Group started a process optimization program with the support of external consultants at the production sites in Serbia and Bosnia-Herzegovina where utilization has increased markedly. Both measures focus on improving the utilization of the respective capacities.

  In addition to the sale of the production facilities, STADA also disposed of the Engineering companies, which are not part of the Group's core business, in the first quarter of 2012. The one-time burden in the amount of € 1.5 million before taxes or € 1.3 million after taxes was reported as a one-time special effect.

1) See the Company's ad hoc release of February 6, 2012.
2) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
3) The one-time burden in the amount of € 17.1 million before taxes or € 16.4 million after taxes for the sale of the Irish production facility was reported as a one-time special effect of € 16.8 million before taxes or € 16.2 million after taxes in the first quarter of 2012 as well as a further € 0.3 million before taxes or € 0.2 million after taxes at year's end. The one-time burden in the amount of € 8.4 million before taxes or € 8.0 million after taxes for the sale of the two Russian production facilities was reported as a one-time special effect in the third quarter of 2012.

- In the area of **supply chain**, needs planning, which was originally decentrally organized, was centralized with a so-called hub structure. Each centralized location was selected according to what was most logical in consideration of synergy and cost aspects. In total, three hubs were installed at the Bad Vilbel, Vrsac and Moscow locations where supply chain management is carried out for the Group's top products selected according to specified criteria. In this context, individual local units provide internally billed, Group-relevant services. As a result of the corresponding pooling of respective services, the Group creates cost synergies that then lead to cost savings.

- In the area of **procurement and supply chain**, STADA continued the centralization and internationalization of the procurement of active ingredients and auxiliary materials as well as of the procurement of bulk and finished goods with the goal of optimizing stock levels. After a procurement office in Shanghai, the People's Republic of China, commenced full operations in 2012, the Group also decided to open an additional procurement office planned to commence activities in mid 2013 in Mumbai, India, in the financial year. In consideration of the continuous cost optimization, both China and India have become important resource countries for low-cost active ingredient procurement for the Group.

- The Group also continued further optimization processes in the area of **Quality Management**.

  In 2011, STADA commissioned a newly-built laboratory building in Timisoara, Romania, which enables the Group to carry out laboratory tests itself for the release of products, which were previously awarded to external entities, at this low-cost location. In addition to cost aspects, the location was selected due to two considerations. First of all, Timisoara is located within the EU, meaning that EU-wide releases are possible from there. Second, Timisoara is very close to STADA's important production location in Vrsac, Serbia, and the new laboratory is well-suited, also in consideration of logistics, to carrying out process controlling for products manufactured in Vrsac. In light of the successful start of this project, STADA began the second construction stage in the reporting year. Following the planned completion of the overall project in 2014, the Group expects capacities to double there.

- In the area of **IT**, STADA introduced functional, process-oriented monitoring that will enable Group headquarters to centrally monitor the individual operating areas once key performance indicators have been determined.

Four market regions were also defined in the context of "STADA – build the future". By defining these market regions, STADA frees itself from the former reporting by country and thereby takes account of the changed structure resulting from the efficiency program. At the same time, STADA was able to integrate the Grünenthal sales structures fully acquired in January 2012 and allocate the newly defined areas of responsibility. The four regions correspond to the operating segments according to market region used for internal reporting since 2012 (see "Earnings Situation – Development of Segments – Information by Market Region").

In the current financial year 2013, STADA will continue with the implementation of the remaining measures of the Group-wide cost efficiency program "STADA – build the future", scheduled for the period of 2010 to 2013, which aims at strengthening mid and long-term earnings potential. 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.

Overall, STADA achieved its set intermediate goal for 2012 of improving adjusted EBITDA. In the view of the Executive Board, this substantially contributed to the Group achieving record growth of 9% in adjusted EBITDA.

Considering that the operational implementation of "STADA – build the future" is nearly already complete, the Executive Board introduced a preliminary evaluation of a potential follow-up program "STADA – build the future II".

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

General statements of the Executive Board on business development in 2012

In financial year 2012, the sales and operating earnings development of the STADA Group was within the scope of expectations and thereby conformed to the outlook given by the Executive Board at the beginning of the year.

In the outlook for financial year 2012, the Executive Board expected, as in the prognosis report of the Annual Report 2011, further growth in Group sales and earnings. In this context, the Executive Board envisaged sales growth in both core segments while the Branded Products segment was expected to grow at a disproportionately high rate as the share of branded products in Group sales continues to grow. Furthermore, the Board anticipated a very substantial increase in reported net income for financial year 2012 as compared to 2011. For EBITDA adjusted for one-time special effects, the Executive Board saw the opportunity for an increase in the high single-digit percent area.

With varying development in the individual market regions, Group sales rose in the reporting year by 7% to € 1,837.5 million. Sales of the core segment Generics increased in 2012 by 2% to € 1,213.1 million, so that it had a share of 66.0% in Group sales. Sales in the Branded Products core segment increased by 26% to € 596.2 million in financial year 2012, and thereby contributed 32.5% to Group sales. The reported and operational, i.e. adjusted, key earnings figures all increased in financial year 2012. Reported net income rose to € 86.5 million. The adjusted EBITDA increased in the reporting year by 9% to € 367.5 million.

In consideration of this development, STADA achieved operationally good results in financial year 2012 that were in line with positive expectations in the view of the Executive Board.

Product Development

Strategic and organizational basis of development activities

In view of strategic positioning, the STADA Group deliberately does not conduct any own research for new active pharmaceutical ingredients, but rather focuses on the development of products with active ingredients – generally pharmaceutical active ingredients –, which are no longer subject to any commercial property rights, particularly patents.

The clear focus of STADA development activities is on the development of new products for international marketing using Group-owned sales companies. Additional development activities focus on the expansion of the existing product portfolio by way of additional dosage forms or strengths and the internationalization of nationally successful products. The Group also focuses on the support of transfer projects in the production area by means of know-how transfer, for example, as well as the optimization of products already launched in order to reduce cost of sales or achieve better application potentials.

Development activities for new products generally focus on their market readiness. In the case of pharmaceuticals this usually involves receiving national approval from the responsible regulatory authorities in the scope of differentiated, partly supranational approval processes. In most cases, the Group prefers to achieve supranational, in particular EU-wide, approval procedures, in order to achieve numerous national approvals of a product in different countries nearly simultaneously. Approval procedures outside of the EU are carried out if possible based on the EU dossier of the respective products, so that the Group can thereby fall back on a standardized formulation. With its international alignment of development activities, furthermore, STADA aims to take advantage of economies of scale with optimized batch sizes.

The Group development activities are focused on long-term objectives in order to guarantee a continuous flow of new product launches particularly in the core segment Generics and thus accelerate organic growth. In view of this, STADA is now already working on the development of generic products with potential launch dates beyond 2020. For generics with Group-wide relevance, STADA assumes a regulatory preparation time including an approval period of currently at least three years. For this reason products which the Group wants to launch within this time frame are thus generally already in the approval process today. STADA generally pursues a “time and cheap to market” strategy with the goal of launching new products not only at the earliest point in time, but also at the best possible cost of sales.

With a view to the great significance that strong product development has for the Group’s success, the planning and organization of STADA’s development activities is primarily centrally structured. Own development centers have been established for Group production in Bad Vilbel, Germany, and Vrsac, Serbia. In addition, following up on the successful start of the two initial orders in 2011 for development projects to external developers in India, STADA has now expanded to four external development projects. Furthermore, in some projects, STADA partially or fully acquires dossiers or approvals from third parties. For development activities, together with its own development, STADA therefore also relies on an international network of external development partners. In this regard, the Group – as is usual in this sector in some cases – also enters into joint development projects with competitors. Against this backdrop, long-standing expertise in managing such a network cost-effectively and, in terms of the respective commercial property rights, in a timely manner ranks as one of Group’s strategic success factors.

With the goal of increasing the number of in-house developments of strategically important and high-sales products, STADA has continually expanded internal development activities under consideration of costs in recent years. During the initial years of sales, for example, this measure results in an optimization of procurement and production costs as the purchase of dossiers and their associated initial supply commitments can be reduced. In the context of in-house developments, the increasing concentration in low-cost Group locations also plays an important role. In exceptional cases, individual local business units also carry out their own development activities for new products provided these are not significant for the Group.

In the course of the further implementation of the Group-wide cost efficiency program "STADA – build the future", STADA continued the expansion of appropriate activities in low-cost Group locations in financial year 2012. In the meantime approx. 55% of ongoing Group-wide in-house development projects are processed in Vrsac, Serbia.

For the management of all development projects, STADA established a central project management with active interface management which, from the Group's perspective, contributes to the transparent management of product development.

In consideration of the significantly larger share that the Generics core segment contributes to Group sales, STADA's development activities clearly focus on this core segment. Depending on the local patent and approval situation and depending on the relevant market strategy, STADA or the management of the market region responsible decides which active pharmaceutical ingredients are to be launched into a market and at what time. STADA generally aims to have completed the development of all Group-relevant, according to sales, strengths and dosage forms of an active pharmaceutical ingredient as early as possible, in order to make these and all required approvals available to individual sales companies as immediately as possible after the expiration of the respective patent and/or commercial property right. Because the long-term success of a generic product also depends on its launch date.

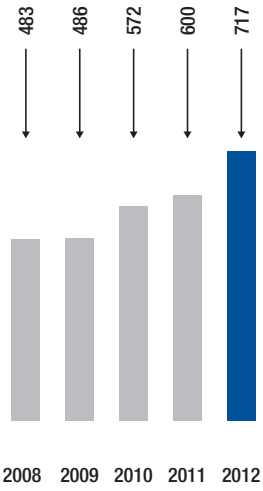
Within the framework of determining a launch date for a generic in a market, the commercial property rights that have to be observed are of substantial importance as their scope and duration can be very different from market to market. As a precautionary measure, the regional management and STADA Group management regularly receive legal recommendations on commercial property rights from both internal and external experts. Nevertheless, before and after the launch of new generics, there can be, in some cases, legal disputes commenced by initial suppliers, which generally involve the validity of commercial property rights such as patents, which stand in contrast to the Group's assessment and, in exceptional cases, can even lead to a negative result for STADA.

In the Branded Products core segment, the development activities are better targeted towards individual markets and have a more flexible time frame than Generics, as development activities for new branded products are oriented towards product and country-specific growth and/or earnings opportunities as well as compatibility with the existing product range and Group structures.

Sustainable development and approval strength

The Group's sustainable development and approval strength is evident in the large number of product launches year after year. With the introduction of 717 individual products worldwide (previous year: 600 product launches) – and thereby once again the highest amount in STADA's history –, the Group once again proved this strength in financial year 2012.

Five-year development: number of product launches



The great importance of STADA's successful product development can be seen from the 8% (previous year: 9%) of Group sales generated with products the Group introduced in the last two years.[1)2)]

STADA's product pipeline remains well-filled. This assessment is confirmed by the high number of ongoing approval procedures as of December 31, 2012 totaling over 1,000 for over 130 active pharmaceutical ingredients and active ingredient combinations for more than 50 countries. This applies in particular to generics in the EU. In addition the Group conducts approval activities also in markets outside of the EU where STADA has its own subsidiaries or is active in the export business.

In addition to the high number of successful new launches in the area of classic generics, the high level of expertise of STADA's product development also becomes clear with a few specific projects.

In 2011 STADA and Gedeon Richter Plc., Budapest, Hungary, signed license and collaboration agreements for the development and marketing of biosimilar products for the two monoclonal antibodies Rituximab and optionally Trastuzumab.[3)]

The approval of the biopharmaceutical active ingredient Rituximab, which Richter is currently developing as a biosimilar, is still expected for the end of 2017 from today's perspective. For the Trastuzumab biosimilar, STADA has, at the time of the beginning of the clinical studies, a unilaterally for STADA exercisable option to acquire a distribution license at commercial conditions analogous to those of the Rituximab biosimilar.

In addition, STADA continuously carries out negotiations on the in-licensing of additional biosimilars and reviews corresponding offers. In light of the numerous options available to the Group in this area, STADA will take decisions on the in-licensing of additional biosimilars at the appropriate time.

Expenses for research and development costs

The research and development costs amounted to € 52.2 million in 2012 (previous year: € 50.4 million) (see "Earnings situation – Development of Earnings and Costs"). Since STADA does not carry out any research into new active pharmaceutical ingredients due to its business model, it is only a matter of development costs. In addition the Group capitalized development costs for new products in the amount of € 14.5 million in the reporting year (previous year: € 12.3 million) (see "Notes to the Consolidated Financial Statements – 15.").

1) Reporting year and previous year.
2) Without products and sales from acquisitions.
3) See the Company's corporate news of August 30, 2011.

Procurement, Production and Quality Management

International network for procurement of active ingredients and auxiliary materials

Under flexibility and cost aspects, the Group has generally abstained from manufacturing any active ingredients or auxiliary materials necessary for pharmaceutical production, but utilizes an international network of raw materials suppliers. The STADA focuses – particularly for the procurement of active pharmaceutical ingredients – on low-priced suppliers from low-cost countries with a focus on Asia. The Group, however, does not generally rule out future cooperations in the area of active pharmaceutical ingredient production, with the goal of achieving greater vertical integration.

In the framework of "STADA – build the future" in financial year 2012, the Group continued the centralization and internationalization of the procurement of active ingredients and auxiliary materials as well as of the procurement of bulk and finished goods with the goal of optimizing stock levels in the reporting year. After a procurement office in Shanghai, the People's Republic of China, commenced full operations in 2012, STADA also decided to open an additional procurement office planned to commence activities in mid 2013 in Mumbai, India, in the financial year. In consideration of the continuous cost optimization, both China and India have become important resource countries for low-cost active ingredient procurement for the Group.

If STADA products are produced in the context of contract manufacturing, the Group is dependent on global developments with respect to purchase prices for the necessary raw and auxiliary materials and on the prices negotiated with contract manufacturers, which may fluctuate significantly depending on the product. In order to reduce the risk of market-related margin losses due to falling selling prices, STADA involves suppliers where possible in this market price risk. This occurs, for example, by using price escalation clauses in which procurement prices are linked to current selling prices, subsequent negotiations or the agreement of special procurement prices for special sales volumes, such as volumes that that are put out to tender by public health insurance organizations in the context of discount agreements (see "Earnings Situation – Development of Segments – Information by Market Region – Germany").

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 on those from non EU countries, which require greater involvement of national and/or local authorities in the third countries, some of whom are either not yet willing or not capable of this. The Group assumes, from today's perspective, that as a result of measures introduced by STADA as well as ongoing efforts from the entire industry at both the EU and national level, no significant delivery bottlenecks for active ingredients will arise for the STADA Group as a result of the new regulations, even if individual delivery bottlenecks and an increased procurement expenditure cannot yet be ruled out from today's perspective.

Continuous optimization in the area of supply chain

In the area of Supply Chain, needs planning, which was originally decentrally organized, was centralized with a so-called hub structure in financial year 2012. Each centralized location was selected according to what was most logical in consideration of synergy and cost aspects. In total, three hubs were installed at the Bad Vilbel, Vrsac and Moscow locations where supply chain management is carried out for the Group's top products selected according to specified criteria. In this context, individual local units provide internally billed, Group-relevant services. As a result of the corresponding pooling of respective services, the Group creates cost synergies that then lead to cost savings. This project commenced in August 2011, was continuously expanded in 2012 and is being continued in the current financial year 2013.

Supply chain and pharmaceutical production with high flexibility and continuous cost optimization

With a view to the comprehensive product portfolio of more than 900 active pharmaceutical ingredients and over 15,000 product packagings sold by the Group, each different in terms of its active ingredient and/or quantity of the active ingredient and/or dosage form and/or package size, STADA also makes use of an international network of internal and external resources for the supply chain and pharmaceutical production.

In consideration of the significant potential to reduce costs in the area of production, the further concentration of production processes into fewer locations was continued in 2012 – in particular in Serbia, Bosnia-Herzegovina, Russia and Vietnam. This applies both to the gradual assumption of production volumes from contract manufacturing as well as to shifting production volumes within Group-owned plants. The objective is, on the one hand, to benefit from the structural cost advantages of these locations and, on the other hand, to reduce unit costs of respective products by improving capacities.

As evaluated at the beginning of the "STADA – build the future" project, the sale of plants that render significant production volumes in the context of the concentration process was successfully concluded in 2012. Following the sale of the Dutch packaging unit in Etten-Leur back in 2010, the reporting year saw the disposal of both the Irish factory[1)] in Clonmel as well as the two Russian production facilities[2)] in Moscow and Ryazanskaya obl. (see "Financial Situation"). Overall, STADA was thereby able to reach a significant goal of "STADA – build the future" the Group-wide cost efficiency program scheduled to run from 2010 to the end of 2013 ahead of schedule, because with the sale of the two Russian production facilities the number of employees from the year 2010 was then reduced by approx. 10% (corresponding to approx. 800 full-time jobs) within financial year 2012 and not, as planned, by the end of 2013. The respective burdens[3)] were less than the expenses originally planned in the scope of the program for the sale of both the Irish as well as the Russian production facilities.

The Group extended process optimization programs at the production sites in Serbia and Bosnia-Herzegovina where utilization has increased markedly which led to immediate improvements in capacity and thereby results with the partial achievement of full utilization of individual production stages. Investments were also made or introduced to adjust the varying capacities of individual process stages of pharmaceutical production to the respective capacities of individual locations.

In 2011, the Group – initially in Germany – began to optimize the controlling instruments for the analysis of cost of sales. In the reporting year, the Group continued this optimization at the Hemofarm Group's locations in Vrsac, Sabac, Dubovac and Banja Luka. As a result of the measure, STADA has achieved greater precision in the determination of production costs which, in turn, increases the efficiency of controlling and optimization processes.

Furthermore, STADA started with the development of new IT programs in Serbian locations in 2012, which will foster improved networking between procurement and production planning in the Group.

Additional potential efficiencies continue to be achieved with increased utilization of uniform SAP software. At the same time, the roll-out of the SAP software, which STADA initiated in the German Group headquarters in 2007, was continued in the reporting year and from today's perspective should be fully completed by 2014.

1) See the Company's ad hoc release of February 6, 2012.
2) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
3) The one-time burden in the amount of € 17.1 million before taxes or € 16.4 million after taxes for the sale of the Irish production facility was reported as a one-time special effect of € 16.8 million before taxes or € 16.2 million after taxes in the first quarter of 2012 as well as a further € 0.3 million before taxes or € 0.2 million after taxes at year's end. The one-time burden in the amount of € 8.4 million before taxes or € 8.0 million after taxes for the sale of the two Russian production facilities was reported as a one-time special effect in the third quarter of 2012.

Following the completed sale of the Irish production facility in Clonmel in 2012 as well as the two Russian production facilities in Moscow and Ryazanskaya obl., the Group had pharmaceutical production locations at the following locations as of March 1, 2013:

- Market region Germany
  - Bad Vilbel (Germany)
  - Pfaffenhofen (Germany)[1)]
- Market region CIS / Eastern Europe
  - Banja Luka (Bosnia-Herzegovina)
  - Dubovac (Serbia)
  - Nizhny Novgorod (Russia)
  - Obninsk (Russia)
  - Podgorica (Montenegro)
  - Sabac (Serbia)
  - Vrsac (Serbia)
- Market region Asia & Pacific
  - Beijing[2)] (China)
  - Hoc Mon District[2) 3)] (Greater Ho Chi Minh City)[3)] (Vietnam)
  - Binh Duong Branch[3)] (Greater Ho Chi Minh City)[3)] (Vietnam)
  - Tuy Hoa[2) 4)] (Vietnam)

STADA makes adequate annual investments 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 the Group invested a total of € 12.6 million in 2012 (previous year: € 13.6 million).

Highest safety and quality requirements

As a health care company, STADA has always put the highest priority on product quality and safety. In addition to finished products, this premise also applies to the raw materials the Group processes, the services and working conditions.

In the scope of comprehensive audits that take place regularly, Group Quality Management examines the quality standards established by the Group, which in part go clearly beyond the provisions required by law, in the Group's own production sites as well as in the facilities of suppliers and contract manufacturers.

From the external side, the STADA Group's production facilities are also regularly inspected by the nationally responsible regulatory authorities. Within the EU, the regulatory authorities carry out these inspections every two to three years. In addition to inspection by national authorities outside the EU, STADA also orders so-called EU-GMP compliance inspections in order to receive extensions of the required EU import authorizations valid for three years each. The authorities responsible for STADA generally check whether the inspected production facilities correspond to the EU's GMP standards in the course of these inspections. Overall, 15 inspections were successfully completed in third countries throughout the Group from 2010 to 2012. This included successfully completed inspections at the production facilities Hemofarm A.D., Vrsac, Serbia, Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina, Hemofarm d.o.o., Sabac, Serbia, Hemomont d.o.o., Podgorica, Montenegro, LCC Hemofarm, Obninsk, Russia, Nizhpharm J.S.C., Nizhny Novgorod, Russia, and STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam.

1) The relevant rental and service contracts for this location were extended in the fourth quarter of 2012 until December 31, 2024.
2) A production unit which is not integrated and consolidated in the Group, solely aimed at the local market demand.
3) Both production sites are operated within the framework of a 50:50 joint venture with a local partner.
4) Since January 1, 2013 (see "Supplementary Report").

Since the Group strives to secure, also in countries outside of the EU, EU quality standards for drugs, which often go beyond local requirements, the Group-owned production facilities not located in the EU in Banja Luka, the greater Ho Chi Minh City area (Binh Duong Branch), Nizhny Novgorod, Obninsk, Podgorica, Sabac and Vrsac are set up for the production of certain pharmaceutical dosage forms for EU countries and are therefore authorized by the responsible EU regulatory authorities for delivery to the EU according to the above-mentioned inspections. The production facility in Tuy Hoa was also successfully inspected for EU-GMP conformity in 2012. In January 2013, STADA received as a result the import certificate for the import of medications into the European economic zone.

In addition to legal provisions, STADA holds international certifications in accordance with external quality management systems. Therefore, at numerous production sites, the Group not only focuses on good manufacturing practice standards (GMP standards), but also on the relevant ISO standards. At several locations, the Group holds various ISO certificates such as ISO-9001:2008 and ISO-14001:2004.

If individual quality problems occur despite all the preventative and controlling measures, STADA's quality management generally focuses on a proactive approach. The effectiveness of this approach was shown in Serbia. There, the local subsidiary decided in the third quarter of 2011 to discontinue the distribution of several batches of various injection substances in various European markets as well as the US market after technical problems were uncovered in part of the Serbian production for injection substances, which is primarily used for contract manufacturing. The proactive discontinuation of distribution, which was carried out in agreement with the customers, made it possible to avoid a market recall. For Group-owned approvals, production resumed at this production line for injection substances in the fourth quarter of 2011.

Following these technical problems, the US regulatory authority FDA published an import alert in the second quarter of 2012 and a warning letter in the third quarter of 2012 concerning the production location in Vrsac. The topics and measures mentioned there had already been integrated to a large extent with the completed technical optimization – which made use of external experts – of the facility and production processes that were inspected by the FDA, but this has not been taken into account by the FDA to date. Due to the optimizations carried out, it was possible to re-commence production on the affected production line for the local and European markets in the second quarter of 2012. An inspection of the affected production line and the connected processes, which also include microbiological quality control, on July 17, 2012 by the responsible Serbian supervisory authority confirmed the measures taken by Hemofarm and did not result in any objections. For the US market, STADA has foregone further delivery due to economic considerations. The expense in the amount of € 0.5 million before or € 0.4 million after taxes for the corresponding dissolution of the delivery contract was reported as a one-time special effect in the second quarter of 2012 (see "Earnings Situation – Development of Earnings and Costs"). In the third quarter of 2012, the topics addressed by the FDA were processed according to plan with the use of additional external experts and a corresponding status report was sent to the FDA in a timely manner at the end of the third quarter. In the context of the ongoing GMP optimization program, quarterly reports will continue to be sent to the FDA until re-inspection by the FDA, which is planned for the 2014 at the latest.

In the course of the implementation of "STADA – build the future", the Group has increasingly positioned itself as more centralized, international and cost-effective also in the area of quality management and continued further optimization processes in the reporting year. In 2011, STADA commissioned a newly built laboratory building in Timisoara, Romania, which enables the Group to carry out laboratory tests itself for the release of products, which were previously awarded to external entities, at this low-cost location. In addition to cost aspects, the location was selected according to two considerations. First of all, Timisoara is located within the EU meaning that EU-wide quality control audits are possible from there. Second, Timisoara is very close to STADA's important production location in Vrsac, Serbia, and the new laboratory is well suited, also in consideration of logistics, to carrying process controlling for products manufactured in Vrsac. In light of the successful start of this project, STADA began the second construction stage in financial year 2012. Following the planned completion of the overall project in 2014, the Group expects capacities to double there.

Sales and Marketing

Functional Group structures as well as local sales companies with close market proximity in the individual market regions

The international sales structure of the STADA Group is made up of numerous nationally aligned sales companies, and thus close market proximity, which are regionally managed within market regions and supported by central Group functions.

Depending on the local market structure and the corresponding demand structure, the individual STADA subsidiaries concentrate on various target groups – such as patients and/or consumers, doctors, doctors' cooperatives, pharmacies, pharmacy cooperatives, hospitals, wholesalers and other service providers in the health care market as well as on cost bearers in the form of public health insurance organizations or private insurances – in the area of sales and marketing in coordination with the management of the market regions.

In order to differentiate by specific target groups, STADA is, in part, also active in selected market regions with parallel sales companies. While adhering to Group regulations, the individual subsidiaries are free to structure their local product portfolio differently in order to meet local demands.

This market region-oriented sales concept enables the Group to respond promptly to changes in the individual markets of the respective market regions and to immediately adapt local sales to the corresponding requirements. These could include, for example, a different product assignment, a modified market presentation, or the diversification, expansion or reduction of local sales structures.

Sales activities are also internationally coordinated in the Group. This includes, for example, the structuring of the portfolio for the further internationalization of individual products or sales activities such as wholesaling cooperative agreements. If it is necessary due to structural or legal framework conditions, STADA also separates the marketing and sales activities of various sales companies within the four market regions. This applies, for example, to the maintenance of so-called "confidential tenders" in the context of tenders for discount agreements in the German generics market.

Continuous expansion and further internationalization of the Group-wide sales network

In the context of the active acquisitions policy, the Group will continue to pursue the goal of continuously expanding the existing sales network in the future as well. On the one hand, this is to further reduce the dependence on individual countries such as Germany whose health care system is characterized by difficult local framework conditions for generics. On the other hand STADA intends to optimally use the growth opportunities arising from the expansion.

In financial year 2012 the Group complemented the existing international sales structures through two further acquisitions. On January 31, 2012, STADA concluded the acquisition of a product portfolio primarily of prescription branded products including the respective sales structures for EU markets in Central Europe (see "Financial Situation").[1)] STADA had already acquired the portfolio for numerous national markets in Eastern Europe and the Middle East on December 30, 2011.[2)] As of January 31, 2012, furthermore, STADA concluded the purchase of a generics business in Switzerland including the respective sales structures (see "Financial Situation").[3)]

As of March 1, 2013, STADA was represented in 35 countries with 51 sales companies (March 1, 2012: 54 sales companies in 33 countries) in the four market regions of Germany, Central Europe, CIS/Eastern Europe and Asia & Pacific. The sales focus in 2012 was on the market regions Germany, Central Europe and CIS/Eastern Europe. There, as of March 1, 2013, STADA was represented by 43 sales companies in 30 countries (March 1, 2012: 48 sales companies in 27 countries).

In addition, in the Asia & Pacific market region, as of March 1, 2013, STADA operated its own sales companies in China, the Philippines, Thailand and Vietnam. STADA also took advantage of local distributors for sales in 9 countries. In the first quarter of 2012, STADA founded a subsidiary based in Sydney, Australia, under the name STADA Pharmaceuticals Australia Pty Ltd[4)], which commenced business activities as planned in the third quarter of 2012.[5)]

More information on the development of Group activities in the individual market regions is published under "Earnings Situation – Development of Segments – Information by Market Region".

1) See the Company's ad hoc release of May 12, 2011 as well as the Company's ad hoc updates of July 22, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.
2) See the Company's ad hoc release of May 12, 2011 and the Company's ad hoc updates of July 22, 2011 and December 30, 2011.
3) See the Company's ad hoc release of May 19, 2011 and the Company's ad hoc update of November 9, 2011 and January 31, 2012.
4) Currently not consolidated.
5) See the Company's corporate news of March 27, 2012.

STADA sales structure (as of March 1, 2013)[1]

The following overview shows STADA's sales structure following the allocation to market region presented according to the newly aligned management and reporting structure.

Market region Germany

Germany	ALIUD PHARMA GmbH, Laichingen cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg STADA GmbH[2], Bad Vilbel STADApharm GmbH[2], Bad Vilbel
Croatia	STADA d.o.o., Zagreb[3]
Slovenia	STADA d.o.o., Ljubljana[3]

Market region Central Europe

Egypt	STADA Egypt Ltd.[4][5], Cairo
Belgium	S.A. Eurogenerics N.V., Brussels S.A. Neocare N.V., Brussels
Denmark	PharmaCoDane ApS, Herlev
Germany	STADA CEE GmbH[5][6], Bad Homburg
Finland	Oy STADA Pharma Ab, Helsinki
France	EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt Laboratoires d'études et de recherches en oligo éléments thérapie SA, Colombes
United Kingdom	Britannia Pharmaceuticals Ltd., Newbury[6] Genus Pharmaceuticals Ltd., Newbury
Ireland	Clonmel Healthcare Limited, Clonmel
Italy	Crinos S.p.A., Milan EG S.p.A., Milan
The Netherlands	Centrafarm B.V., Etten-Leur Centrafarm Services B.V., Etten-Leur Healthypharm B.V., Etten-Leur Neocare B.V., Etten-Leur
Austria	STADA Arzneimittel Gesellschaft m.b.H., Vienna
Poland	STADA Poland Sp. z o.o., Warsaw
Portugal	Ciclum Farma, Unipessoal, LDA, Paco de Arcos
Switzerland	Spirig HealthCare AG, Egerkingen
Slovakia	STADA PHARMA Slovakia s.r.o., Bratislava
Spain	Laboratorio STADA, S.L., Barcelona
Czech Republic	STADA PHARMA CZ, s.r.o., Prague

Market region CIS / Eastern Europe

Bosnia-Herzegovina	Hemofarm Banja Luka d.o.o., Banja Luka
Bulgaria	STADA PHARMA Bulgaria EOOD, Sofia
Kazakhstan	Nizhpharm-Kasachstan TOO DO, Almaty
Lithuania	UAB STADA-Nizhpharm-Baltija[7], Vilnius
Macedonia	Hemofarm Komerc d.o.o.[4], Skopje
Montenegro	Hemomont d.o.o., Podgorica
Romania	STADA HEMOFARM S.R.L., Temisvar
Russia	OOO Hemofarm[8], Obninsk ZAO Makiz-Pharma[8], Moscow OAO Nizhpharm[8], Nizhny Novgorod
Serbia	Hemofarm A.D.[9], Vrsac
Ukraine	Nizhpharm-Ukraine DO, Kiev

Market region Asia & Pacific

Australia	STADA Pharmaceuticals Australia Pty Ltd[4], Sydney
China	STADA Import/Export Ltd.[4], Hong Kong STADA Pharmaceuticals (Asia) Ltd., Hong Kong STADA Pharmaceuticals (Beijing) Ltd.[4], Beijing, China
The Philippines	Croma Medic, Inc., Manila
Thailand	STADA Asiatic Company, Ltd., Bangkok
Vietnam	Pymepharco Joint Stock Company, Tuy Hoa STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City

1) All companies with a STADA share of at least 50% have been listed.
2) Acting as commission agents on behalf of STADA Arzneimittel AG.
3) Due to management responsibility as of January 1, 2013.
4) Currently not consolidated.
5) Allocated to the market region Central Europe for reasons of management responsibility.
6) Export sales.
7) Consolidated since January 1, 2012.
8) Bundled under the umbrella brand STADA CIS.
9) Including various local sub-labels.

Employees

The Group's operative alignment is in principle based on the management of a complex network of internal and external resources, particularly in sales and marketing, product development as well as procurement and production. In light of this, STADA's employees, with their extensive expertise, their great experience and their strong commitment, have a significant share in the long-standing success of the Company.

Against this backdrop, STADA's personnel management pursues a long-term personnel policy that focuses on optimally supporting employees, creating loyalty to the Group and carrying out the personnel changes required for sustainable successful development.

Decentralized personnel management

In the area of personnel management, STADA deliberately relies on a decentralized organization in order to optimally target the different needs and demands of its employees at the various locations of the individual market regions. This is especially true of the Group's international subsidiaries, which in accordance with Company guidelines are largely independent in many areas of personnel policy such as recruitment, training and remuneration. In this context, the Group's strategic and operational guidelines, in particular the compliance regulations, must be observed.

Detailed information on the personnel policy for the Group companies at the Bad Vilbel location is published once per year in STADA's personnel and social report. It is published on the Company website under www.stada.de and www.stada.com.

Continuity in personnel development

In view of the great importance of STADA's employees to the Group's success, their training and development take on great importance. STADA offers various career training programs in the pharmaceutical, administrative and warehouse logistics areas. The Group also provides internships to young people to introduce them to the world of a pharmaceutical company. The Group's employees receive general support and the chance to update their respective specialist knowledge with training for managers, foreign language training as well as specialist workshops and seminars.

Managers sustainably secured with "STARS"

In order to provide early and targeted support to future managers among the STADA Group's employees, there is a specially targeted international talent management and development program called "STARS" (Searching Talents in All Regions of STADA). In this context, all current managers suggest individuals with management potential in their individual companies that will initially visit an assessment center. Following their success in this personnel selection process, the high potentials participate in a 12 to 15 month program that includes a total of three successive modules on various topics which take place in different countries. "STARS" enables STADA to not just find managers from an external pool of applicants, but also to recruit from within the organization in order to secure the managers required for the future success of the Group.

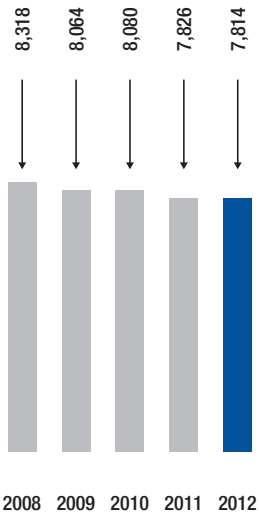
Development of the number of employees

In financial year 2012 the average number of employees in the STADA Group decreased to 7,814 (previous year: 7,826). As of the balance sheet date of December 31, 2012, the number of employees decreased to 7,761 (December 31, 2011: 7,900) despite the acquisition of a branded product portfolio for EU markets in Central Europe[1] including the associated sales structures and approx. 121 employees.

The reduction of employees in the STADA Group is primarily based on the ongoing implementation of the "STADA – build the future" project and the corresponding reduction in the number of employees. Taking into account outsourcing and disposals, a total of approx. 800 full-time positions and thus approx. 10% of the existing Group-wide personnel level at the beginning of financial year 2010 were to be reduced – mainly outside Germany (see "Business and General Conditions – Business Model, Core Segments and Structural Environment"). The Group was able to achieve this goal within 2012 rather than by the end of 2013 as originally planned.

Contributing to this were the disposals of the Irish production facility[2] with approx. 180 employees, the engineering companies which do not belong to the Group's core business with 58 employees and the two Russian production facilities[3] in Moscow and Ryazanskaya obl., which led to the immediate reduction of 186 employees. In addition to this completed reduction in the number of employees in the reporting year, there will be an additional reduction in the Group's number of employees as a result of the sale of the two Russian plants upon completion of the transfer because the purchaser is contractually obliged to take on up to approx. 212 full-time positions, which initially remain with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production and product transfers.

STADA's development in the number of employees on an annual average



The regional breakdown of the Group's employees shows that there was an average of 1,261 employees in Germany in the reporting year (previous year: 1,226). Of these, an average of 1,007 employees were under contract at the Group's headquarters in Bad Vilbel in 2012 (previous year: 979). The average number of persons employed at international Group locations in financial year 2012 amounted to 6,553 (previous year: 6,600).

1) See the Company's ad hoc release of May 12, 2011 as well as the Company's ad hoc updates of July 22, 2011, January 1, 2012, January 27, 2012 and January 31, 2012.
2) See the Company's ad hoc release of February 6, 2012.
3) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.

The percentage distributions with regard to the Group's average total number of employees were as follows for the individual functional areas as of December 31, 2012:[1)]

- Marketing / Sales 29%
- Logistics 4%
- Finance / IT 8%
- Production / Quality Management[2)] 37%
- Procurement / Supply Chain 3%
- Product Development 7%
- Administration 12%

The Group-wide share of women in management positions amounted to approx. 52% in the reporting year.

In the course of the implementation of the Group-wide cost efficiency program "STADA – build the future" and in view of the health care policy framework conditions in the German market – particularly as a result of health insurance organization tenders – the 40-hour week with no wage increase was introduced in financial year 2011 until the end of 2012 — in the context of a company agreement with the Works Council and with the approval of the parties to the wage agreement — in order to ensure the competitiveness of the STADA Group's German locations in Bad Vilbel and Florstadt. In return, for the first time in the Company's history, STADA gave the affected employees a commitment effective until December 31, 2012 that no dismissals for operational reasons would take place. As this company agreement was not extended, the Bad Vilbel and Florstadt locations have once again returned to the 37.5-hour week as of January 1, 2013, while at the same time the commitment that no dismissals would be made for operational reasons is no longer valid. The commitment that no dismissals would be made for operational reasons that was made in the course of the restructuring measures in 2011 for the remaining employees at the German Group location in Laichingen also ended according to the agreement on December 31, 2012.

Personnel expenses

Personnel expenses in the reporting year were € 291.5 million (previous year: € 272.2 million) and included severance compensation in the amount of € 0.4 million for employees affected by the personnel measures in the context of the "STADA – build the future". The ratio of personnel expenses to sales amounted to 15.9% in 2012 (previous year: 15.9%) and, adjusted for severance compensation, it was 15.7% (previous year: 15.4%).

In consideration of the completed reduction in the number of employees to date in the context of "STADA – build the future" and the contractually agreed, outstanding reduction of staff in the course of the sale of the two Russian production facilities by a further approx. 212 full-time positions, of which an additional approx. 195 have already been transfered to the purchaser in the current first quarter of 2013, STADA expects a decrease in the ratio of personnel expenses to sales in the coming years (without the inclusion of severance compensation).

1) No figures from financial year 2011 can be provided for comparison in the breakdown according to functional areas as the conversion to the structure displayed here was carried out as of April 1, 2011.
2) Including Facility Management.

Personnel structure by market regions and functional areas

Average number of STADA employees in 2012[1]

	Sales / Marketing	Logistics	Finance / IT	Production / Quality management[2]	Procurement / Supply chain	Product development	Administration	2012 Total
Germany	**263**	**136**	**169**	**270**	**69**	**190**	**163**	**1,260**
• Germany	263	136	169	270	69	190	163	1,260
Central Europe	**740**	**22**	**92**	**37**	**66**	**76**	**61**	**1,094**
• Belgium	114	0	8	0	6	12	9	149
• France	67	0	9	9	7	8	6	106
• United Kingdom	74	0	13	5	13	11	14	130
• Ireland	22	5	8	3	4	6	2	50
• Italy	30	0	14	3	6	6	5	64
• Austria	30	0	7	2	2	4	5	50
• Poland	88	0	3	0	1	2	1	95
• Spain	145	0	12	2	3	8	10	180
• Czech Republic	52	1	4	0	2	5	3	67
• Other[3]	118	16	14	13	22	14	6	203
CIS / Eastern Europe	**1,186**	**105**	**332**	**2,391**	**118**	**242**	**620**	**4,994**
• Bosnia-Herzegovina	20	11	9	90	4	2	13	149
• Kazakhstan	79	0	5	0	9	0	0	93
• Montenegro	9	7	5	109	4	1	8	143
• Russia	641	46	152	859	31	131	443	2,303
• Serbia	134	36	146	1,317	70	105	149	1,957
• Ukraine	176	3	6	0	0	0	0	185
• Other[3]	127	2	9	16	0	3	7	164
Asia & Pacific	**58**	**31**	**25**	**246**	**7**	**20**	**79**	**466**
• The Philippines	35	2	9	2	0	5	6	59
• Vietnam	4	19	11	243	7	14	71	369
• Other[3]	19	10	5	1	0	1	2	38
Total Group	**2,247**	**294**	**618**	**2,944**	**260**	**528**	**923**	**7,814**

1) No figures from financial year 2011 can be provided for comparison in the breakdown according to functional areas as the conversion to the structure displayed here was carried out as of April 1, 2011.
2) Including Facility Management.
3) Other countries of the respective market regions each have less than 50 employees.

Responsibility and Sustainability

STADA takes on responsibility

"Care for people's health and well-being is in the center of STADA's activities. From this, the Group's philosophy and overall concept are developed." According to this maxim and following the motto of "All the best!", the STADA Executive Board continuously strives, as the maxim demands, to integrate social responsibility into the Company and for employees to practice this daily.

As a result of Corporate Social Responsibility (CSR), the responsibility that companies have towards society is gaining ever-increasing significance. In the process, economic success is linked with responsible social and environmental action. In order to meet these requirements that are also fixed in STADA's mission statement, the Group supports, both in Germany and in numerous other countries, – usually via the respective subsidiaries – selected social and cultural projects. These include for the most part sponsoring, charitable donations and foundations.

Supporting CSR projects and providing help

The "Kinderzukunft" (Children's Future) Foundation helps Romanian children in need and is supported by STADA Arzneimittel AG. A children's village was built in 1994 in Timisoara, Romania, provides care and safety to about 200 children aged three to 18 who come from poor families as well as orphans and children who have been neglected or abandoned. Kinderzukunft's holistic concept goes well beyond mere care and support for children. In addition to schooling, the children can participate in state recognized vocational training at the village's own training centers so that they will be able to financially support themselves later in life. Financial support of this project also covers 2013 and 2014.

In cooperation with the Hochschule Fresenius in Idstein, STADA established the STADA foundation professorship "health management" already in 2003 in order to provide new impulses to the discussion regarding cost optimization in the health care system. The foundation professorship is aimed at the promotion of practice-related care research to optimize quality and efficiency in the health care system. One focus is thereby on the development of saving potential of transsectoral supply models which allow for a holistic provision of services by means of complex services. The foundation professorship includes the teaching areas health management, health care policy, health care system research, international comparison of health care systems, prevention and health promotion for economists and business administration for health care professions (speech therapy, occupational therapy and physiotherapy).

In 2011, STADA set up a fund that provides financial relief to STADA employees in Germany, as well as their families, who have come into difficulties by no fault of their own. STADA continued this initiative in 2012. The decision of who can take advantage of this aid and to what extent will be made in coordination with the Works Council and Human Resources management. This provision has already helped ten STADA employees since 2011.

In addition to regional cultural funding, such as the castle festivals in Bad Vilbel that STADA has sponsored for over 20 years, STADA in 2012 provided a donation to the Christian youth center Die Arche e.V. in Frankfurt, Germany, so that the children can enjoy a variety of activities in their summer break. At the end of 2012, STADA also made a contribution to the "Gießener Tafel".

The German sales company STADA GmbH and the parent company STADA Arzneimittel AG have been the main sponsor of dolphin aid e.V., Düsseldorf, since 2007. The non-profit association promotes alternative therapies and enables ill and handicapped children to undertake "dolphin therapy". In this therapy, children can interact with dolphins in a near-natural environment, which should then enable them to

improve their individual physical or psychological conditions. With the help of its sponsorship of dolphin aid, STADA deliberately decided in favor of supporting a therapy method that is not based on drugs because the Company wants to demonstrate a holistic understanding of health that is not exclusively focused on drugs.

In cooperation with Charité-Universitätsmedizin Berlin, the German sales company STADApharm GmbH supports the so-called "Deutschlandstipendiums" (German scholarship). The scholarship is a new instrument of financing higher education initiated by the federal government. It focuses on supporting new talents and encouraging top performance as well as fostering a new scholarship culture in Germany. One half of the Deutschlandstipendium is paid for by the federal government and the other half is paid for by private sponsors. STADApharm is currently supporting five Berliner Charité scholars.

The commitment of individual STADA subsidiaries also includes the area of sports because sports make a significant contribution to people's health and well-being. For example, STADA subsidiaries support numerous projects in amateur, handicapped and professional sports. Since 1996, this has included ALIUD PHARMA GmbH's financial support of Hanne Brenner, the two-time medalist in dressage riding at the 2012 Paralympics in London. The top athlete became a paraplegic in a riding accident and is an inspiration to other handicapped athletes as a result of her achievements which gives them encouragement to face difficult challenges despite handicaps. Furthermore, STADA has supported the Rollstuhlbasketball-Verein (RSV) Lahn-Dill, a very successful wheelchair basketball club in the German Basketball Bundesliga and at European level, since 1995 as a jersey sponsor, among other things.

Selected aid projects of international STADA subsidiaries

The Russian holding, STADA CIS, started the CSR project "Open your Heart" in 2012. In this context, STADA is touring throughout Russia and CIS countries with a mobile diagnosis center with the goal of raising awareness of cardiovascular disease. Anyone who is interested can be checked by a qualified cardiologist. The project began in 2012 in Ukraine and includes, among other things, press conferences, media coverage before and after events, presentations and scientific documentation. STADA CIS is thereby providing people the possibility to have their cardiovascular systems checked for free no matter their age, gender or financial situation and also provides the people information on their state of health and advice from leading specialists. Educational programs of this kind aim at increasing public awareness of the causes and prevention of cardiovascular problems. At the beginning of 2013, the mobile cardiovascular center opened its doors for the public in Russia and Kazakhstan.

STADA CIS is actively involved in a wide range of charitable and social activities including areas related to the pharmaceutical industry. The photography project initiated by STADA, "The Doctor's Job", which is being implemented in Russia, Ukraine and Kazakhstan, aims to foster trust in the services that doctors provide and to encourage the public to have regular preventative check-ups. The long-term project, that shows the pictured individuals real faces, offers a glimpse of doctors' personalities and the daily challenges of their profession and depicts the range of services doctors provide. The photo exhibitions take place at medical conventions and patient forums.

The Serbian subsidiary Hemofarm A.D. has also supported charitable activities for years and is thereby committed to the needs of the Serbian people. In cooperation with the Hemofarm Foundation, the company supports Serbian hospitals and health care institutions, particularly in areas of heart surgery, internal medicine and laparoscopic surgery, for example. Furthermore, Hemofarm provides supports social clubs in the form of gifts and financial donations. These are especially for children without parental care or children raised in poor families, but they also support Serbia's association for dystrophy patients. Hemofarm's activities also span the realm of sports. Accordingly the Serbian STADA subsidiary organized a multi-day "Magnetrans Champion's Camp" in Belgrade in 2012 in cooperation with the organization Balkanboxing. The event brought together young boxers and their coaches from across Serbia in order to give young people a close-up impression of the sport as well as train boxing fans. In addition to various activities such as a children's theater, public training and seminars

on healthy living and sports nutrition at the local university, Milan Piperski, one of Serbia's most well-known professional boxers, took part in the boxing camp as a promoter. As part of its support of culture, the Serbian STADA subsidiary is also active in promoting poetry and classical music. For one example, Hemofarm has been awarding the annual "Vasko Popa" book prize since 1995 to support Serbian poetry. The company also supports the "Kolarac Foundation" center for classical music including public concerts for the music scene following the motto of "Listen to classical music for a healthier life".

The Spanish subsidiary Laboratorio STADA S.L. has been sponsoring the non-governmental Spanish organization "Farmaceúticos Sin Fronteras de España" for years, providing medicine to the organization's medicine reserves which are used for worldwide emergencies and cooperative projects. Laboratorio STADA also initiated the "kNOW Alzheimer" project in 2012 in cooperation with various Spanish institutions in the health care sector. In cooperation with neurologists, general practitioners, pharmacists as well as scientists and specialists in geriatrics and geriatric care, dementia will be further investigated with the goal of raising awareness of Alzheimer's disease and thereby improve the situation for patients.

Further information on CSR can be found on the STADA website at www.stada.de or www.stada.com.

Sustainable and environmentally friendly action

The strategic positioning of the STADA Group is characterized by sustainability by virtue of its essence alone because generics contribute significantly to more efficient health care and thus to a sustainable utilization of resources in an area of life that is of great importance to people.

In this context, STADA is also active in the area of environmental protection and continuously strives to improve procedures and processes in order to conserve resources and minimize negative environmental effects and health risks. STADA motivates the Group's employees to maintain awareness of the environment in their actions, for example, by using public transport instead of a car, and the Company also provides a range of opportunities for employees to increase their personal well-being with physical fitness and health care measures.

STADA's production processes are also generally characterized by no or very little emissions as the Group intentionally forgoes the chemical synthesis of active ingredients and auxiliary materials.

STADA's business model that focuses on long-standing and proven active ingredients requires no types of genetic research with embryos and generally no animal testing despite the company's positioning in the pharmaceuticals market.

The topics of responsibility and sustainability are incorporated in current and future company processes and will continue to take great significance in the STADA Group in the future.

Compliance firmly anchored at STADA

Compliance, i.e. the adherence to laws and internal rules, is firmly anchored in the mission statement of the STADA Group. Detailed information on compliance and the Code of Conduct at STADA can be found in this annual report in the chapter "Corporate Governance Report".

Furthermore, STADA also lives up to – wherever sensible and reasonable from a cost perspective – the excellence claim ("best practice") and continuously reviews and optimizes business processes with respect to this. The Group has its own administrative department named "Development of Group Organization" for this purpose.

Remuneration Report

This remuneration report explains, in accordance with the legal requirements and the recommendations of the German Corporate Governance Code in the version of May 15, 2012, the principles of the remuneration system for the Executive Board, Supervisory Board and Advisory Board of STADA Arzneimittel AG and includes disclosures on the remuneration of individual Executive Board and Supervisory Board members.

Remuneration of the Executive Board

The full Supervisory Board determines the Executive Board remuneration system and the remuneration of individual Executive Board members upon the proposal of the Human Resources Committee and reviews these regularly.

Executive Board remuneration system

With regard to the newly formulated requirements on the Executive Board remuneration system in relation to the Law for the Appropriateness of Executive Board Remuneration (VorstAG), which is valid for Executive Board service contracts newly concluded after August 5, 2009, in financial year 2010 the Supervisory Board – with the support of an independent external remuneration expert – fundamentally revised the remuneration system of the Executive Board of STADA Arzneimittel AG in line with the new VorstAG regulations, particularly Sections 87 and 93 of the German Stock Corporation Act (AktG).

The STADA General Meeting approved this remuneration system on June 16, 2011.

The objective of this remuneration system is to allow the members of the Executive Board to participate appropriately in the sustainable development of the company according to their personal tasks and performance, the overall performance of the Executive Board as well as successes in the alignment of the economic and financial situation of the Company under consideration of the competitive environment.

Overall, the remuneration of the Executive Board in the framework of this remuneration system is performance oriented and assessed in a way that is competitive in domestic and international comparison and offers incentives for committed and successful performance in a dynamic environment.

The remuneration of the Executive Board in the framework of this remuneration system is made up of remuneration not related to performance and a performance related remuneration. Stock option plans and other comparable components with a long-term incentive effect do not exist.

The **non-performance related remuneration** consists of an agreed basic salary paid out in twelve equal monthly installments. This annual fixed salary is determined in accordance with the requirements of stock company law under consideration of usual market remuneration. The members of the Executive Board receive other remuneration only in the form of fringe benefits which consist for the most part only of the private use of a company car, contributions to health and nursing care insurance and other insurance services (accident insurance, among other things).

In the framework of the remuneration structure, individual contractual commitments are still fundamentally possible for individual Executive Board members, in accordance with VorstAG regulations, regarding additional non-performance related remuneration components, e.g. pension commitments or commitments in case of termination of activity.

In the remuneration structure, the **performance related remuneration** is, in principle, similarly structured for all Executive Board members; it can, however, differentiate in the individual arrangement and amount for individual Executive Board members due to individual contractual agreements.

The performance related remuneration is made up of the following components for each Executive Board member in the applicable remuneration structure:

- the variable annual bonus, which consists of an earnings related and an objectives related bonus component and for which a cap has been agreed upon. While the earnings related bonus component of this variable annual bonus is oriented on the Group's adjusted EBITDA of the respective financial year, the objectives related bonus component of the variable annual bonus remunerates for the achievement of specific pre-determined goals, which are individually agreed upon in writing with individual Executive Board members for the respective financial year (personal goal agreement).

- the variable long-term special remuneration, for which defined annual progress payments are to be rendered by the Company upon the reaching of annual interim goals set out in individual contracts and which target the Group's overall business success in a defined target year. The long-term goal thereby taken as a basis in individual contracts, as well as the annual interim goals, are geared to a challenging adjusted Group EBITDA under the assumed framework conditions for the period under consideration; the target year for the variable long-term special remuneration should, at the earliest, generally be the third whole financial year after the beginning of the contract of the respective Executive Board contract. If the long-term goal agreed upon for the variable special long-term remuneration is not reached in consideration of the agreed corridor of a degree of goal attainment, the Company is entitled to the repayment of rendered progress payments in the case that the interim goals of the agreed corridor are not reached. A cap for the variable special long-term remuneration must also be agreed upon.

The current Executive Board contracts of acting Executive Board members reflect this remuneration system.

Within the concrete arrangement of the Executive Board contracts concluded in 2010, both the long-term goal for the variable long-term special remuneration, as well as the respective interim goals for all three Executive Board members, orient on the Group's long-term targets for adjusted EBITDA in financial year 2014 as published in financial year 2010.

Executive Board remuneration for financial year 2012

The **remuneration** of the individual members of the Executive Board who were active for the Company in financial year 2012 are as follows:

- Hartmut Retzlaff: € 2,382,155.10 (thereof € 2,034,200.77 non-performance related including € 34,200.77 other remuneration and € 347,954.33 performance related[1)]) (previous year: € 2,317,161.51, thereof € 1,654,450.87 non-performance related including € 31,880.78 other remuneration and € 662,710.64 performance related[1)])

- Helmut Kraft: € 1,161,954.33 (thereof € 811,295.15 non-performance related including € 61,295.15 other remuneration and € 350,659.18 performance related[1)]) (previous year: € 1,126,028.16, thereof € 831,848.16 non-performance related including € 41,492.66 other remuneration and € 294,180.00 performance related[1)])

- Dr. Axel Müller: € 1,128,525.03 (thereof € 777,865.85 non-performance related including € 27,865.85 other remuneration and € 350,659.18 performance related[1)]) (previous year: € 1,081,895.38, thereof € 787,715.38 non-performance related including € 20,450.04 other remuneration and € 294,180.00 performance related[1)])

1) Excluding the contractually agreed performance related progress payments of long-term special remuneration upon achieving the respective interim goals, which are reported as advances below.

In addition to the above-listed remuneration, the Executive Board received performance related **advances**[1] in the total amount of € 1,306,250.00 (previous year: € 1,106,250.00) in financial year 2012; thereof € 806,250.00 was attributable to Hartmut Retzlaff (previous year: € 806,250.00), € 250,000.00 to Helmut Kraft (previous year: € 150,000.00), and € 250,000.00 to Dr. Axel Müller (previous year: € 150,000.00).

The percentage ratio between non-performance related and performance related[2] remuneration of members of the Executive Board ranges in the area of approx. 56% to approx. 64% non-performance related and approx. 36% to approx. 44% performance related[2] remuneration.

Commitments to members of the Executive Board

Commitments to members of the Executive Board in case of premature or regular termination of their activity and any associated benefits

The Executive Board contract of the Chairman of the Executive Board includes an annual pension set at a fixed annual amount, whereby after the provision commences, the monthly pension payment is adjusted on July 1 of every year by the percentage of the increase in the current level of pension in the German statutory pension scheme in comparison to the previous year. Payments from the pension commitments generally begin on request as pension payments after completion of the Executive Board contract, valid from September 1, 2011 to August 31, 2016, to the extent that it is not renewed or as disability pension if employment ends before this due to an occupational disability. The service cost in accordance with IFRS for the creation of provisions for benefit claims earned in financial year 2012 was € 964,000.00. The present value of the pension commitments, in accordance with IFRS, is € 31,254,199.00.

The Executive Board contract of the Chairman of the Executive Board also contains a severance pay regulation for a closely defined change of control, which, in accordance to the German Corporate Governance Code, is not higher than the remaining term of the Executive Board contract, and is limited in amount to a maximum of three years' remuneration.

Other commitments

The Executive Board contract of the Chairman of the Executive Board includes the proviso that, in the case of illness or accident, the Company will continue to pay the salary of the Chairman of the Executive Board, whereby the amount of the continued payment, in the first year after the occurrence of either case, corresponds to the fixed annual salary and the variable remuneration and, in the second or third year, to the fixed annual salary.

For both the Chief Financial Officer and the Chief Production and Development Officer, there exists accident insurance, which, in the case of inability to work due to illness, provides for monthly income for up to one year, up to a maximum period however until completion of the contract and taking third-party payments into account. In the case of inability to work for more than three months, the variable remuneration will be reduced on a pro-rata basis.

In the context of a group insurance for all three Executive Board members, there exists a so-called D&O insurance with a deductible for the Executive Board members within the legal framework.

1) Excluding the contractually agreed performance related progress payments of long-term special remuneration upon achieving the respective interim goals, which are reported as advances below.
2) Contractually agreed performance related progress payments of long-term special remuneration upon achieving the respective interim goals.

Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the reporting year with regard to their position in the Executive Board

To the Company's knowledge, third parties outside the Group have neither promised nor granted benefits to Executive Board members in financial year 2012 with regard to their position in the Executive Board in the reporting year.

Supervisory Board remuneration

Remuneration system for the Supervisory Board according to the Articles of Incorporation

Remuneration of the Supervisory Board is as follows pursuant to Section 18 of STADA Arzneimittel AG's Articles of Incorporation:

For the relevant financial year, in addition to reimbursement of expenses, Supervisory Board members receive:

- an annual fixed sum of € 25,000,
- an additional remuneration in the amount of 0.03% of Group earnings before taxes.

The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount.

In addition, Supervisory Board members receive an annual fixed remuneration of € 10,000 for their committee activities for the past financial year. The Chairman of a committee receives twice this amount in remuneration.

In addition, sales tax is payable on all of the Supervisory Board's remuneration.

Remuneration of the Supervisory Board in financial year 2012

The remuneration of the individual members of the Supervisory Board who were active for the Company in financial year 2012 are as follows:

- Dr. Martin Abend € 227,000.00 (thereof € 105,000.00 non-performance related and € 122,000.00 performance related) (previous year: € 167,578.80, thereof € 105,000.00 non-performance related and € 62,578.80 performance related)
- Manfred Krüger € 141,300.00 (thereof € 60,000.00 non-performance related and € 81,300.00 performance related) (previous year: € 101,719.20, thereof € 60,000.00 non-performance related and € 41,719.20 performance related)
- Dr. Eckhard Brüggemann € 65,600.00 (thereof € 25,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 45,859.60, thereof € 25,000.00 non-performance related and € 20,859.60 performance related)

- Heike Ebert € 65,600.00 (thereof € 25,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 45,859.60, thereof € 25,000.00 non-performance related and € 20,859.60 performance related)

- Dr. K. F. Arnold Hertzsch € 65,600.00 (thereof € 25,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 45,859.60, thereof € 25,000.00 non-performance related and € 20,859.60 performance related)

- Dieter Koch € 75,600.00 (thereof € 35,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 55,859.60, thereof € 35,000.00 non-performance related and € 20,859.60 performance related)

- Constantin Meyer € 65,600.00 (thereof € 25,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 45,859.60, thereof € 25,000.00 non-performance related and € 20,859.60 performance related)

- Carl Ferdinand Oetker € 85,600.00 (thereof € 45,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 65,859.60, thereof € 45,000.00 non-performance related and € 20,859.60 performance related)

- Karin Schöpper € 75,600.00 (thereof € 35,000.00 non-performance related and € 40,600.00 performance related) (previous year: € 55,859.60, thereof € 35,000.00 non-performance related and € 20,859.60 performance related)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services in the context of their activities as Supervisory Board members; however, in the context of a Group insurance, there exists a so-called D&O insurance for all members of the Supervisory Board, which reflects the legal framework of the Executive Board members, with a deductible for the Supervisory Board members.

Remuneration of the Advisory Board

In accordance with Section 10 of the bylaws of the Advisory Board of STADA Arzneimittel AG, members of the Advisory Board receive a flat fee of € 600 per meeting plus expenses.

Earnings Situation

Development of Sales

Sales growth to new record level

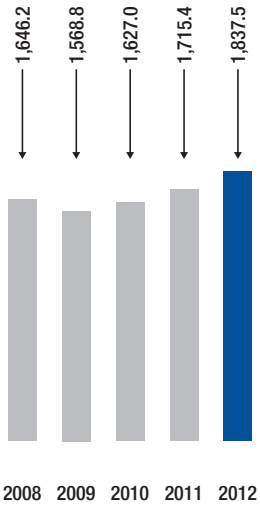
In the financial year 2012, the STADA Group's sales development was within the scope of the Executive Board's positive expectations. With mixed development in the individual market regions, Group sales rose by 7% in the reporting year to € 1,837.5 million (previous year: € 1,715.4 million).

When effects on sales based on changes in the Group portfolio and currency effects are deducted, Group sales increased by 1% in 2012.

Portfolio changes had a total share of € 97.7 million or 5.7 percentage points of the sales increase in financial year 2012. This is divided among the affected market regions as follows: market region Germany € 0.9 million, market region Central Europe € 85.2 million and market region CIS/Eastern Europe € 11.6 million.

Individual portfolio adjustments were as follows:

Group sales in € million over 5 years



Scheme for calculating the Group's adjusted sales growth

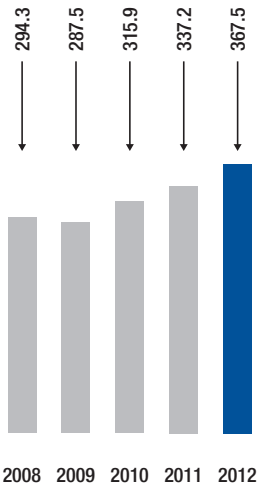
Previous year 2011		Reporting year 2012
STADA Group sales € 1,715.4 million	— +7% —>	**STADA Group sales € 1,837.5 million**
⁄. Sales chemical plant in Serbia Jan. 1 – Mar. 21, 2011		⁄. Sales Denzapine® for Ireland Jan. 1 – June 30, 2012, and for the United Kingdom Jan. 1 – Nov. 30, 2012
⁄. Sales Tobra-cell® Jan. 1 – Sept. 30, 2011		⁄. Sales Swiss generics business Jan. 1 – Dec. 31, 2012
⁄. Sales Irish production facility Jan. 1 – Dec. 31, 2011		⁄. Sales branded product portfolio in Eastern Europe and the Middle East Jan. 1 – Dec. 31, 2012, and for Central Europe Feb. 1 – Dec. 31, 2012
⁄. Sales engineering companies Mar. 31 – Dec. 31, 2011		⁄. Sales of the French company LERO Feb. 1 – Dec. 31, 2012
		⁄. Sales Ingavirin® for Ukraine Apr. 1 – Dec. 31, 2012
		⁄. Sales Tranexam® for Russia May 1 – Dec. 31, 2012
		⁄. Sales branded product package focused on gynecology for Ukraine Sept. 1 – Dec. 31, 2012
		± Sales change by applying the same, i.e. the previous year's exchange rates for both financial years
Base value for adjusted sales growth € 1,704.3 million	— +1% —>	**Adjusted STADA Group sales € 1,724.6 million**

As a result of applying foreign exchange rates of the reporting year compared with those of the previous year for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly positive currency effect in the amount of € 4.1 million or 0.2 percentage points in 2012.

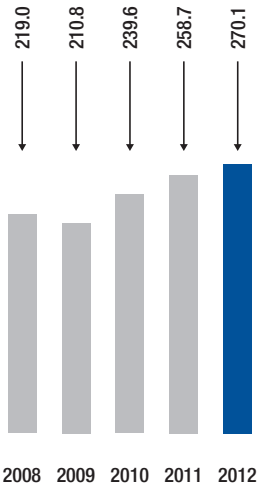
To the extent that adjusted sales figures are reported in this annual report, this refers to sales adjusted for the portfolio effects described above and currency fluctuations respectively.

Development of Earnings and Costs

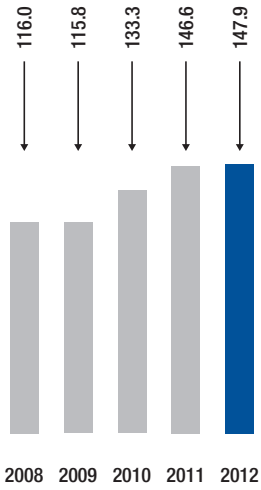
Adjusted EBITDA in € million



Adjusted EBIT in € million



Adjusted net income in € million



Increase in all reported key earnings figures

The earnings development in financial year 2012 was characterized by an increase in operating performance as shown by growth in all of the Group's reported key earnings figures. For this development, it should be taken into account that the reported key earnings figures of the previous year were burdened by high one-time special effects, particularly in the third quarter of 2011. Overall, the **operating earnings development** in 2012 was within the scope of the positive expectations of the Executive Board.

Reported operating profit increased in the reporting year by 68% to € 202.1 million (previous year: € 120.1 million). **Reported net income** increased to € 86.5 million (previous year: € 22.0 million). **Reported EBITDA** increased by 45% to € 323.8 million (previous year: € 223.2 million).

Adjusted for one-time special effects[1)], **adjusted operating profit** recorded growth of 3% in 2012 to € 266.3 million (previous year: € 257.6 million). Adjusted for one-time special effects[1)] and non-operational effects from the valuation of derivative financial instruments[1)], **adjusted net income** was slightly above the level of the previous year with € 147.9 million (previous year: € 146.6 million). Adjusted for one-time special effects[1)], **adjusted EBITDA** recorded a plus of 9% to € 367.5 million (previous year: € 337.2 million) and thereby reached a new record value in STADA Company history.

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

Influence on earnings due to one-time special effects

One-time special effects amounted to a net burden on earnings of € 64.2 million before or € 60.9 million after taxes in the reporting year (previous year: net burden on earnings due to one-time special effects in the amount of € 137.5 million before or € 125.4 million after taxes).

In detail, these were as follows:

- a burden in the amount of € 31.0 million before or € 28.8 million after taxes for expenses in connection with the implementation of the Group-wide cost efficiency program "STADA – build the future" including burdens from the sale of Irish production facility in Clonmel[1)], the two Russian production locations in Moscow and Ryazanskaya obl.[2)] and the Engineering companies, which are not a part of the Group's core business and include the German HEMOPHARM ENGINEERING, as well as consultancy services (see "Business and General Conditions – Business Model, Core Segments and Structural Environment", "Business and General Conditions – Procurement, Production and Quality Management" as well as "Financial Situation")
- a burden in the amount of € 13.9 million before or € 11.4 million after taxes for impairments netted with write-ups on assets after impairment tests
- a burden in the amount of € 9.4 million before or € 7.1 million after taxes for the integration of a branded product portfolio in Central and Eastern Europe as well as in the Middle East (see "Financial Situation")
- a burden in the amount of € 5.6 million after taxes resulting from tax rate changes and a related adaptation of deferred taxes
- a burden in the amount of € 2.8 million before or € 1.9 million after taxes in connection with the evaluation of a product portfolio in Italy whose disposal commenced in the third quarter of 2012 (see "Earnings Situation – Development of Segments – Information by Market Region – Italy")
- a burden in the amount of € 2.5 million before or € 1.9 million after taxes for unscheduled personnel expenses due to personnel changes in the STADA Group
- a burden in the amount of € 2.3 million before or € 2.3 million after taxes that relates to non-deductible input tax assets of the subgroup STADA CIS
- a burden in the amount of € 2.3 million before or € 1.9 million after taxes in the context of newly formed pension plans and pension plan changes at international Group companies
- a burden in the amount of € 1.0 million before or € 0.7 million after taxes in connection with ongoing proceedings due to a potential patent infringement (see "Earnings Situation – Development of Segments – Information by Market Region – Spain").
- a burden in the amount of € 0.8 million before or € 0.6 million after taxes in connection with a recall (see "Earnings Situation – Development of Segments – Information by Market Region – Germany") and in connection with the German Pharmaceutical Market Restructuring Act (AMNOG), which came into effect on January 1, 2011
- a burden in the amount of € 0.5 million before or € 0.4 million after taxes for the dissolution of a delivery contract (see "Business and General Conditions – Procurement, Production and Quality Management")
- a relief in the amount of € 2.3 million before or € 1.7 million after taxes in connection with two settlement agreements

Influence on earnings due to non-operational effects from the measurement of derivative financial instruments

Non-operational effects from the measurement of derivative financial instruments amounted, in financial year 2012, to a net burden on earnings of € 0.7 million before or € 0.5 million after taxes (previous year: net relief on earnings from non-operational effects from the measurement of derivative financial instruments of € 1.2 million before or € 0.9 million after taxes).

1) See the Company's ad hoc release of February 6, 2012.
2) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.

To the extent that adjusted key earning figures are reported in this annual report, the earnings adjustments carried out include these effects in total both for the reporting year as well as for the previous year. 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.

In the chart below, further essential key earnings figures of the STADA Group as well as the resulting margins are each also reported adjusted for aforementioned one-time special effects or one-time special effects and non-operational effects from the measurement of derivative financial instruments for financial year 2012 and for the corresponding period in the previous year to allow for comparison.

Development of the STADA Group's key earnings figures

in € million	2012	2011	± %	Margin[1] 2012	Margin[1] 2011
Operating profit	202.1	120.1	+68%	11.0%	7.0%
• Operating segment result Generics	138.1	84.9	+63%	11.4%	7.1%
• Operating segment result Branded Products	123.7	89.3	+38%	20.7%	18.9%
EBITDA[2]	323.8	223.2	+45%	17.6%	13.0%
EBIT[3]	206.0	121.2	+70%	11.2%	7.1%
EBT[4]	135.6	69.5	+95%	7.4%	4.1%
Net income	86.5	22.0	>100%	4.7%	1.3%
Earnings per share in €	1.46	0.37	>100%		
Diluted earnings per share in €	1.44	0.37	>100%		

Development of the STADA Group's adjusted key earnings figures

in € million	*2012*	*2011*	*± %*	*Margin[1] 2012*	*Margin[1] 2011*
Operating profit, adjusted	*266.3*	*257.6*	*+3%*	*14.5%*	*15.0%*
• *Operating segment result Generics, adjusted*	*171.6*	*182.6*	*-6%*	*14.1%*	*15.4%*
• *Operating segment result Branded Products, adjusted*	*143.4*	*109.2*	*+31%*	*24.1%*	*23.1%*
EBITDA[2], adjusted	*367.5*	*337.2*	*+9%*	*20.0%*	*19.7%*
EBIT[3], adjusted	*270.1*	*258.7*	*+4%*	*14.7%*	*15.1%*
EBT[4], adjusted	*200.5*	*205.8*	*-3%*	*10.9%*	*12.0%*
Net income, adjusted	*147.9*	*146.6*	*+1%*	*8.0%*	*8.5%*
Earnings per share in €, adjusted	*2.50*	*2.49*	*+0.4%*		
Diluted earnings per share in €, adjusted	*2.47*	*2.44*	*+1%*		

1) Related to relevant Group sales.
2) Earnings before interest, taxes, depreciation and amortization.
3) Earnings before interest and taxes.
4) Earnings before taxes.

Income statement as well as cost development

The consolidated income statement is presented in the chart below – both for the reporting year and for the previous year, each under consideration of the effects to be adjusted, which are accordingly presented for financial year 2012 in detail under the items Influence on earnings due to one-time special effects and Influence on earnings due to non-operational effects from the measurement of derivative financial instruments.

Income statement (abridged) in € 000s	2012 without deduction of effects to be adjusted	2012 effects to be adjusted	2012 after deduction of effects to be adjusted	2011 without deduction of effects to be adjusted	2011 effects to be adjusted	2011 after deduction of effects to be adjusted
Sales	1,837,544	303	*1,837,847*	1,715,396	-1,140	*1,714,256*
Cost of sales	931,724	3,251	*928,473*	888,604	4,721	*883,883*
Gross profit	**905,820**	**3,554**	***909,374***	**826,792**	**3,581**	***830,373***
Selling expenses	444,678	747	*443,931*	390,017	14	*390,003*
General and administrative expenses	157,835	1,672	*156,163*	140,044	2,312	*137,732*
Research and development expenses	52,188	84	*52,104*	50,351	13	*50,338*
Other income	30,252	-6,842	*23,410*	29,874	-6,554	*23,320*
Other expenses	48,240	33,948	*14,292*	151,640	133,599	*18,041*
Expenses in connection with the "STADA – build the future" project	30,983	30,983	-	4,550	4,550	-
Operating profit	**202,148**	**64,146**	***266,294***	**120,064**	**137,515**	***257,579***
Result from associated companies	1,448	-	*1,448*	553	-	*553*
Investment income	2,365	-	*2,365*	573	-	*573*
Earnings before interest and taxes (EBIT)	**205,961**	**64,146**	***270,107***	**121,190**	**137,515**	***258,705***
Financial income	5,427	-988	*4,439*	10,789	-1,208	*9,581*
Financial expenses	75,815	1,735	*74,080*	62,447	-	*62,447*
Earnings before taxes (EBT)	**135,573**	**64,893**	***200,466***	**69,532**	**136,307**	***205,839***
Taxes on income	48,607	-3,486	*52,093*	47,148	-11,782	*58,930*
Earnings after taxes	**86,966**	**61,407**	***148,373***	**22,384**	**124,525**	***146,909***
Result attributable to non-controlling interests	516	-	*516*	348	-	*348*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**86,450**	**61,407**	***147,857***	**22,036**	**124,525**	***146,561***
Earnings per share in €	1.46		*2.50*	0.37		*2.49*
Earnings per share in € (diluted)	1.44		*2.47*	0.37		*2.44*
EBIT	**205,961**	**64,146**	***270,107***	**121,190**	**137,515**	***258,705***
Balance from depreciation and amortization/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	117,880	-20,478	*97,402*	102,057	-23,604	*78,453*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**323,841**	**43,668**	***367,509***	**223,247**	**113,911**	***337,158***

Cost of sales amounted to € 931.7 million in financial year 2012 (previous year: € 888.6 million). **Gross profit**, i.e. sales after deducting cost of sales, was thus € 905.8 million in the reporting year (previous year: € 826.8 million).

One-time expenses from inventory write-downs in the amount of € 0.8 million were reported within cost of sales; these were recognized by STADA as a special effect of financial year 2012 arising from ongoing proceedings due to a potential patent infringement, from the recall of Citalopram 60mg as well as the dissolution of a delivery contract.

The cost of sales in the reporting year also included impairment, depreciation and amortization in the total amount of € 77.8 million (previous year: € 60.4 million). Of this, € 69.0 million (previous year: € 49.2 million) relate to amortization on such intangible assets, the ownership of which represents a necessary condition for the marking of the products manufactured (in particular drug approvals).

The **cost of sales ratio**, i.e. the share of cost of sales in relation to sales, was 50.7% (previous year: 51.8%) in the reporting year. STADA was able to make this improvement also as a result of, among other things, the positive effects of "STADA – build the future". The sales-related **gross margin**, which is reciprocal to the cost of sales ratio, rose to 49.3% (previous year: 48.2%) in 2012. Despite the dilutive effect on the gross margin from an increased volume business as a result of tenders for discount agreements that were won (see "Earnings Situation – Development of Segments – Information by Market Region – Germany"), the gross margin was significantly improved at the Group level. This demonstrates that this dilutive effect could be compensated by increased margins in other products and/or other markets as well as by increased efficiency.

Due to the price erosion associated with the business model of STADA, however, the Executive Board nevertheless expects that the cost of sales ratio and gross margin will remain under pressure in the long-term (see "Earnings Situation – Development of Sales"). Additionally, these two items will also continue to be burdened by the expected further increase of volume business. STADA generally counteracts the lasting margin pressure in the individual market regions through continuous cost optimization and the implementation of outstanding measures in the context of "STADA – build the future".

Selling expenses, which at STADA primarily include costs for employees working in the sales force and in sales departments as well as product-related marketing expenditure, increased in 2012 to € 444.7 million (previous year: € 390.0 million). The selling expenses ratio amounted to 24.2% (previous year: 22.7%).

General and administrative expenses amounted to € 157.8 million in the reporting year (previous year: € 140.0 million) and were thus equal to 8.6% of Group sales (previous year: 8.2%).

Research and development costs were at € 52.2 million in financial year 2012 (previous year: € 50.4 million). The sales-related ratio of research and development costs amounted to 2.8% (previous year: 2.9%).

STADA's reported development costs include the non-capitalizable development costs which primarily result from regulatory requirements and the optimization of existing products. Payments in connection with the development of new products are, in contrast, usually capitalized by STADA (see "Notes to the Consolidated Financial Statements – 15.").[1)] For this reason they are not included in this cost item.

1) In financial year 2012, development costs for new products in the amount of € 14.5 million (previous year: € 12.3 million) were capitalized.

Other income increased slightly to € 30.3 million in the reporting year (previous year: € 29.9 million). The increase was particularly attributable to the development of currency translation income, which is netted against the currency translation expenses and led to net currency translation income of € 1.5 million in the reporting year. In financial year 2011, net currency translation expenses in the amount of € 6.0 million were incurred, which STADA reported under other expenses.

Other income in 2012 also included, among other things, earnings from one-time special effects. These comprised earnings from write-ups of non-current assets as well as earnings in connection with two settlement agreements.

Other expenses decreased in the reporting year to € 48.2 million (previous year: € 151.6 million). The decrease was primarily attributable to impairments on receivables from various Serbian pharmaceutical wholesalers included in the previous year in the amount of € 98.4 million that STADA reported as a one-time special effect. This item also included net currency translation expenses in the amount of € 6.0 million in the previous year.

In the reporting year this item also included burdening expenses from various one-time special effects, which can be basically broken down as follows: value adjustments on assets following impairment tests in the amount of € 19.4 million; expenses in the amount of € 2.8 million in connection with the evaluation of a product portfolio in Italy, unplanned personnel expenses due to personnel changes in the STADA Group in the amount of € 2.5 million, and expenses from the dissolution of a delivery contract in the amount of € 0.5 million.

Expenses in connection with the "STADA – build the future" project amounted to € 31.0 million in financial year 2012 and were reported as one-time special effects.

The **financial result**, which is financial income and financial expenses, was € -66.6 million in 2012 (previous year: € -50.5 million). Here, the largest operative-related individual item was interest expense, amounting to € 74.0 million in 2012 (previous year: € 62.4 million). The financial result in the reporting year also included non-operational effects from the measurement of derivative financial instruments that amounted to a net burden on earnings in the amount of € 0.7 million.

In the reporting year, the Group refinanced itself at interest rates of between 0.5% p.a. and 19.7% p.a. (previous year: between 1.3% p.a. and 20.3% p.a.). On the balance sheet date of December 31, 2012, the weighted average interest rate for non-current financial liabilities was approx. 4.2% p.a. (previous year: approx. 4.6% p.a.) and for current financial liabilities approx. 4.8% p.a. (previous year: approx. 6.4% p.a.). For all of the Group's financial liabilities the weighted average interest amounted to approx. 4.3% p.a. (previous year: approx. 4.7% p.a.).

Taxes on income amounted in 2012 to € 48.6 million (previous year: € 47.1 million) so that the tax rate was at 35.9% (previous year: 67.8%).

Unchanged in 2012, the tax rate was also burdened by the tax rules with regard to operating expenditures for interest expenses at corporate bodies effective in Germany. This so-called interest barrier provides 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. This led to the non-deductibility of net interest costs in the amount of € 30.7 million (previous year: € 20.1 million) as well as to a corresponding additional tax burden of approx. € 7.4 million (previous year: approx. € 4.9 million).

From today's perspective, the Executive Board expects this tax burden to continue in the coming years.

Development of Segments: Information by Operating Segment

Development of core segments

The information by operating segment, according to the definition of segment used by STADA, is divided according to differentiation possibilities in terms of sales and is therefore separated into the core segments of Generics and Branded Products as well as the non-core segment Commercial Business (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").

Sales of both **core segments** Generics and Branded Products increased in 2012 by 9% to € 1,809.3 million (previous year: € 1,660.2 million), so that their contribution amounted to 98.5% (previous year: 96.8%) of Group sales. Sales of both core segments adjusted for portfolio changes and currency influences increased in the reporting year by 3% (see "Earnings Situation – Development of Sales").

Sales of the core segment **Generics** showed an increase of 2% to € 1,213.1 million in financial year 2012 (previous year: € 1,188.3 million). This gave Generics a share 66.0% in Group sales (previous year: 69.3%). Adjusted, Generics sales rose by 1% (see "Earnings Situation – Development of Sales").

Top 5 generic active ingredients in products of the STADA Group in 2012

Active ingredient	Indication group	Sales 2012 for products of the STADA Group in € million	Change from previous year
Omeprazole	Stomach medicine	31.3	-25%
Diclofenac	Antirheumatic drug	26.2	+19%
Phospholipide	Liver medicine	24.8	-3%
Enalapril	ACE inhibitor	23.2	-5%
Pantoprazol	Stomach medicine	22.0	+3%
Total		**127.5**	

In 2012, STADA generated sales in the total of € 127.5 million with products containing the Group's top five active pharmaceutical ingredients in terms of sales (previous year: € 136.9 million). These products thus contributed 10.5% to sales in the Generics segment in the reporting year (previous year: 11.5%).

In financial year 2012, the stomach medicine Omeprazol continued to be by far the best-selling active pharmaceutical ingredient in the core segment Generics.

The **Branded Products** core segment showed a sales increase of 26% to € 596.2 million in the reporting year (previous year: € 471.9 million). Branded Products thus had a share of Group sales of 32.5% (previous year: 27.5%). The Group recorded an increase of 7% in adjusted sales of branded products (see "Earnings Situation – Development of Sales").

Top 5 branded products in the Group in 2012

Branded product	Indication group	Sales 2012 in € million	Change from previous year
Apo-Go®	Parkinson medicine	46.3	+79%
Grippostad®	Cold medicine	34.1	+1%
Chondroxid®	For the treatment of degenerative joint diseases	21.3	+20%
Hirudoid®	Venous therapeutic agent	19.7	+13%
Levomecol®	Topical antibiotic	19.1	+13%
Total		**140.5**	

With the top five branded products in the Group in term of sales, STADA achieved sales in the amount of € 140.5 million in financial year 2012 (previous year: € 115.0 million). These products thus had a share of 23.6% of the sales of the Branded Products segment (previous year: 24.4%).

With sales of € 46.3 million in 2012, the parkinson medicine Apo-Go®, was by far the strongest product both in the Branded Products core segment and in the Group according to sales (previous year: € 25.8 million).

Non-core activities to support core segments

In the **Commercial Business** segment, which is not part of the core segments, sales decreased to € 18.2 million in the reporting year (previous year: € 32.9 million). This development is based for the most part on the expected decrease in the low-margin commercial business in Denmark.

Sales reported under the position **Group holding / Other** decreased to € 10.0 million in 2012 (previous year: € 22.3 million). This decrease was particularly due to reduced sales with a Dutch contract manufacturer and changes to the local supply chain.

Operating profit by segment

The reported segment profits as well as the reported segment margins of both core segments Generics and Branded Products recorded growth in financial year 2012. The **operating profit in the Generics segment** increased by 63% to € 138.1 million (previous year: € 84.9 million). It should be taken into account that the prior-year figure was burdened by high burdening one-time special effects primarily as a result of impairments on receivables from Serbian pharmaceutical wholesalers. The **operating profit in the Branded Products segment** increased by 38% to € 123.7 million (previous year: € 89.3 million). The **operating profit margin** of **Generics** was at 11.4% in the reporting year (previous year: 7.1%). The **operating profit margin** of **Branded Products** was 20.7% in 2012 (previous year: 18.9%).

Adjusted operating profit in the **Generics segment** decreased by 6% in financial year 2012 to € 171.6 million (previous year: € 182.6 million). The **adjusted operating profit** in the **Branded Products** segment showed a plus of 31% to € 143.4 million (previous year: € 109.2 million). The **adjusted operating profit margin** for **Generics** in 2012 was thus at 14.1% (previous year: 15.4%) and the **adjusted operating profit margin** for **Branded Products** at 24.1% (previous year: 23.1%).

Operating profit in the **Commercial Business segment** increased to € 0.2 million in financial year 2012 (previous year: € -1.4 million).

Development of Segments: Information by Market Region

In the STADA Group, information by market region is based on the regional differentiation in market regions. In this context, in the individual market regions, all relevant net sales according to segment to third parties generated by consolidated Group companies are reported. The market regions Germany, Central Europe, CIS / Eastern Europe and Asia & Pacific were defined in the context of the further implementation of the Group-wide cost efficiency program "STADA – build the future". In STADA's Consolidated Financial Statements for 2012, disclosures are made according to these market regions for the area of external reporting in order to reflect changes in controlling and business development as a result of the integration of the Grünenthal sales structures acquired with the final installment of January 31, 2012. At the same time, external reporting is thereby now also using the same structure used by STADA's internal reporting for the first time in financial year 2012.

When looking to the reported sales of individual market regions, it should generally be taken into consideration that they are allocated to the market region in which the sales company that generated the sales is located. As a result, sales of the individual market regions include both the sales of the respective sales companies generated within the country they are located in, as well as the export sales they generate.

Sales in 2012 by segments, market regions and markets in € million

in. € million	Generics	Branded products	Commercial business	Reconciliation Group holdings / other	Total sales 2012	Share in Group sales 2012	Total sales previous year	± %[1]	±% *adjusted*
Germany	**351.2**	**117.4**	**-**	**1.4**	**470.0**	**25.6%**	**501.8**	**-6.3%**	***-6.5%***
• Germany	330.5	110.1	-	1.4	442.0	24.1%	474.2	-6.8%	*-6.7%*
• Export sales of the market region Germany	20.7	7.3	-	-	28.0	1.5%	27.6	+1.4%	*-4.1%*
Central Europe	**576.9**	**218.5**	**13.6**	**7.0**	**816.0**	**44.4%**	**711.3**	**+14.7%**	***+2.0%***
• Italy	119.8	34.2	-	-	154.0	8.4%	146.0	+5.5%	*+5.5%*
• Belgium	134.8	7.0	-	-	141.8	7.7%	140.8	+0.7%	*+0.6%*
• Spain	100.5	8.2	-	-	108.7	5.9%	111.6	-2.6%	*-3.0%*
• France	82.7	9.5	-	-	92.2	5.0%	79.4	+16.1%	*+9.7%*
• United Kingdom	9.5	45.3	-	-	54.8	3.0%	51.4	+6.6%	*-2.7%*
• The Netherlands	34.5	2.8	-	7.0	44.3	2.4%	56.0	-20.9%	*-20.9%*
• Switzerland	27.0	7.0	-	-	34.0	1.9%	0.2	>100%	*-85.0%*
• Denmark	6.6	3.2	13.2	-	23.0	1.3%	31.2	-26.3%	*-26.5%*
• Poland	1.6	20.4	-	-	22.0	1.2%	-	-	-
• Ireland	14.2	6.3	0.4	-	20.9	1.1%	20.5	+2.0%	*+1.7%*
• Other / rest of Central Europe	45.2	49.8	-	-	95.0	5.2%	64.8	+46.6%	*-0.8%*
• Export sales of the market region Central Europe	0.5	24.8	-	-	25.3	1.4%	9.4	>100%	*>100%*
CIS / Eastern Europe	**269.9**	**252.7**	**2.3**	**1.6**	**526.5**	**28.7%**	**477.6**	**+10.2%**	***+9%***
• Russia	150.8	191.7	-	0.5	343.0	18.7%	279.6	+22.7%	*+15.4%*
• Serbia	67.0	11.6	1.2	1.1	80.9	4.4%	106.3	-23.9%	*-12.9%*
• Ukraine	9.7	20.8	-	-	30.5	1.7%	25.4	+20.1%	*+6.2%*
• Kazakhstan	2.6	12.9	-	-	15.5	0.8%	11.9	+30.3%	*+22.6%*
• Bosnia-Herzegovina	12.5	0.8	-	-	13.3	0.7%	13.0	+2.3%	*+13.5%*
• Montenegro	4.8	0.5	0.7	-	6.0	0.3%	6.4	-6.3%	*+3.7%*
• Uzbekistan	0.9	3.8	-	-	4.7	0.3%	2.7	+74.1%	*+65.6%*
• Romania	3.6	1.0	-	-	4.6	0.3%	4.7	-2.1%	*+10.5%*
• Macedonia	2.9	0.5	-	-	3.4	0.2%	2.9	+17.2%	*+32.0%*
• Azerbaijan	1.7	1.1	-	-	2.8	0.2%	2.3	+21.7%	*+26.2%*
• Other / rest of CIS / Eastern Europe	5.0	7.7	-	-	12.7	0.7%	7.7	+64.9%	*+67.7%*
• Export sales of the market region CIS / Eastern Europe	8.4	0.3	0.4	-	9.1	0.5%	14.7	-38.1%	*-30.8%*
Asia & Pacific	**15.1**	**7.6**	**2.3**	**-**	**25.0**	**1.3%**	**24.7**	**+1.2%**	***-5.5%***
• Vietnam	8.8	5.0	0.8	-	14.6	0.8%	12.5	+16.8%	*+10.6%*
• China	2.7	0.9	-	-	3.6	0.2%	3.1	+16.1%	*+8.7%*
• Thailand	1.4	1.0	0.1	-	2.5	0.1%	2.4	+4.2%	*-1.0%*
• The Philippines	0.7	-	1.4	-	2.1	0.1%	5.0	-58.0%	*-61.9%*
• Other / rest of Asia & Pacific	1.5	0.7	-	-	2.2	0.1%	1.7	+29.4%	*+9.7%*
• Export sales of the market region Asia & Pacific	-	-	-	-	-	-	-	-	-

1) Calculated in € million.

Development in the individual 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 these market regions is also described.

Market Region Germany

In the market region **Germany**, sales in financial year 2012 decreased by 6% to € 470.0 million (previous year: € 501.8 million). The market region thus had a share in Group sales of 25.6% (previous year: 29.3%). Of the sales generated in the market region Germany, € 28.0 million (previous year: € 27.6 million) was achieved with export sales. Adjusted sales in this market region decreased by 7%.

Sales generated in Germany (i.e sales excluding export sales in the market region Germany[1)] and excluding sales of other market regions in Germany) decreased by 7% to € 442.0 million in financial year 2012 (previous year: € 474.2 million).

This sales decrease generally experienced in the German market resulted from the unchanged difficult local framework conditions for generics, attributable to the intensive competition in tenders for discount agreements from public health insurance organizations. Accordingly, sales of the German generics segment declined – notwithstanding the partially high volume discount agreements concluded in 2011 – in 2012 by 9% to € 330.5 million (previous year: € 363.5 million). Sales achieved in Germany with generics in the reporting year amounted to 75% of total sales achieved in the German market (previous year: 77%). The market share of generics sold in German pharmacies increased by volume in 2012 to approx. 13.3% (previous year: approx. 12.8%).[2)] The Group's overall primary objective of appropriate operating profitability in the German market led to a decrease in sales in 2012 for the Generics segment in Germany without, however, negatively affecting the position of the STADA Group as the clear number 3[1)] in the German generics market.

This development in Germany for 2012 was still primarily based on the results achieved by various German sales companies in the generics market with numerous tenders for discount agreements by statutory health insurance organizations. In the view of the Executive Board, the various German sales companies achieved very good results. These include the eighth AOK tender[3)] as well as the second[4)] and third[5)] tender round of Barmer GEK. The German sales companies will continue in the future to participate on an ongoing basis in the numerous tenders for discount agreements by statutory health insurance organizations using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results.

Generics sales generated in the German market were still achieved via various sales companies. Sales of the largest German sales company ALIUD PHARMA GmbH in Laichingen decreased in the reporting year by 10% to € 182.8 million (previous year: € 203.8 million). Sales achieved by the German generics sales company STADApharm GmbH, Bad Vilbel, decreased in 2012 by 13% to € 111.3 million (previous year: € 127.8 million). Sales of the generics sales company cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, a special supplier for the indication areas oncology and nephrology, increased in financial year 2012 – despite the sale carried out in the third quarter of 2011 of the oncological product Tobra-cell® (sales contribution previous year: € 0.7 million) – by 20% to € 35.3 million (previous year: € 29.4 million).

1) As of January 1, 2013, due to the respective management responsibilities of the market region Germany, the business activities of Croatia and Slovenia were also included.
2) Data from IMS Health based on pharmacy sales to customers (source: IMS/Pharmascope national).
3) See the Company's ad hoc update of May 23, 2012.
4) See the Company's ad hoc update of June 4, 2012.
5) See the Company's ad hoc update of September 10, 2012.

In January 2012, the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – BfArM) initiated graduated plan proceedings on the active pharmaceutical ingredient Citalopram[1)] based on new study findings of the initial supplier. In the course of these proceedings in March 2012, BfArM ordered the recall of the 60mg high-dosage strength of this active ingredient by all suppliers in the German market and also ordered changes to the text of the package inserts of all other active ingredient strengths. The burdens for STADA connected with the implementation of this BfArM order amounted to a total of € 0.4 million before or € 0.3 million after taxes in 2012 and were reported as a one-time special effect (see "Earnings Situation – Development of Earnings and Costs").

In the second quarter of 2011, in the context of legal proceedings based on patent law, an injunction was issued against the two German STADA sales companies to refrain from sale of products with the pharmaceutical ingredient Leflunomid[2)]. After the Federal Court of Justice declared the questionable patent null and void in the third quarter of 2012, the two sales companies once again took up sales of the products effected in the fourth quarter of 2012 and the first quarter of 2013. It is also planned to submit a damages claim.

The sales achieved with branded products in Germany increased in the reporting year by 0.4% to € 110.1 million (previous year: € 109.7 million). In total, the share of branded products in Germany of the total sales achieved in the German market amounted to 25% (previous year: 23%).

Sales of branded products in Germany are primarily generated with two local sales companies. STADA GmbH, Bad Vilbel, recorded a sales increase to € 100.2 million in financial year 2012 (previous year: € 99.8 million). The Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, which mainly sells prescription-free generics and medical devices in the indication area of diabetes as well as selected branded products such as EUNOVA®, recorded a slight sales increase of 1% to € 10.5 million in the reporting year (previous year: € 10.4 million).

In 2012, STADA's important branded products continued to be counted as market leaders in their corresponding market segments in the German pharmaceuticals market. An example of this is the cold medicine Grippostad® C, the biggest German STADA branded product (local sales in 2012: € 29.0 million, previous year: € 29.8 million) with a market share of approx. 34% in the market for flu drugs[3) 4)].

For financial year 2013, the Executive Board expects sales in the market region Germany to be approximately at the same level of the previous year. Operating profitability is expected to be slightly below the Group average.

Market region Central Europe

In the market region **Central Europe**, sales rose in the reporting year by 15% to € 816.0 million (previous year: € 711.3 million). Sales generated in this market region thus had a share of 44.4% of Group sales (previous year: 41.5%). Of the sales generated by the market region Central Europe, € 25.3 million was attributable to export sales (previous year € 9.4 million). Adjusted Group sales in this market region increased by 2%.

For financial year 2013, the Executive Board expects a further increase in sales with operating profitability at Group average for the market region Central Europe.

The sales development of the market region Central Europe was primarily based on the positive development in Italy, France, the United Kingdom and Switzerland. The development of the five largest markets according to sales within this market region is described in detail below.

1) For the treatment of depression and anxiety.
2) For the treatment of active rheumatoid arthritis and active psoriatic arthritis.
3) Data from IMS Health based on ex-factory prices.
4) Excluding anti-infective agents.

In **Italy**, sales in 2012 increased by 6% to € 154.0 million (previous year: € 146.0 million) whereby the two segments of Generics and Branded Products showed contradictory developments.

Sales achieved with generics in the Italian market increased by 14% to € 119.8 million (previous year: € 105.0 million). Generics thus contributed 78% to local sales (previous year: 72%). With a market share of approx. 14.7% (previous year: approx. 14.8%), STADA occupied position 4 in the Italian generics market in the reporting year.[1)]

Sales recorded in Italy with branded products declined as expected by 17% to € 34.2 million (previous year: € 41.0 million). Branded products thereby had a 22% share of the Italian sales (previous year: 28%).

In the third quarter of 2012, the Italian subsidiary Crinos disposed of a portfolio whose products will gradually be transfered to the acquirer (see "Financial Situation"). In this context, a burden resulted in the amount of € 2.8 million before or € 1.9 million after taxes, which the Group reported as a one-time special effect in the reporting year (see "Earnings situation – Development of Earning and Costs").

In **Belgium**, sales in financial year 2012 were approximately at the same level of the previous year at € 141.8 million (previous year: € 140.8 million) despite changes to regulatory framework conditions which went into effect in the second quarter of 2012 and resulted in a substantial increase in price competition.

Sales generated with generics in the Belgian market increased slightly by 1% to € 134.8 million (previous year: € 133.5 million). Generics thus contributed 95% to local sales (previous year: 95%). With a market share of approx. 48.8% (previous year: 50.1%), the Belgian subsidiary continued to be the clear local market leader in the generics market in 2012.[1)]

Sales recorded in Belgium with branded products decreased by 3% to € 7.0 million (previous year: € 7.2 million). Branded products thus contributed 5% (previous year: 5%) to the Belgian sales.

In **Spain**, sales decreased in the reporting year by 3% to € 108.7 million (previous year: € 111.6 million).

Sales generated with generics in the Spanish market decreased by 6% to € 100.5 million (previous year: € 106.4 million). In addition to the termination of the hospital business in 2012 and to increasingly intense price competition, this development was attributable to changes to various regulatory framework conditions carried out in the third quarter of 2012. Overall, generics contributed 92% (previous year: 95%) to the local sales. With a market share of approx. 10.1% (previous year: approx. 9.7%), STADA occupied position 3 in the Spanish generics market in 2012.[1)]

Sales of branded products increased by 58% to € 8.2 million (previous year: € 5.2 million). Branded products thus had a share of 8% of sales in Spain (previous year: 5%).

In connection with ongoing proceedings due to a potential patent infringement in the Spanish market, a burden in the amount of € 1.0 million before or € 0.7 million after taxes was incurred that the Group reported as a one-time special effect in the reporting year (see "Earnings Situation – Development of Earnings and Costs").

1) STADA estimate based on IMS Health data at ex-factory prices.

In **France**, sales rose substantially in the reporting year by 16% to € 92.2 million (previous year: € 79.4 million).

Despite the still difficult framework conditions in the French market including, among other things, a high level of price competition, sales of generics in France increased by 11% to € 82.7 million (previous year: € 74.7 million). Generics thereby contributed 90% to the local sales (previous year: 94%). With a market share of approx. 3.7% (previous year: approx. 3.9%), the French subsidiary occupied position 7 in 2012.[1)]

Sales of branded products recorded a plus of 102% to € 9.5 million (previous year: € 4.7 million). This positive development was based on the acquisition of the French company LERO carried out in the first quarter of 2012 (see "Financial Situation"). Branded products had a total share of 10% of sales in France (previous year: 6%).

In the **United Kingdom**, sales were at the same level as the previous year in 2012 applying the exchange rates of the previous year. In euro, sales went up by 7% to € 54.8 million (previous year: € 51.4 million). The very positive development of the two branded products ApoGo®[2)] and Cetraben®[3)] were able to compensate for the difficult market environment for generics.

Sales with branded products grew by 12% to € 45.3 million in 2012 (previous year: € 40.3 million). Branded products thus contributed 83% to STADA sales in the United Kingdom (previous year: 79%). 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, decreased in 2012 – essentially because of growing competition – by 14% to € 9.5 million (previous year: € 11.0 million). Generics thus contributed 17% to local sales (previous year: 21%).

Market region CIS / Eastern Europe

In the market region **CIS / Eastern Europe**[4)], sales generated in 2012 increased by 10% to € 526.5 million (previous year: € 477.6 million). Sales generated in this market region thus had a share of 28.7% of Group sales (previous year: 27.8%). Of the sales generated by the market region CIS / Eastern Europe, € 9.1 million was attributable to export sales (previous year € 14.7 million). Adjusted Group sales in the market region increased by 9%.

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

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 clear sales increase in financial year 2012 of 20% applying the exchange rates of the previous year. In euro, sales showed even stronger growth of 23% to € 343.0 million (previous year: € 279.6 million) as a result of the positive currency effect of the Russian ruble.

Overall in 2012, STADA achieved a market share of approx. 4.5% in the Russian pharmaceutical market (previous year: approx. 4.2%), thus taking position 2 among the local Russian pharmaceutical companies.[5)]

Generics recorded substantial sales growth of 21% to € 150.8 million in the Russian market (previous year: € 124.9 million), so that their share in sales achieved in Russia amounted to 44% (previous year: 45%). Sales of branded products rose significantly by 25% to € 191.7 million (previous year: € 153.5 million) and thus to 56% of Russian sales (previous year: 55%).

1) STADA estimate based on GIE-GERS data at ex-factory prices.
2) Active ingredient apomorphine for the treatment of Parkinson's disease.
3) Treatment series for the treatment of skin eczema and dry skin.
4) So-called CEE countries (Central and Eastern Europe) including Russia.
5) STADA estimate based on IMS Health data at ex-factory prices.

The demand structure of Russian business activities continues to be characterized by self-pay patients with whom, directly or indirectly via wholesalers, approx. 86% of Russian sales are generated. In the reporting year, only approx. 7% of Russian sales were recorded in the context of the state program for the reimbursement of selected medicines for individual population groups (DLO Program). In addition, approx. 7% of sales were generated directly or indirectly with other state clients, in particular also via tenders.

The sales and earnings contributions of Russian business activities will continue to be affected by development of the currency relation of the Russian ruble to the euro.

In order to further increase business activities in the market region CIS/Eastern Europe, the Russian subsidiary OAO Nizhpharm, Nizhny Novgorod, carried out several acquisitions (see "Financial Situation").

In the course of the restructuring of the Russian production facilities according to "STADA – build the future", the sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., was successfully completed within the context of a partial management buyout to LLC DMN Invest in the third quarter of 2012 (see "Financial Situation").[1] This resulted in a burden in the amount of € 8.4 million before or € 8.0 million after taxes, which the Group recorded as a one-time special effect (see „Earnings Situation – Development of Earnings and Costs").

In **Serbia**, local sales achieved in financial year 2012 declined as expected. Applying the exchange rates of the previous year, sales decreased by 15%. In euro, sales reduced by 24% to € 80.9 million (previous year: € 106.3 million). The planned sales decrease is largely due to the conversion of the local distribution model for improved controlling of cash flows. Furthermore, a significantly negative currency effect of the Serbian dinar also contributed to this development.

With a market share of approx. 37.0% (previous year: approx. 39.1%), the Serbian subsidiary remained the market leader in 2012.[2] Sales generated by generics in the Serbian market declined by 22% to € 67.0 million (previous year: € 86.3 million). Generics thus contributed 83% to sales in Serbia (previous year: 81%). Sales of branded products in Serbia decreased by 14% to € 11.6 million (previous year: € 13.5 million). Branded products thereby contributed a share of 14% (previous year: 13%) to sales in the Serbian market.

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

Market region Asia & Pacific

In the market region **Asia & Pacific**, sales in financial year 2012 increased by 1% to € 25.0 million (previous year: € 24.7 million). Sales of the market region contributed 1.3% to Group sales (previous year: 1.4%). Adjusted sales for STADA in the market region decreased by 6%. The growth in the market region Asia & Pacific was primarily due to sales increases in Vietnam and China.

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

1) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.
2) STADA estimate based on IMS Health data at ex-factory prices.

Financial Situation

Stable financial situation

In the Executive Board's view, the STADA Group's financial position is and will continue to be stable. This estimation can be seen – as a supplement to some of the individual items reported in the cash flow statement – by means of various derived key figures, which are taken from, among other things, the liquidity analysis contained in this chapter.

Basis and goals of financial management at STADA

In the context of the financial strategy, a high degree of financial flexibility is a crucial focus of the STADA Group. In order to achieve this flexibility, STADA relies on various financial instruments and a diversified investor structure. The Group's profile of maturity dates reflects a wide spread with a high share of middle and long-term financial instruments.

The Group's need for financing is covered with a combination of cash flow from operating activities and the borrowing of funds on the short, middle and long-term, as well as a factoring program.

Successful securing of additional promissory notes

In the first quarter of 2012, STADA was able to secure additional promissory notes in the amount of € 100 million at favorable conditions in the Executive Board's assessment. These promissory notes consist of four tranches with a maturity period until February 2017, and are partially furnished with a variable interest rate and partially with a fixed interest rate. The average fixed interest rate is 4.21% p.a. The average variable interest rate is currently 3.22%. Therefore on December 31, 2012, in addition to a five-year corporate bond that was placed in 2010 the amount of € 350 million and an interest rate of 4.00% p.a. for the long-term refinancing of the Group, there are long-term promissory notes with maturities in the area of 2013 to 2017 in the total amount of € 794.5 million. STADA generally has a balanced maturity dates profile and a stable financing structure with promissory notes with staggered maturities.

In the reporting year, the Group refinanced itself at interest rates of between 0.5% p.a. and 19.7% p.a. (previous year: between 1.3% p.a. and 20.3% p.a.). On the balance sheet date of December 31, 2012, the weighted average interest rate for non-current financial liabilities was approx. 4.2% p.a. (December 31, 2011: approx. 4.6% p.a.) and for current financial liabilities approx. 4.8% p.a. (December 31, 2011: approx. 6.4% p.a.). For all the Group's financial liabilities the weighted average interest rate amounted to approx. 4.3% p.a. (previous year: approx. 4.7% p.a.).

The Executive Board expects only a slight change of the weighted average interest rate in the Group for financial year 2013, insofar as no substantial changes are undertaken in the existing financing structure.

The following table gives an overview of the structuring of financial liabilities in the STADA Group.

Remaining maturities of financial liabilities due to banks as of Dec. 31, 2012 in € million	< 1 year	1–3 years	3–5 years	> 5 years	Total	thereof as of Dec. 31, 2012 > 1 year in %
Promissory notes	244.0	262.5	288.0	-	794.5	69%
Bond	-	350.0	-	-	350.0	100%
Amounts due to banks	84.5	22.0	19.1	0.0	125.6	33%
Total	**328.5**	**634.5**	**307.1**	**0.0**	**1,270.1**	**74%**

In general, liabilities to banks can indeed still be terminated in the short term and are therefore reported under current liabilities of less than one year. However, it must be taken into consideration that many of these credit lines have a partly long-standing history.

STADA is not involved in off balance sheet activities that are in any way likely to have a significant, future or current effect on the financial situation, expenses or income , the earnings situation, liquidity, investment expense, assets or the capital resources.

Liquidity analysis

The Group's liquidity was guaranteed at all times in 2012. Significant sources of liquidity were attained from cash inflows from operating activities as well as the borrowing of funds on the short, middle and long-term. Cash inflows from operating activities are influenced by the profitability of business activities and by net working capital, in particular by receivables. In addition to a corporate bond, long-term credit lines and various promissory notes, STADA maintains a liquidity reserve in the form of cash supplemented by short-term credit lines. The short-term credit lines are bilaterally agreed with different banks and have terms of between 12 and 21 months.

Selected derivable key figures on the STADA Group's financial situation for the financial year 2012 were as follows:

- **First-class liquidity:** 10% (previous year: 48%)
  = (cash and cash equivalents + current securities) / current liabilities

- **Second-class liquidity:** 74% (previous year: 130%)
  = (cash and cash equivalents + current securities + current trade receivables
  + other current assets) / current liabilities

- **Third-class liquidity:** 123% (previous year: 189%)
  = current assets / current liabilities

- **Net working capital:** € 698.5 million (previous year: € 603.8 million)
  = inventories + current trade receivables ⁄. current trade payables

- **Capital employed:** € 2,137.4 million (previous year: € 1,799.1 million)
  = shareholders' equity + non-current provisions + net debt

The reduction of the reported first, second and third class liquidity resulted from the fact that the value of the cash equivalents reported on December 31, 2011 was, with € 320.7 million extraordinarily high due to the significant business combinations in accordance with IFRS 3 planned for STADA for the start of financial year 2012. For this reason the value of the cash equivalents reported on December 31, 2012 was, at € 92.7 million, significantly lower than that of the previous year. However, on the balance sheet date the first class liquidity compared to September 30, 2012 already showed an improving tendency with an increase from 8% to 10%.

The significant business combinations in accordance with IFRS 3 were also reflected in the development of net working capital in the reporting year. After deducting major business combinations carried out in financial year 2012 net working capital would have been € 659.0 million instead of the reported value in the amount of € 698.5 million. In comparison to September 30, 2012 the reported net working capital was reduced by 5% from € 731.0 million to € 698.5 million on December 31, 2012.

The capital employed increased as of December 31, 2012, particularly as a result of the increased net debt in comparison to December 31, 2011 by € 277.0 million to € 2,137.4 million. In comparison to September 30, 2012 the capital employed decreased from € 2,214.5 million by 3% to € 2,137.4 million because, among other reasons, the net debt was reduced from € 1,279.1 million as of September 30, 2012 by over € 100 million to € 1,177.3 million as of December 31, 2012.

Cash flow analysis

Cash flow statement (abridged) in € 000s	2012	2011
Cash flow from operating activities	212,656	169,008
Cash flow from investing activities	-468,414	-187,059
Free cash flow	**-255,758**	**-18,051**
Cash flow from financing activities	30,567	140,543
Non-cash changes in cash and cash equivalents	-2,819	-854
Cash flow	**-228,010**	**121,638**

Cash flow from operating activities amounted to € 212.7 million in 2012 (previous year: € 169.0 million). The increase in cash flow from operating activities of € 43.7 million as compared to the previous year is primarily due to a significant increase in net profit in financial year 2012.

The **cash flow from investing activities**, which was at € -468.4 million in the reporting year (previous year: € -187.1 million), was primarily characterized by high payments for investments in business combinations according to IFRS 3, in particular for the acquisition of the Grünenthal branded product portfolio including the associated sales companies, as well as the acquisition of Spirig HealthCare AG's generics business including the respective sales structures, and investments in products for the expansion of the Group portfolio in the short term.

Of this, the Group spent for **acquisitions** – for both the acquisition of consolidated companies and business combinations according to IFRS 3 as well as for product purchases, i.e. for investments in intangible assets for the short-term expansion of the product portfolio (generally in the reporting year) – in 2012 a total of € 410.7 million (previous year: € 142.4 million).

In addition, in cash flow from investing activities, an inflow of cash and cash equivalents due to **disposals** in the total amount of € 14.0 million (previous year: € 8.0 million) arose in financial year 2012.

Investments in other intangible assets, i.e. investments in intangible assets in the context of the ongoing operating business and therefore without consideration of acquisition, cooperation or disposal projects, in the amount of € 37.9 million (previous year: € 30.5 million) focused on, in 2012, payments for the mid and long-term expansion of the product portfolio in the course of the acquisition of approvals or approval dossiers.

Overall, the future development of cash flow from investing activities with respect to total intangible assets that exist in the Group depends in particular on decisions on acquisition, cooperation and disposal projects.

Regarding investments in other intangible assets to support organic growth in the context of the operating business, STADA expects investments of an amount similar to the reporting year in the coming years.

Payments for **investments in property, plant and equipment** amounted to € 30.3 million in 2012 (previous year: € 22.0 million).

Property, plant and equipment investments in financial year 2012 thereby comprised the investment in production facilities and production sites in the total amount of € 12.6 million (previous year: € 13.6 million) (see “Business and General Conditions – Procurement, Production and Quality Management”).

Furthermore, property, plant and equipment investments included payments for the maintenance and expansion of existing locations.

For payments for investments in property, plant and equipment in financial year 2013, STADA expects payments of a scale similar to the level of 2012.

Payments for **investments in financial assets** were at € 3.5 million in financial year 2012 (previous year: € 0.3 million).

The further development of this cash flow item generally depends on decisions on investment projects.

Cash flow from financing activities in the reporting year amounted to € 30.6 million (previous year: € 140.5 million). This development primarily resulted from securing promissory notes in the amount of € 100 million in the first quarter of 2012. From the conversion of STADA warrants to shares, the Group also generated an inflow from a capital increase in 2012 in the amount of € 6.0 million (previous year: € 1.5 million) (see “Notes to the Consolidated Financial Statements – 35.”).

Free cash flow, i.e. cash flow from current business activities plus cash flow from investing activities, in view of significant acquisitions in 2012 amounted to € -255.8 million in the reporting year (previous year: € -18.1 million). In contrast **free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals increased in the reporting year to € 149.6 million (previous year adjusted for payments for significant acquisitions and proceeds from significant disposals: € 123.3 million).

In total, cash flow for financial year 2012, net of all inflows and outflows of cash and cash equivalents, amounted to € -228.0 million (previous year: € 121.6 million).

Investment volume ensures long-term value

The Group's investments totaled € 401.0 million in financial year 2012 (previous year: € 286.6 million). Here, investments in property, plant and equipment amounted to € 30.3 million (previous year: € 31.7 million). The share of 1.6% of sales was within the range strived for by STADA (2011: 1.8% of sales). Investments in intangible assets amounted to € 367.1 million (previous year: € 237.3 million), of which € 252.7 million was used for business combinations according to IFRS 3. In the reporting year, 8% of the total investment volume was thereby attributable to property, plant and equipment (previous year: 11%) and 91% to intangible assets (previous year 83%).

Active acquisition policy with attractive purchases

With a view to the continued concentration processes in the industry, the Executive Board still intends to complement the Group's organic growth with additional external growth impulses. Substantial progress was made in these efforts in financial year 2012. The main focus in the context of STADA's active acquisition policy is generally on the regional expansion of business activities with concentration on high-growth emerging markets, as well as on the expansion and internationalization of the core segments, in particular the Branded Products core segment which is generally characterized by better margins and less regulatory intervention than the generics area.

Despite the active approach to acquisition, strict benchmarks continued to be applied in 2012 which are geared towards the profitability and 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 is too high from such acquisitions or cooperations.

Acquisition of a branded product portfolio in Central Europe

In financial year 2011, STADA negotiated with Grünenthal regarding the acquisition of a branded product portfolio in Central and Eastern Europe as well as the Middle East and acquired the branded product portfolio for numerous markets in Eastern Europe and in the Middle East as of December 30, 2011[1)]. STADA also acquired the branded product portfolio including related sales structures and various pipeline products for Central Europe in the first quarter of 2012.[2)] The purchase price for this region amounted to a total of approx. € 165 million and was thereby approx. € 43 million below the originally planned purchase price for this region's product package of € 208 million. The branded product portfolio for Eastern Europe and the Middle East as well as for markets belonging to the EU in Central Europe has been consolidated in the STADA Group since January 1, 2012 and February 1, 2012 respectively.

The integration of products, companies and markets acquired in the context of this branded product portfolio proceeded according to plan in the reporting year. In this context, all business activities of the individual markets of the respective market regions – both those from the STADA Group and the integrated former Grünenthal units – are now carried out under the uniform management responsibility of the respective market region and have a uniform brand presence. For this reason, there is only one regional company each in Poland, the Czech Republic, Slovakia, Slovenia and Croatia. In most countries of the MENA region, the Group relies on independent local distributors for sales.

Purchase of a generics business and a pharmaceutical wholesaling and commercial business in Switzerland

On May 19, 2011, STADA resolved to enter into concrete negotiations with the shareholders of Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, on the acquisition of Spirig's generics business in Switzerland.[3)] On November 9, 2011, both negotiating partners signed the respective contract.[4)] On January 31, 2012, STADA successfully concluded this purchase including the respective sales structures (see "Earnings Situation – Development of Segments – Development by Market Region – Market Region Central Europe – Switzerland").[5)] The purchase price for this generics business totaled CHF 98.1 million (€ 81.4 million) and includes the right to continue

1) See the Company's ad hoc update of December 30, 2011.
2) See the Company's ad hoc updates of January 27, 2012 and January 31, 2012.
3) See the Company's ad hoc release of May 19, 2011.
4) See the Company's ad hoc update of November 9, 2011.
5) See the Company's ad hoc update of January 31, 2012.

marketing the acquired products under the Spirig umbrella brand. The acquired portfolio contains 56 prescription (RX) and 15 non-prescription (OTC) and discretionary prescription (OTX) products. The acquisition does not include any production facilities. The Generics business has been consolidated in the STADA Group since January 1, 2012.

Furthermore, STADA concluded a contract with Spirig HealthCare AG in the third quarter of 2012 for the acquisition of the pharmaceutical wholesaling and commercial business of Spirig Pharma AG. The acquisition was concluded in the first quarter of 2013.

STADA activities strengthened by additional acquisitions in the market region CIS / Eastern Europe

In order to strengthen the Russian product portfolio in the market region CIS / Eastern Europe in the first quarter of 2012, the local STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts for the purchase of rights for the brand Tranexam®[1] (see "Earnings Situation – Development of Segments – Development by Market Region – Russia"). The purchase price for the acquired rights, which relate to Russia, amounted to € 40.0 million. Sellers included one Cypriot company and two Russian companies. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia amounted to approx. RUB 302.3 million (approx. € 7.4 million). Sales responsibility was assumed in the second quarter of 2012 following legal registration by the respective national authorities (see "Earnings Situation – Development of Segments – Development by Market Region – Russia").

Furthermore, the Russian STADA subsidiary OAO Nizhpharm concluded contracts in the first quarter of 2012 for the purchase of the brand rights to the nutritional supplements Vuka Vuka®[2] and Vuka Drive®[2], a further development of Vuka Vuka®, for Russia as well as for Vuka Vuka® for the CIS countries (see "Earnings Situation – Development of Segments – Development by Market Region – Market Region CIS / Eastern Europe – Russia"). The purchase price amounted to € 9.7 million. Sellers included Carotex Holdings Ltd., Cyprus, and OOO "Vuka Vuka", Russia. In 2011, the last full financial year before the takeover, sales generated with these products amounted to a total of approx. € 2.8 million. Sales responsibility for both contract areas was assumed in the second quarter of 2012 upon official registration by the relevant national authorities. Prior to the purchase, the product was sold via in-licensing by the Russian subsidiary.

Furthermore, the Russian Group company OAO Nizhpharm signed contracts in the third quarter of 2012 on the purchase of rights to the brand Baktistatin®[3] for Russia and the CIS countries (see "Earnings Situation – Development of Segments – Development by Market Region CIS / Eastern Europe – Russia"). The purchase price was composed of a one-time payment in the amount of € 3.5 million and deferred payments on a quarterly basis that depend on the product's future success. Sellers included a Cypriot company and two Russian companies as well as a private person. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 1.53 million.

The Russian STADA sales company OAO Nizhpharm also signed a contract in the fourth quarter of 2012 for the purchase of rights to the registration dossier and documentation related to Safocid®[4] for Russia and the CIS countries (see "Earnings Situation – Development of Segments – Development by Market Region CIS / Eastern Europe – Russia"). The purchase price was USD 2.75 million (approx. € 2.1 million). The seller was an Indian company. In 2011, the last full financial year before the takeover, sales generated with this brand in Russia and the CIS countries amounted to approx. € 2.25 million.

In order to expand the Ukrainian branded product portfolio, the Russian STADA subsidiary OAO Nizpharm, Nizhny Novgorod, signed a contract for the distribution of the branded product Ingavirin®[5] in Ukraine in the second quarter of 2012. The staggered purchase price amounted to a total of USD 1.0 million (approx. € 0.8 million). Sellers include LLC "Ingapharm" and JSC Valenta Pharmaceuticals, as well as a private individual, Nebolsin V.E.

1) Active ingredient tranexamic acid, for the treatment of hypermenorrhea.
2) Nutritional supplement (aphrodisiac).
3) Active ingredient bazillus subtilis 3 (probiotic), for the treatment of gastrointestinal disorders.
4) Compound (active ingredients: azithromycin, secnidazole and fluconazole) for the treatment of infections of the urogenital tract.
5) Active ingredient Ingavirin, for the treatment of influenza.

In addition, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, concluded a contract in the second quarter of 2012 for the purchase of a package of five branded products for Ukraine with a focus on the gynecology area of indication. Sellers included one Cypriot and two Russian companies. The purchase price amounted to € 15.1 million. In 2011, the last full financial year before the takeover, sales generated with these products amounted to a total of approx. RUB 107.9 million (approx. € 2.7 million). Sales responsibility was assumed in the third quarter of 2012 upon legal registration by the relevant national authority.

Acquisition of the French company LERO

In February 2012, the French STADA subsidiary EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, signed contracts for the purchase of the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA, Colombes, which specializes in nutritional supplements and dermatology products (see "Earnings Situation – Development of Segments – Development by Market Region – Market Region Central Europe – France"). The purchase price was € 3.96 million. Sellers included various private individuals and a company. The company has a 26-year history and employed 21 sales representatives at the time of the acquisition. Sales in financial year 2011, the last full financial year before the takeover, amounted to € 6.03 million. The company has been consolidated within the STADA Group since February 1, 2012.

Disposal of the Irish production facility in Clonmel

In the course of the further implementation of "STADA – build the future", STADA and the mutares group signed contracts in the first quarter of 2012 on the sale of the Irish production facility STADA Production Ireland Limited (SPI), which previously belonged to the STADA Group via the Irish STADA subsidiary Clonmel Healthcare Ltd. (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").[1)] The contracts were concluded retroactively to January 1, 2012. The transaction was carried out in the form of a so-called "share deal" with which all shares in SPI and thus also the conditions of employment for all of the approx. 180 employees at the facility as well as the other contractual relationships are immediately transfered to the mutares Group. In addition, as part of this transaction, the production facilities, corresponding assets as well as the property will be transfered to the buyer within the scope of a lease option model over a period of four years. The products that were produced in the Irish production facilities for the STADA Group at the time of sale, will continue to be produced by SPI for STADA during a transitional period. STADA reported the one-time burden in the amount of € 17.1 million before and € 16.4 million after taxes as a one-time special effect (see "Earnings Situation – Development of Earnings and Costs"). The burden was thereby less than the expenses originally planned in the context of "STADA – build the future" for the sale of the Irish production facility.

Sale of the two Russian production facilities in Moscow and Ryazanskaya obl.

In the course of the restructuring of the Russian production facilities according to "STADA – build the future", the sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., was successfully completed within the context of a partial management buyout to LLC DMN Invest in the third quarter of 2012.[2)] As a result of this disposal, which represents another significant step in the production restructuring of this program, STADA incurred a one-time burden on earnings in the amount of approx. € 8.4 million before taxes or approx. € 8.0 million after taxes, which STADA reported as a one-time special effect in the current third quarter of 2012 (see "Earnings Situation – Development of Earnings and Costs"). This burden was thereby less than the expenses originally calculated in the context of "STADA – build the future" for the Russian production restructuring.

In the context of the completion as part of the restructuring, 186 full-time positions were immediately reduced in the STADA production companies at the locations of both sold production facilities. The affected persons have been employed at previous conditions by the purchaser since the time of the disposal. Additionally, in the course of the transaction, the purchaser has assumed the contractual obligation for a further up to approx. 212 full-time positions, which initially remain with local STADA subsidiaries at the locations of both sold produc-

1) See the Company's ad hoc release of February 6, 2012.
2) See the Company's ad hoc release of August 7, 2012 and the Company's ad hoc updates of August 15, 2012 and September 25, 2012.

tion facilities in order to secure the ongoing production and product transfers. Each affected person will be offered employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest.

In the current first quarter of 2013, approx. 195 of these approx. 212 full-time positions have already been transfered to the buyer (see "Supplementary Report"). For the outstanding personnel reduction STADA expected in 2012 additional possible one-time burdens of an amount up to € 2 million; following the further personnel reduction that took place in the first quarter of 2013 additional one-time burdens of just up to € 0.2 million are expected. However, STADA anticipates a total amount of € 0.1 million from today's perspective.

Disposal of the engineering companies that are not part of the core business

In the first quarter of 2012, STADA sold the engineering companies which were not part of the Group's core business (see "Business and General Conditions – Business Model, Core Segments and Structural Environment"). The one-time burden in the amount of € 1.5 million before and € 1.3 million after taxes was reported as a one-time special effect (see "Earnings Situation – Development of Earnings and Costs").

Sale of an Italian product portfolio

In the third quarter of 2012, the Italian STADA subsidiary Crinos disposed of a portfolio whose products will gradually be transfered to the acquirer. The resulting burden in the amount of € 2.8 million before or € 1.9 million after taxes was recorded as a one-time special effect (see "Earnings Situation – Development of Earnings and Costs").

Continuation of STADA's active acquisition policy

STADA continued the active acquisitions policy in the current financial year 2013 as well. Further details on STADA's continued active acquisitions policy in the current financial year 2013 can be found in the Supplementary Report.

Assets Situation

Development of the Balance Sheet

Balance sheet (abridged) Assets	Dec. 31, 2012 in € 000s	Dec. 31, 2012 in %	Dec. 31, 2011 in € 000s	Dec. 31, 2011 in %
Non-current assets	**1,801,390**	**60.4%**	**1,532,764**	**54.7%**
Intangible assets	1,417,083	47.5%	1,147,181	41.0%
Property, plant and equipment	273,822	9.2%	299,480	10.7%
Other assets	110,485	3.7%	86,103	3.0%
Current assets	**1,180,645**	**39.6%**	**1,267,081**	**45.3%**
Inventories	475,311	15.9%	399,125	14.3%
Trade accounts receivable	492,143	16.5%	446,214	15.9%
Other assets	120,461	4.1%	101,002	3.6%
Cash and cash equivalents	92,730	3.1%	320,740	11.5%
Total assets	**2,982,035**	**100%**	**2,799,845**	**100%**

Equity and liabilities	Dec. 31, 2012 in € 000s	Dec. 31, 2012 in %	Dec. 31, 2011 in € 000s	Dec. 31, 2011 in %
Equity	**912,176**	**30.6%**	**863,911**	**30.9%**
Long-term borrowed capital	**1,100,269**	**36.9%**	**1,254,956**	**44.8%**
Other non-current provisions	47,874	1.6%	34,917	1.2%
Financial liabilities	941,572	31.6%	1,124,829	40.2%
Other liabilities	110,823	3.7%	95,210	3.4%
Short-term borrowed capital	**969,590**	**32.5%**	**680,978**	**24.3%**
Other provisions	10,538	0.4%	11,835	0.4%
Financial liabilities	328,519	11.0%	96,229	3.4%
Trade accounts payable	268,973	9.0%	241,561	8.6%
Other liabilities	361,560	12.1%	331,353	11.9%
Total equity and liabilities	**2,982,035**	**100%**	**2,799,845**	**100%**

In the Executive Board's view, the Group's financial position is and will continue to be stable. This assessment is shown by means of various derived key figures as a supplement to the individual items reported in the balance sheet.

Net debt amounted to € 1,177.3 million as of the December 31, 2012 (December 31, 2011: € 900.3 million).

In view of the investments made in 2012, the **net debt to adjusted EBITDA ratio** amounted to 3.2 (previous year: 2.7) and therefore as expected above the maximum value of 3 envisaged by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013. Against this backdrop the improvement in this ratio achieved in the fourth quarter of 2012 from 3.6 on September 30, 2012 to 3.2 on December 31, 2012 shows a satisfactory trend.

As of the reporting date December 31, 2012, the **equity-to-assets ratio** was 30.6% (December 31, 2011: 30.9%) and was thereby satisfactory in the opinion of the Executive Board.

The **balance sheet** total increased as of December 31, 2012 to € 2,982.0 million (December 31, 2011: € 2,799.8 million).

Intangible assets recorded an increase to € 1,417.1 million as of December 31, 2012 (December 31, 2011: € 1,147.2 million). The amount of this balance sheet item is based on the Group's long-term active expansion policy with corresponding investments in the acquisition of companies and products including brands and licenses as well as in the area of product development for the acquisition of dossiers and approvals.

As of December 31, 2012, intangible assets included goodwill in the amount of € 455.8 million (December 31, 2011: € 319.2 million). Furthermore, fair values determined in the context of the preliminary purchase price allocations from business combinations led to additions to intangible assets, without consideration of amortization, in the amount of € 252.7 million in the reporting year. Thereof € 165.8 million was attributable to the acquisition of the branded product portfolio of Grünenthal and € 82.6 million to the acquisition of Spirig HealthCare AG's generics business. Furthermore, there were additions to intangible assets in the amount of € 70.7 million from the purchase of distribution rights for the branded product Tranexam® in Russia, the branded product Vuka Vuka® in Russia and the CIS countries and Vuka Drive® in Russia, the branded product Ingavirin® for Ukraine, a package of branded products with a focus on the gynecology area of indication for the Ukraine, the branded product Baktistatin® for Russia and the CIS countries, as well as the rights to the registration dossier and documentation related to Safocid® for Russia and the CIS countries. In addition in 2012, development costs in the amount of € 17.3 million (December 31, 2011: € 12.8 million) were capitalized as internally created intangible assets ("Notes to the Consolidated Financial Statements – 25.").

The decrease of **property, plant and equipment** as of December 31, 2012 to € 273.8 million (December 31, 2011: € 299.5 million) was particularly attributable to the sale of the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, as well as of the two Russian production facilities OOO Makiz Pharma, Moscow, Russia, and OOO Skopinpharm Pharmaceutical Plant, Ryazanskaya obl., Russia.

Other assets include various items, including, among other things, financial assets, shares in associated companies, other financial assets and non-current assets and disposal groups held for sale.

The financial assets increased to € 12.5 million as of December 31, 2012 (December 31, 2011 € 10.1 million) and primarily included shares classified as available for sale in affiliated companies and other investments. As before, STADA is currently not intending to sell any of these financial assets available for sale.

The shares in associated companies in the amount of € 34.9 million as of December 31, 2012 (December 31, 2011: € 34.0 million) related to accounting for investments in BIOCEUTICALS Arzneimittel AG, Pymepharco Joint Stock Company, Pharm Ortho Pedic SAS and AELIA SAS. The increase of this balance sheet item primarily stemmed from the result from associated companies as well as from a capital increase of Pymepharco Joint Stock Company which resulted in an absolute increase in shares in Pymepharco Joint Stock Company, but not in a changed shareholding in 2012.

Other financial assets in the amount of € 52.3 million (previous year: € 46.0 million) include loan receivables and purchase price receivables. The unchanged largest item under other financial assets is the loan from STADA Arzneimittel AG granted to BIOCEUTICALS Arzneimittel AG which was utilized as of the balance sheet date in the amount of € 13.8 million (December 31, 2011: € 23.9 million). The increase of this balance sheet item is primarily attributable to, among other things, the outstanding purchase price receivables from the sale of a product portfolio in Italy in the amount of € 3.4 million in the reporting year.

Defered tax assets increased as of December 31, 2012 to € 45.3 million (December 31, 2011: € 28.0 million) primarily due to increased temporary differences from intra-Group income elimination.

Inventories increased to € 475.3 million as of December 31, 2012 (December 31, 2011: € 399.1 million), among other things, as a result of the business combinations in the sense of IFRS 3 as well as new inventories in the context of product acquisitions and stockpiling in the context of the tender business in Germany and Russia as well as regulatory changes in Ukraine.

In specific situations STADA puts – following the principle of market proximity – certain range considerations deliberately aside in favor of possible operating opportunities (see "Business and General Conditions – Sales and Marketing"). In individual cases this can lead to value adjustments for inventories which burden earnings, if the utilization of opportunities cannot be realized as expected. As of December 31, 2012, value adjustments burdened inventories by the total amount of € 31.1 million (previous year: € 33.0 million).

Trade accounts receivable increased as of the balance sheet date to € 492.1 million (December 31, 2011: € 446.2 million). In the Group, the difficult macroeconomic framework conditions in numerous local markets which resulted from the financial and economic crisis had no significantly negative impact on due-date oriented receivables.

In selected market situations, the Group accepts, if necessary, higher current trade receivables, if this results in opportunities for an improved market position. In the scope of its receivables management, STADA pays thorough attention to the liquidity of individual customers as a rule. Defaults can, however, never be entirely ruled out (see "Opportunities and Risk Report").

Cash and cash equivalents, which include cash and call deposits as well as short-term financial investments, decreased as of December 31, 2012 to € 92.7 million (December 31, 2011: € 320.7 million), primarily as a result of the payment of purchase price liabilities from business combinations according to IFRS 3 that were due in 2012 as well as acquisitions of products for the expansion of the Group portfolio in the short term. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

Equity increased as of December 31, 2012 to € 912.2 million (December 31, 2011: € 863.9 million). Here it must be taken into account that the Group recorded proceeds from capital increases from the conversion of STADA warrants in the amount of € 6.0 million in the reporting year (see "STADA Share").

Other provisions within equity amounted to € -141.0 million as of December 31, 2012 and thereby decreased by € 23.2 million as compared to December 31, 2011. The main reason for this was the negative development of the Serbian dinar to Euro, which reduced equity from the foreign currency translation reserve.

Other non-current provisions included provisions for pensions created in accordance with actuarial principles and other long-term provisions in the form of anniversary provisions (see "Notes to the Consolidated Financial Statements – 36."). The increase to € 47.9 million is primarily attributable to interest rate changes, the initial consolidation of the generics business of Spirig HealthCare AG in financial year 2012 as well as newly formed pension plans and pension plan changes at international Group companies (December 31, 2011: € 34.9 million).

Financial liabilities amounted to € 1,270.1 million as of December 31, 2012 (December 31, 2011: € 1,221.1 million). The increase was particularly a result of the promissory notes secured in the first quarter of 2012 in the amount of € 100.0 million (see "Financial Situation" and "Notes to the Consolidated Financial Statements – 37.").

Trade accounts payable increased to € 269.0 million as of December 31, 2012 (December 31, 2011: € 241.6 million). This increase was mainly attributable to balance sheet date effects and the derivable cash flows.

Remaining liabilities include, among other things, deferred tax assets and other financial liabilities.

Deferred tax liabilities increased as of December 31, 2012 to € 82.7 million (December 31, 2011: € 63.4 million) – primarily due to the acquisition of the generics business of Spirig HealthCare AG and the purchase price allocation carried out in the context of IFRS 3.

Other financial liabilities in the amount of € 246.5 million (December 31, 2011: € 252.4 million), include, among other things, finance lease liabilities and liabilities from derivative financial instruments. The finance lease liabilities amounted to € 10.8 million in the reporting year (December 31, 2011: € 10.3 million). The liabilities from derivative financial instruments resulted from the negative market values of derivatives measured at fair value with an effect on income, which are partly used as hedging instruments.

The reduction of other financial liabilities as of December 31, 2012 to € 246.5 million (December 31, 2011: € 252.4 million) is primarily as a result of the payment of purchase price liabilities due from the business combinations in the sense of IFRS 3. The increasing liabilities from discount agreements had an opposing effect.

Supplementary Report

This Supplementary Report includes those events that occurred between the end of financial year 2012 and the date of the signing of the Group Management Report and the Group financial statements for 2012 and which have a significant, or possibly significant effect on the assets, financial and earnings position of the STADA Group.

These events included the following:

- In the third quarter of 2012, STADA concluded a contract with Spirig HealthCare AG for the acquisition of the pharmaceutical wholesaling and commercial business of Spirig Pharma AG. The acquisition was completed in the first quarter of 2013 (see “Financial Situation”).

- Since January 1, 2013, STADA has controlled (in the sense of IFRS) the Vietnamese pharmaceutical company Pymepharco Joint Stock Company – the business activities of which include the production and sale of pharmaceutical products as well as import activities for the Vietnamese health and pharmaceutical market – resulting in additional indirect investments and contractual obligations. Pymepharco, which was previously handled as an associated company, has therefore been fully consolidated within the STADA Group adjusting for minority interests since January 1, 2013. STADA intends to benefit even more from local growth opportunities in the future.

- In the course of the disposal of the two Russian production facilities, the purchaser assumed the contractual obligation for a further up to approx. 212 full-time positions, which initially remained with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production and product transfers. This ensured that each affected person would thereby be offered employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. In the current first quarter of 2013, approx. 195 of these approx. 212 full-time positions have already been transfered to the buyer. For the outstanding personnel reduction STADA expected in 2012 additional possible one-time burdens of an amount up to € 2 million; following the further personnel reduction that took place in the first quarter of 2013 additional one-time burdens of just up to € 0.2 million are expected. However, STADA anticipates a total amount of € 0.1 million from today’s perspective.

Opportunities and Risk Report

Every entrepreneurial decision taken in the course of the business activities of the STADA Group is based on the consideration of associated opportunities and risks. Because the proper handling of the opportunities and risks that have been identified has a significant impact on both the short-term as well as the long-term success of the Company, opportunities and risks must have an influence on the daily actions of each and every employee. Fundamentally, the willingness to take risks is the requirement for also being able to take advantage of the opportunities that present themselves. However, the risks taken must be proportionate to the expected benefit for the STADA Group.

Opportunities management

The management of opportunities is a permanent task in entrepreneurial activities, one that secures the short, middle and long-term success of the Company. The objective of opportunities management is the create things that are new and to secure and improve what already exists.

The decentralized regional organizational and management structure in the sales related areas of the STADA Group, supported by the execution of intensive observations of both the market and the competition as well as the close contact with institutions ensures that trends and requirements in the often fragmented market regions and markets can be recognized and analyzed at an early stage so that opportunities can be used in a targeted manner. The Group also has centrally organized processes for the identification of risks, such as a Group-wide portfolio management system for identifying potential new products that are relevant to the Group.

STADA's strategic success factors create the basis for utilizing existing growth potentials and thereby securing sustainable Group success. They include strong product development, an international sales structure, an active acquisitions policy including experienced integration management, a group that is both organized according to function and into market regions with short decision-making processes and efficient cost management (see "Prognosis Report").

Based on the product pipeline, which remains well-filled, STADA will continue to constantly expand the existing Group portfolio – particularly in the core segment Generics. In addition to sales and earnings achieved in the context of new product launches, the opportunity also exists to attain an improved margin mix as well as for economy of scale effects insofar as the new products can be launched with margins that are initially better than the Group average or that they can be launched within the scope of existing sales structures in the individual market regions. In the context of a "time and cheap to market" strategy, STADA generally pursues the goal of launching new products not only at the earliest point in time, but also at the best possible cost of sales.

The international sales structure with four market regions and currently 51 sales companies in 35 countries is designed to market the products from the Group portfolio in a way which is adapted to the different regulatory and competitive framework conditions in the individual national markets of the market regions. In consideration of being able to counteract the challenges and risks in individual market regions and to be able to make optimum use of the respective growth opportunities, STADA will continue to expand the global sales network in the future as well.

In the context of the active acquisitions policy, the Executive Board intends to further expand the Group's business activities. This will focus on selected markets in the respective market regions, predominately high-growth emerging markets, as well as on the expansion and internationalization of both core segments Generics and Branded Products. Against the backdrop of increasing pressure to reduce costs, to which the individual national health care systems are exposed, the Executive Board particularly sees further growth opportunities in branded products as they are generally characterized by better margins and are subject to less regulatory intervention. The Executive Board generally does not exclude, also in the future, cooperations with a significant capital investment. For larger acquisitions or cooperations with capital

investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

With a view to future growth, great importance will continue to be placed on functional reporting structures with short decision-making channels and strong regional market presence at the same time. This particularly applies to sales activities, because the ability to react in the short-term to structural, regulatory or competition-related changes, plays an essential role in both exploiting opportunities and reducing risks. For this reason, STADA will continue to pursue an aggressive price policy in individual cases with, if necessary, a possible decrease of operating margins, in order to achieve a better market position or a higher market share. The goal for this approach, however, is that the business activities in the relevant market of a market region are profitable or become so within a foreseeable time.

In consideration of earnings in the Group, efficient cost management will continue to be of great importance. One focus in the context of continuous cost optimization will remain cost of sales and all the associated costs, as it clearly represents the Group's largest cost item. The Group will therefore continue to adhere to measures such as the arrangement of price escalation clauses or renegotiations that involve suppliers in the market risk, as well as to give preference to suppliers in low-cost countries.

In the current financial year, STADA will continue in the implementation of the remaining measures of the Group-wide cost efficiency program "STADA – build the future", scheduled for the period of 2010 to 2013, which aims at strengthening mid and long-term earnings potential. The Executive Board still expects that this project will allow additional earnings contributions to be achieved, which with the gradual implementation of the individual measures will add up to annual savings in the double-digit million area.

STADA's employees, with their extensive expertise, their great experience and their strong commitment, will continue to have a significant share in the ongoing success of the Company.

Risk management

As is the case with the management of opportunities, the management of risks is also a permanent task of entrepreneurial activity. For this reason, STADA's Executive Board implemented an ongoing risk management system that is integrated into the value-based management and existing organizational structure of the Group.

Risk management system

The risk management system aims to systematically and regularly identify risks that are significant for STADA and that may jeopardize its continued existence, to assess their effects on the Group and determine possible measures that can be initiated in due time if necessary.

The fundamental components of the risk management system are:

1. the company specific risk management guide, which defines the risk management process and the risk management system;

2. the Corporate Risk Management department reporting directly to the Executive Board, which is responsible for planning and further development of the risk management system (including the risk management software R2C – Risk to Chance), as well as the methods and procedures used to assess risk and supporting the local risk confidants;

3. local risk confidants who identify and assess risks (including measures) and document and update them in the risk management system (bottom-up communication);

4. written and oral queries (top-down communication) to the risk officers responsible by the Corporate Risk Management department on current topics and the risk situation in the Group;

5. risk reporting at Group and individual-company level.

STADA's risk management system covers STADA Arzneimittel AG and all Group companies in which STADA holds a stake of at least 50%. Insofar as recognizable risks to the Group arise at subsidiaries in which STADA holds a stake of less than 50%, these risks are also recorded in the Group's risk management system.

The risk report resulting from the risk management system, which is created on a quarterly basis, is promptly presented to the Executive Board. Essential risks indicated in the report are discussed by the Executive Board and the Supervisory Board and if required, measures to minimize risks are addressed. Any new significant risks that appear in the meantime within the scope of the risk management system are reported immediately to the Executive Board and, if necessary, the Supervisory Board. For individual, potentially high-risk business processes, the Group's risk management also accompanies the operational implementation in an observational role.

The Group's independent auditor has reviewed STADA's risk management system and confirms that the system is in compliance with statutory requirements.

Internal control and risk management system as relates to the Group accounting process

STADA has a **Group-wide internal control and risk management system with regard to the financial reporting process**, which aims to ensure the accuracy and reliability of financial reporting (bookkeeping, separate and consolidated financial statements as well as management reports) by implementing appropriate and effective procedures and controls, in accordance with relevant accounting standards and in compliance with Group-internal guidelines. This involves the combination of central system organization and control as well as local responsibility for individual sub-processes.

Responsibility for the introduction as well as the functionality of the internal control system rests with the Executive Board of STADA Arzneimittel AG. The appropriateness and effectiveness of the control system is assessed by the Executive Board at the end of each financial year at a minimum. The Group-wide risk management system with regard to the financial reporting process is a component of the comprehensive Group-wide risk management system.

The consolidated financial statements are prepared on the basis of Group uniform accounting guidelines laid down by the Corporate Accounting department and a Group uniform accounting plan. Changes in the area of accounting standards are monitored on an ongoing basis. Insofar as these are relevant for STADA, the accounting guidelines and the chart of accounts are adjusted accordingly. The changes are communicated promptly to all companies included in the consolidated financial statements.

The primary control functions for the significant accounting processes are carried out by the respective plausibility tests integrated in the programs. The software systems used are protected against unauthorized external access by appropriate IT systems. In addition, authorization procedures ensure that internally, only the relevant individuals in each case have access to the individual systems.

Outside the software systems, manual plausibility tests and verification of the completeness and accuracy of data and calculations are carried out at all Group levels. All separate financial statements of Group companies, which are included in STADA's consolidated financial statements, are generally subject at least once a year to an audit. In addition, the auditor also carries out a review of the half-year reports of the significant consolidated Group companies.

The functions of the departments significantly involved in the financial reporting process, the Group Accounting department for the consolidated financial statements and the Accounting department for the separate financial statements are organized separately within the finance department.

As part of the activities of internal auditing as an additional component of the control system, the appropriateness and effectiveness of the control and risk management system are subjected to regular Group-wide audits, thus ensuring the functionality of the control mechanisms as well as compliance with Group-internal guidelines.

The Supervisory Board, as a controlling body, is also regularly involved with the most important issues relating to financial reporting, risk management, audit contracts and their main focus as well as with the effectiveness of the established internal control system of the STADA Group.

The extent and focus of the established control and risk management systems with regard to the accounting process are thus fully in line with STADA's company-specific requirements. In the view of the Executive Board, STADA has an appropriate and adequate monitoring system, which includes the components of an internal control and risk management system necessary for the Group with regard to the financial reporting process. In the context of a cost benefit analysis of each control and risk management system however, limitations in relation to its effectiveness must be tolerated. In addition – even in the case of existing control mechanisms considered as effective – the possibility of errors or an incorrect assessment of risks cannot be completely excluded.

Categories of risks and period of prognosis

From the STADA Executive Board's current perspective, anticipated risks to the Group's business activities particularly include the risks stated below, summarized according to risk categories in this context. The period of prognosis for this Risk Report is generally 24 months to the extent that no other period is stated in individual cases. It can, however, on principle not be ruled out that further, also essential risks will arise in the development of business during the forecast period, which can add to the risks stated in the following.

Environmental and industry risks

STADA is active in the health care and pharmaceuticals market in market regions and market segments which are characterized, among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. Of primary importance to STADA are risks related to changes in market conditions on the basis of intense competition or related to changes to structures and mechanisms outside of STADA's influence in the individual national markets of the respective market regions or market segments. Particular attention in this regard is paid to the STADA core segments of Generics and Branded Products.

Some competitors, as a result of their financial or organizational resources, production capabilities, sales strength, and/or market power can influence market conditions in a negative manner for STADA. This relates in particular to such activities of competitors that influence pricing (for example in tenders and discount agreements), product range and scope of service and/or delivery and discount conditions, in order to

secure or improve their own competitive position. In addition, market conditions can also be influenced by the appearance of new competitors.

At the same time, a change in market conditions is also possible as a result of increased purchasing power of individual customers or customer groups (such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies), which could intensify competition regarding price, service, and condition terms as well as result in more unfavorable framework conditions of tenders and discount agreements.

STADA may therefore be faced with the choice of either selling at non cost-covering prices in individual national markets of the respective market regions or foregoing substantial sales and accepting value adjustment and destruction of inventories that are no longer required. The loss of these sales may lead to a further deterioration of the earnings situation for existing sales, for example due to a lower utilization of existing capacities or a worsened quantity scale in the case of external procurement.

To make use of opportunities, STADA is principally willing to accept, if necessary, losses in individual markets of respective market regions and/or for selected products or product groups, for example in market regions with major growth potential for sales and/or earnings or with strategic and/or operating necessity to maintain or expand its own market position. These losses may also be higher than anticipated as a result of competition activities, customer behavior or government regulation.

STADA operates active risk minimization by comprehensively monitoring the market activity of all market participants and on the basis of the observations indicating courses of action.

Corporate strategy risks

STADA's corporate strategy is mainly focused on growth and internationalization in the health care and pharmaceutical market in the core segments Generics and Branded Products.

STADA's growth strategy is linked to the risk that associated specific organizational and/or financial requirements are not or not to a sufficient extent operatively met. In the event that the Group's facilities, human resources, internal structures, management tools, or financial resources cannot keep pace with the Group's growth, STADA may be affected in a materially adverse manner.

New companies and products acquired in the past or in the future or acquired or self-created other assets may not be integrated into the Group as planned, or only at higher costs than originally expected, and/or intended synergy effects may not be achieved, or not achieved in the intended amount. Furthermore, acquired companies and/or products may not generate the results anticipated in the market. Furthermore, there could be unexpected difficulties in introducing acquired products into new markets or in maintaining their existing market positions. Any of the above-mentioned issues can lead to the impairment of assets.

The implementation of a fundamentally growth-oriented corporate strategy requires significant outside financing. In financing ongoing business activities and, in particular, the intended future expansion, there is an inherent risk that the Group may only be able to obtain capital or loans under disadvantageous conditions, or not at all.

In principle, internationally active companies, such as STADA, face the risk of having to react differently and possibly with substantial effort to legal and fiscal conditions that vary from region to region or country to country and are subject to change, to the relevant specific market environment, as well as outside of the euro area to the different currency.

STADA thereby assumes that justified own claims – whether claims towards third parties arising from business transactions or from concluded contracts, or whether claims towards state institutions or administrations from existing laws or regulations – can principally, in a foreseeable period, be enforced within the laws of a country where STADA undertakes business with affordable costs and without any materially adverse effects on business in this country. If, contrary to expectations, it turns out that this is not the case in a country where STADA undertakes business, this can have materially adverse effects for the business activity in this country, but also for the Group as a whole in the case of internationally linked business processes.

In the context of international business activity, STADA uses the opportunity to transfer goods and services within the Group. There is no guarantee that the fiscal authorities in individual countries may not take a critical view of the economic parameters taken as a basis for this and impose retroactive tax demands on a company.

Moreover, there is the risk that conditions which are relevant for the Group's international operating activities – especially the conditions of fiscal laws – may be changed by national or supranational regulations in a way that affects STADA in a materially adverse manner. In addition, in connection with the internationalization, there is the risk that the political conditions in individual countries generally and for STADA or the Group's business activity specifically are changed in a materially adverse manner due, for example, to international tensions or internal political developments in individual countries where STADA does business. Furthermore, parts of STADA's business activities, especially in the areas of product development, sales, procurement and production are related to the USA and are there, in the Company's view, subject to elevated legal risks as compared to other countries, particularly in the areas of liability and patent litigation. This may be associated there with substantial additional costs, in particular for legal counsel. The same applies to disputes in the USA resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Furthermore, a fundamental corporate strategic risk, thus also relating to STADA, is the fact that markets, market regions and market segments on which a company strategically focuses develop differently to expectations. Even if STADA undertakes all efforts to carefully analyze these expectations in advance, relying thereby also partly on external data and evaluations, assessment errors by STADA, due, for example, to insufficient data available, unexpected regulatory or competitive influences, new technological developments or changed social and macro and/or micro economic trends cannot be ruled out, which may be associated with substantial, primarily adverse effects for the Group or individual Group companies.

Regulatory risks

The health care and pharmaceuticals market is characterized by a large number of regulations. Changes to or the removal of existing regulations or the passing of new regulations (for example as a result of court decisions or legislative changes) can have significant economic and strategic effects on STADA's business success. Of primary importance for STADA are regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products.

For this reason, the risk exists for STADA's business model that investments that rely on the continuation of existing market structures may prove of no value after regulatory intervention or existing market positions may even be jeopardized. This relates for example to STADA's

individual national sales structures, which are geared to the different national regulatory conditions with regard to the marketing, as well as the sale and trade of pharmaceutical products, but also changes in the direct or indirect purchasing power of individual customers or customer groups or changed purchasing behavior.

In many markets of respective market regions, the prices of pharmaceutical products are subject to state supervision and regulation; in some markets, governments exert a direct influence on pricing. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms and/or requirements concerning discounts, the creation of framework conditions stimulating more intense competition) or influenced by supranational regulations. Pricing pressure as a result of state reimbursement systems can reduce the profitability of individual products and in individual cases make the market introduction of a new product unprofitable. STADA assumes that the extent of price regulation and pricing pressure will continue or even increase.

Fundamentally, the risk exists for all products in the health care market, but for pharmaceutical products in particular, of exclusion or reduction of cost reimbursement as a result of regulatory intervention under the respective national social security systems. This can result in the profitability of individual products being reduced and in individual cases, the market introduction of a new product becoming unprofitable.

Moreover, the risk exists for pharmaceutical products that framework conditions in pharmaceutical legislation or provisions concerning commercial property rights or other provisions that are relevant for the expansion of the product portfolio can be changed through national or supranational regulations in a way that affects STADA in a materially adverse manner. Similar risks exist also for other partially regulated product categories in the health care market such as, for example, medicinal products.

Exact predictions concerning the introduction and scope of potential changes in national or supranational regulations as well as their effects on the market structures and/or business processes which are of relevance for STADA are not possible since the introduction and scope of such regulations depend on the political process of the country in question or on court decisions and after such regulations have become effective, the consequences are also influenced to a large degree by the reactions of the market participants affected. Changes in the regulatory environment in STADA's main markets by sales volume are continuously analyzed. Depending on the extent of state regulation, it could become necessary to adjust the business model.

Product portfolio risks

The continuous expansion of the product portfolio plays an essential role for the competitive position and business success at STADA. Associated with this is the risk that due to unexpected events and/or the faulty implementation of activities preparing market entry – such as product development and approval – products are, contrary to plans, not or belatedly or only at higher development and/or production costs than originally assumed launched on the market. The risks of development and approval processes for new products are continuously identified and evaluated. Additional requirements imposed by approval authorities, direct government price controls or additional approvals for reimbursement via the relevant national social security system could also lead to STADA being unable to develop or market a new product at all, as intended or can do so only at significantly higher costs than originally expected.

In addition, meticulous observance of relevant legislation is extremely important for the development and approval of every individual product. For generics, this also particularly applies to a great extent to the observance of commercial property rights (such as patents, SPCs and "data exclusivity"). If individual legislative requirements are violated, the result may be a delay or even prevention of the launch of a new

product due to legal steps taken by competitors or rejection by the approval authorities. To the extent that STADA has offered products by assuming legal clearance and in the course of court decisions it turns out that this assumption was wrong, there is the risk that STADA has to take launched products at significant costs off the market, adjust the value of and destroy inventories which had existed already and those taken back as well as meet significant damage claim payments if commercial property rights were infringed.

In addition, despite intensive tests, potential side effects or initially hidden quality defects in existing products may not be discovered until after approval or when marketed, or new scientific findings or evaluations may lead to a less favorable risk-benefit analysis, which result in a partial or complete withdrawal from the market. Such a sales stop can be voluntary act of responsibility or due to legal or government steps. Additionally, legal proceedings and associated damage claims as a result of possible side effects or initially hidden quality defects could significantly burden earnings.

Legal risks

STADA's business activities are subject to risks resulting from existing or potential future legal disputes. Risks that occur in relation to legal disputes are identified, evaluated and communicated on a continuous basis.

STADA's business activity, in particular in the core segment Generics, is associated with an elevated risk of legal disputes regarding commercial property rights (especially patents and SPCs) as well as allegations of violations of company or trade confidentiality and such disputes may be initiated by third parties with respect to STADA or by STADA with respect to third parties. Such events could result in considerable costs, in particular when such proceedings occur in the USA. Moreover, they could result in significant damage claims and/or a temporary or permanent ban on the marketing of particular products.

If there is a serious risk of future claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims, which amounted to a total volume of € 1.0 million for the Group as of December 31, 2012 (December 31, 2011: € 2.0 million). In principle, STADA cannot guarantee that such provisions will be sufficient for individual instances or in total.

STADA's business activities engender risks associated with liability claims. Should specific Group products prove to be defective and/or to cause undesirable side effects or should individual services or activities of the Group be carried out in a faulty way, this could result in substantial damage claim liabilities and in the restriction or withdrawal of the product approvals concerned or in the withdrawal of the service approvals. There is, in principle, no assurance that the insurance policies maintained by the Group, depending on type and scope, will offer sufficient protection against all possible damage claims or losses.

In addition, STADA is subject to a jurisdiction risk which can turn out to be considerably more adverse than initially expected by STADA. This risk relates to both those trials in which STADA itself is a participant as well as third-party trials in which judgments could have an indirect, materially adverse impact on STADA and/or the market environment that is relevant for STADA. This applies in particular to decisions relating to competition law, patent law and to the implementation of individual regulatory requirements in the provision of health care at a national and/or supranational level.

Performance-related risks

STADA's own production facilities are subject to the risk of defective or inefficient planning and production processes as well as to potential production faults and breakdowns as a result of this or external influence. This could have a materially adverse effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with clients.

Although STADA undertakes all efforts to carry out exclusively safe business processes – particularly in the areas of product development, production and logistics – it can, in principle, not be ruled out that unexpected disruptions occur in the context of such processes, possibly endangering or affecting the health of employees from STADA or third parties or causing environmental damage, since STADA regularly works with hazardous substances in the development, production and examination of products from the Group portfolio, especially in case of drugs. It cannot be ruled out that the preventive measures and insurances taken do not provide sufficient coverage in the case of a damaging event.

In the core segment Generics, individual national markets are increasingly characterized by very large volume fluctuation that regularly arises in the context of tenders by governmental institutions or public health insurance organizations. Even though STADA undertakes every effort to avoid delivery bottlenecks and/or an unintentional increase in inventories (e.g. via scenario calculations and a specific operational positioning of the respective supply chain), such events cannot generally be ruled out in consideration of the comprehensive portfolio.

External suppliers, contract manufacturers, sales licensees and other contractors have been integrated into STADA's business processes to a considerable extent, particularly in the areas of development, procurement, production, and packaging, logistics as well as sales, though also to an increasing extent in other areas. Furthermore, the Group is taking increasing advantage of the opportunity of having essential Group services performed by third parties, with whom cooperations are entered into. In addition, as of the reporting date on December 31, 2012, STADA had specifically licensed 14,201 German pharmacies (previous year: 14,477) to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to two branded products. When third parties are incorporated into the Company's business processes, the risk arises that individual business or cooperation partners may not comply properly or at all with their obligations or that they may terminate their agreements with the Company, resulting in material adverse effects for STADA. Moreover, STADA could become liable for infringements on the part of business or cooperation partners.

STADA is dependent on global developments with respect to purchase prices for active ingredients or auxiliary materials required as well as on the prices negotiated with contract manufacturers in the case of products produced by these companies; these prices may fluctuate significantly, also depending on the product. To limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments towards suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example. However, it cannot be ruled out that procurement cost increases and/or supply shortages in the case of individual products will have materially adverse effects on the Group's sales and/or profit margins.

Numerous contracts in the STADA Group include – especially in the areas of product development and production as well as for distribution rights – so-called "Change of Control" clauses, which usually provide both contracting parties, as is usual in the industry, with reciprocal extraordinary termination rights for agreements concluded by the parties in the case that one of the contracting partners becomes subject

to a so-called change of control (change of majority shareholder), e.g. after a successful takeover offer. In the case of a change of control in the STADA Group this could result in material adverse effects for STADA if contracting parties make use of such extraordinary termination rights, in particular if the extent of these terminations is beyond individual cases.

Human resources risks

STADA depends to a large extent on the commitment, motivation and abilities of its employees. The loss of specialists and managers in key positions could have significant adverse effects on the development of the Group. The Group's continued success also depends on its ability, in competition with other companies, to attract and keep qualified employees in the future.

It is STADA's expressed goal that all business processes and Group activities be carried out exclusively within the framework of respective laws in force. To this end, within the scope of the compliance management system established at STADA, all employees are regularly, and to an extent adjusted to the scale of their individual areas of responsibility, trained and instructed. It can, however, not be completely ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act negligently or intentionally in breach of legal regulations and that such breaches affect the business activities of the Group and/or individual subsidiaries or the business, financial and earnings situation of STADA in a materially adverse manner, e.g. following the discovery of such legal breaches through the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders or damage to reputation.

Information technology risks

The strategic objectives of STADA cannot be achieved without the support of IT. Therefore, the Group has to make continuous investments to appropriately adapt these systems to changing business processes. In the event that information technology processes of the Group are nonetheless insufficient and/or inefficient, this could have materially adverse effects on business processes at STADA.

Should electronic data be lost despite extensive backup measures, or should such data be subject to unauthorized access, this could also have materially adverse effects on the Group.

Currently, the gradual conversion of various information technology systems (IT systems) to an integrated SAP system is being carried out in the Group. Generally, when introducing new or converting existing IT systems, there is an elevated risk that unanticipated events occur which, during the initial phase and also during the integration and expansion phase, can have materially adverse effects on the course of business processes and thus could influence business activities of the Group and/or of individual Group companies in a materially adverse manner.

Economic risks

STADA's business success is also generally dependent on economic influences because an economic downturn can regularly intensify the already prevalent cost pressure in national health care systems and thereby potentially significantly increase the speed and extent of regional regulatory measures to contain costs. As a result, there are for STADA adverse characteristics such as state-required price reductions, particularly for prescription drugs, which account for a major part of the portfolio, cannot be ruled out.

Moreover, sales volume and sales of Group products or product lines are particularly sensitive to changes in the economic environment, for which the consumer is not reimbursed as part of the individual national health insurance system but must bear a major part or all of the costs. In the scope of STADA's product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character as well as for services offered and for prescription drugs in market regions containing countries without a comprehensive state health care system, such as Russia in the market region CIS / Eastern Europe.

Another material economic risk for STADA lies in the area of corporate finance. Parameters in this area significantly influencing Group success such as financing possibilities, interest rates, inflation rate, currency ratios and client liquidity can be subject to distinct economic influences and thereby also have a material adverse effect on STADA's business success in case of an economic downturn. Furthermore, a liquid financial market for refinancing is an important precondition for STADA's acquisition policy. In case of disruptions of the financial market – no matter whether globally or regionally in market regions that are important for STADA – materially adverse effects for the Group cannot be ruled out.

In addition, STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous individual debtors. Thus, the fundamental, partly also cyclical commercial risk of debtor default is associated with this. STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, loan insurances or the transfer of property, plant and equipment. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and therefore burdens from one-time special effects, arise to a significant extent. In addition, there is the risk that in a difficult economic environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

In the case of a global financial and economic crisis, the economic-related cyclical risks indicated above can increase considerably.

Financial risks

To the extent that it is possible, STADA counters financial risks with finance policy methods and a specific risk management.

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. In addition, all transactions above a relevant threshold determined by the Executive Board additionally require the Executive Board's prior approval, who, in addition, is regularly informed on the nature, scope and the amount of the current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates, interest rates and stock exchange prices. It is the objective of financial risk management to limit these market risks through the current operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used. However, on principle only financial risks are hedged which have significant consequences on the Group's cash flow.

STADA's currency risks result by far mainly from operating activities, investments and financing measures. Foreign currency risks which do not significantly influence the Group's cash flows remain unhedged while risks due to foreign currencies are usually hedged if they can significantly influence the Group's cash flows.

In the operating area, the individual Group companies carry out their activities mainly in their individual functional currency. For this reason, from today's perspective, the currency risk from the Group's current operating activities is estimated as low. There is, however, a significant currency translation risk in the transfer of results from local subsidiaries outside of the Euro zone into the consolidated financial statements prepared in euro. Some Group companies are exposed to foreign currency risks in connection with planned payments outside their functional currencies.

STADA is primarily exposed to interest rate risks in the euro area, Serbia and Russia.

STADA counters risks from interest rate and currency related fluctuations with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

STADA, on principle, employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year 2012, STADA made particular use, among other things, of foreign-exchange futures contracts as well as interest rate and currency swaps. The maturity dates of futures contracts are selected to match the Company's anticipated cash flows. These contracts are currently valid for up to five years. Based on the respective foreign currency planning, a hedge strategy is thereby developed in the context of a risk analysis, making use of the variance-covariance method.

However, it cannot be ruled out that the hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal because, for example, the financial markets develop contrary to expectations and that adverse effects for STADA result from this.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro with hedging transactions. STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity.

In financial year 2012, to hedge the interest rate risk, there were cash flow hedges in the form of interest-rate swaps as well as interest rate swaps not part of a hedging relationship.

Payer interest-rate swaps, whose variable interest payments are changed into fixed interest payments are used to hedge the cash flow risks of floating rate debt. In the course of these hedging relationships, interest-rate related changes in the cash flows of the hedged items are offset against the changes in the cash flows of the interest rate swaps. Floating rate bonds are hereby converted into fixed interest rate financial liabilities and the resulting interest payment cash flows are accordingly hedged.

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations. To avoid default risks in financing activities respective credit management processes are in place and such transactions are generally only concluded with counterparties of impeccable financial standing. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments.

Further financial risks relate to STADA's liquidity. To guarantee liquidity and to secure financial flexibility, a liquidity reserve in the form of credit lines and, insofar as it is necessary, cash reserves, are maintained. In this regard, STADA has completed bilateral credit agreements with various banks.

In addition, in the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA only recognizes available-for-sale financial assets, whose fair values are determined based on market prices, to a minor extent.

Quantitative disclosures in accordance with IFRS 7 relating to STADA's financial risks can be found in STADA's consolidated financial statements, under point 47. of this Annual Report.

In general, however, it cannot be ruled out that the financial policy methods and the specific financial risk management implemented by STADA and described above, prove insufficient to avoid all financial risks and the materially adverse effects for STADA that are potentially associated with them.

Value of STADA's assets

The value of the assets included in the consolidated balance sheet, in particular the goodwill and other intangible assets, are subject to careful and detailed review. Within the scope of an annual impairment test, the value of the goodwill as well as the other intangible assets with determinable and indeterminable useful lives is reviewed. In addition, in the case of specific indications, both intangible assets as well as property, plant and equipment are subject to a case-related impairment test. Generally, it can not be ruled out here that in the annual impairment tests or in the case-related impairment tests carried out over the course of the year that, for example, as a result of new findings in approvals or changes to the market conditions in individual market regions or individual countries of a market region, a relevant impairment may occur.

Other risks

STADA is in possession of a number of trade and business secrets that must be treated with confidentiality. STADA makes use of confidentiality agreements with employees, external alliance partners, and service providers as well as with certain other contractual partners in order to safeguard these. However, there is no guarantee that these agreements and other protective measures taken to ensure business and trade secrecy actually represent effective protection or that they will not be violated. In addition, there is no assurance that business and trade secrets will not become known to competitors by other means. This may have adverse material effects on the Group.

Like any company, STADA as a Group and the STADA subsidiaries in their market regions or markets are subject to additional general business risks such as unexpected disruptions in infrastructure, strikes, accidents, natural disasters, sabotage, unlawful activities, terrorism, war and other unforeseeable materially adverse influences. STADA protects itself against such risks to the extent possible and financially reasonable through appropriate insurance policies. However, it cannot be ruled out that these insurances are insufficient.

Summary evaluation of risk

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have materially adverse effects on the Group's business activities. In particular, respectively material adverse effects on STADA's business, financial and earnings situation could be associated with this.

In the reporting year, the risk environment of STADA did not change significantly as compared to the previous year. The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks on the basis of the applied risk management. From today's perspective no risks are discernible which alone or in combination could jeopardize the continuance of the Group.

Takeover-Relevant Information

In accordance with Section 315 (4) HGB, STADA is obligated to disclose the following information in the Annual Report:

Composition of share capital, rights and obligations/restrictions associated with shares, which affect the transfer of shares.

As of December 31, 2012, share capital consisted of 59,332,260 ordinary shares, with an arithmetical share of share capital of € 2.60 per share.

These ordinary shares of STADA Arzneimittel AG are exclusively registered shares with restricted transferability, which, under the Articles of Incorporation, can only be entered into the share registry with the approval of the Company and which, in accordance with the Articles of Incorporation, 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.

Shares acquired by employees within the scope of the employee stock option program are subjected to a three-year lockup period.

Appointment and dismissal of Executive Board members / Amendments to the Articles of Incorporation

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations.

The Articles of Incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

The Articles of Incorporation may generally be amended through a resolution of the Annual General Meeting.

The amendment takes effect with the entry of the amendment to the Articles of Incorporation into the commercial register. Amendments to Articles of Incorporation require, according to Section 179 (1) of the German Stock Corporation Act (AktG), a resolution of the Annual General Meeting, provided no other majority is foreseen, a majority of three-fourths of the share capital represented in the vote pursuant to Section 179 (2) AktG. Insofar as a change to the purpose of the company is affected, the Articles of Incorporation may call for a large majority. The Articles of Incorporation exercises in Section 23 (1) AktG the possibility of a deviation pursuant to Section 179 (2) AktG shall be passed by a simple majority of the votes cast and, insofar as a majority of the share capital is represented at the time the resolution is passed, with a simple majority of the capital present insofar as this is legally permissible. In case of a tie, a motion shall be deemed denied.

Furthermore, the Supervisory Board is authorized in accordance with Section 32 of the Articles of Incorporation to resolve on amendments and additions to the Articles of Incorporation which relate only to their wording.

Authorizations of the Executive Board to issue or buy back shares

The Executive Board was authorized by the Annual Shareholders' Meeting on June 10, 2008 to raise new authorized capital. The resolution authorizes the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by June 10, 2013, by up to € 76,346,010.00 through the issue of up to 29,363,850 registered shares with restricted transferability against contributions in cash and/or in kind. The Executive Board is authorized, with the approval of the Supervisory Board, to fix further details for implementing capital increases from the authorized capital. The Executive Board has not made use of this authorization to date.

In addition, the Annual General Meeting on June 10, 2008 authorized the Executive Board, on or before June 9, 2013, on one or more occasions a) to issue bonds with warrants and/or convertible bonds in an aggregate nominal amount of up to € 1,000,000,000.00 and with a maturity of up to 20 years through the Company or through companies in which the Company directly or indirectly has a majority holding ("subordinated Group companies"), and b) to assume the guarantee for such bonds with warrants and/or convertible bonds issued by subordinated Group companies of the Company and to grant the holders or creditors of bonds with warrants and/or convertible bonds, option and/or conversion rights up to a total of 25,701,330 registered shares with restricted transferability of the Company, representing a proportionate amount of the share capital of up to € 66,823,458.00 in accordance with the more detailed provisions of the respective terms of the bonds with warrants and/or convertible bonds.

For the purposes of servicing these bonds with warrants and/or convertible bonds, the Annual General Meeting on June 10, 2008 conditionally increased the share capital by up to € 66,823,458.00 by issuing up to 25,701,330 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The Executive Board is authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2008/I). The Executive Board has not made use of this authorization to date.

The share capital of the Company was conditionally increased as of December 31, 2012 by up to € 7,950,696.00 by issuing up to 3,057,960 registered shares with restricted transferability (Conditional Capital 2004/I). The conditional capital increase will be effected only insofar as the holders of warrants exercise their option rights.

Following the resolution adopted at the Annual General Meeting on June 16, 2011, in accordance with Section 71 (1) no. 8 AktG, the Company was authorized from June 17, 2011 until June 16, 2013 to acquire own shares of up to 10% of the share capital. The Executive Board has not made use of this authorization to date.

The Company's agreement with members of the Executive Board for the case of a change of control

For the agreement of the company with members of the Executive Board in the case of a change of control, please refer to the Remuneration Report in this annual report.

Prognosis Report

Focus on proven business model with sustainable growth opportunities

STADA's business model has been characterized by consistency, sustainability and success for years. In view of this, the Executive Board does not see any basic need to change the Group's strategic positioning and, as such, the business activities will continue to be focused on products with off-patent active pharmaceutical ingredients in selected segments of the pharmaceutical market in the future. The Group's core segments are still generics and branded products.

In the assessment of the Executive Board, the focus of Group activities therefore continues to be on market regions with long-term growth potentials – even if these can vary depending on economic, regulatory and competitive framework conditions in the individual market regions from year to year (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").

In financial years 2013 and 2014, the sales and earnings development of the Group will continue to be influenced by various and, in part, opposing factors in the individual markets of the respective market regions. For the Executive Board's specific expectations regarding the opportunities and risks in individual segments and market regions in which the Group is active, please refer to the segment reporting (see "Earnings Situation –Development of Segments – Information by Region").

In principle, a slowdown or temporary decline in growth cannot be ruled out if difficult framework conditions accumulate. With a view to the strategic success factors, however, the Executive Board sees clear opportunities for further growth in the future.

Strategic success factors as the basis for utilizing growth opportunities

STADA's strategic success factors create the basis for utilizing existing growth potentials and thereby securing sustainable Group success. They include strong product development, an international sales structure, an active acquisitions policy including experienced integration management, a functionally, centrally organized group and for sales organized by market region with short decision-making processes and efficient cost management.

Based on the product pipeline, which remains well-filled, STADA will continue to constantly expand the existing Group portfolio – particularly in the core segment Generics. In addition to sales and earnings achieved in the context of new product launches, the opportunity also exists to attain an improved margin mix as well as for economy of scale effects insofar as the new products can be launched with margins that are initially better than the Group average or that they can be launched within the scope of existing sales structures in the individual markets of the respective market regions. In the context of a "time and cheap to market" strategy, STADA generally pursues the goal of launching new products not only at the earliest point in time, but also at the best possible cost of sales.

The international sales structure with four market regions and 51 sales companies currently in 35 countries is designed to market the products from the Group portfolio in a way which is adapted to the different regulatory and competitive framework conditions in the individual markets of the respective market regions. In consideration of being able to counteract the challenges and risks in individual market regions and to be able to make optimum use of the respective growth opportunities, STADA will continue to expand the global sales network in the future as well.

In the context of the active acquisitions policy, the Executive Board intends to further expand the Group's business activities. This will focus on selected markets, predominately high-growth emerging markets, as well as on the expansion and further internationalization of both core segments Generics and Branded Products. Against the backdrop of increasing pressure to reduce costs, to which the individual health care systems are exposed, the Executive Board particularly targets further growth opportunities in branded products as they are generally characterized by better margins and are subject to less regulatory intervention. The Executive Board generally does not exclude, also in the future, cooperations with a significant capital investment. For larger acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

With a view to future growth, great importance will continue to be placed on functional reporting structures with short decision-making channels and strong local market presence at the same time. This particularly applies to sales activities, because the ability to react in the short-term to structural, regulatory or competition-related changes, plays an essential role in both exploiting opportunities and reducing risks. For this reason, STADA will continue to pursue an aggressive price policy in individual cases with, if necessary, a possible decrease of operating margins, in order to achieve a better market position or a higher market share. The goal for this approach continues to be, however, that the business activities in the relevant market of an individual market region are profitable or become so within a foreseeable time.

In consideration of earnings in the Group, efficient cost management will continue to be of great importance. One focus in the context of continuous cost optimization will remain cost of sales and all the associated costs, as it clearly represents the Group's largest cost item. The Group will therefore continue to adhere to measures such as the arrangement of price escalation clauses or renegotiations that involve suppliers in the market risk, as well as to give preference to suppliers in low-cost countries.

In the current financial year, STADA will continue in the implementation of the remaining measures of the Group-wide cost efficiency program "STADA – build the future", scheduled for the period of 2010 to 2013, which aims at strengthening mid and long-term earnings potential. The Executive Board still expects that this project will allow additional earnings contributions to be achieved, which with the gradual implementation of the individual measures will add up to annual savings in the double-digit million area. The Group will report the remaining, expected project-related costs[1)] – from today's perspective only in the single-digit million-euro area – as one-time special effects according to the progress of the project as planned.

Considering that the operational implementation of "STADA – build the future" is nearly already complete, the Executive Board introduced a preliminary evaluation of a potential follow-up program "STADA – build the future II".

STADA's employees, with their extensive expertise, their great experience and their strong commitment, will continue to have a significant share in the ongoing success of the Company.

Overall economic outlook

In light of the persistent weakness of the global economy and the lack of a clear sign of recovery, the IMF expects the world economy to grow by 3.5% in 2013.[2)] Estimates show economic development for emerging and developing countries at 5.5% with growth of 8.2% in China.[2)] IMF forecasts growth of 1.4% for advanced economies.[2)] Underlying these forecasts, the USA is expected to expand by 2.0% whereas economic development in EU countries is expected to decrease by 0.2%.[2)] According to estimates, GDP will grow by 0.6% and 0.3% for Germany and France respectively. GDP in Spain and Italy is expected to decrease by 1.5% and 1.0% respectively.[2)] According to the IMF, the ongoing dim economic situation in the euro zone is largely due to decreased domestic demand in the southernmost countries

1) See the Company's ad hoc release of June 7, 2010.
2) Source: International Monetary Fund: World Economic Outlook update of January 23, 2013.

which can be attributed to the consolidation of state budgets, unfavorable financing conditions for companies and the general insecurity of consumers and investors as a result of the crisis. Added to this is the loss of purchasing power which resulted from the general increase in prices for imports as a result of the devaluation of the Euro in the year with continued high rates for the US dollar in crude oil markets.

On the whole, it is clear that the speed of the economic downturn in the southern European countries in crisis has, in part, abated substantially while the moderate upwards trend of some northern European countries persists. The persistent bleak economic situation in southern European countries should not, however, make one lose sight of the fact that these countries have made significant progress in reducing external imbalances and that the majority of this progress is viewed as sustainable.

Starting from China and the USA, the world economy will gradually recover by 2014 according to experts.[1)] Recovery is expected for the American real estate market. Monetary policy in China is to provide stimulus to the economy. In consideration of the reduced pressure to cut spending, significant growth is expected in the euro zone.[1)] For the world economy, the IMF expects GDP to grow by 4.1% in 2014.[2)] In this context, economic output is expected to grow by 5.9% in the emerging markets with growth in China at 8.5%.[2)] An increase in economic output of 2.2% is expected for advanced economies. Whereas GDP in the USA is to grow by 3.0%, economic development in EU countries is expected to record a plus of 1.0%.[2)] Growth prospects within EU countries are still expected to vary. GDP is expected to increase in Germany and France by 1.4% and 0.9% respectively, while Spain and Italy are to grow by 0.8% and 0.5%.[2)]

The STADA Executive Board monitors worldwide economic developments with a consistent view to the resulting opportunities and risks for the Group. From today's perspective, the Executive Board sees no reason to question STADA's fundamental business model.

Industry specific outlook

In the Executive Board's assessment, numerous national health care markets will continue to provide the individual market regions with high growth opportunities that are relatively independent of economic activity in the future as well. On one hand, this is based on general growth drivers in the form of the global population increase, an aging society in industrialized countries and further medical progress. On the other hand, the growth opportunities are based on generics-specific drivers such as progressive generics penetration and continuous patent expirations. Based on this continually increasing demand in the health care market and in view of the fact that in the health economy comparison, drugs continue to be viewed as very efficient in comparison to other treatment methods, the international pharmaceutical market will continue to be characterized by further growth in the future. According to forecasts, sales in the world pharmaceutical market will increase by 5% to 7% annually until 2017 (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").[3)]

In the view of the Executive Board, the Generics segment, in particular, has structural growth opportunities within the pharmaceutical market, as generics provide a cost-effective medicative therapy without any loss in quality and thus counteract the increasing cost pressure in the individual health care markets. In addition, the potential available for generics competition is constantly expanding due to the continuous expiration of patents or other commercial property rights.

1) Article from the German "Wirtschaftswoche" magazine entitled "Konjunkturausblick 2013 wird schwach, starke Erholung in 2014" (Weak Economic Outlook for 2013, Strong Recovery in 2014) from November 22, 2012.
2) Source: International Monetary Fund: World Economic Outlook Update of January 23, 2013.
3) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013. Data based on the 32 leading pharmaceutical markets.

According to the estimates of IMS Health, a leading international pharmaceutical market research institute, the annual growth rate for the global generics market will be as high as 9.0%[1] until 2017. It should, however, be taken into account that the actual growth rates of reported sales of companies of respective market regions, which are active in markets where significant discounts must be granted, could be substantially below gross sales generally only recorded by market research institutes before discounts.

In view of the sales volume for newly available active pharmaceutical ingredients for generics competition between 2013 and 2016 in the largest pharmaceutical markets by sales in Europe – Germany, France, Italy, the United Kingdom and Spain within the two market regions Germany and Central Europe – which, according to current market research figures, amount to more than € 10.5 billion, the STADA Executive Board expects that the EU generics market generally holds further growth potentials.[2]

This assumption is supported by estimates from IMS Health as well, according to which average annual generics growth in the EU will amount to an average of 6.9%[3] from 2012 to 2014. For selected markets in Eastern Europe[4] of the market region Central Europe and CIS/Eastern Europe, IMS Health[5] expects annual average generics growth of 8.3% until 2017. According to estimates from IMS Health, generics growth in Russia from 2013 to 2017 will amount to 12.2% on average.[6]

General challenges and risks of the business model

In addition to the growth opportunities listed above, the Group is also subject to operating challenges and risks, which are described, among other things, in the scope of reporting on segments and the regional developments in the individual markets of the respective market regions and in the Opportunities and Risk Report (see "Business and General Conditions – Business Model, Core Segments and Structural Environment" as well as "Opportunities and Risk Report").

In the view of the Executive Board, many of these challenges and risks are based on the structures and mechanisms of the market segments and market regions which the Group cannot influence and in which the Group is active. As these cannot be separated from the structural growth opportunities for the most part, taking such risks in order to optimally take advantage of these growth opportunities is also unavoidable in the future (see "Business and General Conditions – Business Model, Core Segments and Structural Environment" and "Opportunities and Risk Report").

STADA will thus, also in the future, continue to be active in market regions, markets and market segments which are characterized, among other things, by high price sensitivity, strong volume fluctuation, continuous margin pressure, intense competition and continually changing regulatory framework conditions. In order to manage resulting challenges and risks and compensate for the continuing margin pressure by means of constant cost optimization, the Group will continue to react flexibly and at short notice with counter-measures such as sales restructuring.

In the overall opinion of the Executive Board, there continue to be no apparent challenges or risks that would jeopardize the existence of the Group.

1) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013. The market data on Generics fluctuates – in some cases substantially – due to differing market definitions from source to source.
2) STADA estimate of sales volumes in 2012 at ex-factory prices for active pharmaceutical ingredients for which STADA from today's perspective expects the patents or other commercial property rights relevant for generics competition to expire by 2016, based on data provided by various international market research institutes. STADA's expectations as to the date of availability of active pharmaceutical ingredients for Generics competition are continuously being reviewed from a legal perspective and may in the future significantly differ from today's expectations (as of: March 1, 2013) as expressed in this data. The actual sales volumes becoming available for generics competition at the respective dates are subject to fluctuations as a result of changing market success, legal situations or market structures, among other factors.
3) Own calculation based on the analysis from IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013; the calculation is based on the five leading West European generics markets.
4) Poland, Russia, Slovakia, the Czech Republic and Hungary.
5) Data from IMS Syndicated Analytics: Forecasting Premium Support Service (2012); own calculation based on the IMS estimates for Poland, Russia, Slovakia, the Czech Republic and Hungary.
6) IMS MIDAS 2012; IMS Market Prognosis, Sep. 2012; IMS Syndicated Analytics: Forecasting Premium Support Service prepared for STADA, Mar. 2013.

Risks as a result of economic effects and other specific challenges

The business model of STADA is generally oriented toward an industry with demand that is relatively independent of the economy. Therefore, the global economic conditions generally have less of a direct influence on the business development of the Group than the respective regulatory environment in the individual markets of the respective market regions in which the Group is active.

Nevertheless, the Group's business activities are subject to the influence of certain economic developments that STADA cannot avoid. In consideration of this, the Group will continue to have to deal with specific consequences of economic effects in the future in addition to the general challenges and risks associated with the business model.

STADA prepares, within the scope of what is possible, for potential resulting specific risks such as defaults by business partners or strong volatility in interest rate levels and currency relations that are relevant for the Group (see "Opportunities and Risks Report"). In spite of this, burdens resulting from one-time special effects, for example due to payment defaults or non-operational effects from currency influences and the measurement of derivative financial instruments cannot be completely ruled out. The sales and earnings contributions of STADA's business activities in the non-euro markets of Serbia and Russia will thus remain in financial years 2013 and 2014 predominantly influenced by the development of the currency relation of the Serbian dinar and the Russian ruble to the euro.

In addition, due to an economic-related long-term significant reduction in demand and/or sales in individual markets of the respective market regions or due to impairment tests, value adjustments for such intangible assets may be necessary, the balance-sheet value of which is primarily characterized by the currency relationship at acquisition and/or by future market expectations such as the goodwill of acquired companies or product approvals. In addition, there is the risk that in a difficult economic environment, individual state health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

In light of the increasing cost pressure that weighs on numerous heath care systems, there is the general risk or opportunity that the speed and scope of local regulatory measures to reduce costs will further increase especially amid weakened or negative economic development. In this context, regulation for generics can result in both weakening and stimulating effects, for example in the case of state-ordered price reductions or state-ordered incentives for the prescription of low-cost generics.

In the core segment Generics, individual national markets are also increasingly characterized by very large volume fluctuation that regularly arises in the context of tenders by governmental institutions or public health insurance organizations and that represent a particular challenge for the individual supply chain.

The Branded Products core segment can also be influenced by regulatory framework conditions such as modified reimbursement regulations or pricing requirements as a result of economic developments. If this is the case, however, the prevalence and operative consequences are less pronounced than with generics. In addition, the weakened or negative economic situation in individual markets of the respective market regions can have effects on the branded product activities of the Group because patients in this area largely assume the costs themselves and the costs are only reimbursed in part. STADA's business activities in the so-called self-pay markets are predominately affected by this.

Furthermore, economic effects and the associated situation in the financial markets with a view to financing possibilities can affect the Group's acquisition policy. In view of the prevailing long-term financing structure, however, the Executive Board does not see any general limitations for the Group in this context from today's perspective (see "Financial Situation").

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 on those from non EU countries, which require greater involvement of national and/or local authorities in the third countries, some of whom are either not yet willing or not capable of this. The Group assumes, from today's perspective, that as a result of measures introduced by STADA as well as ongoing efforts from the entire industry at both the EU and national level, no significant delivery bottlenecks for active ingredients will arise for the STADA Group as a result of the new regulations, even if individual delivery bottlenecks and an increased procurement expenditure cannot yet be ruled out from today's perspective.

Financing

In the Executive Board's view, the STADA Group's financial position will remain stable in the future as well.

The Executive Board expects only a slight change of the weighted average interest rate in the Group for financial years 2013 and 2014, insofar as no substantial changes are undertaken in the existing financing structure.

For the Group's key performance indicator the "net debt to adjusted EBITDA ratio", the Executive Board continues to strive to return the figure to the level of 3 by the end of the current financial year 2013.

Investments

Overall, the future development of cash flow from investing activities with respect to total intangible assets that exist in the Group depends in particular on decisions on acquisition, cooperation and disposal projects. Regarding investments in other intangible assets to support organic growth in the context of the operating business, STADA expects investments of an amount similar to the reporting year in the coming years.

For investments in property, plant and equipment in the financial years 2013 and 2014, STADA plans on a scale similar to the level of 2012.

The further development of investments in financial assets generally depends on decisions on investment projects.

Operative alignment and cost efficiency program "STADA – build the future"

In the context of the operative alignment, STADA has a predominantly function-based organizational structure in the areas of Finance, Development, Production including Procurement and Quality Management, Risk Management, Compliance, Corporate Governance as well as overall responsibility for the Group strategy. The sole targeted exception is sales functions, which are organized through the STADA market regions with a primarily local and regional focus in order to ensure the greatest degree of market proximity in accordance with Group

strategy. Based on agreed targets, the sales responsibility related to sales and earnings of the individual local sales company, its product portfolio and its personnel management lies both with the regional and with the respective local management (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").

In the context of implementation of the "STADA – build the future" program, STADA adjusted the internal reporting and planning at the level below the operating segments to the expanded Group structure as a result of the acquisition of the former Grünenthal sales structures. The reporting and planning processes were harmonized by appointing individuals to be responsible for the individual market regions. The organizational structure, which remains regionally active after the restructuring, makes it possible as in the future to react quickly to changed framework conditions with the flexibility and market proximity required for the business model.

In view of the business model focused on long-term growth markets and the proven strategic success factors, the Executive Board still sees the opportunity to participate in this growth in the years to come as well. However, the requirement for this will continue to be that the Company is in a position to adjust its own operating structures to the continually changing structural framework conditions of the various markets in the individual market regions.

In order to strengthen the mid and long-term earnings potential, STADA will continue to implement the outstanding measures of the Group-wide cost efficiency program "STADA – build the future" scheduled for the period of 2010 to 2013 in the current financial year 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.

Considering that the operational implementation of "STADA – build the future" is nearly already complete, the Executive Board introduced a preliminary evaluation of a potential follow-up program "STADA – build the future II".

Summarizing outlook including statements on the development of sales and earnings

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

In addition, STADA will continue to have to deal with non-operational influence factors. The most important currency relations for the Group, in particular of the Serbian dinar and the Russian ruble to the euro, will therefore also affect the Group's future development in financial years 2013 and 2014. Furthermore, STADA will have to continue dealing with the effects of the ongoing global economic and financial crisis 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 can, as before, not be ruled out.

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

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.

Furthermore, the Executive Board expects that sales growth can be achieved in both core segments in 2013 and 2014. In this context, the Branded Products 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 the light of the Group's general growth prospects, the Executive Board anticipates the opportunity for a further growth in adjusted EBITDA in the Group in the high single-digit percentage range in financial years 2013 and 2014 and 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.

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.

STADA CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s	2012	Previous year	Note
Sales	1,837,544	1,715,396	11.
Cost of sales	931,724	888,604	12.
Gross profit	**905,820**	**826,792**	
Selling expenses	444,678	390,017	13.
General and administrative expenses	157,835	140,044	14.
Research and development expenses	52,188	50,351	15.
Other income	30,252	29,874	16.
Other expenses	48,240	151,640	17.
Expenses in connection with the “STADA – build the future” project	30,983	4,550	18.
Operating profit	**202,148**	**120,064**	
Result from associated companies	1,448	553	
Investment income	2,365	573	
Financial income	5,427	10,789	
Financial expenses	75,815	62,447	
Financial result	**-66,575**	**-50,532**	19.
Earnings before taxes	**135,573**	**69,532**	
Taxes on income	48,607	47,148	20.
Earnings after taxes	**86,966**	**22,384**	
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	86,450	22,036	
• distributable to non-controlling shareholders	516	348	21.
Earnings per share in € (basic)	1.46	0.37	22.
Earnings per share in € (diluted)	1.44	0.37	22.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	2012	Previous year	Note
Earnings after taxes	**86,966**	**22,384**	
Currency translation gains and losses	**-12,591**	**-5,753**	35.
thereof			
• income taxes	441	109	
Gains and losses on available-for-sale financial assets	**-8**	**-6**	46.
thereof			
• income taxes	2	2	
Gains and losses on hedging instruments (cash flow hedges)	**-1,294**	**-497**	46.
thereof			
• income taxes	480	184	
Actuarial gains and losses from defined benefit plans	**-7,189**	**-521**	36.
thereof			
• income taxes	2,160	133	
Other comprehensive income	**-21,082**	**-6,777**	
Consolidated comprehensive income	**65,884**	**15,607**	
thereof			
• distributable to shareholders of STADA Arzneimittel AG	64,929	15,247	
• distributable to non-controlling shareholders	955	360	

Consolidated Balance Sheet

Consolidated Balance Sheet as of Dec. 31 in € 000s Assets	Dec. 31, 2012	Dec. 31, 2011	Note
Non-current assets	**1,801,390**	**1,532,764**	
Intangible assets	1,417,083	1,147,181	25.
Property, plant and equipment	273,822	299,480	26.
Financial assets	12,463	10,082	27.
Investments in associates	34,885	34,003	28.
Other financial assets	16,160	12,147	30.
Other assets	1,677	1,839	31.
Deferred tax assets	45,300	28,032	20.
Current assets	**1,180,645**	**1,267,081**	
Inventories	475,311	399,125	32.
Trade accounts receivable	492,143	446,214	29.
Income tax receivables	31,209	21,310	20.
Other financial assets	36,137	33,858	30.
Other assets	51,039	45,730	31.
Non-current assets and disposal groups held for sale	2,076	104	33.
Cash and cash equivalents	92,730	320,740	34.
Total assets	**2,982,035**	**2,799,845**	

Equity and liabilities	Dec. 31, 2012	Dec. 31, 2011	Note
Equity	**912,176**	**863,911**	35.
Share capital	154,264	153,312	
Capital reserve	472,459	467,403	
Retained earnings	417,320	352,652	
Other provisions	-141,004	-117,836	
Treasury shares	-1,572	-1,621	
Equity attributable to shareholders of the parent	**901,467**	**853,910**	
Shares relating to non-controlling shareholders	10,709	10,001	
Non-current borrowed capital	**1,100,269**	**1,254,956**	
Other non-current provisions	47,874	34,917	36.
Financial liabilities	941,572	1,124,829	37.
Other financial liabilities	24,528	26,003	39.
Other liabilities	3,605	5,802	40.
Deferred tax liabilities	82,690	63,405	20.
Current borrowed capital	**969,590**	**680,978**	
Other provisions	10,538	11,835	41.
Financial liabilities	328,519	96,229	37.
Trade accounts payable	268,973	241,561	38.
Income tax liabilities	25,759	18,311	20.
Other financial liabilities	221,943	226,383	39.
Other liabilities	113,858	86,659	40.
Total equity and liabilities	**2,982,035**	**2,799,845**	

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	Dec. 31, 2012	Dec. 31, 2011	Note
Net income	86,966	22,384	
Depreciation and amortization net of write-ups of non-current assets	117,880	102,057	24.
Income taxes	48,607	47,148	20.
Interest income and expenses	69,610	52,866	19.
Result from associated companies	-1,448	-553	19.
Result from the disposals of non-current assets	-191	-1,033	17.
Changes in pension provisions	326	176	36.
Currency translation income and expenses	-1,505	6,043	16.
Other non-cash expenses and gains	233,095	237,677	19.
Gross cash flow	**553,340**	**466,765**	
Changes in inventories	-105,358	-48,298	32.
Changes in trade accounts receivable	-49,178	-87,547	29.
Changes in trade accounts payable	22,074	5,826	38.
Changes in other working capital	-91,602	-76,072	
Interest and dividends received	8,457	5,064	
Interest paid	-68,604	-58,167	
Income tax paid	-56,473	-38,563	
Cash flow from operating activities	**212,656**	**169,008**	42.
Payments for purchases of			
• intangible assets	-115,312	-87,911	25.
• property, plant and equipment	-30,252	-21,952	26.
• financial assets	-3,504	-261	27.
• Shares in associated companies	-	-16,482	
• business combinations according to IFRS 3	-333,299	-68,490	8./42.
Proceeds from the disposal of			
• intangible assets	2,716	2,982	25.
• property, plant and equipment	6,340	3,609	26.
• financial assets	528	386	27.
• Shares in consolidated companies	4,369	1,060	
Cash flows from investing activities	**-468,414**	**-187,059**	42.
Borrowing of funds	466,697	492,866	37.
Settlement of financial liabilities	-420,158	-332,055	37.
Dividend distribution	-22,080	-21,867	35.
Capital increase from share options	6,020	1,480	35.
Changes in non-controlling interests	51	58	35.
Changes in treasury shares	37	61	35.
Cash flows from financing activities	**30,567**	**140,543**	42.
Changes in cash and cash equivalents	**-225,191**	**122,492**	
Changes in cash and cash equivalents due to Group composition	157	-	
Changes in cash and cash equivalents due to exchange rates	-2,976	-854	
Net change in cash and cash equivalents	**-228,010**	**121,638**	
Balance at beginning of year	**320,740**	**199,102**	
Balance at end of year	**92,730**	**320,740**	

Consolidated Statement of Changes in Shareholders' Equity

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

2012	Number of shares	Share capital	Capital reserve	Retained earnings	
Balance as of Dec. 31, 2012	**59,332,260**	**154,264**	**472,459**	**43,464**	
Dividend distribution					
Capital increase from share options	365,900	952	5,068		
Changes in treasury shares			-12		
Appropriation from retained earnings					
Changes in non-controlling interests					
Changes in the scope of consolidation				-2,341	
Comprehensive income				-7,189	
Balance as of Jan. 1, 2012	**58,966,360**	**153,312**	**467,403**	**52,994**	

Previous year					
Balance as of Dec. 31, 2011	**58,966,360**	**153,312**	**467,403**	**52,994**	
Dividend distribution					
Capital increase from share options	90,000	234	1,246		
Changes in treasury shares			-16		
Appropriation from retained earnings				14,000	
Changes in non-controlling interests					
Changes in the scope of consolidation					
Comprehensive income				-521	
Balance as of Jan. 1, 2011	**58,876,360**	**153,078**	**466,173**	**39,515**	

	Net income incl. profit brought forward	Provisions for currency translation	Provisions available for Sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
	417,320	-178,673	40	-5,835	-1,572	901,467	10,709	912,176
	-21,782					-21,782	-298	-22,080
						6,020	-	6,020
					49	37	-	37
						-	-	-
						-	51	51
		694				-1,647	-	-1,647
	86,450	-13,031	-7	-1,294		64,929	955	65,884
	352,652	-166,336	47	-4,541	-1,621	853,910	10,001	863,911
	352,652	-166,336	47	-4,541	-1,621	853,910	10,001	863,911
	-21,747					-21,747	-120	-21,867
						1,480	-	1,480
					77	61	-	61
	-14,000					-	-	-
						-	58	58
	83					83	-	83
	22,036	-5,763	-8	-497		15,247	360	15,607
	366,280	-160,573	55	-4,044	-1,698	858,786	9,703	868,489

Notes to the Consolidated Financial Statements

General Information

1. Corporate information

STADA Arzneimittel Aktiengesellschaft (STADA Arzneimittel AG) as parent company of the STADA Group (hereafter referred to as "STADA"), based in Stadastrasse 2–18, 61118 Bad Vilbel, is an internationally oriented company based in Germany, which is active worldwide in the health care and pharmaceuticals market, especially in the core segments of Generics and Branded Products.

The consolidated financial statements of STADA Arzneimittel AG for financial year 2012 were approved for publication by the Executive Board on March 8, 2013.

2. Basis of preparation

The consolidated financial statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2012, were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The individual financial statements of the companies included in the scope of consolidation are prepared as of the same date as the consolidated financial statements.

The structure of the consolidated income statement follows the cost-of-sales method, according to which expenses incurred in generating sales are divided into functional areas. In the statement of comprehensive income, use was made of the option to present this separately from the consolidated income statement. The balance sheet classification distinguishes between non-current and current assets and liabilities, some of which are presented in detail in the notes according to their maturities.

The consolidated financial statements are prepared in euro. Unless otherwise indicated, figures in the notes are shown in euro thousands (€ 000s). Rounding is thus necessary, although this of course is not significant in its nature.

3. Consequences of new or amended standards and interpretations

In financial year 2012, STADA observed and, if relevant applied the following pronouncements or amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable in financial year 2012, which had no or no significant effect on the presentation of STADA's business, financial, earnings situation or cash flow:

- **IFRS 1 "First-time Adoption of IFRS":**
  The amendments relate to an exemption for severe hyperinflation and the removal of fixed dates. 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 amendments require additional disclosures for transfers of financial assets. A difference is made between assets that are derecognized in their entirety and assets that are not derecognized in their entirety.
- **IAS 12 "Financial Instruments":**
  The standard was supplemented with an exemption for the measurement of deferred tax liabilities and claims from investment property measured at fair value.

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 into European law in 2012, are effective for financial years beginning on or after January 1, 2014 in the EU. In June 2012, IASB published transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) for the standards adopted in May 2011of 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". Both joint ventures, STADA Import/Export Ltd. and STADA Vietnam J.V. Co. Ltd., which have been proportionately consolidated to date, are to be accounted for using the equity method starting in financial year 2014. The proportionate share of assets and liabilities of these two companies will thereby no longer be included in the consolidated balance sheet and the proportionate share of aggregated earnings of both units will be disclosed under one item within the income statement, whereas a disclosure is currently made under the relevant income and expense items.

Furthermore, the IASB passed the new standard IFRS 13 "Fair Value Measurement" in May 2011. This 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. The new regulations, which were adopted into European law in 2012, are effective for financial years beginning on or after January 1, 2013, if they are not voluntarily applied in advance of this time. No significant impact from the application of the new standards is expected for STADA's consolidated financial statements.

In June 2011 the IASB issued a revision of IAS 19 “Employee Benefits”. The new regulations, which were adopted into European law in 2012, are effective for financial years beginning on or after January 1, 2013. A significant change as compared to previous regulations is that the previously optional corridor method of recognizing actuarial gains and losses was eliminated. In the future, actuarial gains and losses shall only be recognized in other comprehensive income. Furthermore, in accordance with the new regulations, income from the return on plan assets may only be recognized in the amount of the discount rate. Past service cost is to be immediately recognized in profit or loss in the future. The amended IAS 19 also requires more comprehensive disclosures in the notes. As STADA already immediately recognizes actuarial gains and losses in other comprehensive income, the amendment does not lead to any changes in STADA’s consolidated financial statements. The remaining amendments will mean that, in the future, STADA will immediately recognize potential past service cost, the differentiated determination of the return on interest on plan assets as well as the expanded disclosures in the notes. For the first-time application in 2013, the pension provisions are expected to decline by € 125,000 to the benefit of equity. Pension costs will increase by approximately € 407,000 as compared to the previous version of IAS 19. Furthermore, in accordance with the new regulations, additional disclosures are required in the notes, e.g. risks associated with plans including potential concentrations of risks as well as a sensitivity analysis regarding the variability of pension obligations if significant assumptions taken in the evaluation change.

In addition, STADA did not apply a number of further pronouncements and amendments to pronouncements that were adopted by the IASB, the application of which, however, was not mandatory in financial year 2012. From today’s perspective no significant effects on the consolidated financial statements are expected from the future application of the further standards and interpretations not yet applied.

4. Changes in accounting policies

There were no changes to accounting policies resulting from new pronouncements or amendments to pronouncements by the IASB with significant consequences for the presentation of STADA’s business, financial and earnings situation or cash flow in financial year 2012.

5. Scope of consolidation

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by STADA and are therefore fully consolidated. Control exists if STADA Arzneimittel AG or its subsidiaries are in a position to determine the financial and operating policies of this company for derivation of a commercial benefit. This is generally the case with a share of voting rights of more than 50%. Subsidiaries and special purpose entities are also fully consolidated in the case of a share in voting rights of 50% or less, if consideration of the substance of the business relationship indicates that the special purpose entity is controlled by STADA according to IAS 27 and SIC-12.

A joint venture exists if STADA as well as one or more partner companies have contractually fixed joint control of this joint venture, and is proportionately consolidated according to the respective share in equity.

Associated companies are companies over which STADA can have significant influence and are not subsidiaries or joint ventures. They are included in the consolidated financial statements in accordance with the equity method. Subsidiaries, joint ventures and associated companies, whose influence, both individually and as a whole, on the business, financial and earnings situation of the STADA Group is insignificant, are not consolidated or accounted for using the equity method. Investments in these companies are accounted for either at fair value or at amortized cost under financial assets. Accumulated, the sales of these companies make up less than 1% of total Group sales.

There were the following changes in the scope of consolidation regarding the number of subsidiaries, joint ventures and associated companies included in financial year 2012:

Number of companies in the scope of consolidation	Germany	outside Germany	Total
January 1, 2012	**11**	**60**	**71**
Acquisitions	1	13	14
Disposals	1	14	15
December 31, 2012	**11**	**59**	**70**

Changes in the scope of consolidation as of December 31, 2012 compared to December 31, 2011 resulted from the following listed acquisitions under company law:

- Purchase of a generics business in Switzerland including the respective sales structures on January 31, 2012
- Purchase of a branded product portfolio for markets belonging to the EU in Central Europe including the associated sales structures on January 31, 2012
- Purchase of the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA, Colombes, in February 2012.

In financial year 2012, a Swiss subsidiary was also founded that was merged with the already consolidated subsidiary Spirig HealthCare AG, Egerkingen, Switzerland, in the fourth quarter of the reporting year. Furthermore, there was also a merger between Madela AG, Egerkingen, Switzerland, which had been consolidated since the beginning of the reporting year, and Pegach AG, Egerkingen, Switzerland.

In Slovakia, the subsidiary STADA Slovakia s.r.o., Bratislava, Slovakia, which has been consolidated since February 2012, was merged into STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia.

Furthermore, the Spanish subsidiary STADA Consumer Health S.L., Barcelona, Spain, – as a result of a merger with Laboratorio STADA S.L., Barcelona, Spain, – and the Lithuanian subsidiary UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania, were included as consolidated subsidiaries as of January 1, 2012 within STADA's scope of consolidation.

In the course of the further implementation of the "STADA – build the future" project, the Group sold the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, in the first half of 2012. In the third quarter of 2012, furthermore, the Group also disposed of the Russian subsidiaries founded in the first quarter of 2012, OOO Makiz Pharma, Moscow, Russia, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., Russia, in the course of the "STADA – build the future" project. The resulting expenses amounted to a total of € 25.5 million before taxes and were reported as a special effect of financial year 2012 as expenses in connection with the "STADA – build the future" project.

Furthermore, the following listed STADA subsidiaries were deconsolidated as their activities were not part of the Group's core business, and they were therefore sold:

- HEMOPHARM ENGINEERING Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany
- Hemofarm Inženjering d.o.o., Belgrade, Serbia
- OOO Hemofarm Inženjering Obninsk, Obninsk, Russia
- Global Project d.o.o., Vrsac, Serbia

The expenses resulting from this disposal amounted to a total of € 1.5 million before taxes and were also reported as a special effect of financial year 2012 as expenses in connection with the "STADA – build the future" project.

For the companies sold in financial year 2012, STADA Production Ireland Limited, OOO Makiz Pharma, OOO Skopin Pharmaceutical Plant and the Engineering companies, total purchase price payments in the amount of € 6.0 million were received. Significant disposals resulted from these deconsolidations in property plant and equipment, particularly resulting from the two Russian companies OOO Makiz Pharma und OOO Skopin Pharmaceutical Plant in the amount of € 12.5 million.

The significant effects of these changes on the consolidated balance sheet of December 31, 2012, are detailed in the notes on the relevant items.

In addition, the Swiss subsidiary HF Pharmasuisse AG, Chur, Switzerland, the Croatian subsidiary STADA Hemofarm d.o.o., Zagreb, Croatia, the Polish subsidiary STADA HEMOFARM Poland Sp. z o.o., Warsaw, Poland and the Russian subsidiary Grunenthal OOO, Moscow, Russia, were deconsolidated in the reporting period due to lack of material significance.

As in the previous year, the chart shown above includes BIOCEUTICALS Arzneimittel AG, which is included in the consolidated financial statements as an associated company according to the equity method. STADA holds 15.86% of the shares in this company. The significant influence is therefore not directly due to the shareholding but instead is related in particular to the identity of part of the management personnel between BIOCEUTICALS Arzneimittel AG and STADA Arzneimittel AG. Details on the relationship between BIOCEUTICALS Arzneimittel AG and STADA are included in the Notes on related party disclosures (Note 48.2).

As in the previous year, the chart shown above also includes Pymepharco Joint Stock Company, in which STADA holds a 49.0% stake as of the balance sheet date, and both French companies Pharm Ortho Pedic SAS and AELIA SAS, pursuant to shareholdings of 25.0% and 20.0% acquired by STADA, which are included in the consolidated financial statements as associated companies in accordance with the equity method. The aggregate assets and liabilities, revenue and profit or loss for the period attributable to these four associated companies are shown below:

in € million	2012	2011
Assets	68.7	64.4
Liabilities	51.7	53.0
Revenue	80.1	60.7
Profit or loss for the period	**7.6**	**3.8**

Unchanged from the previous year, two joint ventures, STADA Import/Export Ltd. and STADA Vietnam J.V. Co., Ltd., are included in the scope of consolidation of STADA and are proportionately consolidated in accordance with IAS 31. The assets, liabilities, income and expenses from these companies proportionately included in the consolidated financial statements are shown below:

in € million	2012	2011
Current assets	13.3	10.8
Non-current assets	5.0	5.6
Current liabilities	8.4	8.6
Non-current liabilities	0.5	0.9
Net assets	**9.4**	**6.9**
Income	20.8	15.4
Expenses	18.0	13.8
Profit or loss for the period	**2.8**	**1.6**

There are capital commitments or contingent liabilities on the part of STADA with respect to these joint ventures in the form of a guarantee accepted in the total amount of € 8.3 million for STADA Import/Export Ltd. and for STADA Vietnam J.V. Co., Ltd., both of which were provided to external third parties for these credit lines provided.

The investments included in the consolidated financial statements as subsidiaries, joint ventures and associated companies as well as all non-consolidated and other investments are listed below.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	15.86%	associated company
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
Clonmel Healthcare Limited, Clonmel, Ireland	100%	subsidiary
Crinos S.p.A., Milan, Italy	96.77%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France	100%	subsidiary
EG S.p.A., Milan, Italy	98.87%	subsidiary
Grunenthal Ukraine LLC., Kiev, Ukraine[1)]	100%	not included
Grunenthal OOO, Moscow, Russia[1)]	100%	not included
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany	100%	subsidiary
OAO Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	10%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia	10%	subsidiary
Oy STADA Pharma Ab, Helsinki, Finland	100%	subsidiary
Pegach AG, Egerkingen, Switzerland	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA d.o.o., Mostar, Bosnia-Herzegovina (previously Grünenthal d.o.o., Mostar, Bosnia-Herzegovina)[2)]	100%	not included
STADA d.o.o., Zagreb, Croatia (previously Grünenthal d.o.o., Zagreb, Croatia)	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia (previously Grünenthal d.o.o., Ljubljana, Slovenia)	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt (previously Germa Pharm Ltd., Cairo, Egypt)	75%	not included
STADA GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA GmbH, Vienna, Austria (previously Grünenthal Central Europe GmbH, Mödling, Austria)	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg	100%	not included
STADA PHARMA CZ, s.r.o., Prague, Czech Republic	100%	subsidiary
STADA Pharma International GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA Pharmaceuticals Australia Pty. Ltd., Sydney, Australia	100%	not included
STADA Poland Sp. z o.o., Piaseczno, Poland (previously Grünenthal Sp. z o.o., Piaseczno, Poland)	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, The Netherlands	100%	subsidiary
STADA s.r.o., Roztoky, Czech Republic (previously Grünenthal Czech s.r.o., Roztoky, Czech Republic)	100%	subsidiary
STADApharm AS, Oslo, Norway	100%	not included
STADApharm GmbH, Bad Vilbel, Germany	100%	subsidiary

1) Currently in the process of liquidation.
2) As of the reporting date, the renaming of the Bosnian company, previously Grünenthal d.o.o., as STADA d.o.o. has not yet been legally concluded.

Indirect investments of STADA Arzneimittel AG through EG Labo - Laboratoires Eurogenerics SAS:

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint Brieuc, France	20%	associated company
Laboratoires d'études et de recherches en oligo éléments thérapie SA, Colombes, France	100%	subsidiary
Pharm Ortho Pedic SAS, Pellouailles Les Vignes, France	25%	associated company

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH:

Name of the company, registered office	Share in capital	Form of consolidation
ALIUD PHARMA GmbH, Laichingen, Germany	100%	subsidiary
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany	100%	subsidiary
Crinos S.p.A., Milan, Italy	3.23%	subsidiary
Croma Medic, Inc., Manila, The Philippines	100%	subsidiary
EG S.p.A., Milan, Italy	1.13%	subsidiary
Grippostad GmbH, Bad Vilbel, Germany	100%	not included
IIP Institut für Industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH, Aschaffenburg, Germany	25%	not included
Mainsee 738. V V. GmbH, Bad Vilbel, Germany	100%	not included
PharmaCoDane ApS, Herlev, Denmark	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium	0.01%	subsidiary
S.A. Neocare N.V., Brussels, Belgium	4.63%	subsidiary
STADA Asiatic Company, Ltd., Bangkok, Thailand	60%	subsidiary
STADA CEE GmbH, Bad Homburg, Germany (previously GT Pharma GmbH, Bad Homburg, Germany)	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt (previously Germa Pharm Ltd., Cairo, Egypt)	25%	not included

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and ALIUD PHARMA GmbH:

Name of the company, registered office	Share in capital	Form of consolidation
Data – AL GmbH, Neu-Ulm, Germany	30%	not included

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and PharmaCoDane ApS:

Name of the company, registered office	Sharein capital	Form of consolidation
STADApharm AB, Malmö, Sweden	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA GmbH:

Name of the company, registered office	Share in capital	Form of consolidation
STADA Medical GmbH, Bad Vilbel, Germany	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V.:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm Nederland B.V., Etten-Leur, The Netherlands	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia	100%	subsidiary
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam	49%	associated company
S.A. Eurogenerics N.V., Brussels, Belgium	99.99%	subsidiary
S.A. Neocare N.V., Brussels, Belgium	95.37%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Centrafarm Nederland B.V.:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm Services B.V., Etten-Leur, The Netherlands	100%	subsidiary
Healthypharm B.V., Etten-Leur, The Netherlands	100%	subsidiary
HTP Huisapotheek B.V., Etten-Leur, The Netherlands	100%	subsidiary
Neocare B.V., Etten-Leur, The Netherlands	100%	subsidiary
Quatropharma Holding B.V., Etten-Leur, The Netherlands	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Centrafarm Nederland B.V. and Quatropharma Holding B.V.:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm B.V., Etten-Leur, The Netherlands	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
CIG (Hong Kong) Limited, Hong Kong, China	70%	not included
STADA Import/Export Ltd., Tortola, British Virgin Islands	50%	joint venture
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China	75%	not included
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam	50%	joint venture
STADAPHARMA HEALTHCARE INC., Makati City, The Philippines	40%	not included

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Limited:

Name of the company, registered office	Share in capital	Form of consolidation
CNRD 2009 Ireland Ltd., Dublin, Ireland	50%	not included
Crosspharma Ltd., Belfast, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Newbury, United Kingdom	100%	subsidiary
SFS International Limited, Clonmel, Ireland	100%	subsidiary
STADA Financial Investments Limited, Clonmel, Ireland	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Limited and Genus Pharmaceuticals Holdings Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
Britannia Pharmaceuticals Ltd., Newbury, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Ltd., Newbury, United Kingdom	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through OAO Nizhpharm:

Name of the company, registered office	Share in capital	Form of consolidation
Hetmak FZCO, Dubai, United Arab Emirates	50%	not included
Nizhpharm-Kasachstan TOO DO, Almaty, Kazakhstan	100%	subsidiary
Nizhpharm-Ukraine DO, Kiev, Ukraine	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	90%	subsidiary
OOO STADA CIS, Nizhny Novgorod, Russia	100%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia	90%	subsidiary
OOO STADA PharmDevelopment, Nizhny Novgorod, Russia	100%	subsidiary
UAB STADA-Nizhpharm Baltija, Vilnius, Lithuania	100%	subsidiary
ZAO Makiz-Pharma, Moscow, Russia	100%	subsidiary
ZAO Skopinpharm, Ryazanskaya obl., Russia	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through OAO Nizhpharm and Hetmak FZCO:

Name of the company, registered office	Share in capital	Form of consolidation
Dialogfarma LLC, Moscow, Russia	100%	not included

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA:

Name of the company, registered office	Share in capital	Form of consolidation
STADA, LDA, Paco de Arcos, Portugal	98%	not included

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA S.L.:

Name of the company, registered office	Share in capital	Form of consolidation
STADA Genericos, S.L., Barcelona, Spain	100%	not included
STADA, LDA, Paco de Arcos, Portugal	2%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Hemofarm A.D.:

Name of the company, registered office	Share in capital	Form of consolidation
Hemofarm Arabia Ltd., Damascus, Syria	50%	not included
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia	99.18%	not included
Hemofarm Sabac d.o.o., Sabac, Serbia	100%	subsidiary
Hemofarm Slovakia, Skalica, Slovakia[1)]	54%	not included
Hemofarm S.a.r.l., Constantine, Algeria	40%	not included
Hemomont d.o.o., Podgorica, Montenegro	71.02%	subsidiary
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany	100%	subsidiary
HF Pharmasuisse AG, Chur, Switzerland[1)]	100%	not included
Jinan Hemofarm Pharmaceuticals, Jinan, China	35.50%	not included
STADA Hemofarm d.o.o., Ljubljana, Slovenia[1)]	100%	not included
STADA Hemofarm d.o.o., Zagreb, Croatia[1)]	100%	not included
STADA HEMOFARM Poland Sp. z o.o., Warsaw, Poland[1)]	100%	not included
STADA HEMOFARM S.R.L., Temisvar, Romania	100%	subsidiary
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria	100%	subsidiary
Velefarm A.D., Belgrade, Serbia	19.65%	not included
Vetfarm A.D., Belgrade, Serbia	15%	not included

1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Hemofarm A.D and Hemopharm GmbH Pharmazeutisches Unternehmen:

Name of the company, registered office	Share in capital	Form of consolidation
HF PharmaSwyzz Deutschland GmbH, Bad Homburg, Germany	100%	not included

Indirect investments of STADA Arzneimittel AG through Pegach AG:

Name of the company, registered office	Share in capital	Form of consolidation
Spirig HealthCare AG, Egerkingen, Switzerland	100%	subsidiary

The exemption rule stated in Section 264 (3) of the HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Propagate mbH, STADA GmbH, STADA Medical GmbH, STADA CEE GmbH, STADApharm GmbH, STADA Pharma International GmbH and Mobilat Produktions GmbH.

6. Principles for the consolidation of subsidiaries, joint ventures and associated companies

According to IFRS, business combinations are to be accounted for using the acquisition method. Assets, liabilities and contingent liabilities from business combinations are generally recognized in full – irrespective of the amount of the shareholding – as of the acquisition date at their fair values. If the acquisition costs of the subsidiary acquired exceed the proportionate newly measured net assets of the acquiree, STADA recognizes the positive difference as goodwill. After critical examination of the premises underlying the purchase price allocation, a negative difference is recognized in income in the period of the acquisition. The shares of non-controlling interests are disclosed in the amount of their share in net assets of the subsidiary.

The acquisition of additional shares from an existing controlling position in a subsidiary is recognized directly in equity in accordance with IAS 27, as it is a transaction between the equity investors.

Subsidiaries are generally included in the consolidated financial statements from the acquisition date to the end of control by the parent company. Receivables and payables, expenses and income, as well as earnings between the companies included in the consolidated Financial statements are eliminated, intercompany value adjustments and provisions are released. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, deferred tax liabilities are recognized.

Joint ventures are consolidated according to the same principles, in accordance with the respective share in these companies.

Shares in associated companies are recognized according to the equity method at acquisition cost on the date when significant influence was established and carried forward from this date in the amount of the proportionate share of earnings in the financial year. A positive difference determined during the purchase price allocation is recognized as goodwill in the carrying amount of the investment in the

associated company. A negative difference is recognized in income in the period of the acquisition in the results from associated companies. Profit and loss from transactions with associated companies is recognized in the consolidated financial statements only according to the share of minority interests.

If indications arise from the application of IAS 39 that the carrying amount of the associated company determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associated company.

7. Currency translation

The functional currency of STADA Arzneimittel AG is the euro and represents the reporting currency of the Group.

In the separate financial statements of companies included in the consolidated financial statements, foreign currency transactions are translated into the functional currency at the exchange rate applicable at the time of the transactions. On every balance sheet date, monetary items are translated using the closing rate and non-monetary items are translated using the exchange rate at the date of the transaction. Resulting currency translation differences are recognized in income as exchange gains or losses.

The translation of the companies with a functional currency other than the euro included in the consolidated financial statements into the Group functional currency is carried out using the closing rate method. Assets and liabilities are generally translated using the closing rate, while individual components of equity are translated using the historical rates at their respective dates of inflow from the Group's perspective. The income and expenses of the income statements are translated – and thereby also the resulting translation of the annual results to be entered in equity – using the average exchange rate of the period.

Currency translation differences arising from the use of different exchange rates are recognized directly in equity in the "Provisions for currency translation". These provisions are released and recognized in income if Group companies leave the scope of consolidation.

The exchange rate development of currencies important to STADA to the euro can be seen in the following chart.

Significant currency relations in local currency to 1 euro	Closing rate on Dec. 31 in local currency			Average rate for the reporting period in local currency		
	2012	2011	±%	2012	2011	±%
Pound sterling	0.81540	0.83720	-3%	0.81128	0.86970	-7%
Russian ruble	40.19293	41.73623	-4%	40.04806	41.00041	-2%
Serbian dinar	112.10762	106.04454	+6%	113.63636	102.04082	+11%
US Dollar	1.31830	1.29379	+2%	1.29177	1.39960	-8%

8. Business combinations

In financial years 2011 and 2012, the following significant business combination as defined in IFRS 3 occurred, for which the purchase price allocation is described in more detail below.

On July 22, 2011, STADA with Grünenthal GmbH, a globally active research pharmaceuticals company located in Aachen, Germany, signed contracts on the purchase of a branded product portfolio including the associated sales structures for numerous national markets in Eastern Europe and the Middle East. STADA gained control over the sales companies with an acquired share of 100% including the branded product portfolio on December 30, 2011.

In the first quarter of 2012, STADA also acquired the branded product portfolio including related sales structures and various pipeline products for markets belonging to the EU in Central Europe from Grünenthal GmbH. The underlying contract between STADA Arzneimittel AG and Grünenthal GmbH was signed on January 27, 2012. STADA gained control over the sales companies with an acquired share of 100% including the branded product portfolio on January 31, 2012.

The purchase price for the acquisition of the sales companies including the branded product portfolio for the markets in Eastern Europe and the Middle East as well as Central Europe amounted to a total of € 320.2 million and was completely paid in cash or cash equivalents..

As the sales companies, including the branded product portfolio acquired in the context of the first tranche, represent an economic unit together with the second tranche of the acquisition, the purchase price allocation for these two tranches is not carried out separately, but rather in joint consideration.

In the context of the purchase price allocation, goodwill in the amount of € 109.9 million resulted from this business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in sales companies as well as the branded product portfolio	320.2
Fair values of the assets and liabilities acquired	210.3
Goodwill	**109.9**

Goodwill here results primarily from the market presence achieved in individual markets in the market regions Central Europe and CIS / Eastern Europe in which STADA was previously not present, or not present to the desired level.

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

Fair values in € million	
Intangible assets	206.1
Other non-current assets	0.8
Trade accounts receivable	5.5
Other current assets	0.8
Cash and cash equivalents	4.1
Assets	**217.3**
Other non-current provisions	1.5
Trade accounts payable	3.2
Other current liabilities	2.3
Liabilities	**7.0**

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

Income and expenses for the branded product portfolio in Eastern Europe and the Middle East have been consolidated in the STADA Group since January 1, 2012. The income and expenses for the branded product portfolio for markets belonging to the EU in Central Europe have been consolidated in the STADA Group since February 1, 2012.

The sales achieved with this business activity since the acquisition dates amounted to approximately € 60 million in reporting year 2012. A profit indicator for the acquired Grünenthal business since the acquisition date cannot be practically calculated due to its already advanced integration into the existing STADA branded products business. If STADA had already acquired the Grünenthal business by January 1, 2012, sales of approximately € 65 million would have been achieved in reporting year 2012.

Moreover, there was an additional significant business combination in financial year 2012 in the context of the purchase of the generics business including the respective sales structures of Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, Canton Solothurn. The underlying contract between STADA Arzneimittel AG and the shareholders of Spirig Pharma AG was signed on November 9, 2011 and the purchase was finally completed in January 2012.

The purchase price for this generics business, which was completely paid in cash or cash equivalents, totals CHF 98.1 million (€ 81.4 million) and also includes the right to continue marketing the acquired products under the Spirig umbrella brand. The acquired portfolio includes 56 prescription (RX) and 15 non-prescription (OTC) and discretionary prescription (OTX) products.

In the context of the purchase price allocation, goodwill in the amount of € 30.4 million resulted from this business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in the sales company as well as the generics business	81.4
Fair values of the assets and liabilities acquired	51.0
Goodwill	**30.4**

Goodwill here results primarily from a strengthening of the sales presence in the Swiss market which belongs to the market region Central Europe.

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

Fair values in € million	
Intangible assets	52.4
Inventories	9.1
Trade accounts receivable	3.2
Other current assets	0.2
Assets	**64.9**
Other non-current provisions	1.4
Deferred tax liabilities	11.7
Other current liabilities	0.8
Liabilities	**13.9**

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.

STADA has consolidated the generics business of Spirig HealthCare AG since January 1, 2012.

In financial year 2012, furthermore, the following insignificant business combination was recorded in the sense of IFRS 3:

In February 2012, the French STADA subsidiary EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, signed contracts for the purchase of the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA, Colombes, which specializes in nutritional supplements and dermatology products. The purchase price was € 3.96 million. The company has been consolidated within the STADA Group since February 1, 2012.

The sales achieved with the businesses Spirig and LERO since the acquisition dates (January 1, 2012 and February 1, 2012) amounted to a total of approximately € 40 million in the reporting year 2012. The operating profit of these business combinations adjusted for the effects of the purchase price allocation (approximately € 5 million) amounted to approximately € 6 million in financial year 2012.

Furthermore, STADA concluded a contract with Spirig HealthCare AG in the third quarter of 2012 for the acquisition of the pharmaceutical wholesaling and commercial business of Spirig Pharma AG. The acquisition was completed in the first quarter of 2013.

Since January 1, 2013, (in the sense of IFRS) STADA has controlled the Vietnamese pharmaceutical company Pymepharco Joint Stock Company – the business activities of which include the production and sale of pharmaceutical products as well as import activities for the Vietnamese health and pharmaceutical market – resulting in additional indirect investments and contractual obligations. Pymepharco, which was previously handled as an associated company, has therefore been fully consolidated within the STADA Group adjusting for minority interests since January 1, 2013.

Due to the short amount of time between these acquisitions and the preparation of the Annual Report, no additional disclosures can be made at this time on the recognition and measurement of the business combinations according to IFRS 3.

9. Accounting policies

STADA's consolidated financial statements are based on uniform accounting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the consolidated financial statements and which are described in more detail below.

Sales are recognized when goods have been delivered or services rendered, provided that it is reasonably probable that measurable economic benefits will flow to the entity and that the substantial risks and rewards of ownership have been transfered to the buyer. It must also be possible to reliably measure the Company's own costs incurred or to be incurred.

Sales are recognized before taxes and after deduction of revenue reductions (rebates or discounts) at fair value of the consideration received or receivable. Expenses from the creation of provisions for warranties are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

Income and expenses from the same transactions are generally recognized in the same period. Expenses related to accruals for future revenue reductions are thus recorded in the period in which the sales are realized.

Cost of sales includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. The expense is recognized in the period in which the associated income is realized. In addition, cost of sales also includes costs directly attributable to the commercial goods (e.g. cost of materials and personnel expenses), overhead costs (e.g. depreciation of production equipment and regulatory drug approvals and licenses) as well as value adjustments of excess or obsolete inventories.

Research expenses are costs that are incurred in relation to the research activity of a company that aims to provide new scientific or technical findings. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. Just as in the previous years, no research expenses were thus incurred in financial year 2012.

Development expenses consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- The intention and ability exist as well as the necessary resources to complete the asset and to use or sell it in the future.
- The intangible asset provides the Group with a future economic benefit.
- It must be possible to reliably calculate the development costs of the intangible asset.

STADA immediately recognizes development costs not eligible for capitalization as expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance of products sold.

Interest income is reported in the income statement as a component of financial income. In this regard, both interest income and interest expenses for all financial instruments measured at amortized cost as well as interest-bearing financial assets classified as available for sale are recognized on the basis of the effective interest rate.

Dividends received from companies not included in the consolidated financial statements are disclosed within the investment income. This shall be recognized when the shareholder's right to receive payment is established.

Income taxes include actual taxes on income as well as deferred taxes. The tax receivables and liabilities recognized in the balance sheet include demands or liabilities for income taxes in Germany and outside Germany from financial year 2012 as well as from previous years, if applicable. The tax receivables and liabilities are calculated on the basis of tax rates effective as of the balance sheet date or known and already concluded for the future in the countries in which the taxable income is generated.

Deferred taxes are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will result against which the temporary difference can be utilized. Deferred tax liabilities are recognized for temporary differences taxable in the future. STADA determines deferred taxes on the basis of tax rates applicable at the balance sheet date or those that have already been resolved and communicated for the future. Deferred tax receivables and liabilities are offset if these relate to the same taxation authority.

The tax expense in the period is recognized in the income statement, provided the changes in value that are recognized directly in equity are not affected. To the extent that there are changes in the tax rate with an effect on deferred taxes, the resulting effects are recognized in the period in which they arise.

Goodwill is not amortized over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units aggregated into market regions below the segment level, where

a cash-generating unit corresponds to a market region within the three operating segments of the STADA Group for the purpose of an impairment test of goodwill.

STADA carries out impairment tests for capitalized goodwill at least once a year. Additional reviews take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. Significant assumptions which are taken in order to determine the value in use include assumptions regarding sales development, regulatory conditions, investments, the discount rate as well as the growth rate. These assumptions are taken individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions which reflect both past experience and include external market data.

Other intangible assets with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 20 years. If on the balance sheet date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group, which was checked for the requirement for impairment in the context of controlling for indications of an impairment of goodwill of the Homofarm Group. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Internal development costs are capitalized according the criteria of IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs, external services and directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years).

Property, plant and equipment is reported at cost less depreciation and any impairment losses plus write-ups. Depreciation shall begin when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized. Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be

reliably measured. Expenses for repairs and maintenance which do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, eight to 20 years in the case of technical facilities and three to 14 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives, must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the intangible asset or property, plant and equipment. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the respective functional currency, subsequent changes in exchange rates have no impact on the recording of original costs.

Profits and losses from the disposal of intangible assets and property, plant and equipment are determined as the difference between the disposal proceeds and the respective carrying amounts and are recognized netted under the items “Other income” or “Other expenses” in the income statement.

Impairments on other intangible assets and property, plant and equipment exist when the recoverable amount of an asset is lower that its carrying amount. At each balance sheet date, STADA assesses whether indications for impairment are apparent. If this is the case, the asset’s recoverable amount is determined. If certain defined critical values are exceeded, the asset’s recoverable amount is determined. The recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for various market regions with specific parameters. Expenses arising from impairments are recognized under “Other expenses”.

For the purpose of impairment tests, cash-generating units at the level of individual assets within the STADA Group are generally defined as a market region (previously as a country or groups of countries) within the reportable segments of Branded Products, Generics and the Commercial Business.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item “Other income”.

Leases are classified either as operating lease or as finance lease, depending on whether the significant risks and rewards of ownership remain with the lessor or with the lessee. The lease is not recognized in the lessee’s balance sheet in case of operating leases. STADA records the lease payments for these leases in the income over the lease term. Assets from finance leasing are, on initial recognition, recognized at the lower of the fair value of the lease and the present value of minimum lease payments, and are depreciated according to their estimated useful lives or shorter contractual period. An amount is reported as lease liability, when, on initial recognition, it corresponds to the lease’s carrying amount and is extinguished and carried forward in subsequent periods with a constant effective interest rate. The interest that is part of the lease installment is recognized as an expense.

In addition, in case of sale and leaseback transactions that represent a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognized in the income statement over the lease term.

The total value of capitalized leases is not of material significance for STADA when compared with the total volume of fixed assets.

Under **financial assets**, STADA recognizes shares in non-consolidated, affiliated companies, other investments as well as held-to-maturity securities. Shares in associated companies and other investments are classified as available-for-sale financial assets and are generally reported at fair value with no effect on income. If no quoted market prices in an active market are available to measure these shares and their fair value therefore cannot be determined reliably, they are measured at amortized cost. If any objective indications of impairment are determined, these are quantified by means of an impairment test and recognized in profit or loss in accordance with IAS 39.

Inventories include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Costs are calculated based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets can be broken down into the following categories in accordance with IAS 39: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are accounted for and measured pursuant to IAS 39. Accordingly, financial assets are, as a rule, initially recognized at fair value. In addition, for financial assets which are subsequently measured at amortized costs, transaction costs directly attributable to the acquisition are to be taken into account. Different measurement policies apply for subsequent measurement in accordance with the applicable categories for financial assets pursuant to IAS 39.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are allocated to current assets to the extent that they are due for settlement within twelve months after the balance sheet date. STADA reports loans and receivables under “Trade accounts receivable”, “Other financial assets” and “Cash and cash equivalents”. They are measured at amortized cost using the effective interest method.

STADA reports receivables from derivatives which, if applicable, may also be part of hedge accounting, as **financial assets at fair value through profit or loss**. Assets in this category are in principle reported under current assets in the “Other financial assets” item. They are measured at fair value. If these assets do not have a quoted market price in an active market, fair value is determined with appropriate measurement models. This includes the application of the discounted cash flow methods, which are largely based on input parameters observable in the market. Changes in the fair values are recognized in profit and loss at the time of the increase or decrease in value.

Held-to-maturity financial investments include non-derivative assets with fixed or determinable payments and a fixed term that STADA intends to hold to maturity. They are measured at amortized cost using the effective interest method. STADA reports these assets in financial assets under the item "Other financial assets".

Available-for-sale financial assets are non-derivative assets that are not allocated to any of the above categories. In particular, they comprise, in addition to shares in affiliated companies and other investments included in financial assets, equity securities which are recognized under "Other financial assets". They are measured at fair value, with recognition of changes under "Provisions available for sale" directly in equity. These measurement results are reclassified through profit and loss upon sale or valuation allowance of these assets. There must be objective evidence that there is a significant or continuing decrease in fair value below cost. Usually, published price quotations can be used for determining fair value.

Trade accounts receivable are measured at amortized cost less impairments using the effective interest rate method. Impairments are made in the form of individual impairments and general individual impairments for specific defaults and expected default risks resulting from the insolvency of customers. To quantify the expected default risk, STADA determines the expected future cash flows from receivables grouped by debtor. To this end, the maturity structures of net receivables and experience relating to derecognition of receivables in the past, the creditworthiness of the customers as well as changes in payment conditions are taken into account. In addition, a trade credit insurance that covers part of the loss in case of default is to be taken into consideration for German Group companies. The required impairment thus determined reduces the assets' carrying amounts through recognition of an impairment account.

The loss is recognized in profit and loss under "Other expenses". Bad debts are derecognized against the impairment account. Subsequent cash receipts for receivables already derecognized are presented net of expenses.

Non-current assets and disposal groups held for sale are classified as held for sale, if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if the sale is regarded as highly probable. Measurement of these assets is based on the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents include cash and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date, which can be converted to cash immediately and are subject only to minor price fluctuation risks. They are measured at amortized cost. Cash and cash equivalents are reported in accordance with their definition in IAS 7.

Other assets, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item **Other assets**.

STADA maintains defined benefit pension plans in various countries, according to which the amount of pension benefits depends on the employees' pensionable remuneration and the length of their service. STADA has plan assets in the form of a reinsurance policy for a small number of former employees in Germany. In addition, there are plan assets in a few foreign subsidiaries in the form of, among others, government bonds and securities funds. **Pension provisions** are measured in accordance with actuarial principles of the projected unit

credit method. Accordingly, the amount recognized in the balance sheet corresponds to the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, among other things, adjusted for past service cost not recognized through profit and loss. The calculation includes, apart from earned pensions and entitlements, future salary and pension increases as well. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2005G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on market yields on high quality corporate bonds with fixed interest rates at the end of the reporting period. In countries where there is no deep market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

STADA records experiential actuarial gains and losses from adjustments as well as gains and losses due to changes in actuarial assumptions in the period in which they occur directly in equity as other comprehensive income under retained earnings. The relevant amounts are reported separately in the consolidated statement of comprehensive income. Gains on plan assets are reported as interest income. The current service cost is recorded in staff costs of the individual functional areas. Past service cost is only immediately recognized in profit or loss in case of vested entitlements, otherwise it is recognized in profit and loss on a straight-line basis until the benefits become vested.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. Contributions to be paid for defined contribution plans are recognized as expense in the respective period in the relevant functional areas.

The **other non-current provisions** contain anniversary provisions as other long-term employee benefits.

Anniversary provisions are recognized according to the principles of IAS 19 for other long-term employee benefits. As opposed to pension provisions, actuarial gains and losses are not recognized without an effect on the income statement. Such potential gains and losses are immediately recognized as income or expenditure in the relevant functional area.

Other provisions are made by STADA if there are current legal or constructive obligations to third parties arising from past events and probably can lead to an outflow of resources embodying economic benefits that can be reliably determined. An outflow of resources embodying economic benefits is considered as probable if it is more likely than not. Other provisions are recognized in an amount that, taking into account all recognizable risks, offers the best possible estimate of expenditures necessary to fulfill the obligations. Any existing reimbursement claims by third parties are not netted with other provisions. Expenses from the creation of provisions are allocated to functional costs according to where they arise. If changes in estimates result in a reduction of the obligation, the other provisions are reversed on a pro rata basis and recognized in profit and loss under the item where the original expense was recognized.

STADA reports all other provisions as current liabilities, because a settlement date within twelve months of the balance date is expected. The amounts recognized are not discounted. Liabilities incurred due to outstanding accounts or obligations vis-à-vis personnel and tax authorities, as well as other liabilities are not recorded as provisions, but under “Trade accounts payable” or “Other liabilities”.

Differentiated from provisions, there are **contingent liabilities** for possible obligations based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA's control. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated. In accordance with IAS 37, such contingent liabilities are not recognized.

Financial liabilities are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values that are not part of an effective hedging relationship and allocated to the category "at fair value through profit or loss" in accordance with IAS 39. STADA reports these liabilities in the "Other financial liabilities" item. Here, those derivative financial instruments are also included which serve to hedge interest rate and currency risks resulting from operating activities, financial transactions and investments, and which are also measured at fair value in accordance with the regulations of IAS 39 on hedge accounting. Unless market prices are available, fair value is determined with measurement models based on discounted cash flow models.

Derivative financial instruments exist at STADA in the context of derivatives measured at fair value with an effect on income as well as in the context of derivative hedging instruments. In each case, depending on whether the market value of the derivatives is positive or negative, they are recognized under the item "Other financial assets" or "Other financial liabilities" (see accounting policies for financial assets and financial liabilities). Cash flow hedges, fair value hedges and hedges of net investments in a foreign operation can generally be recognized as derivative hedging instruments in the context of hedge accounting in accordance with IAS 39.

At STADA, cash flow hedges are used to hedge against fluctuations of cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction. Changes in the fair value of these hedging instruments are recognized in the amount of the effective part of the hedging relationship directly in equity under "Provisions for cash flow hedges". A transfer to the income statement takes place in the period when the underlying hedged item becomes effective. The ineffective part of the changes in value is, however, recognized directly in the income statement.

In the context of fair value hedges, the risk of a change in fair value of recognized assets or recognized liabilities or fixed off balance liabilities is hedged. Changes in the fair value of these hedging transactions are recorded in profit and loss like changes in the fair value of the underlying hedged items. If the requirements for hedge accounting are no longer met, the carrying amounts of the previously hedged items are adjusted on the basis of their remaining terms. Hedges of net investments in a foreign operation are treated according to the same accounting policies as cash flow hedges.

STADA regularly reviews the effectiveness of the hedging relationships as a prerequisite for hedge accounting pursuant to IAS 39. A hedging transaction is in general considered to be effective, if changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the hedged item.

STADA measures all other financial liabilities, in particular trade accounts payable as well as financial liabilities, at amortized cost using the effective interest method.

STADA has so far not made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

Other liabilities, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item **Other liabilities**.

10. Estimates, assumptions and discretion in the application of accounting principles

The presentation of the business, financial and earnings situation in the consolidated financial statements is determined by recognition and valuation methods. To a certain extent, STADA makes estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets valuated according to IFRS 3 and the consideration transfered plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this, which are primarily based on estimates and assumptions.

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units aggregated to market regions below the segment level, which are based on certain assumptions, are to be determined for this purpose. The application of the discounted cash flow method thus requires the calculation of an individual interest rate for each cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment requirement may be necessary in subsequent years.

For items of property plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets, estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are recognized as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

STADA makes valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' creditworthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial situation of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in CEE countries.

STADA operates in various countries and is obliged to pay respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred taxes in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain items according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on actual and deferred taxes and thus on the business, financial and earnings situation of the Group in the respective period.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows which are already fixed or calculated by means of the current yield curve using so-called "forward rates" are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date.

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. These methods are based, among other things, on assumptions in relation to the discount rate, life expectancy, future salary and pension increases and, if applicable, the expected returns on plan assets. Changes to these assumptions can significantly influence the amount of future pension expenses.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. STADA creates provisions if there is a present external obligation and a probable outflow of resources, i.e. if it is more likely to occur than not. Provisions in relation to pending legal disputes are created based on how STADA estimates the prospects of success. The determination of provisions for damages is also associated with substantial estimates, which can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for warranties may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements, which are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

Notes to the Consolidated Income Statement

11. Sales

STADA's sales primarily result from the supply of products. For information on the reporting of sales, please refer to the details included in Accounting Policies.

In 2012, the increase in sales compared to 2011 was primarily a result of the growth of both core segments as well as good sales development in the market regions Central Europe and CIS/Eastern Europe, which more than compensated for sales decreases in the other market regions. In the reporting year, exchange rate effects and portfolio changes had a total influence of € 112.9 million on sales. For information on how sales are broken down according to segments and market regions, please refer to Segment Reporting in note 43.

12. Cost of sales

Cost of sales is divided into the following items:

in € 000s	2012	2011
Material expenses	752,148	719,536
Impairment, depreciation and amortization	77,848	60,441
Expenses from inventory write-downs	31,058	33,018
Other costs of sales	70,670	75,609
Total	**931,724**	**888,604**

Impairment, depreciation and amortization includes € 69.0 million (previous year: € 49.2 million) which relate to amortization on intangible assets, the ownership of which represents a necessary condition for the marking of the products manufactured – in particular drug approvals.

Expenses from inventory write-downs in the amount of € 0.8 million included expenses that were recognized by STADA as a special effect of financial year 2012 arising from ongoing proceedings due to a potential patent infringement, from the recall of Citalopram 60mg as well as the dissolution of a delivery contract.

13. Selling expenses

Selling expenses comprise in addition to the costs for sales departments and sales force also the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages, so-called discounts in kind, – if possible under the legal regulations in a national market – are not included. The resulting expenses are recognized as a part of cost of sales.

In the reporting year, marketing expenses in the amount of € 167.5 million (previous year: € 127.0 million) corresponded to a share of 38% (previous year: 33%) of selling expenses. In addition, selling expenses included depreciation in the amount of € 6.9 million (previous year: € 6.9 million).

14. General and administrative expenses

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

In 2012, the general and administrative expenses included depreciation in the amount of € 9.8 million (previous year: € 8.0 million).

General and administrative expenses increased in the reporting year by a total of € 17.8 million.

15. Research and development expenses

For information on the composition of research and development expenses, please refer to the details included in Accounting Policies.

In financial year 2012, research and development expenses increased by € 1.8 million compared to the previous year.

The research and development expenses include depreciation in the amount of € 2.9 million (previous year: € 3.1 million). Development costs for new products in the amount of € 14.5 million (previous year: € 12.3 million) were capitalized in financial year 2012 (see the note on the item “Intangible assets”).

16. Other income

Other income is divided into the following items:

in € 000s	2012	2011
Income from write-ups	5,449	5,381
Income from disposal of non-current assets	191	1,033
Currency translation gains	1,505	-
Remaining other income	23,107	23,460
Total	**30,252**	**29,874**

Other income in financial year 2012 included income from special effects among other things. This was income from write-ups of non-current assets as well as earnings in connection with two settlement agreements.

The item also included net currency translation income in the amount of € 1.5 million in the reporting year. In the previous year, net currency translation expenses in the amount of € 6.0 million were incurred, which STADA reported under other expenses. Net currency translation income includes income resulting from the reclassification through profit or loss of the currency translation effects of the Croatian subsidiary, STADA Hemofarm d.o.o., and the Polish subsidiary, STADA HEMOFARM Poland Sp. z o.o., deconsolidated in financial year 2012; the translation effects were previously recognized directly in equity in the currency translation reserve. These effects nearly offset one another.

The offsetting of gains and losses from the disposal of non-current assets resulted in a disclosure of earnings in the amount of € 0.2 million in the reporting year (previous year: € 1.0 million).

The remaining other income includes such items as income from insurance compensation, compensation claims and other income not directly associated with functional costs, which comprises many insignificant individual items in the Group companies

17. Other expenses

Other expenses are broken down as follows:

in € 000s	2012	2011
Expenses from valuation allowances on accounts receivable	7,633	94,874
Losses on the disposal of non-current assets	-	-
Currency translation expenses	-	6,043
Impairment losses on non-current assets excluding goodwill	18,855	27,057
Impairment losses on goodwill	3,079	1,926
Remaining other expenses	18,673	21,740
Total	**48,240**	**151,640**

In the previous year, expenses for valuation allowances on accounts receivable, which were recognized netted with the corresponding income from their reversal, included value adjustments on receivables from various Serbian pharmaceutical wholesalers due to an increased risk of default in the amount of € 94.7 million, which were classified by STADA as a special effect of financial year 2011. This did not result in any further expenses in financial year 2012.

Other expenses include impairment losses in the amount of € 21.9 million (previous year: € 29.0 million), thereof € 3.1 million (previous year: € 1.9 million) from impairment losses on goodwill, which related to Ciclum Farma, LDA, in financial year 2012. The impairment losses were considered by STADA as a special effect of financial year 2012.

Offsetting currency translation income and expenses resulted in a disclosure of earnings in financial year 2012, whereas net currency translation expenses were recorded in the previous year.

Within remaining other expenses, personnel expenses in the amount of € 3.2 million (previous year: € 5.7 million) are recognized, of which € 2.5 million relate to special effects of financial year 2012 due to unplanned personnel changes within the STADA Group. The remaining personnel expenses are special effects included in the expenses for the integration of a branded product portfolio in Central and Eastern Europe and in the Middle East.

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

Expenses in connection with the “STADA – build the future” project, which have been reported as special effects and recorded in the consolidated income statement since financial year 2010, amounted to € 31.0 million in financial year 2012 (previous year: € 4.6 million) and primarily include burdens from the disposal of the Irish production facility STADA Production Ireland Limited, the sale of the two Russian

production locations OOO Makiz Pharma and OOO Skopin Pharmaceutical Plant and engineering companies that were not part of the Group's core business as well as for external consulting services.

This item also includes expenses in the total amount of € 0.7 million resulting from the reclassification through profit or loss of the currency translation effects associated with the Russian subsidiaries disposed of in financial year 2012, OOO Makiz Pharma and OOO Skopin Pharmaceutical Plant, as well as the engineering companies and HF Pharmasuisse AG deconsolidated in 2012; the translation effects were previously recognized directly in equity in the currency translation reserve.

19. Financial result

The **result from associated companies** relates to the companies BIOCEUTICALS Arzneimittel AG, Pymepharco Joint Stock Company, Pharm Ortho Pedic SAS and AELIA SAS, which are accounted for using the equity method.

Investment income primarily relates to profit distributions from companies not included in the consolidated financial statements.

Financial income and financial expenses are composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in € 000s	2012	2011
Interest income	4,439	9,581
Interest expenses	74,049	62,447
Interest result	**-69,610**	**-52,866**
thereof: from financial instruments of the valuation categories in accordance with IAS 39:		
• Loans and receivables	2,947	8,239
• Financial assets at fair value through profit and loss	-	-
• Held-to-maturity investments	-	-
• Available-for-sale financial assets	-	-
• Financial liabilities measured at amortized costs	-70,642	-59,770

The interest expense included an amount of € 2.4 million (previous year: € 1.0 million) resulting from the reclassification of the provisions for cash flow hedges.

In addition, the interest result in financial year 2012 included interest income from plan assets in the amount of € 1.5 million (previous year: € 1.3 million) as well as interest expenses from pension obligations and other long-term provisions in the amount of € 3.4 million (previous year: € 2.7 million).

In financial year 2012, the Group refinanced itself at interest rates of between 0.5% p.a. and 19.7% p.a. (previous year: between 1.3% p.a. and 20.3% p.a.). On the balance sheet date of December 31, 2012, the weighted average interest rate for non-current financial liabilities was approx. 4.2% p.a. (previous year: approx. 4.6% p.a.) and for current financial liabilities approx. 4.8% p.a. (previous year: approx. 6.4% p.a.). For all the Group's financial liabilities the weighted average interest amounted to approx. 4.3% p.a. (previous year: approx. 4.7% p.a.).

Interest payments partially resulting from interest rate swaps designated by STADA as hedging instruments in cash flow hedges are not netted for each swap contract and are recognized as interest income or interest expense in the valuation category of the associated underlying hedged item. For the reporting period, this concerns only financial liabilities which are valued at amortized costs.

Borrowing costs capitalized as part of the cost of qualifying assets amounted to € 0.4 million in financial year 2012 (previous year: € 0.3 million). A capitalization rate of 3.9% for intangible assets (previous year: 4.3%) and 5.1% for property, plant and equipment (previous year: 5.1%) was taken as a basis.

Other financial income and other financial expenses consist of the following:

in € 000s	2012	2011
Other financial income	**988**	**1,208**
thereof:		
• from the measurement of financial instruments	988	1,208
Other financial expenses	**1,766**	**-**
thereof:		
• from the measurement of financial instruments	1,736	-
• from the disposal of financial instruments	30	-

The result from the measurement of financial instruments in the reporting period resulted from interest rate swaps and currency swaps measured at fair value through profit or loss. There was a net burden on earnings in the amount of € 0.7 million before or € 0.5 million after taxes. In the previous year, there was a net relief on earnings from the measurement of derivative financial instruments in the amount of € 1.2 million before or € 0.9 million after taxes. The measurement of interest rate hedge transactions thereby depends on the development of the money market interest rate.

20. Taxes on income

Actual income taxes in the income statement relate to taxes in Germany and abroad as follows:

in € 000s	2012	2011
Actual taxation	**53,554**	**46,678**
Germany	-4,558	2,689
Outside Germany	58,112	43,989
Deferred taxes	**-4,947**	**470**
Germany	1,069	3,312
Outside Germany	-6,016	-2,842

The item Taxes on income includes taxes on income and earnings paid or owed in the individual countries as well as deferred taxes. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in Other expenses.

Actual income taxes can be divided according to timing as follows:

in € 000s	2012	2011
Actual income taxes	**53,554**	**46,678**
Tax expense in the current period	54,236	48,047
Tax expense from previous periods	1,204	24
Tax income from previous periods	1,886	1,393

The deferred taxes are as follows:

in € 000s	2012	2011
Deferred taxes	**-4,947**	**470**
from temporary differences	-3,741	1,491
from interest carryforwards	-	-
from loss carryforwards	-1,182	-1,246
from tax credits	-	225
from others	-24	-

The income tax rate amounted to 35.9% for financial year 2012. For Germany, this includes corporation tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% on the corporation tax as well as trade income tax with an average assessment rate of 320%. The income tax rate in the previous year was 67.8%.

The following overview explains how the income tax expense reported in the income statement was calculated from the expected income tax expense. The expected income tax expense is calculated by applying the weighted expected Group average tax rate on the earnings before taxes and takes into account for all domestic and foreign companies the respective tax rates depending on their applicable national and legal forms.

in € 000s	2012	2011
Earnings before taxes	**135,573**	**69,532**
Weighted expected Group average tax rate (in %)	19.4%	39.6%
Expected income tax expense	**26,291**	**27,556**
Adjustments to the expected income tax expense	**-**	**-**
Tax effects from non-deductible impairment on investments	755	808
Tax effects from loss carryforwards	-606	-309
Tax effects from previous years	-682	-1,369
Effects from tax rate changes	5,613	-
Tax effects from non-deductible expenses	18,952	19,886
Other tax effects	-1,716	576
Income tax expense shown on the income statement	**48,607**	**47,148**
Effective tax rate (in %)	35.9%	67.8%

The non-tax deductible expenses primarily result from the limited deductibility of operating expenses for interest under German tax law (so-called interest barrier).

The actual income taxes and deferred taxes recognized in the balance sheet developed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Income tax receivables	31,209	21,310
Income tax liabilities	25,759	18,311

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Deferred tax assets	45,300	28,032
Deferred tax liabilities	82,690	63,405
Deferred taxes as of December 31	-37,390	-35,373
Difference compared to previous year	-2,017	-72
thereof:		
• recognized in income	4,947	-470
• recognized directly in equity	3,083	428
• acquisitions/disposals	-11,365	31
• currency translation differences	1,318	-61

Deferred taxes result from the following balance sheet items and loss carryforwards:

in € 000s	Dec. 31, 2012 Deferred tax assets	Dec. 31, 2011 Deferred tax assets	Dec. 31, 2012 Deferred tax liabilities	Dec. 31, 2011 Deferred tax liabilities
Intangible assets	1,696	1,350	79,762	62,028
Property, plant and equipment	2,655	2,513	5,377	6,592
Financial assets	989	940	472	266
Inventories	20,338	10,680	4,040	2,113
Receivables	2,728	2,478	63	109
Other assets	4,203	3,533	764	75
Other non-current provisions	9,383	4,976	147	-
Other provisions	3,732	4,308	174	-
Liabilities	5,332	3,630	735	524
Loss carryforwards	3,088	1,926	-	-
Total	**54,144**	**36,334**	**91,534**	**71,707**
Offsetting	-8,844	-8,302	-8,844	-8,302
Deferred taxes as per balance sheet	**45,300**	**28,032**	**82,690**	**63,405**

Deferred tax liabilities reported by STADA result, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. Deferred tax liabilities increased as compared to the previous year due to the acquisition of the generics business of Spirig HealthCare AG and the purchase price allocation carried out in the context of IFRS 3.

Tax advantages that are highly probable and expected from the future utilization of tax loss carryforwards are recognized under "Deferred taxes from loss carryforwards".

Tax loss carryforwards are only capitalized if their future utilization is highly probable. Tax loss carryforwards capitalized as of the December 31, 2012 reporting date amounted to € 11.5 million (previous year: € 8.9 million) in financial year 2012.

The deduction of operating expenses for interest, which is limited under German tax law (so-called interest barrier), led to an net interest expense not deductible for tax purposes in the amount of € 30.7 million (previous year: € 20.1 million) in 2012. Deferred taxes could not be recognized, which led to a corresponding additional tax burden of € 7.4 million (previous year: € 4.9 million).

The taxes on income paid or owed were reduced by a total of € 0.1 million through the utilization of previously unrecognized tax loss carryforwards from previous years for which no deferred taxes have been recognized.

The future usable tax loss carryforwards are listed in the following chart according to their expiry date:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Loss carryforward expiry date within		
• 1 year	5,378	318
• 2 years	-	-
• 3 years	-	-
• 4 years	58	-
• 5 years	-	2,218
• more than 5 years	3,025	5,061
• unlimited carryforward	3,083	1,297

No deferred taxes were recognized for the following loss carryforwards and temporary differences as it is not probable that they will be realized in the foreseeable future:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Loss carryforward expiry date within		
• 1 year	-	-
• 2 years	-	-
• 3 years	109	-
• 4 years	-	-
• 5 years	-	-
• more than 5 years	-	2,834
• unlimited carryforward	5,430	-
Temporary differences	42	-

21. Income attributable to non-controlling interests

in € 000s	2012	2011
Earnings after taxes	86,966	22,384
• thereof net income distributable to shareholders of STADA Arzneimittel AG	86,450	22,036
• thereof net income relating to non-controlling interests	516	348

Shares of non-controlling interests are held within the Hemofarm Group, Serbia, as well as in the subsidiary STADA Asiatic. Net income relating to non-controlling interests thus concerns the shares of net income attributable to these minority interests.

22. Earnings per share

The basic and diluted earnings per share are as follows:

Basic earnings per share	2012	2011
Net income (in € 000s)	86,450	22,036
Adjustment	-	-
Adjusted net income (basic) (in € 000s)	**86,450**	**22,036**
Average number of ordinary shares issued (in unit shares)	59,154,470	58,929,002
Average number of treasury shares (in unit shares)	95,077	98,793
Adjusted average number of shares (basic) (in unit shares)	**59,059,393**	**58,830,209**
Basic earnings per share (in €)	**1.46**	**0.37**

Basic earnings per share are calculated by dividing the adjusted net income distributable to the shareholders of STADA Arzneimittel AG by the time-weighted average number of ordinary shares outstanding.

Diluted earnings per share	2012	2011
Adjusted net income (basic) (in € 000s)	86,450	22,036
Dilutive effects on profit from share options (after taxes) (in € 000s)	-	-
Adjusted net income (diluted) in € 000s	**86,450**	**22,036**
Adjusted average number of shares (in unit shares)	59,059,393	58,830,209
Potentially diluting shares from share options (in unit shares)	885,963	1,140,824
Average number of shares (diluted) (in unit shares)	**59,945,356**	**59,971,033**
Diluted earnings per share (in €)	**1.44**	**0.37**

Diluted earnings per share are generally calculated with the formula used to calculate the basic earnings per share. They are also adjusted for the effect of outstanding share options on the basis of the average share price of the financial year. This is carried out based on the assumption that all potentially dilutive share options are exercised. Details on currently valid equity instruments are included in the note on equity.

23. Number of employees and personnel expenses

The average number of employees at STADA[1)] developed as follows:

	2012
Marketing / Sales	2,247
Logistics	294
Finance / IT	618
Production / Quality management[2)]	2,944
Procurement / Supply chain	260
Product development	528
Administration	923
Entire Group	**7,814**
Personnel expenses (in € million)	**291.5**

The average number of employees was 7,814 in the reporting year (previous year: 7,826) and thus under the level of the previous year. On the balance sheet date, the STADA Group's number of employees in 2012 totaled 7,761 (previous year: 7,900). Joint ventures that were proportionately consolidated employed an average number of 747 employees in 2012 (previous year: 684).

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, increased in financial year 2012 to € 291.5 million (previous year: € 272.2 million). This total also includes severance compensation in the amount of € 0.4 million (previous year: € 1.4 million) for employees affected by the personnel reductions in the context of the Group-wide cost efficiency program "STADA – build the future".

1) No figures from financial year 2011 can be provided for comparison in the breakdown according to functional areas as the conversion to the structure displayed here was carried out as of April 1, 2011.
2) Including facility management.

24. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses are included in expenses of the individual functional areas according to their functional relevance and can be attributed to intangible assets, property, plant and equipment as follows:

in € 000s	2012	2011
Depreciation/amortization	**97,402**	**78,454**
Intangible assets	69,014	49,157
Property, plant and equipment	28,388	29,297
Impairment losses	**25,927**	**28,983**
Intangible assets	19,819	24,339
thereof:		
• goodwill	3,079	1,926
Property, plant and equipment	4,917	-
thereof:		
• land and buildings	4,917	-
• technical equipment and machinery	-	-
Financial assets	1,191	4,644
thereof:		
• investments	1,191	4,644

The impairment of intangible assets concerns various drug approvals and trademarks.

The reported impairments on goodwill in financial year 2012 relate exclusively to the Portuguese subsidiary Ciclum Farma, LDA. An impairment loss was recorded in the previous year for the Philippine subsidiary Croma Medic, Inc.

The impairments of financial assets in the reporting year primarily relate to the carrying amounts of the Swedish subsidiary STADApharm AB. In the previous year the impairments related to the carrying amounts of equity holdings of the two Serbian pharmaceutical wholesalers Velefarm A.D. and Vetfarm A.D.

Depreciation and amortization increased by 24.2% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

Notes to the Consolidated Balance Sheet

25. Intangible assets

Intangible assets developed as follows in financial year 2012:

2012 in € 000s	Regulatory drug approvals, trademarks, software, licenses and similar rights	Goodwill	Payments made and capitalized development costs for current projects	Total
Cost as of Jan. 1, 2012	**956,030**	**329,049**	**305,109**	**1,590,188**
Currency translation	-5,220	-2,210	122	-7,308
Changes in the scope of consolidation	-371	-	-	-371
Acquisitions	14,132	-	100,291	114,423
Additions from business combinations according to IFRS 3	78,778	142,087	31,809	252,674
Disposals	10,100	-	913	11,013
Transfers	276,096	-	-276,096	-
Cost as of Dec. 31, 2012	**1,309,345**	**468,926**	**160,322**	**1,938,593**
Accumulated amortization as of Jan. 1, 2012	**388,129**	**9,871**	**45,007**	**443,007**
Currency translation	-734	203	20	-511
Changes in the scope of consolidation	-159	-	-	-159
Amortization	69,014	-	-	69,014
Impairments	11,188	3,079	5,552	19,819
Disposals	4,803	-	52	4,855
Write-ups	4,189	-	616	4,805
Transfers	719	-	-719	-
Accumulated amortization as of Dec. 31, 2012	**459,165**	**13,153**	**49,192**	**521,510**
Residual carrying amounts as of Dec. 31, 2012	**850,180**	**455,773**	**111,130**	**1,417,083**
Residual carrying amounts as of Dec. 31, 2011	**567,901**	**319,178**	**260,102**	**1,147,181**

Additions from business combinations according to IFRS 3, which relate to fair values determined in the context of the purchase price allocations, amount to € 165.8 million as a result of the acquisition of the branded product portfolio from Grünenthal as well as to € 82.6 million as a result of the acquisition of the generics business of Spirig HealthCare AG.

Furthermore, there were additions to intangible assets in the amount of € 70.7 million from the purchase of distribution rights for the branded product Tranexam® in Russia, the branded product Vuka Vuka® in Russia and the CIS countries and Vuka Drive® in Russia, the branded product Ingavirin® for Ukraine, a package of branded products with a focus on the gynecology area of indication for the Ukraine, the branded product Baktistatin® for Russia and the CIS countries, as well as the rights to the registration dossier and documentation related to Safocid® for Russia and the CIS countries.

Included in intangible assets were software and software licenses in the amount of € 5.4 million (previous year: € 8.0 million), which were recognized with the present value of the minimum lease payments in accordance with IAS 17 in the context of a sale-and-leaseback transactions, and which have since been amortized. There is a purchase option at residual value for these assets at the end of the term of the lease contract.

The umbrella brand Hemofarm capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in recognized trademarks as an intangible asset with an indefinite useful life, as STADA intends to make continuing use of it. As at Dec. 31, 2012, it has a carrying amount of € 51.4 million (previous year: € 54.3 million). The change compared to the previous year figure is a result of different exchange rates.

Borrowing costs capitalized in 2012 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to € 0.3 million (previous year: € 0.2 million). In financial year 2012, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 3.9% (previous year: 4.3%).

Development costs of € 17.3 million were capitalized in the reporting year (previous year: € 12.8 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years). STADA immediately recognizes development costs that do not qualify for capitalization as expense in the period in which they are incurred (see Note 15.). In financial year 2012, these development costs amounted to € 52.2 million (previous year: € 50.4 million).

Amortization on intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of € 69.0 million (previous year: € 49.2 million).

In financial year 2012, impairments on intangible assets were recognized in the total amount of € 19.8 million (previous year: € 24.3 million).

Details on changes in the scope of consolidation can be found in the note on the scope of consolidation (see Note 5.).

Intangible assets developed as follows in the previous year:

2011 in € 000s	Regulatory drug approvals, trademarks, software, licenses and similar rights	Goodwill	Payments made and capitalized development costs for current projects	Total
Cost as of Jan. 1, 2011	**896,634**	**330,589**	**137,830**	**1,365,053**
Currency translation	-2,779	-1,540	-260	-4,579
Changes in the scope of consolidation	-	-	-	-
Acquisitions	47,552	-	39,521	87,073
Additions from business combinations according to IFRS 3	6	-	150,255	150,261
Disposals	4,943	-	1,423	6,366
Transfers	19,560	-	-20,814	-1,254
Cost as of Dec. 31, 2011	**956,030**	**329,049**	**305,109**	**1,590,188**
Accumulated amortization as of Jan. 1, 2011	**333,768**	**7,714**	**37,619**	**379,101**
Currency translation	-608	231	-353	-730
Changes in the scope of consolidation	-	-	-	-
Amortization	49,157	-	-	49,157
Impairments	14,204	1,926	8,209	24,339
Disposals	3,369	-	111	3,480
Write-ups	5,380	-	-	5,380
Transfers	357	-	-357	-
Accumulated amortization as of Dec. 31, 2011	**388,129**	**9,871**	**45,007**	**443,007**
Residual carrying amounts as of Dec. 31, 2011	**567,901**	**319,178**	**260,102**	**1,147,181**
Residual carrying amounts as of Dec. 31, 2010	**562,866**	**322,875**	**100,211**	**985,952**

The following amortization expense is expected for the intangible assets in the next five years:

in € 000s	Expected amortization
2013	76,186
2014	79,629
2015	77,953
2016	79,093
2017	79,829

The subsequent chart shows which cash-generating units the capitalized goodwill can be attributed to:

in € million	Residual carrying amount Generics segment Dec. 31, 2012	Residual carrying amount Branded Products segment Dec. 31, 2012	Residual carrying amount Commercial Business segment Dec. 31, 2012	Residual carrying amount total Dec. 31, 2012
Market region Germany	12.4	7.1	-	19.5
Market region Central Europe	123.1	104.8	0.0	227.9
Market region CIS/Eastern Europe	105.9	101.0	-	206.9
Market region Asia & Pacific	0.7	-	0.8	1.5
Total	**242.1**	**212.9**	**0.8**	**455.8**

In the previous year, the capitalized goodwill for cash-generating units was as follows:

in € million	Residual carrying amount Generics segment Dec. 31, 2011	Residual carrying amount Branded Products segment Dec. 31, 2011	Residual carrying amount Commercial Business segment Dec. 31, 2011	Residual carrying amount total Dec. 31, 2011
Market region Germany	12.4	-	-	12.4
Market region Central Europe	99.3	30.2	0.0	129.5
Market region CIS/Eastern Europe	109.1	66.8	-	175.9
Market region Asia & Pacific	0.7	-	0.7	1.4
Total	**221.5**	**97.0**	**0.7**	**319.2**

For the purposes of impairment tests for capitalized goodwill, STADA defines cash-generating units as the respective market regions within the operating segments in accordance with the strategic planning and control of the Group. This definition of cash-generating units aggregated to market regions below the segment level for the purposes of impairment tests for capitalized goodwill was introduced in the context of our "STADA – build the future" program. It is being applied for the first time to the reporting and planning process of these consolidated financial statements, and facilitates the integration of the Grünenthal sales structures acquired with the final installment of January 31, 2012.

In comparison with the previous year[1)], there were the following significant changes in the carrying amounts of goodwill:

- In the course of converting the internal reporting and the associated aggregation of cash-generating units, an impairment test was carried out on September 30, 2012 based on the definition of cash-generating units from the previous year due to an indication of a possible impairment. Due to the existing knowledge and expectations of the market and competitive environment, an impairment in the amount of € 3.1 million was determined for Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal. The impairment tests in the previous year revealed an impairment requirement for Croma Medic, Inc., Manila, the Philippines, in the amount of € 1.9 million.

1) However, it must be taken into consideration that due to the new definition of cash-generating units in financial year 2012, the results of the impairment tests of financial year 2011 are not comparable to those of financial year 2012.

- The increase in goodwill of the cash-generating unit market region Germany, Branded Products segment, completely resulted from the purchase of the branded product portfolio including the associated sales structures of Grünenthal GmbH.

- The increase in goodwill of the cash-generating unit market region Central Europe, Branded Products and Generics segments, resulted from the purchase of the branded product portfolio including the associated sales structures of Grünenthal GmbH as well as the purchase of the generics business including the respective sales structures of Spirig Pharma AG, a Swiss pharmaceutical company.

- The increase in goodwill of the cash-generating unit market region CIS/Eastern Europe, Branded Products segment, resulted from the purchase of the branded product portfolio including the associated sales structures of Grünenthal GmbH.

In the context of the impairment test for capitalized goodwill, the discounted cash flow method is used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

Each relating to segments, defined as cash-generating units:	Growth rates of forward-projection phase 2012 in %	WACCs 2012 Generics segment in %	WACCs 2012 Branded products segment in %
Market region Germany	2.1%	8.6%	8.6%
Market region Central Europe	2.0%	9.9%	9.8%
Market region CIS/Eastern Europe	5.8%	15.3%	15.1%
Market region Asia & Pacific	4.8%	19.5%	19.5%

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed.

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. If, for example, the underlying discount rates had been 1.0 percentage points higher or lower, there would have been no impairment as of December 31, 2012. An increase or decrease of the growth rate by 0.5 percentage points also would not have resulted in an impairment loss as of December 31, 2012. The result would be the same if EBIT increased or decreased by 10.0 percentage points.

26. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2012:

2012 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings tools and equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2012	**248,767**	**176,185**	**89,421**	**13,677**	**528,050**
Currency translation	-3,323	-1,674	-727	414	-5,310
Changes in the scope of consolidation	-234	-146	-273	-49	-702
Additions	743	3,442	8,459	17,608	30,252
Additions from business combinations according to IFRS 3	-	-	-	-	-
Disposals	18,092	8,705	6,329	314	33,440
Changes in non-current assets held for sale and disposal groups	-203	-	-	-1,679	-1,882
Transfers	6,000	6,339	3,403	-15,742	-
Cost as of Dec. 31, 2012	**233,658**	**175,441**	**93,954**	**13,915**	**516,968**
Accumulated depreciation as of Jan. 1, 2012	**68,004**	**105,733**	**54,833**	**-**	**228,570**
Currency translation	-1,237	-1,113	-812	-	-3,162
Changes in the scope of consolidation	-4	-110	-340	-	-454
Depreciation	7,103	12,355	8,930	-	28,388
Impairments	4,917	-	-	-	4,917
Disposals	4,505	5,648	4,660	-	14,813
Write-ups	244	-	-	-	244
Changes in non-current assets held for sale and disposal groups	-56	-	-	-	-56
Transfers	261	-240	-21	-	-
Accumulated depreciation as of Dec. 31, 2012	**74,239**	**110,977**	**57,930**	**-**	**243,146**
Residual carrying amounts as of Dec. 31, 2012	**159,419**	**64,464**	**36,024**	**13,915**	**273,822**
Residual carrying amounts as of Dec. 31, 2011	**180,763**	**70,452**	**34,588**	**13,677**	**299,480**

The disposals are particularly attributable to the sale of the two Russian production facilities OOO Makiz Pharma, Moscow, Russia, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., Russia.

In the reporting year, property, plant and equipment included vehicles and passenger cars from finance leases in the amount of € 5.5 million (previous year: € 3.8 million), which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since then been subjected to depreciation.

Borrowing costs capitalized in 2012 in property, plant and equipment amounted to € 0.02 million (previous year: € 0.1 million). The capitalization rate taken as a basis for determining borrowing costs eligible for capitalization amounted to 5.1% (previous year: 5.1%).

Property, plant and equipment developed as follows in the previous year:

2011 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings tools and equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2011	**233,070**	**170,855**	**84,803**	**11,641**	**500,369**
Currency translation	-1,845	-1,920	-474	-404	-4,643
Changes in the scope of consolidation	-56	-6	-49	-	-111
Additions	2,963	2,628	6,079	20,056	31,726
Additions from business combinations according to IFRS 3	31	-	314	-	345
Disposals	1,483	509	4,357	157	6,506
Changes in non-current assets held for sale and disposal groups	5,616	-	-	-	5,616
Transfers	10,471	5,137	3,105	-17,459	1,254
Cost as of Dec. 31, 2011	**248,767**	**176,185**	**89,421**	**13,677**	**528,050**
Accumulated depreciation as of Jan. 1, 2011	**59,314**	**93,911**	**49,176**	**-**	**202,401**
Currency translation	-317	-1,153	-241	-	-1,711
Changes in the scope of consolidation	-11	-6	-13	-	-30
Depreciation	7,142	13,244	8,911	-	29,297
Impairments	-	-	-	-	-
Disposals	316	459	3,155	-	3,930
Write-ups	-	-	1	-	1
Changes in non-current assets held for sale and disposal groups	2,544	-	-	-	2,544
Transfers	-352	196	156	-	-
Accumulated depreciation as of Dec. 31, 2011	**68,004**	**105,733**	**54,833**	**-**	**228,570**
Residual carrying amounts as of Dec. 31, 2011	**180,763**	**70,452**	**34,588**	**13,677**	**299,480**
Residual carrying amounts as of Dec. 31, 2010	**173,756**	**76,944**	**35,627**	**11,641**	**297,968**

27. Financial assets

Financial assets developed as follows in financial year 2012:

2012 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
Cost as of Jan. 1, 2012	**29,121**	**14**	**29,135**
Currency translation	-781	-	-781
Changes in the scope of consolidation	-230	-	-230
Additions	455	3,049	3,504
Disposals	1,119	-	1,119
Changes in non-current assets held for sale and disposal groups	-	-	-
Transfers	-	-	-
Cost as of Dec. 31, 2012	**27,446**	**3,063**	**30,509**
Accumulated impairments as of Jan. 1, 2012	**19,050**	**3**	**19,053**
Currency translation	-764	-	-764
Changes in the scope of consolidation	-26	-	-26
Impairments	1,191	-	1,191
Disposals	1,008	-	1,008
Write-ups	400	-	400
Changes in non-current assets held for sale and disposal groups	-	-	-
Transfers	-	-	-
Accumulated impairments as of Dec. 31, 2012	**18,043**	**3**	**18,046**
Residual carrying amounts as of Dec. 31, 2012	**9,403**	**3,060**	**12,463**
Residual carrying amounts as of Dec. 31, 2011	**10,071**	**11**	**10,082**

Financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices. There is currently no intention to sell these financial assets. Held-to-maturity financial investments are included under other financial assets.

Financial assets developed as follows in the previous year:

2011 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
Cost as of Jan. 1, 2011	**28,336**	**14**	**28,350**
Currency translation	-65	-	-65
Changes in the scope of consolidation	-11	-	-11
Additions	1,041	-	1,041
Disposals	180	-	180
Changes in non-current assets held for sale and disposal groups	-	-	-
Transfers	-	-	-
Cost as of Dec. 31, 2011	**29,121**	**14**	**29,135**
Accumulated impairments as of Jan. 1, 2011	**13,928**	**3**	**13,931**
Currency translation	478	-	478
Impairments	4,644	-	4,644
Disposals	-	-	-
Changes in non-current assets held for sale and disposal groups	-	-	-
Transfers	-	-	-
Accumulated impairments as of Dec. 31, 2011	**19,050**	**3**	**19,053**
Residual carrying amounts as of Dec. 31, 2011	**10,071**	**11**	**10,082**
Residual carrying amounts as of Dec. 31, 2010	**14,408**	**11**	**14,419**

28. Shares in associated companies

The disclosure relates to the accounting of shares in the associated companies BIOCEUTICALS Arzneimittel AG, Pymepharco Joint Stock Company and Pharm Ortho Pedic SAS and AELIA SAS, using the equity method. The shares in associated companies developed as follows in financial year 2012 compared with the previous year:

in € 000s	2012	2011
As of January 1	**34,003**	**17,332**
Increase in investment share	114	16,482
Income from associates	1,448	553
Elimination of dividend income	-450	-206
Currency translation differences	-230	-158
As of December 31	**34,885**	**34,003**

In financial year 2012, the increase of the investment share in associates particularly resulted from the income from associates in the reporting year as well as from a capital increase of Pymepharco Joint Stock Company which resulted in an absolute increase in shares in Pymepharco Joint Stock Company, but not in a changed shareholding.

29. Trade accounts receivable

Trade accounts receivable are composed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Trade accounts receivable from third parties	615,360	565,979
Trade accounts receivable from non-consolidated companies	1,867	8,790
Valuation allowances vis-à-vis third parties	-125,084	-128,555
Total	**492,143**	**446,214**

Trade receivables in the amount of € 0.6 million (previous year: € 2.8 million) are due after one year. This results from the delivery of goods in the context of regular business activities.

Collateral exists for trade accounts receivable whose value was not impaired in the form of mortgages, bank or corporate guarantees, assignments of receivables as well as pledged inventories, which cover a part of the named accounts receivable.

The following non-impaired trade accounts receivable were past due at the balance sheet date:

in € 000s	Carrying amount	thereof: neither impaired nor past due as at the balance sheet date	thereof: not impaired as at the balance sheet date and past due in the following time periods:			
			up to 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days
Dec. 31, 2012	492,143	444,633	17,221	8,328	7,881	14,080
Dec. 31, 2011	446,214	387,704	29,745	11,950	5,232	11,583

There were no recognizable indications as of the balance sheet date that the debtors would not meet their payment obligations. Therefore, the trade accounts receivable neither impaired nor past due are considered to be unconditionally recoverable. There are also no indications of impairment for the overdue receivables that have not been impaired.

Overall, valuation allowances on trade accounts receivable developed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
As of January 1	**128,555**	**55,545**
Added	10,554	81,148
Utilized	5,565	4,296
Reversed	2,887	3,425
Changes in the scope of consolidation	-27	-
Currency translation differences	-5,546	-417
As of December 31	**125,084**	**128,555**

In 2011, the largest special effect reported under other expenses resulted from impairments on receivables from various Serbian pharmaceutical wholesalers in connection with an increased risk of default. Against the background of a once again worsening financial and economic crisis and its impact on the Serbian economy, the Serbian health care system and the liquidity in the distribution channels of the health care market, expenses in the total amount of € 98.4 million were recognized in this context.

30. Other financial assets

Other financial assets are composed as follows:

in € 000s	Dec. 31, 2012 Total	Dec. 31, 2012 thereof: current	Dec. 31, 2011 Total	Dec. 31, 2011 thereof: current
Loan receivables	20,297	6,299	26,148	14,208
Outstanding purchase price receivables	3,425	1,700	1,800	1,800
Derivative financial assets	2,265	2,265	-	-
Available-for-sale financial assets	54	54	61	61
Other financial assets	26,256	25,819	17,996	17,789
Total	**52,297**	**36,137**	**46,005**	**33,858**

Loans primarily include loans granted by STADA Arzneimittel AG to BIOCEUTICALS Arzneimittel AG. As of the balance sheet date, € 13.8 million (previous year: € 23.9 million) of the available credit line facility had been used.

The outstanding purchase price receivables relate to the still outstanding installments from the sale of a product portfolio in Italy in financial year 2012. In the previous year, this included the outstanding purchase price payments for the sale of the consolidated company Health Vision Enterprise Ltd. that was sold in financial year 2009 and was completely settled in financial year 2012.

The derivative financial assets include the positive market values of cross-currency swaps (see Note 47.7.). Available-for-sale financial assets are shares that are measured at fair value based on market prices.

The remaining financial assets include receivables from German factoring in the amount of € 9.0 million and also comprise many insignificant individual items in the Group companies.

Other financial assets are impaired in the amount of € 9.4 million (previous year: € 10.0 million). There were no outstanding amounts for non-impaired other financial assets as in the previous year.

31. Other assets

Other assets are composed as follows:

in € 000s	Dec. 31, 2012 Total	Dec. 31, 2012 thereof: current	Dec. 31, 2011 Total	Dec. 31, 2011 thereof: current
Other receivables due from the tax authorities	19,776	19,776	20,038	20,038
Prepaid expenses/deferred charges	10,929	10,266	12,036	11,294
Other assets	22,011	20,997	15,495	14,398
Total	**52,716**	**51,039**	**47,569**	**45,730**

Other assets comprise many insignificant individual items in the Group companies.

Other assets are impaired in the amount of € 4.3 million (previous year: € 4.4 million).

32. Inventories

Inventories can be subdivided as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Materials and supplies	83,528	74,144
Work in progress	24,970	21,553
Finished goods	360,973	296,961
Advance payments	5,840	6,467
Total	**475,311**	**399,125**

The increase in inventories , among other things, results from inventories assumed in the context of business combinations in the sense of IFRS 3 as well as from new inventories in the context of product acquisitions and stockpiling as part of tender business in Germany and Russia and regulatory changes in Ukraine.

In financial year 2012, impairments were made on the net realizable value of inventories in the amount of € 31.1 million (previous year: € 33.0 million), which were already deducted from the amounts recognized above through profit and loss.

33. Non-current assets and disposal groups held for sale

In financial year 2012, assets held for sale in the amount of € 2.1 million (previous year: € 0.1 million) included real estate of a STADA subsidiary in Serbia. Thereof € 1.8 million is allocated to the Generics operating segment and € 0.2 million to the Branded Products operating segment as well as € 0.1 million to the Commercial Business operating segment. Buildings of the same subsidiary were also reported under this item in the previous year, which were completely attributable to the Generics operating segment.

34. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subjected to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents extending beyond this do not exist.

Cash and cash and cash equivalents reduced from € 320.7 million as of December 31, 2011 to € 92.7 million as of December 31, 2012, primarily as a result of the payment of purchase price liabilities from business combinations according to IFRS 3 that were due in financial year 2012. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

35. Equity

Group equity amounted to € 912.2 million as of the balance sheet date (previous year: € 863.9 million). This corresponds to an equity-to-assets ratio of 30.6% (previous year: 30.9%).

35.1. Share capital

As of December 31, 2012, share capital amounted to € 154,263,876.00 (December 31, 2011: € 153,312,536.00) and was divided into 59,332,260 registered shares with restricted transferability (December 31, 2011: 58,966,360), each with an arithmetical share of share capital of € 2.60 per share, and is fully paid.

Each registered share grants one vote in the Annual General Meeting.

The increase in the number of shares in 2012 was due to the exercise of 18,295 options from STADA warrants 2000/2015 in 2012. The number of shares as of December 31, 2012 thereby increased by 365,900 to 59,332,260 and the share capital of STADA Arzneimittel AG increased by € 951,340.00 to € 154,263,876.00. As of December 31, 2012, 152,898 warrants 2000/2015 for the subscription of 3,057,960 STADA ordinary shares continued to be outstanding.

As of December 31, 2012, authorized share capital and conditional capital were comprised as follows:

	Amount in €	Registered shares with restricted transferability	Purpose
Authorized capital 2008/I	76,346,010.00	29,363,850	Increase of share capital (until June 10, 2013)
Conditional capital 2004/I	7,950,696.00	3,057,960	Settlement of subscription rights from share options (STADA warrants 2000/2015)
Conditional capital 2008/I	66,823,458.00	25,701,330	Settlement of options and/or conversion rights (until June 9, 2013) in context with issued bonds with warrants and/or convertible bonds in the total nominal amount of up to € 1.0 billion and a maturity of up to 20 years, or in the scope of a guarantee assumed for bonds with warrants and/or convertible bonds issued by subordinated Group companies

In accordance with a declaration published on the Company's website on June 10, 2008, the Executive Board resolved, with regard to the authorizations listed above

- to increase the share capital from the authorized share capital and
- to issue bonds with warrants and/or convertible bonds,

in each case with regard to the exclusion of subscription rights only subject to the following restrictions:
The Executive Board will utilize these authorizations only to an aggregate amount of 20% of the outstanding share capital at the time of the first effective date of one of above-mentioned authorizations or – if this amount is lower – at the time of the first utilization of one of the above-mentioned authorizations. The capital increases by way of excluding the subscription rights of the shareholder on the basis of the aforementioned authorizations are limited to a maximum amount of € 30,538,404, corresponding to 11,745,540 registered shares with restricted transferability.

35.2. Capital reserve

Changes in the capital reserve of the Group are shown in the consolidated statement of changes in equity and include in particular the capital reserve of STADA Arzneimittel AG. Differences to the capital reserve determined according to the provisions of German commercial law primarily result from the recognition at their market value of the shares of STADA Arzneimittel AG newly issued in 2003 as well as the associated treatment of issuing costs, which were deducted from the capital reserve.

35.3. Retained earnings

Retained earnings include the amounts transfered to retained earnings. In addition, actuarial gains and losses from defined benefit plans that were recognized directly in equity are reported under this item.

35.4. Other provisions

Other provisions comprise net income for the financial year as well as earnings generated in previous periods, provided these were not transfered to retained earnings or distributed. They also include results recognized directly in equity. This relates to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are recognized in the statement of changes in equity under the currency translation reserve. The provisions available for sale and the provisions for cash flow hedges include the results from the measurement at fair value of financial instruments categorized as available for sale, and the measurement results from cash flow hedges from the effective portion of the hedge, allowing for deferred taxes respectively.

The reduction of other provisions as compared to the previous year was a result of the negative development of the Serbian dinar to the euro, which reduced equity from the foreign currency translation reserve.

35.5. Treasury shares

As of the balance sheet date, the Company held 93,676 treasury shares (previous year: 96,391), each with an arithmetical par value of € 2.60 per share, which is equivalent to 0.16% (previous year: 0.16%) of the share capital. In financial year 2012, 2,733 treasury shares were thereby sold at an average price of € 21.91 per share, as well as 18 shares were bought at a price of € 22.89 per share.

35.6. Shares relating to non-controlling shareholders

Shares of non-controlling shareholders relate to minority interests of other shareholders in companies of the Hemofarm Group as well as in STADA Asiatic.

36. Other non-current provisions

Other non-current provisions made by STADA as of the balance sheet date in Germany and outside Germany include pension provisions and other non-current provisions in the form of anniversary provisions as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Germany	35,267	27,042
Outside Germany	12,607	7,875
Total	**47,874**	**34,917**

In Germany, STADA has plan assets in the form of a reinsurance policy, which is used to serve the pension entitlements of a small number of former employees. The pension entitlements of all other employees are covered in the scope of the pension provisions recognized. In addition, there are plan assets in a few foreign subsidiaries in the form of government bonds and securities funds among others.

Plan assets were as follows divided according to investment type:

Share of plan assets in %	2012
Equity securities	8.75%
Debt securities	4.04%
Real estate	1.71%
Other	85.50%

The category “other” thereby refers primarily to plan assets in the form of a reinsurance policy in Germany.

For German Group companies, pension provisions developed as follows:

Projected benefit obligations for pension commitments in € 000s	2012	2011
As of January 1	**36,680**	**35,386**
Current service cost	992	1,014
Interest cost	1,785	1,580
Actuarial gains (-)/losses (+)	7,427	-711
Benefits paid	-586	-589
Business combinations	-	-
As of December 31	**46,298**	**36,680**

For international Group companies, pension provisions developed as follows:

Projected benefit obligations for pension commitments in € 000s	2012	2011
As of January 1	**27,108**	**25,634**
Current service cost	1,033	999
Interest cost	1,506	1,097
Actuarial gains (-) / losses (+)	4,109	19
Benefits paid	-1,728	-869
Employee contributions	364	106
Plan amendments	968	-
Plan curtailments	51	-
Business combinations	6,453	315
Reclassifications	112	-
Currency changes	-99	-13
Other	230	-180
As of December 31	**40,107**	**27,108**

The fair value of plan assets underlying the pension obligations developed as follows for German group companies:

Fair value of plan assets in € 000s	2012	2011
As of January 1	**9,638**	**8,701**
Expected income from plan assets	392	385
Actuarial gains (-) / losses (+)	136	-174
Employer contributions	979	1,181
Employee contributions	-	-
Pension payments	-94	-328
Transfer of assets	-	-
Business combinations	-	-
Other	-	-127
As of December 31	**11,051**	**9,638**

The fair value of plan assets underlying the pension obligations developed as follows for international Group companies:

Fair value of plan assets in € 000s	2012	2011
As of January 1	**20,527**	**20,701**
Expected income from plan assets	1,100	957
Actuarial gains (-) / losses (+)	2,071	-1,172
Employer contributions	1,537	596
Employee contributions	364	148
Pension payments	-919	-465
Business combinations	4,890	-
Currency changes	-13	-
Other	271	-238
As of December 31	**29,828**	**20,527**

The cumulative value of the actuarial losses recognized in equity under retained earnings amounted to € 21.9 million in financial year 2012 (previous year: € 14.7 million).

The amount of the pension provisions recognized as of the balance sheet date for companies with plan assets is therefore as follows:

in € 000s	2012	2011
Projected benefit obligations for pension commitments	81,434	60,092
Fair value of plan assets	40,879	30,165
Net obligation	**40,555**	**29,927**
Unamortized past service cost	-237	-277
Employee contributions	-	42
Effect from the limit on a defined benefit asset according to IFRIC 14	20	-
Net liability recognized in balance sheet	**40,338**	**29,692**

The amount of the pension provisions recognized as of the balance sheet date for companies without plan assets is therefore as follows:

in € 000s	2012	2011
Projected benefit obligations for pension commitments	4,971	3,696
Net obligation	**4,971**	**3,696**
Unamortized past service cost	-	-
Net liability recognized in balance sheet	**4,971**	**3,696**

Expenses for defined benefit plans totaled € 4.9 million in financial year 2012 (previous year: € 3.6 million) and consisted of the following components:

in € 000s	2012	2011
Current service cost	2,025	2,013
Past service cost	1,008	40
Interest cost	3,291	2,677
Expected return on plan assets	-1,492	-1,342
Plan curtailments	51	-
Plan settlements	-20	-
Other	-	187
Total	**4,863**	**3,575**

The actual return on plan assets amounted to € 0.5 million in financial year 2012 (previous year: € 0.2 million) for German group companies and € 3.2 million for international group companies (previous year: € -0.2 million).

The following actuarial parameters were used as a basis for measuring the German pension obligations and pension costs:

Parameters for pension obligations for German Group companies	Dec. 31, 2012	Dec. 31, 2011
Discount rate	3.6%	4.9%
Salary trend	3.0%	3.0%
Benefits trend	1.8%	1.8%
Expected yield on plan assets	3.6%	4.0%
Inflation	2.0%	1.8%

The following actuarial parameters were used as a basis for measuring the international pension obligations and pension costs:

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2012	Dec. 31, 2011
Discount rate	3.6%	5.1%
Salary trend	2.9%	2.8%
Benefits trend	0.8%	1.7%
Expected yield on plan assets	3.6%	4.5%
Inflation	2.0%	1.9%

The expected yield on plan assets for 2013 was determined according to the new regulations of the amended IAS 19. This percentage shall be applied at the level of the discount rate as of financial year 2013.

Overall, the development of pension obligations and plan assets was composed as follows for the reporting year and the four previous financial years, each as of the balance sheet date:

in € 000s	2012	2011	2010	2009	2008
Projected pension obligations for pension commitments	86,405	63,788	58,560	26,707	24,555
Fair value of plan assets	40,879	30,165	29,402	6,541	5,679
Net obligation	**45,526**	**33,623**	**29,158**	**20,166**	**18,876**

Experiential adjustments of the pension obligations and plan assets were as follows in financial year 2012 and the four previous financial years:

in %	2012	2011	2010	2009	2008
Experiential increase (+) / decrease (-) of pension obligation	-1%	0%	+12%	-1%	-11%
Experiential increase (+) / decrease (-) of plan assets	-5%	-1%	-1%	0%	0%

For financial year 2013, payments in the amount of € 1.5 million are expected for employer contributions to defined benefit plans.

The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to € 26.2 million in financial year 2012.

The other non-current provisions developed as follows:

Other non-current provisions in € 000s	2012	2011
As of Jan. 1	**1,529**	**1,311**
Current service cost	138	276
Interest cost	116	-
Actuarial gains (-) / losses (+)	391	-
Benefits paid	-199	-134
Plan amendments	682	-
Business combinations	3	86
Currency changes	-73	-12
Other	-22	2
As of Dec. 31	**2,565**	**1,529**

The following actuarial parameters were used as a basis for measuring the other long-term provisions:

Parameters for other long-term provisions for international Group companies (weighted)	Dec. 31, 2012	Dec. 31, 2011
Discount rate	8.7%	8.3%
Salary trend	5.6%	1.0%
Inflation	3.9%	-

37. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the balance sheet date:

	Liabilities promissory notes		Amounts due to banks		Liabilities from bond		Total	
in € 000s	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Remaining terms up to 1 year	244,000	35,000	84,519	61,229	-	-	328,519	96,229
Remaining terms over 1 year to 3 years	262,500	456,000	21,996	49,959	350,000	-	634,496	505,959
Remaining terms over 3 year to 5 years	288,000	238,500	19,059	17,141	-	350,000	307,059	605,641
Remaining terms over 5 years	-	-	17	13,229	-	-	17	13,229
Financial liabilities	**794,500**	**729,500**	**125,591**	**141,558**	**350,000**	**350,000**	**1,270,091**	**1,221,058**

The increase in financial liabilities was, among other things, a result of the promissory notes secured in the first quarter of 2012 in the amount of € 100.0 million.

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2012, from interest payments and repayment of financial liabilities for the coming years can be seen in the following chart:

	2013			2014			2015–2017		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	37,249	9,615	328,393	29,356	7,279	226,094	35,033	9,119	719,226

The following cash flows were generated in the previous year:

in € 000s	2012			2013			2014–2016		
	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	39,285	12,849	96,132	35,149	10,827	284,264	27,816	15,920	844,023

For the financial liabilities existing as of the balance sheet date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. For current liabilities due to banks, an extension of existing credit lines was partly assumed. The variable interest payments from the promissory notes were determined based on the interest rate last fixed before December 31, 2012.

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the notes on the management of liquidity risk (Note 47.5.).

38. Trade accounts payable

Trade accounts payable are composed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Trade accounts payable to third parties	223,909	205,306
Trade accounts payable to non-consolidated Group companies	132	2,868
Advances received on orders from third parties	314	3,424
Liabilities from outstanding accounts	44,618	29,963
Total	**268,973**	**241,561**

Of the total amount of trade accounts payable, € 0.1 million (previous year: € 3.3 million) are due after one year.

39. Other financial liabilities

Other financial liabilities are broken down as follows:

in € 000s	Dec. 31, 2012		Dec. 31, 2011	
	Total	thereof: current	Total	thereof: current
Outstanding purchase price liabilities	7,923	3,503	89,304	82,564
Finance lease liabilities	10,850	3,308	10,293	2,883
Liabilities from derivative financial instruments	11,622	2,060	9,272	266
Other financial liabilities	216,076	213,072	143,517	140,670
Total	**246,471**	**221,943**	**252,386**	**226,383**

The outstanding purchase price liabilities primarily result from not yet payed installments for the acquisition of branded products in Russia. In the previous year, in addition to the previously mentioned issue, this included the installment which had not yet been paid as of December 31, 2011 for the acquisition of the first tranche of the branded product portfolio including the related sales structures from Grünenthal for the markets of Eastern Europe and the Middle East.

Finance lease liabilities relate to sale-and-leaseback transactions for software and software licenses in the amount of € 6.0 million (previous year: € 7.7 million) as well as other lease liabilities for vehicles and passenger vehicles in the amount of € 4.8 million (previous year: € 2.6 million). Considering interest in the amount of € 2.5 million (previous year: € 1.7 million), lease installments payable in subsequent years total € 13.3 million (previous year: € 12.0 million). The lease liabilities are due as follows:

	Lease installments		Interest		Liabilities finance lease	
in € 000s	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Remaining term up to 1 year	4,244	3,568	936	685	3,308	2,883
Remaining terms over 1 year to 3 years	7,066	7,059	1,179	788	5,887	6,271
Remaining terms over 3 year to 5 years	1,994	1,336	339	197	1,655	1,139
Remaining terms over 5 years	-	-	-	-	-	-
Total	**13,304**	**11,963**	**2,454**	**1,670**	**10,850**	**10,293**

In addition, the negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2012, this continued to relate, as in the previous year, to interest rate swaps, which are partly used as hedging instruments and, in addition, cross-currency swaps (see Note 47.7.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

	Derivative financial liabilities	
in € 000s	Dec. 31, 2012	Dec. 31, 2011
Remaining term up to 1 year	2,060	266
Remaining terms over 1 year to 3 years	4,198	3,726
Remaining terms over 3 year to 5 years	5,364	5,280
Remaining terms over 5 years	-	-
Total	**11,622**	**9,272**

Other financial liabilities include liabilities from discount agreements in the amount of € 189.7 million (previous year: € 111.6 million) and comprise many insignificant individual items in the Group companies. These financial liabilities fall due in the amount of € 213.1 million (previous year: € 140.7 million) within one year, in the amount of € 3.0 million after one year and up to five years (previous year: € 2.8 million).

The contractually agreed undiscounted cash flows, as of the balance sheet date Dec. 31, 2012, from interest payments and repayment of finance lease liabilities and for the liabilities from derivative financial instruments for the coming years can be seen in the following chart:

	2013			2014			2015–2017		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from liabilities finance leases	936	-	3,308	669	-	4,274	849	-	3,268
Cash flows from derivatives	10,338	-	-	7,448	-	-	9,607	-	-

The following cash flows were generated in the previous year:

	2012			2013			2014–2016		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from liabilities finance leases	685	-	2,883	490	-	2,721	495	-	4,689
Cash flows from derivatives	3,352	-	-	2,964	-	-	2,244	-	-

Included were all financial instruments used by STADA which existed as of December 31, 2012 and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the notes on financial instruments (Note 46. and Note 47.7.).

40. Other liabilities

Other liabilities were comprised as follows:

	Dec. 31, 2012		Dec. 31, 2011	
in € 000s	Total	thereof: current	Total	thereof: current
Tax liabilities	14,040	14,040	18,117	18,117
Personnel related liabilities	40,803	38,070	39,071	35,361
Other liabilities	62,620	61,748	35,273	33,181
Total	**117,463**	**113,858**	**92,461**	**86,659**

Other liabilities comprise many insignificant individual items in the Group companies.

41. Other provisions

Other provisions are composed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Provisions set aside for damages	1,024	1,950
Warranties	9,514	9,885
Total	**10,538**	**11,835**

Provisions set aside for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
As of January 1	**1,950**	**2,632**
Added	66	1,057
Utilized	980	75
Reversed	-	1,682
Currency translation differences	-12	18
As of December 31	**1,024**	**1,950**

Provisions for warranties developed as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
As of January 1	**9,885**	**6,380**
Added	3,790	4,289
Utilized	4,085	688
Reversed	4	96
Changes to the scope of consolidation	-72	-
As of December 31	**9,514**	**9,885**

Other Disclosures

42. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 212.7 million in the reporting year (previous year: € 169.0 million). The increase in cash flow from operating activities of € 43.7 million compared to the previous year is primarily due to a significant increase in net profit in financial year 2012. The resulting positive effects on operating cash flow were compensated on the one hand increasingly by the lower cash-effective increase in trade accounts receivable in comparison to the previous year and on the other hand partially by the greater cash-effective increase in inventories as compared to the previous year period.

Cash flow from investment activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to € -468.4 million in the reporting year (previous year: € -187.1 million).

In financial year 2012, payments for investments in intangible assets in the amount of € 115.3 million (previous year: € 87.9 million) were made, of which € 77.4 million (previous year: € 57.4 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. At € 40.0 million, the largest individual item here was attributable to the purchase of the Russian branded product Tranexam®. Acquisition-related sales growth was generally associated with these investments in the reporting year. Proceeds from the disposal of non-current assets increased in the financial year to € 14.0 million (previous year: € 8.0 million).

Payments for investments in business combinations according to IFRS 3 in the amount of € 333.3 million (net of acquired cash and cash equivalents) relate in particular to purchase price liabilities due in financial year 2012 from the acquisition of the Grünenthal branded product portfolio including the related sales companies as well as the purchase of the generics business including the respective sales structures from Spirig HealthCare AG. Payments in the previous year relate to the installment of the purchase price already paid as of December 31, 2011 for the acquisition of the first tranche of the branded product portfolio including the related sales companies for the markets in Eastern Europe and the Middle East in consideration of acquired cash and cash equivalents, where a further € 82.0 million were not paid out until January 2012.

In the previous year € 16.5 million was spent on investments in shares in associated companies. This item related to an increase of shares in Pymepharco Joint Stock Company as well as the French companies Pharm Ortho Pedic SAS and AELIA SAS included as associated companies in financial year 2011. In the current financial year, there have not been any cash-effective additions.

Proceeds from the disposal of shares in consolidated companies in the reporting year resulted – in the course of the further implementation of the “STADA – build the future” project – from the sale of the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, the engineering companies that are not part of the Group’s core business, as well as both Russian production facilities OOO Makiz Pharma, Moscow, Russia, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., Russia. Furthermore, there was a payment of the final purchase price installment for the sale of the consolidated company Health Vision Enterprise Ltd. in financial year 2009. In the previous year, proceeds primarily related to a payment received in financial year 2011 for a purchase price installment resulting from the sale of the consolidated company Health Vision Enterprise Ltd.

Cash flow from financing activities amounted to € 30.6 million in financial year 2012 (previous year: € 140.5 million) and encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity.

Proceeds from taking up financial liabilities were, among other things, characterized by securing new promissory notes in the amount of € 100 million in financial year 2012. In the previous year, securing promissory notes in the amount of € 400 million lead to even higher proceeds from taking up financial liabilities.

Dividend distribution payments of € 21.8 million primarily related to the dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2011.

Proceeds from the capital increase are the result of the exercise of STADA warrants 2000/2015 (see Note 35.1.).

Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to € -255.8 million in financial year 2012 (previous year: € -18.1 million) and is therefore still significantly characterized by the high volume of acquisitions.

Free cash flow adjusted for significant exceptional items, effects from significant investments in intangible assets, shares in consolidated companies and significant disposals is calculated as follows:

in € 000s	2012	2011
Cash flow from operating activities	212,656	169,008
Cash flow from investing activities	-468,414	-187,059
+ Payments for investments in shares in consolidated companies	-	16,482
+ Payments for investments in business combinations according to IFRS 3	333,299	68,490
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio	77,430	57,417
⁄. Proceeds from the disposal of shares in consolidated companies	4,369	1,060
⁄. Proceeds from the disposal of intangible assets in significant disposals	1,050	-
Adjusted free cash flow	**149,552**	**123,278**

43. Segment Reporting

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.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

Generally, STADA's operating segments are divided into the two core segments, Generics and Branded Products, as well as into the non-core segment Commercial Business.

Pursuant to STADA's segment definition, which has been used since 2006, Generics are products for the health care market – usually with a drug character – which contain one or several active ingredients whose commercial property rights have expired or will expire shortly and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient
  or
- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have usually expired.

According to STADA's segment definition, which has been used since 2006, Branded Products are products for the health care market which contain one or several active ingredients whose commercial property rights have usually expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,
  or
- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

STADA also conducts business and has equity interests in fields outside the core segments. As a rule, the objective of these activities is to supplement and support the Group's activities in the core segments. Transactions that mainly involve trading and selling – such as in wholesaling activities – are grouped together in the Commercial Business segment. All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments are recognized under the reconciliation Group holdings / other and consolidation.

Disclosures on significant non-cash items include impairments on inventories and trade accounts receivable; they do not, however, include depreciation and amortization as well as the offsetting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

43.1. Information by operating segment

in € 000s		2012	2011
Generics	**External sales**	**1,213,082**	**1,188,332**
	Sales with other segments	2,632	1,162
	Total sales	1,215,714	1,189,494
	Operating profit	138,085	84,900
	Depreciation / amortization	44,058	40,402
	Impairment losses	9,987	8,132
	Reversals	913	-
	Significant non-cash items within operating result	216,066	218,533
Branded Products	**External sales**	**596,175**	**471,898**
	Sales with other segments	2,265	2,524
	Total sales	598,440	474,422
	Operating profit	123,650	89,305
	Depreciation / amortization	45,529	30,916
	Impairment losses	5,793	2,490
	Reversals	104	-
	Significant non-cash items within operating result	14,310	18,017
Commercial Business	**External sales**	**18,240**	**32,866**
	Sales with other segments	301	138
	Total sales	18,541	33,004
	Operating profit	167	-1,364
	Depreciation / amortization	196	348
	Impairment losses	8	1,927
	Reversals	-	-
	Significant non-cash items within operating result	185	624
Reconciliation Group holdings/ other and consolidation	**External sales**	**10,047**	**22,300**
	Sales with other segments	-5,198	-3,824
	Total sales	4,849	18,476
	Operating profit	-59,754	-52,777
	Depreciation / amortization	7,619	6,788
	Impairment losses	10,139	16,434
	Reversals	4,432	5,380
	Significant non-cash items within operating result	4,558	2,284
Group	**External sales**	**1,837,544**	**1,715,396**
	Sales with other segments	-	-
	Total sales	1,837,544	1,715,396
	Operating profit	202,148	120,064
	Depreciation / amortization	97,402	78,454
	Impairment losses	25,927	28,983
	Reversals	5,449	5,380
	Significant non-cash items within operating result	235,119	239,458

43.2. Reconciliation of segment results to net profit

in € 000s	2012	2011
Operating segment profit	261,902	172,841
Reconciliation Group holdings/other and consolidation	-59,754	-52,777
Result from associated companies	1,448	553
Investment income	2,365	573
Financial income	5,427	10,789
Financial expenses	75,815	62,447
Earnings before taxes, Group	**135,573**	**69,532**

43.3. Reconciliation of segment assets to Group assets

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Segment assets	1,488,504	1,233,920
Reconciliation Group holdings/other and consolidation	214,864	222,823
Other non-current assets	98,022	76,021
Current assets	1,180,645	1,267,081
Total assets, Group	**2,982,035**	**2,799,845**

43.4. Information by country

	Development of sales by the company's registered office		Non-current assets	
in € 000s	2012	2011	Dec. 31, 2012	Dec. 31, 2011
Germany	519,640	501,802	669,052	512,587
Russian Federation	356,630	287,695	263,464	198,009
Italy	153,815	145,565	54,701	65,898
Belgium	141,940	143,623	9,760	10,476
Spain	106,301	109,064	60,813	61,041
Serbia	97,264	124,355	316,108	372,664
Other regions	461,954	403,292	317,007	225,986
Total, Group	**1,837,544**	**1,715,396**	**1,690,905**	**1,446,661**

In the presentation of sales by the company's registered office, sales to third parties are shown according to the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to non-current assets (intangible assets, property, plant and equipment).

43.5. Information on important customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities from a single external customer amount to at least 10% of the company's total sales revenues. As in the previous year, this did not relate to any customers in the reporting year.

44. Contingent liabilities

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

STADA has contingent liabilities in connection with, among other things, legal risks from the pending proceedings. This primarily relates to patent risks for certain active pharmaceutical ingredients. The resulting possible obligations amounted to approx. € 14.9 million (previous year: € 9.6 million). Furthermore, there are legal risks in the amount of € 4.0 million relating to legal proceedings ongoing since 2008 regarding the violation of competition law in Serbia. Furthermore, there are contingent liabilities in the amount of € 2.6 million for an outstanding decision on an approval extension for a product in Germany as well as in the amount of € 1.6 million in connection with tax risks in Russia. Provisions were not created for these, as the probability of an outflow of assets is under 50%. Outflows potentially resulting from these risks would generally be short-term.

45. Other financial obligations

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

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Operating lease liabilities	50,623	51,483
Remaining financial obligations	32,048	34,609
Total	**82,671**	**85,092**

Liabilities from operating leases relate particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings with an average contract term of 8 years. Liabilities from financial leases related in financial year 2012 to a sale-and-leaseback transaction for software and software licenses as well as other lease obligations for vehicles and passenger cars (see Note 25.). The resulting liabilities were recognized under other financial liabilities (see Note 39.).

The total of future minimum lease payments under operating leases amounted to € 50.6 million as of the end of the financial year (previous year: € 51.5 million) and can be broken down according to remaining term as follows:

	Operating lease	
in € 000s	Dec. 31, 2012	Dec. 31, 2011
Remaining term up to 1 year	15,495	16,973
Remaining terms over 1 year to 5 years	28,049	27,308
Remaining terms over 5 years	7,079	7,202
Total	**50,623**	**51,483**

Lease payments in the amount of € 25.3 million (previous year: € 21.5 million) were recognized as an expense in financial year 2012.

Remaining financial obligations primarily include 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 under the equity method.

STADA, as guarantor, has recognized these guarantees in the reporting year as financial guarantees in accordance with IAS 39 at their fair value in the amount of € 0.3 million (previous year: € 0.3 million). Utilization of these guarantees granted is currently not expected.

Furthermore, the remaining financial liabilities included, among other things, further guarantees assumed by the STADA Group.

46. Disclosures about financial instruments

46.1. Carrying amounts, valuation rates and fair values according to valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are made pursuant to IAS 39: LaR (loans and receivables), HtM (held-to-maturity investments), AfS (available-for-sale financial assets), FAHfT (financial assets held for trading), FLHfT, (financial liabilities held for trading) and FLAC (financial liabilities measured at amortized cost).

			Valuation rate balance sheet in accordance with IAS 39				
in € 000s	Carrying amount Dec. 31, 2012	Valuation category pursuant to IAS 39	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IAS 17	
Assets							
Cash and cash equivalents	92,730	LaR	92,730				
Trade accounts receivable	492,143	LaR	492,143				
Held-to-maturity financial assets	11	HtM	11				
Available-for-sale financial assets	9,457	AfS	9,403	54			
Derivative financial assets with hedging relationship	-	n/a					
Derivative financial assets without hedging relationship	2,265	FAHfT			2,265		
Other financial assets	49,978	LaR	49,978				
Equity and liabilities							
Trade accounts payable	268,659	FLAC	268,659				
Amounts due to banks	125,591	FLAC	125,591				
Promissory notes	794,500	FLAC	794,500				
Bonds	350,000	FLAC	350,000				
Liabilities financial leasing	10,850	n/a				10,850	
Derivative financial liabilities with hedging relationship	7,996	n/a		7,996			
Derivative financial liabilities without hedging relationship	3,711	FLHfT			3,711		
Other financial liabilities	223,999	FLAC	223,999				
Thereof aggregated according to valuation categories in accordance with IAS 39:							
Loans and receivables	634,851	LaR	634,851				
Held-to-maturity investments	11	HtM	11				
Available-for-sale financial assets	9,457	AfS	9,403	54			
Financial assets held for trading	2,265	FAHfT			2,265		
Financial liabilities measured at amortized costs	1,762,749	FLAC	1,762,749				
Financial liabilities held for trading	3,711	FLHfT			3,711		

		Valuation rate balance sheet in accordance with IAS 39					
	Fair value Dec. 31, 2012	Carrying amount previous year	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IAS 17	Fair value Dec. 31, 2011
	92,730	320,740	320,740				320,740
	492,143	446,214	446,214				446,214
	11	11	11				11
	9,457	10,132	10,071	61			10,132
	-	-					-
	2,265	-					-
	49,978	45,944	45,944				45,944
	268,659	238,137	238,137				238,137
	126,718	141,558	141,558				142,817
	836,330	729,500	729,500				782,735
	369,257	350,000	350,000				358,334
	10,870	10,293				10,293	10,293
	7,996	6,222		6,222			6,222
	3,711	3,050			3,050		3,050
	223,999	232,821	232,821				232,821
	634,851	812,898	812,898				812,898
	11	11	11				11
	9,457	10,132	10,071	61			10,132
	2,265	-					-
	1,824,963	1,692,016	1,692,016				1,754,844
	3,711	3,050			3,050		3,050

Since cash and cash equivalents as well as trade accounts receivable mainly have short remaining terms, their carrying amounts as of the closing date correspond approximately to the fair value.

Deviations of the fair values from the carrying amounts occur as shown in the following chart in the case of promissory notes, bonds, as well as non-current liabilities to banks with a maturity of more than five years. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values.

Available-for-sale financial assets are, in addition to a smaller portion of shares measured at fair value, primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respectively current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

For the disclosures according to class of financial instrument necessary in accordance with IFRS 7, STADA defines each valuation category as a class.

The chart below shows how the valuation rates of financial instruments measured at fair value were determined for the respective classes of financial instruments:

Fair values by levels of hierarchy in € 000s	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Available-for-sale financial assets (AfS)	54	61	-	-	-	-
Financial assets held for trading (FAHfT)	-	-	2,265	-	-	-
Financial liabilities held for trading (FLHfT)	-	-	3,711	3,050	-	-
Derivative financial liabilities with a hedging relationship	-	-	7,996	6,222	-	-

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/currency 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.

46.2. Net earnings from financial instruments by valuation category

Net earnings recognized in income from financial assets and liabilities can be broken down as follows:

Net earnings by valuation category in € 000s	From interest and dividends	From subsequent measurement			from disposals	Net earnings	
		at fair value	currency translation	valuation allowance		Dec. 31, 2012	Dec. 31, 2011
Loans and receivables (LaR)	2,947	-	-3,789	-7,633	-	-8,475	-88,363
Available-for-sale financial assets (AfS)	2,364	-	-	-791	-30	1,543	-4,079
Financial assets held for trading (FAHfT)	-	2,265	-	-	-	2,265	141
Financial liabilities measured at amortized costs	-70,642	-	2,934	-	-	-67,708	-64,022
Financial liabilities held for trading (FLHfT)	-	-2,670	-	-	2,009	-661	942
Total	**-65,331**	**-405**	**-855**	**-8,424**	**1,979**	**-73,036**	**-155,381**

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result, dividends received are disclosed in investment income. With the exception of the effect of the disposal of the financial assets held for sale and valuation results from interest rate and currency swaps recognized at fair value with an effect on income, which are reported under financial income or financial expenses and regarding the interest/currency swap sometimes also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to currency swaps that expired in financial year 2012 as well as a disposed investment in an affiliated, not consolidated company.

Valuation results from financial assets held for sale and cash flow hedges, which are reported under other comprehensive income in equity, are not included in this presentation as they had no effect on income.

47. Risk management, derivative financial instruments and disclosures on capital management

47.1. Principles of risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board. All transactions above a relevance threshold determined by the Executive Board additionally require the prior approval of the Executive Board, who is regularly informed on the nature, scope and the amount of the current risks. Regarding assets, liabilities and scheduled transactions, these risks comprise particularly risks from changes to exchange rates, interest rates and market prices. It is the objective of financial risk management to limit these market risks through the current operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used.

However, on principle, only those financial risks are hedged which have significant consequences on the Group's cash flow.

47.2. Currency risks

STADA's currency risks result mainly from operating activities, investments and financing measures.

Foreign currency risks that do not significantly influence the Group's cash flows remain unhedged while risks due to foreign currencies are usually hedged to the extent that they can significantly influence the Group's cash flows.

In the operating area, the individual Group companies carry out their activities mainly in their individual functional currency. Therefore, from today's perspective, STADA estimates the currency risk from current operating activities as being low, even if forecasts for currency relations cannot be accurately made against the backdrop of the current economic situation. Some Group companies are exposed to foreign currency risks in connection with planned payments outside their functional currencies.

STADA, on principle, employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year 2012, STADA made particular use of foreign-exchange futures contracts as well as interest/currency swaps among other things. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. These contracts are currently valid for up to five years. Based on the respective foreign currency planning, a hedge strategy is thereby developed in the context of a risk analysis, making use of the variance-covariance method.

However, it cannot be ruled out that the hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal because, for example, the financial markets develop contrary to expectations and that adverse effects for STADA result from this.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the positive or negative balances from the aggregation. This results in the subsequent material outstanding foreign currency items as of the respective balance sheet dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% depreciation of the euro are as follows:

	Dec. 31, 2012			Dec. 31, 2011		
in € 000s	Russian ruble	Serbian dinar	US dollar	Russian ruble	Serbian dinar	Pound Sterling
Outstanding foreign currency item	-43,275	+35,718	-16,134	-3,764	+21,592	+11,548
Income (+)/expense (-) from an appreciation of the euro by 10%	-4,616	+3,544	-1,613	-4,621	+2,159	-1,642
Income (+)/expense (-) from a depreciation of the euro by 10%	+4,616	-3,544	+1,613	+4,621	-2,159	+1,642
Equity increase (+)/equity reduction (-) from a depreciation of the euro by 10%	-483	-8,219	+2	-2,084	-6,385	-359
Equity increase (+)/equity reduction (-) from an appreciation of the euro by 10%	+483	+8,219	-2	+2,084	+6,385	+359

Here, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency item in US dollar recognized in the reporting year exclusively relates to foreign currency reserves at international Group companies in US dollar.

The outstanding foreign currency items in Russian ruble and Serbian dinar relate to the balance from foreign currency reserves at foreign Group companies in euro and outstanding foreign currency reserves in Russian ruble and Serbian dinar. The risk in connection with the outstanding foreign currency reserves in euro from the Group's perspective results from the functional currency of the respective international Group company.

47.3. Interest rate risks

Interest rate risks primarily exist for STADA in the euro area, in Serbia and Russia. In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk, where possible, for the financial liabilities denominated in euro with derivative hedging instruments in the form of interest rate swaps. Taking into account these hedging transactions, an average of 84% (previous year: 88%) of financial liabilities denominated in euro and 100% (previous year: 100%) of those denominated in ruble had fixed interest rates in 2012.

STADA calculates existing interest rate risks with sensitivity analyses that show the effects of changes in market interest rates on interest payments, interest income and expenses as well as on equity. The following factors are included in the calculation:

- changes in the market interest rate of interest rate derivatives designated as hedging instruments in the context of cash flow hedges,
- changes in the market interest rate of original financial liabilities with variable interest rates that are not hedged against interest rate risks, and
- changes in the market interest rate of interest rate derivatives not part of a hedging relationship.

in € million	Dec. 31, 2012	Dec. 31, 2011
Income (+)/expense (-) from an increase in the market interest rate level of 100 basis points	+0.1	-0.8
Income (+)/expense (-) from a decrease in the market interest rate level of 100 basis points	-1.6	+0.8
Equity increase (+)/equity reduction (-) from an increase in the market interest rate level of 100 basis points	+3.7	+3.7
Equity increase (+)/equity reduction (-) from a decrease in the market interest rate level of 100 basis points	-2.6	-5.7

47.4. Default risks

STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations. To avoid default risks in financing activities, such transactions are only concluded with counterparties of impeccable financial standing. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments.

The supply of goods and services to international wholesalers is subject to special monitoring. Concentrations of risk are assumed if debtors exceed a particular credit volume, for which no securities were transfered. As of the balance sheet date however, there are no significant concentrations of risks at STADA exceeding the value adjustments for receivables with respect to local wholesalers in CEE countries classified as a special effect in the previous year.

STADA's maximum credit default risk is calculated from the carrying amounts of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of € 25.4 million (previous year: € 30.4 million) as of the balance sheet date (see Note 45.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories.

47.5. Liquidity risks

The Group's liquidity was guaranteed at all times in financial year 2012. In the context of continuous liquidity planning, the cash flows of all companies are regularly monitored. In order to secure the financial flexibility and financial security of STADA, a liquidity reserve in the form of cash is held and supplemented by free credit lines. For this purpose, STADA regularly concludes bilateral credit contracts for a period of 12 to 21 months with various banks. The refinancing of the financial liabilities is consequently monitored in the context of continuous liquidity planning.

47.6. Other price risks

Other price risks exist in relation to market prices. However, as of the balance sheet date, STADA only recognizes available-for-sale financial assets, whose fair values are determined based on market prices, only to a minor extent.

47.7. Derivative financial instruments and hedging instruments

STADA counters risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In financial year 2012, there are cash flow hedges exclusively in the form of payer interest rate swaps. Here, variable interest payments are transformed into fixed interest payments and the cash flow risk of variable interest liabilities is thus hedged. In the context of these hedging relationships, interest rate related cash flow changes of the hedged items are netted with cash flow changes of interest rate swaps.

In financial year 2012, no new payer interest-rate swaps were designated as cash flow hedges in order to secure interest payments from promissory notes.

Foreign currency derivatives are generally held to hedge the fair value of assets or liabilities. As of the balance sheet date, there are five currency swaps, which serve to hedge foreign currency loans, but which were not designated as fair value hedge.

	Start	Term	Swap from nominal value	Swap to nominal value
Currency swap	Dec. 10, 2012	93 days	883,000 TRUB	21,788 TEUR
Currency swap	Dec. 11, 2012	106 days	29,000 TCHF	23,932 TEUR
Currency swap	Dec. 17, 2012	86 days	205,000 TRUB	4,990 TEUR
Currency swap	Dec. 18, 2012	365 days	2,200 TAUD	1,705 TEUR
Currency swap	Dec. 19, 2012	35 days	5,100 TCHF	4,219 TEUR

The loss from the measurement of these hedging transactions in the total amount of € 0.1 million was netted under currency translation result, recognized under other income.

As of the balance sheet date, furthermore, there are four interest/currency swaps in the form of cross-currency swaps, which serve to hedge foreign currency loans, but which were not designated as fair value hedge.

	Start	End	Swap from nominal value	Swap to nominal value
Interest rate/currency swap	Mar. 27, 2012	Apr. 25, 2016	338,500 TRUB	8,747 TEUR
Interest rate/currency swap	Apr. 23, 2012	Jan. 25, 2017	2,136,100 TRUB	55,054 TEUR
Interest rate/currency swap	Oct. 11, 2012	Dec. 12, 2016	401,500 TRUB	10,012 TEUR
Interest rate/currency swap	Dec. 12, 2012	Dec. 11, 2017	29,000 TCHF	23,927 TEUR

The earnings from the measurement of these hedging transactions in the total amount of € 2.1 million were netted under currency translation result in other income and were recognized under currency translation income and in the amount of € 1.7 million under other financial expenses. The currency translation effects of the individual hedged items as well as the cross-currency swaps balance out in the currency translation result.

The total volume of currency and interest rate related derivatives is comprised as follows:

in € 000s	Dec. 31, 2012 Nominal value	Dec. 31, 2012 Fair value	Dec. 31, 2011 Nominal value	Dec. 31, 2011 Fair value
Derivatives without hedging relationship				
Interest rate/currency swaps	97,740	435	-	-
Interest rate swaps	60,000	-1,796	60,000	-2,784
thereof				
• fixed rate payer	60,000	-1,796	60,000	-2,784
• fixed rate recipient	-	-	-	-
Other derivatives	56,634	-85	35,438	-266
Derivatives with hedging relationship				
Interest rate swaps	146,500	-7,996	146,500	-6,222
thereof				
• fixed rate payer	146,500	-7,996	146,500	-6,222
• fixed rate recipient	-	-	-	-
Other derivatives	-	-	-	-
Total	**360,874**	**-9,442**	**241,938**	**-9,272**

The terms of the cash flow hedges existing as of the balance sheet date end between 2013 and 2016.

The effectiveness of hedging relationships is retrospectively and prospectively reviewed on the basis of effectiveness tests. As of the balance-sheet date, all of the hedging relationships presented above were effective. All changes in the fair value of the derivative hedging instruments were therefore recognized directly in equity under “Provisions for cash flow hedges”. In financial year 2012, the resulting expenses amounted to € 1.3 million (previous year: € 0.5 million).

47.8. Disclosures on capital management

The objectives of the STADA capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth and guaranteeing attractive dividend payments and the capital service. The STADA capital management consistently aims for the Group companies to have an equity basis that corresponds to the local requirements. When implementing and checking the Group’s capital and liquidity the legal requirements are taken into account.

Capital is monitored on the basis of net debt, which results from current and non-current financial liabilities minus cash and cash equivalents as well as current securities. As an important key figure for capital management at STADA, the net debt to adjusted EBITDA ratio amounted to 3.2 in financial year 2012 (previous year: 2.7) and – in view of the investments made for recent larger acquisitions in financial year 2012 – was thus above the maximum value of 3 envisaged by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013. Against this backdrop, the improvement achieved in this ratio in the fourth quarter of 2012 from 3.6 as of September 30, 2012 to 3.2 as of December 31, 2012 shows a satisfactory trend.

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Non-current financial liabilities	941,572	1,124,829
Current financial liabilities	328,519	96,229
Gross debt	**1,270,091**	**1,221,058**
Cash, cash equivalents and current securities	92,784	320,801
Net debt	**1,177,307**	**900,257**
EBITDA (adjusted)	**367,509**	**337,158**
Net debt to adjusted EBITDA ratio	**3.20**	**2.67**

48. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, "related parties" refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades are settled with related companies and natural persons at market-rate conditions.

48.1. Transactions with related persons

Persons in key positions are the board members of STADA Arzneimittel AG, the remuneration of whom, including further information on the principles of the remuneration system, is presented in detail in the Management Report (see "Business and General Conditions – Remuneration Report"), as well as the summary in Note 49. in relation to quantitative disclosures.

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self-employed have business dealings with STADA. These are not significant as regards volume and nature.

The wife of the Chief Production & Development Officer is the owner of a pharmacy with which STADA maintains exclusively business relations usual for the industry as with other third parties.

In financial year 2012, Supervisory Board member Constantin Meyer received a final payment in the amount of € 77,350 from an indirect subsidiary of STADA Arzneimittel AG for a formula development contract.

On March 1, 2012, Steffen Retzlaff, the son of the Chairman of the Executive Board, Hartmut Retzlaff, was appointed Managing Director of Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg. Steffen Retzlaff previously held the position of Marketing Director at this STADA subsidiary.

48.2. Transactions with related companies

Within assets and liabilities, the following amounts are primarily related to transactions involving affiliated companies:

in € 000s	Dec. 31, 2012	Dec. 31, 2011
Trade accounts receivable		
Non-consolidated subsidiaries / joint ventures	1,827	9,853
Associated companies	40	-
Joint ventures	168	238
Other investors	-	-
Trade accounts payable		
Non-consolidated subsidiaries / joint ventures	122	5,455
Associated companies	502	-
Joint ventures	677	584
Other investors	10	10

Expenses and income essentially relate to related party transactions as follows:

in € 000s	2012	2011
Sales		
Non-consolidated subsidiaries / joint ventures	-	6,148
Associated companies	-	-
Joint ventures	97	253
Other investors	-	-
Interest income		
Non-consolidated subsidiaries / joint ventures	68	142
Associated companies	1,350	1,673
Joint ventures	22	-
Other investors	-	-
Interest expense		
Non-consolidated subsidiaries / joint ventures	3	32
Associated companies	-	-
Joint ventures	-	-
Other investors	-	-

In addition, the following disclosures on related party transactions are made:

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility[1] with an interest rate that is partly usual for risk capital and of which a total of € 13.8 million (previous year: € 23.9 million) had been used as of December 31, 2012.

There is a service contract with BIOCEUTICALS Arzneimittel AG, as well as semi-exclusive distribution rights for Epo-zeta in Germany granted by BIOCEUTICALS Arzneimittel AG to, among others, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. In some other European countries (such as Serbia or Russia, for example), a local STADA-owned subsidiary can receive or has already received at the same time a semi-exclusive local sales license as well. BIOCEUTICALS Arzneimittel AG has so far not made use of any own personnel – except for the company's boards according to stock corporation law – but has exclusively assigned companies from the STADA Group with this, which invoice at normal market conditions.

STADA also has various business relations with its fellow partner in the joint ventures STADA Import/Export Ltd., British Virgin Islands, as well as STADA Vietnam J.V. Co., Ltd., Vietnam. The fellow partners of STADA Import/Export Ltd. and STADA Vietnam J.V. Co. receive an appropriate management remuneration for their activities as general managers of the joint venture companies, which amounted to € 137,000 (previous year: € 122,000) in financial year 2012. In financial year 2012, STADA also achieved total sales of € 12.8 million with its fellow partner in the joint venture STADA Vietnam J.V. Co., Ltd. (previous year: € 10.9 million). As of the balance sheet date, outstanding receivables in the amount of € 2.5 million resulted from this business relationship (previous year: € 2.8 million).

49. Remuneration of the Executive Board and the Supervisory Board

The aggregate remuneration of the Executive Board and the Supervisory Board including further information on the principles of the remuneration system are presented in detail in the Management Report (see "Business and General Conditions – Remuneration Report").

In summary, the following disclosures regarding the remuneration of the Executive Board and Supervisory Board at STADA Arzneimittel AG are made according to IAS 24 in consideration of the disclosure requirements of Section 314 (1) no. 6a sentence 1–4 of the German Commercial Code:

	Fixed and variable current remuneration		Termination benefits		Post-employment benefits		Expenses for pension commitments earned in the current year		Other remuneration planned for the longer-term		Total remuneration in accordance with IFRS	
in € 000s	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Members of the Executive Board	5,979[2]	5,631[3]	-	-	-	-	964	983	-	-	6,943	6,614
Members of the Supervisory Board	868	630	-	-	-	-	-	-	-	-	868	630

Remuneration to former members of the Executive Board amounted to a total of € 284,000 in financial year 2012. Current pension provisions for former Executive Board members in in the reporting year amounted to € 9,539,000.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the balance sheet date. Nor has STADA taken on any contingent liabilities for the benefit of the Board members of STADA Arzneimittel AG.

1) In financial year 2010, two loans in the amount of € 6.7 million and € 5.5 million respectively were extended until December 31, 2012 and one loan in the amount of € 25.0 million was extended until December 31, 2014.
2) Thereof progress payments on variable long-term special remuneration in the total amount of € 1,306,250.00 as a result of achieving the annual interim goals in the respective individual contracts for financial year 2013.
3) Thereof progress payments on variable long-term special remuneration in the total amount of € 1,106,250.00 as a result of achieving the annual interim goals in the respective individual contracts for financial year 2012.

50. Fees for the auditor

In financial year 2012, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements, PKF Deutschland GmbH:

in € 000s	2012	2011
Fees for the auditor	496	617
• thereof for audits	320	350
• thereof for other confirmation services	85	104
• thereof for other services	91	163

The fees for audits relate to payment for the audit of the consolidated financial statements as well as the audit of the financial statements of STADA Arzneimittel AG and its German subsidiaries, each at the end of the financial year.

Other confirmation services include the review of the interim consolidated financial statements of June 30 of the corresponding financial year.

Other services relate to diverse consulting services.

51. Corporate Governance

The declaration on the German Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) was last issued by the Executive Board and Supervisory Board on September 25, 2012. The declaration is publicly available via the Company's website (www.stada.de in German or www.stada.com in English) and is also presented in the Annual Report under "Additional Information".

52. Events after balance-sheet date

The events that occurred between the end of financial year 2012 and the date of the signing of the Group Management Report and the Group financial statements for 2012 and have a significant or possibly significant effect on the business, financial and earnings position of the STADA Group were as follows:

- In the third quarter of 2012, STADA concluded a contract with Spirig HealthCare AG for the acquisition of the pharmaceutical wholesaling and commercial business of Spirig Pharma AG. The acquisition was completed in the first quarter of 2013.

- Since January 1, 2013, STADA has controlled (in the sense of IFRS) the Vietnamese pharmaceutical company Pymepharco Joint Stock Company – the business activities of which include the production and sale of pharmaceutical products as well as import activities for the Vietnamese health and pharmaceutical market – resulting in additional indirect investments and contractual obligations. Pymepharco, which was previously handled as an associated company, has therefore been fully consolidated within the STADA Group adjusting for minority interests since January 1, 2013. STADA intends to benefit even more from local growth opportunities in the future.

- In the course of the disposal of the two Russian production facilities, the purchaser assumed the contractual obligation for a further up to approx. 212 full-time positions, which initially remained with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production and product transfers. This ensured that each affected person would thereby be offered employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. In the current first quarter of 2013, approx. 195 of these approx. 212 full-time positions have already been transfered to the buyer. For the outstanding personnel reduction STADA expected in 2012 additional possible one-time burdens of an amount up to € 2 million; following the personnel reduction that took place in the first quarter of 2013 additional one-time burdens of just up to € 0.2 million are expected. From today's perspective however, STADA anticipates a total amount of € 0.1 million.

53. Dividend

According to the German Stock Corporation Act, the distributable dividend is determined according to the distributable profit reported by STADA Arzneimittel AG in its annual financial statements prepared in accordance with the rules and regulations of German Commercial Code. This amounted to € 31,547,699.66 as of December 31, 2012. The Executive Board of STADA Arzneimittel AG proposes that a dividend of € 0.50 per common share be appropriated from this distributable profit for financial year 2012. In financial year 2012, a dividend in the amount of € 0.37 per common share was distributed to shareholders from the distributable profit of financial year 2011.

Bad Vilbel, March 8, 2013

H. Retzlaff	H. Kraft	Dr. A. Müller
Chairman of the Executive Board	Chief Financial Officer	Chief Production & Development Officer

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the consolidated financial statements give a true and fair view of the business, financial position and results of operations and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 8, 2013

H. Retzlaff
Chairman of the Executive Board

H. Kraft
Chief Financial Officer

Dr. A. Müller
Chief Production & Development Officer

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 8, 2013

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Roman Brinskelle
German Public Accountant

Santosh Varughese
German Public Accountant

GLOSSARY FROM A TO Z

Active pharmaceutical ingredient: The pharmaceutically effective component of a drug (also API).

AMNOG: German Pharmaceutical Market Restructuring Act, which became effective as of January 1, 2011.

Approval: Permission under drug laws to market a drug in a national market.

Audit: On the pharmaceutical market: control of equipment and documentation of manufacturers or their suppliers.

Biosimilar: Biopharmaceutical product, i.e. drugs with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.

Commercial business: Purchase and subsequent sale of third-party products; in the pharmaceutical market this frequently refers to wholesale business or parallel imports.

Commercial property rights: Provide inventors or companies with protection against competition for an invention for a limited time period. The best-known commercial property right is the patent. In addition, SPCs play an important role in the pharmaceutical market.

Dossier: Documentation required in an application for drug approval that describes the quality, safety, and efficacy of that drug.

GMP: Good Manufacturing Practice – international production standard in the pharmaceutical industry.

Indication: Diseases for which a certain drug is used.

Monoclonal Antibodies: Monoclonal antibodies are immunologically active proteins which are used against an individual epitope (surface structure) of an antigen (infectious substances or certain molecules) and specifically bind to that substance. Monoclonal antibodies are generated with molecular biological methods and produced biotechnologically through genetically engineered cell lines.

Nephrology: Branch of internal medicine dealing with diagnostics and non-surgical therapy of kidney diseases.

Oncology: Science that deals with the study of cancer.

Patent: In the pharmaceutical market: commercial property right granting active pharmaceutical ingredients market exclusivity for a limited period (in the EU 20 years, for example).

Pharmaceutical production: Conversion of pharmaceutical substances into a dosage form and its packaging into a finished pharmaceutical product, e.g. tablet.

Prescription obligation: The legal requirement specifying that, depending on the potential risk involved, drugs may be dispensed to patients on prescription only.

Rituximab: Rituximab is a monoclonal antibody used in the treatment of various forms of cancer, such as non-Hodgkin lymphomas, as well as various auto-immune diseases, such as rheumatoid arthritis.

Trastuzumab: Trastuzumab is a monoclonal antibody used in the treatment of specific forms of breast and stomach cancer.

FINANCIAL CALENDAR

2013

March 21, 2013	Publication of 2012 results with analysts' and press conference
May 7, 2013	Publication of Q1/2013 results
June 5, 2013	Annual General Meeting
August 8, 2013	Publication of 2013 interim results with analysts' and press conference
November 13, 2013	Publication of Q3/2013 results

2014

March 27, 2014	Publication of 2013 results with analysts' and press conference
May 8, 2014	Publication of Q1/2014 results
June 4, 2014	Annual General Meeting
August 7, 2014	Publication of 2014 interim results with analysts' and press conference
November 13, 2014	Publication of Q3/2014 results

Status at time of going to print; STADA reserves the right to change these dates. The current financial calendar can be found on the Internet at: www.stada.de and www.stada.com.

The Annual Report and the interim reports will be published on the dates listed above on the Company website (www.stada.de and www.stada.com), usually before trading begins on the Frankfurt Stock Exchange. Shareholders may receive printed copies of the reports on request.

PUBLISHING INFORMATION

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Text
STADA Arzneimittel AG, Bad Vilbel, Germany
This Annual Report is published in German (original version) and English (non-binding translation) and is subject to German law alone.

Publication
The complete annual report as well as current information on the STADA Group can be found on the Internet at www.stada.de and www.stada.com.

Design and Realization
Hab&Gut Kreativagentur und Unternehmerberatung GmbH, Frankfurt am Main, Germany
in cooperation with
wagneralliance Kommunikation GmbH, Offenbach am Main, Germany

Photography
Andreas Koschate, Frankfurt am Main

Printing
Grafik & Druck Steiner oHG, Alzenau

Forward-looking-statements

The STADA Arzneimittel AG Annual Report 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. 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

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

OVERVIEW OF SALES

Group sales in € million	2012	2011
Total Group sales	1,837.5	1,715.4
• Core segment Generics	1,213.1	1,188.3
• Core segment Branded Products	596.2	471.9
• Commercial Business	18.2	32.9
• Other sales	10.0	22.3

Sales by market regions in € million	2012	2011
Germany	**470.0**	**501.8**
• Germany	442.0	474.2
• Export sales of the market region Germany	28.0	27.6
Central Europe	**816.0**	**711.3**
• Italy	154.0	146.0
• Belgium	141.8	140.8
• Spain	108.7	111.6
• France	92.2	79.4
• United Kingdom	54.8	51.4
• The Netherlands	44.3	56.0
• Switzerland	34.0	0.2
• Denmark	23.0	31.2
• Poland	22.0	-
• Ireland	20.9	20.5
• Other / Rest of Central Europe	95.0	64.8
• Export sales of the market region Central Europe	25.3	9.4
CIS / Eastern Europa	**526.5**	**477.6**
• Russia	343.0	279.6
• Serbia	80.9	106.3
• Ukraine	30.5	25.4
• Bosnia-Herzegovina	15.5	11.9
• Kazakhstan	13.3	13.0
• Montenegro	6.0	6.4
• Romania	4.7	2.7
• Macedonia	4.6	4.7
• Uzbekistan	3.4	2.9
• Azerbaijan	2.8	2.3
• Other / Rest of CIS / Eastern Europe	12.7	7.7
• Export sales of the market region CIS / Eastern Europe	9.1	14.7
Asia & Pacific region	**25.0**	**24.7**
• Vietnam	14.6	12.5
• The Philippines	3.6	3.1
• China	2.5	2.4
• Thailand	2.1	5.0
• Other / Rest of Asia & Pacific region	2.2	1.7
• Export sales of the market region Asia & Pacific	-	-

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Financial key figures in € million	2012	2011	2010	2009	2008
Total Group sales	1,837.5	1,715.4	1,627.0	1,568.8	1,646.2
• Core segment Generics	1,213.1	1,188.3	1,124.2	1,115.6	1,154.5
• Core segment Branded Products	596.2	471.9	425.0	392.6	368.9
Operating profit	202.1	120.1	161.8	191.9	176.4
EBITDA	323.8	223.2	268.8	280.1	255.4
Adjusted EBITDA	*367.5*	*337.2*	*315.9*	*287.5*	*294.3*
EBIT	206.0	121.2	162.1	192.5	175.2
Earnings before taxes (EBT)	135.6	69.5	109.0	141.5	105.5
Net income	86.5	22.0	68.4	100.4	76.2
Adjusted net income	*147.9*	*146.6*	*133.3*	*115.8*	*116.0*
Cash flow from operating activities	212.7	169.0	194.8	250.5	129.3

Asset/capital structure in € million	2012	2011	2010	2009	2008
Balance sheet total	2,982.0	2,799.8	2,506.7	2,451.7	2,469.5
Non-current assets	1,801.4	1,532.7	1,381.4	1,406.6	1.412.9
Current assets	1,180.6	1,267.1	1,125.3	1,045.1	1.056.6
Equity	912.2	863.9	868.5	869.7	839.7
Equity-to-assets ratio in percent	30.6%	30.9%	34.6%	35.5%	34.0%
Non-current liabilities	1,100.2	1,254.9	910.5	683.5	887.7
Current liabilities	969.6	681.0	727.7	898.5	742.1
Net debt	1,177.3	900.3	864.1	899.0	1,015.7

Capital expenditure / depreciation and amortization in € million	2012	2011	2010	2009	2008
Total capital expenditure	401.0	286.6	109.3	124.8	137.3
• on intangible assets	367.1	237.3	70.5	73.9	60.3
• on property, plant and equipment	30.3	31.7	30.8	50.8	72.2
• on financial assets / associates	3.6	17.6	8.0	0.1	4.8
Total depreciation and amortization	123.3	107.4	107.8	90.3	80.2
• on intangible assets	88.8	73.5	67.7	57.6	49.3
• on property, plant and equipment	33.3	29.3	36.0	32.4	30.9
• on financial assets	1.2	4.6	4.1	0.3	-

Employees	2012	2011	2010	2009	2008
Average number per year[1)]	7,814	7,826	8,080	8,064	8,318
Number as of the balance sheet date	7,761	7,900	8,024	7,981	8,299

Key figures per STADA share	2012	2011	2010	2009	2008
Market capitalization (year-end) in € million	1,448.3	1,135.1	1,494.3	1,424.2	1,204.6
Year-end closing price ordinary share in €	24.41	19.25	25.38	24.20	20.50
Average number of shares (without treasury shares)	59,059,393	58,830,209	58,763,492	58,662,392	58,632,021
Basic earnings per share in €[2)]	1.46	0.37	1.16	1.71	1.30
Adjusted earnings per share	*2.50*	*2.49*	*2.27*	*1.97*	*1.98*
Diluted earnings per share in €[3)]	1.44	0.37	1.14	1.70	1.28
Adjusted diluted earnings per share	*2.47*	*2.44*	*2.22*	*1.96*	*1.95*
Dividend per ordinary share in €	0.50[4)]	0.37	0.37	0.55	0.52
Total dividend payments in € million	29.6[4)]	21.8	21.7	32.3	30.5
Distribution ratio in percent	34%[4)]	99%	32%	32%	40%

1) Employees of companies consolidated at only 50% have been included in accordance with their respective consolidation rate.

2) In accordance with IAS 33.10.
3) In accordance with IAS 33.31.
4) Proposed.

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