

Interim Report on the First Three Months of 2011



STADA KEY FIGURES

Key figures for the Group in € million	1/1–3/31/2011	1/1–3/31/2010	± %
Group sales	418.3	395.7	+6%
• Generics (core segment)	292.8	278.4	+5%
• Branded Products (core segment)	114.6	101.2	+13%
Operating profit	57.6	51.4	+12%
<i>Operating profit, adjusted¹⁾</i>	<i>63.6</i>	<i>57.0</i>	<i>+12%</i>
EBITDA (Earnings before interest, taxes, depreciation and amortization)	79.8	75.8	+5%
<i>EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted¹⁾</i>	<i>82.5</i>	<i>76.0</i>	<i>+9%</i>
EBIT (Earnings before interest and taxes)	57.6	51.3	+12%
<i>EBIT (Earnings before interest and taxes), adjusted¹⁾</i>	<i>63.5</i>	<i>56.8</i>	<i>+12%</i>
EBT (Earnings before taxes)	45.5	38.4	+18%
<i>EBT (Earnings before taxes), adjusted¹⁾</i>	<i>49.9</i>	<i>44.9</i>	<i>+11%</i>
Net income	29.8	28.1	+6%
<i>Net income, adjusted¹⁾</i>	<i>33.2</i>	<i>33.1</i>	<i>0%</i>
Cash flow from operating activities	42.5	64.6	-34%
Capital expenditure	12.6	48.5	-74%
Depreciation and amortization (net of write-ups)	22.1	24.5	-10%
Employees (average number for the year calculated on the basis of full-time employees, Jan. 1 – Mar. 31)	7,842	7,995	-2%
Key share figures	1/1–3/31/2011	1/1–3/31/2010	± %
Market capitalization (as of Mar. 31) in € million	1,609.7	1,716.7	-6%
Closing price (XETRA®) in € (as of Mar. 31)	27.34	29.17	-6%
Average number of shares (without treasury shares, Jan. 1 – Mar. 31)	58,777,667	58,747,293	0%
Earnings per share in €	0.51	0.48	+6%
<i>Earnings per share in €, adjusted¹⁾</i>	<i>0.56</i>	<i>0.56</i>	<i>0%</i>
Diluted earnings per share in €	0.50	0.47	+6%
<i>Diluted earnings per share in €, adjusted¹⁾</i>	<i>0.55</i>	<i>0.55</i>	<i>0%</i>

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

MANAGEMENT REPORT

Overview

With an increase in sales and earnings, the business development of the STADA Group in the first quarter of 2011 was positive, as expected.

Group sales increased by 6% to € 418.3 million in the first three months of 2011 (1-3/2010: € 395.7 million). Net income went up by 6% to € 29.8 million (1-3/2010: € 28.1 million) in the reporting quarter. Earnings before interest, taxes, depreciation and amortization (EBITDA) recorded growth in the first quarter of the current financial year of 5% to € 79.8 million (1-3/2010: € 75.8 million). In addition, it was possible to increase all other key earnings figures in the reporting period.

With this development, from the Executive Board's perspective, STADA achieved – particularly in view of the good level from the corresponding quarter in the previous year – a good result in the first three months of 2011.

From today's perspective, the Executive Board continues to expect further growth in Group sales and earnings for financial years 2011 and 2012. For 2011, there will continue to be the opportunity for an increase in adjusted EBITDA in the high single-digit percentage range. This would mean that adjusted EBITDA in 2011 would again reach a record value in STADA's Company history. In addition, the Executive Board holds to the long-term targets envisaged for 2014¹⁾, according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached.

Sales development of the STADA Group

In the first quarter of 2011, **Group sales** rose by 6% to € 418.3 million (1-3/2010: € 395.7 million). This was due in particular to the Group's international sales which, in the reporting period, made up a total of 70% (1-3/2010: 64%) of Group sales and increased by 15% to € 291.0 million (1-3/2010: € 252.3 million).

When effects on sales attributable to changes in the Group portfolio as well as currency effects are taken into account, Group sales increased by 4% in the first three months of 2011 compared to the corresponding period in the previous year.

In detail, the effects on sales were as follows:

- Portfolio changes²⁾ contributed a total of € 5.4 million or 1.4 percentage points to sales growth in the first quarter of 2011.
- As a result of applying foreign exchange rates from the reporting quarter compared with those of the first quarter of 2010 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly negative currency effect in the amount of € -0.4 million or -0.1 percentage points.

To the extent that adjusted sales figures are reported in the following, this refers to sales adjusted for portfolio effects and currency fluctuations respectively.³⁾

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

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

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

In **Europe**, STADA Group sales increased by 6% to € 401.8 million (1-3/2010: € 378.2 million) in the first quarter of 2011. Sales achieved by STADA in European markets thus contributed 96.0% (1-3/2010: 95.6%) to Group sales. Adjusted, Group sales in Europe showed an increase of 5%.

In **Western Europe**, STADA posted an increase in sales in the first three months of 2011 of 4% to € 301.8 million (1-3/2010: € 291.4 million). STADA's sales in Western European countries thus had a share of 72.1% in Group sales (1-3/2010: 73.7%). Despite decreasing sales in Germany of 11%, due to the considerable growth in several other European countries, such as Italy and Spain, the adjusted STADA sales in Western Europe increased by 2% (see "Regional development in individual national markets – Germany").

In **Eastern Europe**¹⁾, the Group recorded a sales plus of 15% to € 100.0 million (1-3/2010: € 86.8 million) in the reporting quarter. This was due in particular to the strong growth in Russia, but also to the Serbian business which, after restructuring, grew again in a seasonal comparison. Sales in the Eastern European markets thus contributed 23.9% (1-3/2010: 21.9%) to Group sales. Adjusted sales in Eastern Europe recorded an increase of 13%.

In **Asia**, STADA's sales decreased by 19% to € 10.0 million in the reporting period (1-3/2010: € 12.4 million). STADA's sales in the Asian markets thus amounted to 2.4% (1-3/2010: 3.1%) of Group sales. This was due to opposing developments. One reason was a strong decrease in sales based on declining commercial sales in the Philippines. This was contrasted however by a very strong increase in sales in Vietnam. STADA's adjusted sales in Asia recorded a minus of 18% (see "Regional development in individual national markets – Asia").

STADA recorded an increase in sales in the **rest of the world** in the first quarter of 2011 of 30% to € 6.6 million (1-3/2010: € 5.1 million). Sales in the rest of the world thus amounted to a share of 1.6% of Group sales (1-3/2010: 1.3%). STADA's adjusted sales growth was at 33% here.

Sales in STADA's most important individual national markets are described in more detail in the context of the reporting on regional developments (see "Regional development in individual national markets").

Based on sales development in the individual national markets, the Executive Board, from today's perspective, continues to expect further growth in Group sales for financial years 2011 and 2012.

Earnings development of the STADA Group

In the first three months of 2011, it was possible to increase all reported key earnings figures in the STADA Group.

In the first quarter of 2011, **operating profit** rose by 12% to € 57.6 million (1-3/2010: € 51.4 million). **Net income** increased in the same period by 6% to € 29.8 million (1-3/2010: € 28.1 million). **EBITDA** recorded growth of 5% to € 79.8 million (1-3/2010: € 75.8 million) in the reporting quarter.

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from interest rate hedge transactions (first quarter of 2010: adjusted for one-time special effects as well as non-operational effects from currency influences and interest rate hedge transactions), **adjusted operating profit** increased in the first three

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

months of 2011 by 12% to € 63.6 million (1-3/2010: € 57.0 million). **Adjusted net income** at € 33.2 million was slightly above the level of the previous year (1-3/2010: € 33.1 million) in the reporting quarter. **Adjusted EBITDA** showed an increase of 9% to € 82.5 million in the first quarter of 2011 (1-3/2010: € 76.0 million).

One-time special effects in the first three months of 2011 amounted to a net burden on earnings in the amount of € 5,9 million before or € 4.5 million after taxes (1-3/2010: net burden on earnings due to one-time special effects in the amount of € 7.9 million before or € 6.0 million after taxes), and were as follows:

- a burden in the amount of € 3.1 million before or € 2.4 million after taxes for value adjustments on assets after impairment tests.
- a burden in the amount of € 1.7 million before or € 1.3 million after taxes due to expenses in connection with the “STADA – build the future” project (see “STADA – build the future”).
- a burden in the amount of € 0.9 million before or € 0.7 million after taxes for unscheduled personnel expenses due to management changes at STADA subsidiaries.
- a burden in the amount of € 0.2 million before or € 0.1 million after taxes in connection with the Pharmaceutical Market Restructuring Act (AMNOG), which took effect in Germany on January 1, 2011 (see “Regional development in individual national markets – Germany”).

Non-operational effects from interest rate hedge transactions amounted, in the reporting period, to a net relief on earnings of € 1.5 million before or € 1.1 million after taxes, which resulted from the measurement of these transactions (1-3/2010: net relief on earnings as a result of non-operational effects from currency influences and interest rate hedge transactions of € 1.4 million before or € 1.0 million after taxes).

In the chart below, further essential key earnings figures of the STADA Group as well as the resulting margins are each also reported adjusted for aforementioned one-time special effects and non-operational effects from interest rate hedge transactions for the first quarter of 2011 and/or the non-operational effects from currency influences and interest rate hedge transactions for the first quarter of 2010 to allow for comparison.

This shows that all other Group-related key earnings figures also improved in the first quarter of 2011 compared with the first quarter of 2010. In addition, almost all the sales-related margins of the adjusted key earnings figures were higher than in the comparative quarter of the previous year.

Development of the STADA Group's key earnings figures

in € million	1-3/2011	1-3/2010	± %	Margin ¹⁾	
				1-3/2011	1-3/2010
Operating profit	57.6	51.4	+12%	13.8%	13.0%
• Operating segment result Generics	39.7	37.8	+5%	13.5%	13.6%
• Operating segment result Branded Products	27.6	23.5	+18%	24.1%	23.2%
EBITDA ²⁾	79.8	75.8	+5%	19.1%	19.2%
EBIT ³⁾	57.6	51.3	+12%	13.8%	13.0%
EBT ⁴⁾	45.5	38.4	+18%	10.9%	9.7%
Net income	29.8	28.1	+6%	7.1%	7.1%
Earnings per share in €	0.51	0.48	+6%		
Diluted earnings per share in €	0.50	0.47	+6%		

1) Related to relevant Group sales.

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

3) Earnings before interest and taxes.

4) Earnings before taxes.

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

<i>in € million</i>	<i>1–3/2011</i>	<i>1–3/2010</i>	<i>± %</i>	<i>Margin²⁾ 1–3/2011</i>	<i>Margin²⁾ 1–3/2010</i>
<i>Operating profit, adjusted</i>	63.6	57.0	+12%	15.2%	14.4%
• <i>Operating segment result Generics, adjusted</i>	42.1	39.1	+8%	14.4%	14.0%
• <i>Operating segment result Branded Products, adjusted</i>	27.7	22.1	+26%	24.2%	21.8%
<i>EBITDA³⁾, adjusted</i>	82.5	76.0	+9%	19.7%	19.2%
<i>EBIT⁴⁾, adjusted</i>	63.5	56.8	+12%	15.2%	14.4%
<i>EBT⁵⁾, adjusted</i>	49.9	44.9	+11%	11.9%	11.3%
<i>Net income, adjusted</i>	33.2	33.1	0%	7.9%	8.4%
<i>Earnings per share in €, adjusted</i>	0.56	0.56	0%		
<i>Diluted earnings per share in €, adjusted</i>	0.55	0.55	0%		

For financial years 2011 and 2012, the Executive Board, from today's perspective, continues to expect further growth in earnings. For 2011, there should thereby continue to be the opportunity for an increase in adjusted EBITDA in the high single-digit percentage area. This would mean that adjusted EBITDA in 2011 would reach again a record value in STADA's Company history.

“STADA – build the future”

In the context of the “STADA – build the future” project, the STADA sold a small chemical plant in Serbia in the first quarter of 2011, as these activities do not belong to the Group's core business. The related expenses were reported as a one-time special effect in the reporting quarter (see “Earnings development of the STADA Group” as well as “Regional development in individual national markets – Serbia”).

In the context of the implementation of “STADA – build the future”, the Group moreover introduced a functional consolidation of all German activities in the area of product development and quality management at the Bad Vilbel location in the first quarter of 2011, which is expected to be completed as of June 30, 2011. In this context, STADA negotiated with the Works Council a balancing of interests and social compensation plan for 15 employees at the Laichingen location. The related expenses were reported as a one-time special effect in the reporting quarter (see “Earnings development of the STADA Group” as well as “Regional development in individual national markets – Germany”).

In the current second quarter, STADA also initiated the evaluation of a possible sale of the Irish production facility, which is expected to be completed by the end of the year.

Development of segments

Sales of the two **core segments**, Generics and Branded Products, increased in the first quarter of 2011 by a total of 7%. Sales of the two core segments adjusted for portfolio effects and currency influences increased by 7% in the first three months of 2011. The total share of the two core segments in Group sales in the reporting period thus amounted to 97.4% (1-3/2010: 95.9%).

Sales of **Generics**, which continues to be the clearly larger core segment, rose by 5% in the reporting period to € 292.8 million (1-3/2010: € 278.4 million). Generics thus contributed 70.0% of Group sales in the first three months of the current financial year (1-3/2010: 70.4%). Adjusted, Generics sales in the Group increased by 5%.

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

2) Related to relevant Group sales.

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

4) Earnings before interest and taxes.

5) Earnings before taxes.

Branded Products recorded sales growth of 13% to € 114.6 million in the reporting period (1-3/2010: € 101.2 million). Branded Products thus had a share of 27.4% in Group sales in the first quarter of 2011 (1-3/2010: 25.6%). Adjusted sales of Branded Products in the Group showed growth of 10%.

In **Commercial Business**, which is not part of the core segments, sales decreased to € 7.0 million in the first three months of 2011 (1-3/2010: € 14.5 million). Sales reported under the position **Group holdings/other** grew in the reporting quarter to € 3.8 million (1-3/2010: € 1.6 million) and included, among other things, sales with the Dutch packaging unit transferred in the third quarter of 2010.

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

Regional development in individual national markets

In **Germany**, which continues to be the largest national market for STADA, sales decreased as expected in the first quarter of 2011 by 11% to € 127.3 million (1-3/2010: € 143.4 million). The share of the German business activities in Group sales thus amounted to 30.4% in the first three months of 2011 (1-3/2010: 36.2%).

The decrease in sales in Germany was attributable to the ongoing difficult local framework conditions for generics. Sales in the German Generics segment in the reporting quarter decreased by 13% to € 92.5 million (1-3/2010: € 106.1 million). The STADA Group's market share of generics sold in German pharmacies slightly declined by volume in the first quarter of 2011 to approx. 12.4% (financial year 2010: approx. 12.5%).¹⁾ In the reporting period, this, however, continued to be contrasted by operating profitability in the German Group business as expected only just under Group average.

Sales achieved by STADA in the German market with generics in the first three months of 2011 had a total share of 73% (1-3/2010: 74%) of sales generated in the German market.

This development in Germany was primarily based on the results achieved by various STADA sales companies in the context of the numerous tenders for discount agreements by statutory health insurance organizations. German subsidiaries of STADA continue to participate on an ongoing basis in tenders for such discount agreements using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results. The associated primary objective pursued by the Group of reaching an appropriate operating profitability in the German market led, for the first quarter of 2011, to a decrease in sales and market share for STADA in the Generics segment, without, however, negatively affecting the position of the STADA Group as the clear number 3¹⁾ in the German generics market.

In the current second quarter of 2011, the STADA Group achieved, in the view of the Executive Board, a strong result in the 6th round of AOK tenders of the Allgemeinen Ortskrankenkassen (AOK) for discount agreements valid throughout Germany.²⁾ Accordingly, the AOK, which insures approx. 24 million of the total of approx. 70 million publicly insured persons in Germany, has concluded the respective contracts with various German STADA subsidiaries for a total of 19 active ingredients – among them Omeprazol, the strongest product measured by sales³⁾, and Risperidon, the third strongest product. The contracts start on June 1, 2011 and have a regular term of two years. In light of

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

2) See the Company's corporate news of May 11, 2011.

3) Sales ranking according to data from IMS Health.

these presumably high-volume discount agreements newly concluded with the AOK, the Executive Board of STADA expects that the market share of the Group by volume in the German market will once again rise since, in the past, STADA sales companies had already done very well in tenders of discount agreements on a multiple-award basis of other public health insurance organizations.

As of January 1, 2011, the Pharmaceutical Market Restructuring Act (AMNOG) took effect in Germany. The moderate improvement in the structural framework conditions for generics suppliers in Germany which was originally expected as a result of this law has not yet appeared, because, among other things, the regulatory statutes of the individual new rules such as the additional cost regulation are so complicated that their impact on the market is significantly reduced. In addition, the Group expects a special burden due to the revised package size regulations as a result of AMNOG in 2011. The repackaging necessary due to this and the possible product returns associated with it will probably lead to costs in the six-digit euro area, which STADA will recognize as a one-time special effect in 2011. In the first quarter of 2011, € 0.2 million thereof was incurred.

Generics sales generated by STADA in Germany continue to be achieved via various sales lines. Sales of ALIUD PHARMA, the largest of the Group-owned sales labels in the German generics market, decreased in the first three months of the current financial year by 17% to € 50.5 million (1-3/2010: € 61.1 million). Sales generated with the second Group-owned German generics line STADAPharm declined in the reporting period by 10% to € 34.0 million (1-3/2010: € 37.6 million). In contrast, sales of STADA's other generics sales label, cell pharm, a special supplier for the indication areas oncology and nephrology, increased in the first quarter of 2011 by 5% to € 7.5 million (1-3/2010: € 7.1 million).

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

Sales generated with branded products – predominantly under the local sales labels STADA GmbH and Hemopharm – decreased in the first quarter of 2011 by 5% to € 34.5 million (1-3/2010: € 36.4 million).

The total share achieved by STADA with branded products in the German market was 27% in the first three months of 2011 (1-3/2010: 25%).

In the context of the consistent 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, until the end of 2012, was introduced in the first quarter of 2011 at the Bad Vilbel and Florstadt locations in order to ensure the long-term competitiveness of the STADA Group's locations in Germany. 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 will take place.

The Group introduced a functional consolidation of all German activities in the area of product development and quality management at the Bad Vilbel location in the first quarter of the current financial year. In this context, STADA negotiated with the Works Council a balancing of interests and social compensation plan for 15 employees at the Laichingen location. The related expenses were reported as one-time special effect in the reporting quarter (see “Earnings development of the STADA Group” and “STADA – build the future”).

With a view to the centralization in the logistics area, remaining packaging functions at the Laichingen location are also expected to be discontinued in the current financial year 2011. STADA has already also given the remaining employees at the Laichingen location a commitment effective until December 31, 2012 that no dismissals for operational reasons will take place.

For financial year 2011, the Executive Board calculates, with a sales strategy that continues to be geared toward an appropriate local operating profitability, further sales decreases in the generics area – despite discount agreements won in the context of the sixth round of AOK tenders – and thus for the German business overall.

In **Russia**, which continues to be the Group's second most important national market, STADA generated significant sales growth in the first quarter of 2011 in the amount of 20%, applying last year's exchange rates. In euro, sales even increased by 22% to € 54.5 million (1-3/2010: € 44.7 million).

The two core segments in the Russian market had nearly the same share of local Group sales in the first three months of 2011. In generics, the Group achieved a sales increase by 6% to € 23.7 million (1-3/2010: € 22.4 million) or 44% of STADA's sales in Russia (1-3/2010: 50%). Sales of branded products rose by 37% to € 30.4 million (1-3/2010: € 22.2 million) or 56% of STADA's sales in the Russian market (1-3/2010: 50%).

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

In **Italy**, the Group recorded a strong increase in sales of 21% to € 38.7 million in the reporting quarter (1-3/2010: € 32.0 million).

With a considerable sales increase of 29% to € 28.6 million (1-3/2010: € 22.1 million), generics continued to have the largest share of local sales, thus contributing 74% (1-3/2010: 69%) to Italian sales. The significant sales growth in generics was based on successful product launches, overall strong market growth as well as positive price effects which resulted from price regulation for reimbursable products that expired at the end of 2010.

By contrast, sales of branded products generated by STADA in the Italian market increased in the first quarter of 2011 by 2% to € 10.1 million (1-3/2010: € 9.9 million). Branded products thus contributed 26% (1-3/2010: 31%) to local STADA sales.

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

In **Belgium**, STADA achieved sales growth of 17% to € 35.2 million in the reporting period (1-3/2010: € 30.0 million).

With an increase of 17% to € 33.3 million (1-3/2010: € 28.5 million), generics continued to have the largest share of local sales in the first three months of 2011, contributing 95% (1-3/2010: 95%) to STADA's sales in Belgium.

The Group generated a sales increase in the amount of 25% to € 1.9 million with branded products in Belgium in the reporting quarter (1-3/2010: € 1.5 million). Their share of STADA's sales generated in Belgium amounted to 5% (1-3/2010: 5%).

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

In **Spain**, STADA posted a very considerable increase in sales in the first three months of 2011 in the amount of 31% to € 30.6 million (1-3/2010: € 23.4 million).

In the Spanish generics market characterized by an increased growth dynamic, STADA was able to increase generics sales in the reporting period by 37% to € 29.2 million (1-3/2010: € 21.3 million). This was also predominantly due to a very successful product launch carried out on schedule with the patent expiry in the first quarter of 2011. Generics thus had a share of 95% (1-3/2010: 91%) in Spanish STADA sales in the first quarter of 2011.

Sales of branded products decreased by 34% in the reporting period to € 1.4 million (1-3/2010: € 2.1 million). Branded products thus had a 5% share of STADA's local sales (1-3/2010: 9%).

STADA expects another sales increase in Spain in financial year 2011, also against the backdrop of continuing strong growth in the generics market. Operating profitability in this local market should be at approximately Group average – which is better than expectations at the beginning of the year.

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

In **Serbia**, sales in the first quarter of 2011 were significantly above the level of the corresponding period of the previous year with an increase of 16% applying the exchange rates of the previous year. In euro, sales increased strongly by 11% to € 23.7 million (1-3/2010: € 21.3 million).

In the reporting period, STADA achieved sales of € 20.4 million with generics in Serbia (1-3/2010: € 16.2 million). Generics thus contributed 86% to sales in Serbia (1-3/2010: 76%). Sales of branded products in Serbia in the first quarter of 2011 amounted to € 2.6 million (1-3/2010: € 1.5 million). They thus had a 11% share of STADA's Serbian sales (1-3/2010: 7%).

The emerging recovery in Serbia of STADA Group activities is primarily based on the restructuring plan to sustainably secure receivables initiated in 2010 between Hemofarm and the Serbian wholesaler group Velefarm for the Velefarm liabilities due to Hemofarm as well as the modified local distribution model under new management with the goal of improving the risk profile with respect to wholesalers and customers. As a further measure to improve STADA's business activities in Serbia, Hemofarm's cost structure, in the context of a special project, is currently being rapidly adjusted to the changed environmental conditions, in the context of which specific measures may considerably exceed the optimizations already planned in the context of the Group-wide "STADA – build the future" project.

In the context of the "STADA – build the future" project, STADA sold a small chemical plant in the first quarter of 2011 in Serbia, as these activities do not belong to the Group's core business.¹⁾

In view of the measures taken by STADA to counteract the situation in the Serbian market and the considerable recovery since the fourth quarter of 2010, the Group expects sales growth in local currency for financial year 2011 in Serbia. Operating profitability of the subgroup, whose management is carried out from there, is expected to be slightly above Group average. In addition to the direction-setting restructuring plan, further cost reductions in operating business activity are expected to contribute to this. Against this backdrop, the subgroup

¹⁾ Sales contribution in 2010: € 1.6 million. Expenses connected with the disposal are expected to amount to € 0.03 million and were recognized as a one-time special effect in the reporting quarter (see "Earnings development of the STADA Group" as well as "STADA – build the future").

remains a focus for measures to improve earnings in the context of the "STADA – build the future" project, which also include a further optimization in the number of employees there over the coming years. To this end, corresponding projects were introduced in the first quarter of 2011.

However, in the first quarter of 2011, competitors and wholesalers are expected to have granted waivers of receivables with respect to the Serbian public health insurance system of 10% of the respective receivables. Should Hemofarm be prompted to a similar course of action over the further course of the year, this would significantly negatively affect the operating profitability of the Serbian business.

The sales and earnings contributions of STADA's Serbian subgroup will continue to predominantly depend on the development of the currency relation of the Serbian dinar, in which this subgroup consolidates all results, to the euro.

- **France:** +3% to € 18.8 million (1-3/2010: € 18.2 million). To strengthen the sales presence in the French market, STADA acquired 20% in Pharm Ortho Pedic SAS, a locally active pharmacy purchasing syndicate, in the first quarter of 2011 (see "Acquisitions and disposals" as well as "Result from associated companies").
- **The Netherlands:** +32% to € 12.9 million (1-3/2010: € 9.8 million)
- **United Kingdom:** +7% to € 12.7 million (1-3/2010: € 11.9 million) – applying last year's exchange rates +4%.
- **Denmark:** -1% to € 8.8 million (1-3/2010: € 8.9 million) – applying last year's exchange rates -1%.

In the 15 **additional European countries** with Group-owned local sales companies, sales generated by STADA increased by 8% to € 34.3 million in the first three months of 2011 (1-3/2010: € 31.6 million).

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

In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a joint venture with a local partner – increased very strongly by 46% applying the exchange rates of the previous year. In euro, sales grew by 37% to € 3.2 million (1-3/2010: € 2.4 million). In **China**, sales went up by 86% applying the exchange rates of the previous year. In euro, sales increased by 82% to € 1.2 million (1-3/2010: € 0.7 million). In **Thailand**, STADA recorded a slight decrease in sales by 4% applying the exchange rates of the previous year. In euro, sales slightly increased by 1% to € 0.6 million (1-3/2010: € 0.6 million). In the **Philippines**, sales went down by 111% applying the exchange rates of the previous year. In euro, the Group recorded a decrease in sales of 111% to € -0.4 million (1-3/2010: € 3.6 million). The reason for this decline in sales was a high number of returns in the Commercial Business segment resulting from the decision of a third trading partner in the reporting quarter.

In countries without own sales companies, **export sales** generated by STADA recorded an increase in the reporting period of 19% to € 13.7 million (1-3/2010: € 11.5 million).

Research and development

Research and development costs amounted to € 11.8 million in the first three months of 2011 (1-3/2010: € 12.0 million). These costs continue to relate only to development costs as STADA, due to its business model, does not carry out any research into new active ingredients. In addition, development costs for new products in the amount of € 2.6 million (1-3/2010: € 3.9 million) were capitalized in the first three months of the current financial year.

Overall, the Group launched 147 individual products worldwide in the first quarter of 2011 (1-3/2010: 158 product launches) in individual national markets.

STADA's product pipeline remains well-filled. The Executive Board expects a continuous flow of product launches to continue in future, with a focus on generics in EU countries.

Financial position and cash flow

In the Executive Board's view, the STADA Group's financial position continues to be stable. As of the reporting date March 31, 2011, the **equity-to-assets ratio**, at 36.2% (December 31, 2010: 34.6%), continued to be clearly above the minimum ratio targeted by the Executive Board.

Net debt decreased to € 835.2 million as of March 31, 2011 (December 31, 2010: € 864.1 million). The **net debt to adjusted EBITDA ratio** amounted in the first quarter of 2011 on linear extrapolation of the adjusted EBITDA of the first quarter on a full year basis to 2.5 (1-3/2010: 2.9) and thus continued to be significantly below the maximum value of 3 strived for by the Executive Board.

Besides a corporate bond, long-term promissory notes with maturities in the area of 2012–2015 in the total amount of € 329.5 million as of March 31, 2011 continue to contribute to a significant degree to the long-term refinancing of the Group. A large tranche of these short-term promissory notes of approx. € 186.0 million will reach maturity in the fourth quarter of the current financial year 2011. From today's perspective, STADA expects another unproblematic refinancing and is reviewing various options for this, whereby a capital increase however, would continue to only come into question in connection with a larger acquisition.

The Group's **cash flow from operating activities** in the first three months of 2011 amounted to € 42.5 million (1-3/2010: € 64.6 million). **Free cash flow** increased to € 31.2 million in the reporting period (1-3/2010: € 24.6 million).

Result from associated companies

The result from associated companies reported in the first quarter of 2011 in the amount of € -0.03 million (1-3/2010: € -0.1 million) relates to companies accounted for using the equity method, BIOCEUTICALS Arzneimittel AG¹⁾, Pymepharco Joint Stock Company and the French pharmacy purchasing syndicate Pharm Ortho Pedic SAS, which has been included as an associated company for the first time in the first quarter of 2011 (see "Regional development in individual national markets – France" as well as "Acquisitions and disposals").

Acquisitions and disposals

In view of the increasing concentration of processes in the industry, the Executive Board continues to see the opportunity, but also the necessity, to complement the Group's organic growth with further external growth impulses. In view of this, STADA is again pursuing an accelerated approach to acquisition. The Group will focus on the one hand on the regional expansion of business activities with concentration on high-growth emerging markets. On the other hand, the expansion and internationalization of the Branded Products core segment, which is generally characterized by better margins and less regulatory intervention than the generics area, should be even further expanded. Additionally, the Executive Board still does not rule out cooperations with significant capital investments.

Despite the accelerated approach to acquisition, the criteria of STADA's acquisition policy remain strict and geared towards profitability and appropriateness of the purchase price. For larger projects such as acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable in the future if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

1) This is a company initiated by STADA and predominantly financed via venture capital whose business activities focus on so-called biosimilar products and in which STADA holds a shareholding of 15.86% as of the reporting date March 31, 2011. STADA's financial exposure as of March 31, 2011 is as follows: € 19.3 million payments for equity share and € 23.4 million loans.

To strengthen the sales presence in the French market, STADA acquired 20% in Pharm Ortho Pedic SAS, a locally active pharmacy purchasing syndicate, in the first quarter of 2011. The purchase price for this shareholding totals € 0.4 million (see “Regional development in individual national markets – France” as well as “Result from associated companies”).

STADA share

The share price development of the STADA share in the first quarter of 2011 was encouraging. The STADA share price was listed at year-end 2010 at € 25.38 and was at € 27.34 as of March 31, 2011. The STADA share price thus increased in the first three months of 2011 by 8%. STADA's market capitalization as of the reporting date March 31, 2011 was € 1.610 billion. At the end of 2010, this figure was still € 1.494 billion.

As of March 31, 2011, the subscribed share capital of STADA Arzneimittel AG amounted to € 153,083,736¹⁾ (December 31, 2010: € 153,078,536) consisting of 58,878,360²⁾ registered shares with restricted transferability³⁾, each with an arithmetical share in share capital of € 2.60 (December 31, 2010: 58,876,360 registered shares). The changes in the first three months of 2011 result from the exercising of 100 warrants 2000/2015⁴⁾. As of March 31, 2011, 175,593 warrants 2000/2015 for the subscription of 3,511,860 STADA registered shares were thus still outstanding.

As of March 31, 2011, the Company held 99,641 treasury shares (March 31, 2010: 102,404). In the first quarter of 2011, 1,065 treasury shares were sold at an average price of € 27.67.

As of March 31, 2011, STADA assumes, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that SKAGEN AS⁵⁾, Stavanger, Norway and Gryphon International Investment Corporation⁶⁾, Toronto/Ontario, Canada, hold a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada. In the current second quarter of 2011, in accordance with Section 21 (1) of the German Securities Trading Act (WpHG), one announcement on exceeding the legal reporting threshold of 3% of shareholdings in STADA Arzneimittel AG was made by BlackRock, Inc.⁷⁾, New York, USA, BlackRock Holdco 2, Inc., Wilmington, USA, and BlackRock Financial Management, Inc., New York, USA. Of the shareholding of BlackRock, Inc., New York, USA, and BlackRock Holdco 2, Inc., Wilmington, USA, and BlackRock Financial Management, Inc., New York, USA, 3.01% is attributable to them, in accordance with Section 22 (1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG) in connection with Sentence 2. In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

The Executive Board proposes to the Supervisory Board that they recommend to the next Annual General Meeting on June 16, 2011, to plan for a distribution ratio for financial year 2010 unchanged from the previous year of approx. 32% of net income. This corresponds to a dividend proposal of € 0.37 (previous year: € 0.55) per STADA common share.⁸⁾

Outlook

The Executive Board fundamentally confirms the outlook and risk report published for the Group in STADA's Annual Report 2010. Together with the supplementary statements and updates made in this interim report, it gives, in the view of the Executive Board, an accurate and up-to-date overall picture of the STADA Group's opportunities and risks.

STADA's business model is accordingly geared towards markets with long-term growth potential in the health care and pharmaceutical markets. Inseparably linked to this, however, are risks and challenges resulting in particular from changed or additional state regulation and intensive competition. In view of this, in the Executive Board's assessment, far-reaching regulatory interventions, a high level of competition

1) Before deducting treasury shares.

2) After deducting treasury shares, 58,778,719 registered shares are entitled to vote.

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

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

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

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

7) See the Company's disclosure of April 28, 2011.

8) See the Company's ad-hoc release of February 28, 2011.

and significant margin pressure will continue to occur in individual national markets in the future. The latter applies primarily to the increasing volume of business activities in the Generics core segment characterized by tenders.

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

The sales and earnings development of the STADA Group will also continue to be generally characterized in financial years 2011 and 2012 by differing and partially contradictory factors in the various national markets. The overall sales increase for the Group expected by the Executive Board, however, should positively influence earnings development.

The Group also expects positive effects on earnings as a result of the implementation of the "STADA – build the future" project for EBITDA adjusted for one-time special effects and the correspondingly adjusted net income to a significant extent from the current financial year 2011 and mainly in 2012. By 2013, from today's perspective, project-related investments of a total of approx. € 20 million as well as project-related expenditure for special write-offs, personnel expenses and consultancy services of a total of approx. € 50 million are expected (in each case including the past financial year 2010). The Group will recognize each of these project-related costs as one-time special effects according to progression of the project.

For financial years 2011 and 2012, the Executive Board expects further growth in Group sales and earnings. Against the backdrop of all the factors mentioned in this outlook influencing the Group's earnings development, the Executive Board, in its overall assessment for financial year 2011, from today's perspective, sees the opportunity for an increase in adjusted EBITDA in the high single-digit percentage area. This would mean that adjusted EBITDA in 2011 would reach again a record value in STADA's Company history.

In addition, the Executive Board continues to hold to the long-term targets envisaged for financial year 2014¹⁾, according to which with 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.



H. Retzlaff



H. Kraft



Dr. A. Müller

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS 2011 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to Mar. 31 in € 000s	1/1–3/31/2011	1/1–3/31/2010
Sales	418,321	395,671
Cost of sales	219,351	213,055
Gross profit	198,970	182,616
Selling expenses	91,596	89,863
General and administrative expenses	32,945	32,970
Research and development expenses	11,753	12,011
Other income	6,557	16,575
Other expenses	9,921	12,485
Expenses in connection with the "STADA – build the future" project	1,663	430
Operating profit	57,649	51,432
Result from associated companies	-28	-127
Investment income	-	-
Financial income	3,339	669
Financial expenses	15,462	13,560
Financial result	-12,151	-13,018
Earnings before taxes	45,498	38,414
Taxes on income	15,708	10,236
Earnings after taxes	29,790	28,178
<i>thereof</i>		
• distributable to shareholders of STADA Arzneimittel AG (net income)	29,814	28,132
• distributable to non-controlling shareholders	-24	46
Earnings per share in € (basic)	0.51	0.48
Earnings per share in € (diluted)	0.50	0.47

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	1/1–3/31/2011	1/1–3/31/2010
Earnings after taxes	29,790	28,178
Currency translation gains and losses	8,371	1,548
Gains and losses on available-for-sale financial assets	11	-25
<i>thereof</i>		
• income taxes	-2	9
Gains and losses on hedging instruments (cash flow hedges)	1,379	-868
<i>thereof</i>		
• income taxes	-510	340
Actuarial gains and losses from defined benefit plans	52	79
<i>thereof</i>		
• income taxes	-20	-29
Other comprehensive income	9,813	734
Consolidated comprehensive income	39,603	28,912
<i>thereof</i>		
• distributable to shareholders of STADA Arzneimittel AG	39,743	28,683
• distributable to non-controlling shareholders	-140	229

Consolidated Balance Sheet

Consolidated Balance Sheet as of Mar. 31 in € 000s		
Assets	Mar. 31, 2011	Dec. 31, 2010
Non-current assets	1,371,629	1,381,450
Intangible assets	984,694	985,952
Property, plant and equipment	297,940	297,968
Financial assets	13,619	14,419
Investments in associates	17,705	17,332
Other financial assets	26,211	34,467
Other assets	1,413	1,595
Deferred tax assets	30,047	29,717
Current assets	1,138,973	1,125,283
Inventories	365,964	386,088
Trade accounts receivable	469,799	448,946
Income tax receivables	27,707	34,943
Other financial assets	15,489	16,194
Other assets	43,693	37,126
Non-current assets and disposal groups held for sale	-	2,884
Cash and cash equivalents	216,321	199,102
Total assets	2,510,602	2,506,733
Equity and liabilities	Mar. 31, 2011	Dec. 31, 2010
Equity	907,654	868,489
Share capital	153,084	153,078
Capital reserve	466,252	466,173
Retained earnings	395,695	366,280
Other provisions	-115,118	-125,047
Treasury shares	-1,730	-1,698
Equity attributable to shareholders of the parent	898,183	858,786
Shares relating to non-controlling shareholders	9,471	9,703
Non-current liabilities	905,646	909,754
Other non-current provisions	33,107	31,889
Financial liabilities	777,478	781,627
Other financial liabilities	24,297	25,519
Other liabilities	5,111	5,701
Deferred tax liabilities	65,653	65,018
Current liabilities	697,302	728,490
Other provisions	10,096	9,735
Financial liabilities	274,165	281,685
Trade accounts payable	203,935	233,503
Income tax liabilities	25,624	30,803
Other financial liabilities	100,650	93,118
Other liabilities	82,832	79,646
Total equity and liabilities	2,510,602	2,506,733

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	Mar. 31, 2011	Mar. 31, 2010
Net income	29,790	28,178
Depreciation and amortization net of write-ups of non-current assets	22,145	24,474
Income taxes	15,708	10,236
Interest income and expenses	13,629	11,250
Result from associated companies	28	127
Result from the disposals of non-current assets	59	237
Changes in pension provisions	225	-902
Currency translation income and expenses	2,351	-8,441
Other non-cash expenses and gains	-1,506	793
Gross cash flow	82,429	65,952
Changes in inventories	19,956	-7,981
Changes in trade accounts receivable	-26,942	18,624
Changes in trade accounts payable	-24,226	-6,728
Changes in other net assets	5,128	4,284
Interest and dividends received	542	109
Interest paid	-6,735	-1,993
Income tax paid	-7,692	-7,691
Cash flow from operating activities	42,460	64,576
Payments for purchases of		
• intangible assets	-8,892	-31,104
• property, plant and equipment	-3,953	-7,198
• financial assets	-17	-1
• shares in consolidated companies	-400	-1,801
Proceeds from the disposal of		
• intangible assets	1,121	-139
• property, plant and equipment	941	118
• financial assets	-	105
• shares in consolidated companies	-32	-
Cash flows from investing activities	-11,232	-40,020
Borrowing of funds	22,737	95,541
Settlement of financial liabilities	-36,481	-164,382
Dividend distribution	-92	-51
Capital increase from share options	33	20
Changes in non-controlling interests	-	-
Changes in treasury shares	20	18
Cash flows from financing activities	-13,783	-68,854
Changes in cash and cash equivalents	17,445	-44,298
Changes in cash and cash equivalents due to Group composition	-	-
Changes in cash and cash equivalents due to exchange rates	-226	-866
Net change in cash and cash equivalents	17,219	-45,164
Balance at beginning of year	199,102	156,936
Balance at end of year	216,321	111,772

Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statement of Changes in Shareholders' Equity in € 000s				
2011	Number of shares	Share capital	Capital reserve	Retained earnings
Balance as of Mar. 31, 2011	58,878,360	153,084	466,252	39,567
Dividend distribution				
Capital increase from share options	2,000	6	27	
Changes in treasury shares			52	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				52
Balance as of Dec. 31, 2010	58,876,360	153,078	466,173	39,515
Previous year				
Balance as of Mar. 31, 2010	58,851,020	153,012	465,826	29,081
Dividend distribution				
Capital increase from share options	1,200	3	17	
Changes in treasury shares			-3	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				-534
Comprehensive income				79
Balance as of Dec. 31, 2009	58,849,820	153,009	465,812	29,536

Net income incl. profit brought forward	Provisions for currency translation	Provisions Available for Sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
395,695	-152,086	66	-2,665	-1,730	898,183	9,471	907,654
					-	-92	-92
					33	-	33
				-32	20	-	20
					-	-	-
					-	-	-
-399					-399	-	-399
29,814	8,487	11	1,379		39,743	-140	39,603
366,280	-160,573	55	-4,044	-1,698	858,786	9,703	868,489
376,291	-128,569	49	-4,651	-1,728	889,311	8,731	898,042
					-	-51	-51
					20	-	20
				21	18	-	18
					-	-	-
					-	-	-
					-534	-	-534
28,132	1,361	-21	-868		28,683	229	28,912
348,159	-129,930	70	-3,783	-1,749	861,124	8,553	869,677

Notes

1. General

1.1. Accounting policies

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

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

All IFRS published by the International Accounting Standards Board (IASB) and endorsed by the European Union which are mandatory for financial years starting as of January 1, 2011 have been observed by STADA.

In the Executive Board's view, the interim report includes all usual adaptations that must be constantly made and which are necessary for an adequate presentation of the Group's business, financial and earnings situation. With regard to the principles and methods used in the context of Group Accounting we refer to the Notes on the consolidated financial statements of the Annual Report 2010.

1.2. Changes in accounting policies

As compared to financial year 2010 the following standards and interpretations are applied for the first time:

- **IFRS 1 "First-time Adoption of International Reporting Standards"**: The amendment grants first-time adopters the same transitional provisions in relation to the amendments of IFRS 7 with regard to improving disclosures about financial instruments as the creators, who already apply the IFRS.
- **IAS 24 "Related Party Disclosures"**: The amended standard includes a partial exemption from the disclosure requirements for government-related companies as well as an explanation of the definition of related parties.
- **IAS 32 "Financial Instruments"**: The amendments clarify the accounting of subscription rights provided that they are not denominated in the functional currency of the company.
- **IFRIC 14 "Prepayments of a Minimum Funding Requirement"**: The interpretation allows a company to recognize the benefit from a prepayment of contributions made in the context of minimum funding requirements as an asset.
- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"**: The interpretation contains guidelines on accounting for such transactions, also known as debt for equity swaps.
- **Amendments in the context of the Annual Improvement Project 2010:**
 - IFRS 1 "First-time Adoption of International Reporting Standards"**: In accordance with the revised IFRS 1.27, changes made in the year of first-time adoption of IFRS until the first complete IFRS financial statements are not subject to the regulations of IAS 8, however must be described in the notes. In addition, simplified provisions on the general principle of retrospective application for items of property plant and equipment are introduced.

IFRS 3 “Business Combinations”: The amendments relate to the first-time application of the new provisions on contingent consideration, the application of the option included in IFRS 3.19 (rev. 2008) to measure shares relating to non-controlling shareholders at the value of proportionate net assets or at fair value at acquisition as well as accounting for equity instruments and debts in connection with share-based payment transactions of the acquired company.

IFRS 7 “Financial Instruments: Disclosures”: The amended standard aims to strengthen the relationship between qualitative and quantitative disclosures and thus to improve the presentation and understandability of the disclosures. Furthermore, various amendments in relation to quantitative disclosures were made.

IAS 1 “Presentation of Financial Statements”: The amendments now allow, in addition to the presentation within the statement of changes in equity an optional reconciliation of all components of other comprehensive income in the notes. A similar option applies for dividends recognized as a distribution to shareholders including the related disclosures on the dividend per share.

IAS 27 “Consolidated and Separate Financial Statements”: The amendment clarifies that the subsequent amendments as a result of IAS 27 (rev. 2008) of standard IAS 21.48A-48D, IAS 28.18-19A and IAS 31.45-45B are to be prospectively applied while the application of the amended IAS 28.35 and IAS 31.46 are to be applied retrospectively.

IAS 34 “Interim Financial Reporting”: The amendment relates to an explicit regulation that contains a list of examples of significant events and transactions relevant to reporting.

IFRIC 13 “Customer Loyalty Programs”: The amendment relates to the valuation of the fair value of premium claims on the part of the customer.

1.3. Scope of consolidation

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

As of March 31, 2011, there were changes in the scope of consolidation as compared to December 31, 2010 as a result of the initial inclusion of the 20% share acquired in the first quarter of 2011 in the French purchasing syndicate, Pharm Ortho Pédic SAS, which is included in the STADA Group as an associated company using the equity method (see “Regional development in individual national markets – France”). In addition, the subsidiary Hemofarm USA Corporation, based in Washington, USA, was deconsolidated due to a lack of material significance.

In the course of the implementation of the “STADA – build the future” project, the Group, in the first quarter of the current financial year, deconsolidated the Serbian subsidiary Zorka Pharma – Hemija Sabac d.o.o., as the activities of this chemical factory were not part of the Group’s core business and were sold (see “STADA – build the future” as well as “Regional developments in individual national markets – Serbia”).

In the consolidated financial statements of the STADA Group, 66 companies were thereby consolidated as subsidiaries, two companies as joint ventures and three companies as associates as of the balance sheet date on March 31, 2011.

2. Notes to the Consolidated Income Statement

2.1. Sales

Sales are recorded in this report in accordance with the principle of revenue recognition: Revenues from the sale of products and goods are recognized when goods have been delivered or services rendered and both risk and title have passed to the buyer.

2.2. Research and development expenses

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

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

Expenses in connection with the "STADA – build the future" project primarily include as one-time special effects expenses deferred in the context of the creation of a social compensation plan for the centralized functional consolidation of the product development and quality management areas for the Bad Vilbel location.

2.4. Income taxes

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group's consolidated financial statements for the first quarter of 2011.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of March 31, 2011, intangible assets included € 324.5 million (December 31, 2010: € 322.9 million) goodwill.

3.2. Consolidated statement of changes in shareholders' equity

Shareholders' equity amounted to € 907.7 million as of March 31, 2011 (December 31, 2010: € 868.5 million). As of this reporting date, the equity-to-assets ratio was thus 36.2% (December 31, 2010: 34.6%).

3.3. Financial liabilities

As of March 31, 2011, the Group's current and non-current financial liabilities in the amount of € 274.2 million or € 777.5 million (December 31, 2010: € 281.7 million or € 781.6 million) include promissory notes and a bond, which have a nominal value in the amount of € 515.5 million (December 31, 2010: € 515.5 million) and € 350 million.

3.4. Contingent liabilities and other financial obligations

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

Other financial obligations mainly relate to obligations from rental and leasing obligations as well as additional financial obligations. On March 31, 2011, rental and leasing obligations amounted to € 45.7 million (December 31, 2010: € 46.8 million) and the remaining financial liabilities amounted to € 17.7 million (December 31, 2010: € 10.9 million).

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 42.5 million as of March 31, 2011. The decrease of € 22.1 million compared to the corresponding period in the previous year is due in particular to the decrease in trade accounts payable. In the previous year, a significantly smaller decrease in trade accounts payable contributed to a higher cash flow from operating activities.

4.2. Cash flow from investing activities

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. Cash flow from investing activities amounted to € -11.2 million as of March 31, 2011 and was thus € 28.8 million below the previous year.

4.3. Cash flow from financing activities

Cash flow from financing activities encompasses payments from changes in financial liabilities, for dividend payments and treasury shares as well as additions to shareholders' equity. Cash flow from financing activities amounted to € -13.8 million as of March 31, 2011, while cash flow from financing activities in the amount of € -68.9 million was reported in the previous year, due to higher payments from the settlement of financial liabilities in the corresponding period in the previous year.

4.4. Net cash flow for the period

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

5. Segment Reporting

5.1. General information

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

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

5.2. Information by operating segment

in € 000s		1/1–3/31/2011	1/1–3/31/2010
Generics	External sales	292,850	278,367
	Sales with other segments	143	274
	Total sales	292,993	278,641
	Operating profit	39,663	37,822
	Segment assets (Mar. 31)	848,073	895,633
Branded Products	External sales	114,630	101,211
	Sales with other segments	579	644
	Total sales	115,209	101,855
	Operating profit	27,649	23,523
	Segment assets (Mar. 31)	222,357	230,943
Commercial Business	External sales	6,999	14,527
	Sales with other segments	30	0
	Total sales	7,029	14,527
	Operating profit	932	1,717
	Segment assets (Mar. 31)	3,331	3,353
Reconciliation Group holdings/ other and consolidation	External sales	3,842	1,566
	Sales with other segments	-752	-918
	Total sales	3,090	648
	Operating profit	-10,595	-11,630
	Segment assets (Mar. 31)	222,492	223,753
Group	External sales	418,321	395,671
	Sales with other segments	-	-
	Total sales	418,321	395,671
	Operating profit	57,649	51,432
	Segment assets (Mar. 31)	1,296,253	1,353,683

5.3. Reconciliation of segment results to net profit

in € 000s	1/1–3/31/2011	1/1–3/31/2010
Operating segment profit	68,244	63,062
Reconciliation Group holdings/other and consolidation	-10,595	-11,630
Result from associated companies	-28	-127
Investment income	-	-
Financial income	3,339	669
Financial expenses	15,462	13,560
Earnings before taxes, Group	45,498	38,414

5.4. Reconciliation of segment assets to Group assets

in € 000s	Mar. 31, 2011	Mar. 31, 2010
Segment assets	1,073,761	1,129,929
Reconciliation Group holdings/other and consolidation	222,492	223,753
Other non-current assets	75,376	36,165
Current assets	1,138,973	1,045,656
Total assets, Group	2,510,602	2,435,503

6. Additional Information

6.1. Information by region¹⁾

Sales in € 000s	1/1–3/31/2011	1/1–3/31/2010	±%	±% adjusted ²⁾
Europe	401,777	378,232	+6%	+5%
• Belgium	35,186	30,003	+17%	
• Bosnia-Herzegovina	2,241	3,496	-36%	-33%
• Bulgaria	1,385	1,303	+6%	+6%
• Denmark	8,797	8,911	-1%	-2%
• Germany	127,313	143,383	-11%	
• Finland	1,544	1,113	+39%	
• France	18,800	18,231	+3%	
• UK	12,748	11,916	+7%	+4%
• Ireland	4,917	4,702	+5%	
• Italy	38,652	31,951	+21%	
• Macedonia	638	706	-10%	-6%
• Montenegro	1,464	1,109	+32%	+38%
• The Netherlands	12,911	9,806	+32%	+3%
• Austria	3,522	3,386	+4%	
• Poland	875	1,272	-31%	-31%
• Portugal	3,356	3,022	+11%	
• Romania	1,170	1,035	+13%	+18%
• Russia	54,453	44,660	+22%	+14%
• Sweden	2,033	1,023	+99%	+92%
• Serbia	23,748	21,303	+11%	+17%
• Slovakia	1,611	1,511	+7%	+1%
• Spain	30,628	23,399	+31%	
• Czech Republic	3,308	2,763	+20%	+13%
• Ukraine	5,854	4,931	+19%	+20%
• Rest of Europe	4,623	3,297	+40%	+38%
Africa	4,014	2,091	+92%	+97%
The Americas	2,560	2,973	-14%	-12%
• USA	2,434 ³⁾	2,860 ³⁾	-15%	-13%
• Rest of America	126	113	+11%	+12%
Asia	9,970	12,375	-19%	-18%
• China	1,209	664	+82%	+86%
• Kazakhstan	2,431	1,721	+41%	+42%
• The Philippines	-392	3,581	-111%	-111%
• Thailand	628	621	+1%	-4%
• Vietnam	3,221	2,358	+37%	+46%
• Rest of Asia	2,873	3,430	-16%	-17%
Rest of world	-	-	-	-

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

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

3) Exclusively export sales to the USA.

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

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

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

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1) Employee representatives.

