

# Interim Report on the First Six Months of 2011



# STADA KEY FIGURES

Key figures for the Group in € million	1/1–6/30/2011	1/1–6/30/2010	± %
Group sales	829.7	778.1	+7%
• Generics (core segment)	572.1	544.6	+5%
• Branded Products (core segment)	231.0	202.5	+14%
Operating profit	107.6	98.6	+9%
<i>Operating profit, adjusted<sup>1)</sup></i>	<i>121.4</i>	<i>109.6</i>	<i>+11%</i>
EBITDA (Earnings before interest, taxes, depreciation and amortization)	153.5	142.9	+7%
<i>EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted<sup>1)</sup></i>	<i>160.2</i>	<i>148.6</i>	<i>+8%</i>
EBIT (Earnings before interest and taxes)	107.9	98.8	+9%
<i>EBIT (Earnings before interest and taxes), adjusted<sup>1)</sup></i>	<i>121.8</i>	<i>109.9</i>	<i>+11%</i>
EBT (Earnings before taxes)	82.4	72.4	+14%
<i>EBT (Earnings before taxes), adjusted<sup>1)</sup></i>	<i>94.7</i>	<i>84.5</i>	<i>+12%</i>
Net income	56.1	50.0	+12%
<i>Net income, adjusted<sup>1)</sup></i>	<i>65.5</i>	<i>59.7</i>	<i>+10%</i>
Cash flow from operating activities	82.0	104.0	-21%
Capital expenditure	86.9	77.7	+12%
Depreciation and amortization (net of write-ups)	45.5	44.1	+3%
Employees (average number for the year calculated on the basis of full-time employees, Jan. 1 – Jun. 30)	7,810	8,070	-3%
<b>Key share figures</b>	<b>1/1–6/30/2011</b>	<b>1/1–6/30/2010</b>	<b>± %</b>
Market capitalization (as of Jun. 30) in € million	1,591.9	1,607.9	-1%
Closing price (XETRA®) in € (as of Jun. 30)	27.00	27.31	-1%
Average number of shares (without treasury shares, Jan. 1 – Jun. 30)	58,791,834	58,752,205	0%
Earnings per share in €	0.95	0.85	+12%
<i>Earnings per share in €, adjusted<sup>1)</sup></i>	<i>1.11</i>	<i>1.02</i>	<i>+9%</i>
Diluted earnings per share in €	0.93	0.83	+12%
<i>Diluted earnings per share in €, adjusted<sup>1)</sup></i>	<i>1.09</i>	<i>0.99</i>	<i>+10%</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 STADA Group recorded, as expected, positive business development in the first half year of 2011.

Group sales increased by 7% to € 829.7 million in the first six months of the current financial year (1-6/2010: € 778.1 million) and thus reached a new record high for a first half year of a STADA financial year. Net income rose by 12% in the half year under review to € 56.1 million (1-6/2010: € 50.0 million). Earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) showed a plus of 7% to € 153.5 million in the first half year of 2011 (1-6/2010: € 142.9 million) and thus also reached a new record high for a first half year of a STADA financial year. In addition, STADA also recorded an increase in all other key earnings figures in the reporting period.

With this development, in the view of the Executive Board, STADA achieved a good result in the first six months of 2011.

In the outlook, 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 should 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 financial year 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 2014<sup>1)</sup>, according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million – on the basis of a largely organic business – should be reached.

## Sales development of the STADA Group

**Group sales** rose by 7% in the half year under review to € 829.7 million (1-6/2010: € 778.1 million) and thus reached a new record high for a first half year of a STADA financial year. This increase is due to the Group's international sales, which in the first six months of 2011 contributed a total of 72% to Group sales (1-6/2010: 67%) and recorded growth of 15% to € 596.7 million (1-6/2010: € 518.2 million).

When effects on sales from changes in the Group portfolio and currency effects are taken into account, Group sales increased by 6% in the first half of the current financial year compared to the corresponding period in the previous year.

In detail, the effects on sales were as follows:

- Portfolio changes<sup>2)</sup> had a total share of € 9.0 million or 1.2 percentage points of the sales increase in the half year under review.
- As a result of applying foreign exchange rates from the first half year of 2011 compared with those of the first six months of 2010 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly negative currency effect in the amount of € -5.2 million or -0.7 percentage points.

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

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 7% to € 796.0 million (1-6/2010: € 742.3 million) in the first half year of 2011. Sales generated by STADA in European countries thus had a share of 95.9% of Group sales (1-6/2010: 95.4%). Adjusted, Group sales in Europe grew by 7%.

In **Western Europe**, STADA posted an increase in sales in the first six months of 2011 of 2% to € 579.8 million (1-6/2010: € 569.0 million). STADA's sales in the Western European markets thus contributed 69.9% (1-6/2010: 73.1%) to Group sales. Despite decreasing sales in Germany of 10%, due to the considerable growth in several other European countries such as Spain, Italy and Denmark, adjusted STADA sales in Western Europe increased by 1% (see "Regional development in individual national markets – Spain" and "Regional development in individual national markets – Italy").

In **Eastern Europe**<sup>1)</sup>, Group sales rose by 25% to € 216.2 million in the half year under review (1-6/2010: € 173.3 million). This increase was primarily due to the strong sales growth in Russia, but also to Serbian business activities, which, after restructuring, were growing again in a seasonal comparison. Sales in Eastern European countries thus contributed 26.1% (1-6/2010: 22.3%) to Group sales. Adjusted Group sales in Eastern Europe recorded an increase of 25%.

In **Asia**, STADA's sales decreased by 15% to € 21.6 million in the first half year of 2011 (1-6/2010: € 25.4 million). Sales generated by the Group in the Asian markets thus amounted to 2.6% (1-6/2010: 3.3%) of Group sales. This development was due to opposing factors. On the one hand, due to expected declining low-margin commercial sales in the Philippines, STADA recorded a strong decrease in sales in this local market particularly in the first quarter of 2011. On the other hand, the Group recorded a substantial sales increase in Vietnam. Overall, STADA's adjusted sales in Asia, however, declined by 9% (see "Regional development in individual national markets – Asia").

STADA recorded an increase in sales in the **rest of the world** of 17% to € 12.2 million (1-6/2010: € 10.4 million) in the first six months of the current financial year. Sales in the rest of the world thus contributed 1.5% (1-6/2010: 1.3%) to Group sales. STADA's adjusted sales growth was at 17% here.

Sales achieved by STADA in the Group'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 in the first half year of 2011, the Executive Board, from today's perspective, continues to expect further growth in Group sales for financial years 2011 and 2012.

### Earnings development of the STADA Group

The STADA Group recorded increases in all reported key earnings figures in the reporting period.

**Operating profit** showed an increase of 9% to € 107.6 million in the first half year of 2011 (1-6/2010: € 98.6 million). **Net income** increased by 12% in the same period to € 56.1 million (1-6/2010: € 50.0 million). **EBITDA** increased in the first six months of 2011 by 7% to € 153.5 million (1-6/2010: € 142.9 million) and thus reached a new record high for a first half year of a STADA financial year.

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

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 half year 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 six months of 2011 by 11% to € 121.4 million (1-6/2010: € 109.6 million). **Adjusted net income** increased by 10% in the reporting period to € 65.5 million (1-6/2010: € 59.7 million). **Adjusted EBITDA** showed growth of 8% to € 160.2 million in the first half year of the current financial year (1-6/2010: € 148.6 million) and thus also reached a new record high for a first half year of a STADA financial year.

**One-time special effects** amounted to a net burden on earnings of € 13.8 million before or € 10.5 million after taxes in the half year under review (1-6/2010: net burden on earnings due to one-time special effects in the amount of € 13.4 million before or € 10.5 million after taxes).

In the second quarter of 2011, net burdens on earnings due to one-time special effects in the total amount of € 7.9 million before or € 6.0 million after taxes were incurred (second quarter of 2010: net burden on earnings due to one-time special effects in the amount of € 5.5 million before or € 4.5 million after taxes), which can be broken down as follows:

- a burden in the amount of € 4.0 million before or € 2.9 million after taxes for value adjustments on assets after impairment tests
- a burden in the amount of € 3.8 million before or € 3.0 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 € 0.1 million before or € 0.1 million after taxes in connection with the Pharmaceutical Market Restructuring Act (AMNOG), which took effect in Germany on January 1, 2011 (see “Regional development in individual national markets – Germany”).

**Non-operational effects from interest rate hedge transactions** amounted, in the first half year of 2011, 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 (1-6/2010: net relief on earnings as a result of non-operational effects from currency influences and interest rate hedge transactions of € 1.3 million before or € 0.9 million after taxes).

In the second quarter of 2011, no noteworthy non-operational effects from interest rate hedge transactions were incurred (second quarter of 2010: burden on earnings due to non-operational effects from interest rate hedge transactions in the amount of € 0.1 million before or € 0.1 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 the aforementioned one-time special effects and non-operational effects from interest rate hedge transactions for the first half year of 2011 and/or the non-operational effects from currency influences and interest rate hedge transactions for the corresponding period in the previous year to allow for comparison.

This shows that all other Group-related key earnings figures also improved in the first six months of the current financial year compared with the first half year of 2010. In addition, the sales-related margins of the key earning figures in the half year under review almost all increased compared with those of the corresponding period in the previous year.

## Development of the STADA Group's key earnings figures

in € million	1–6/2011	1–6/2010	± %	Margin <sup>1)</sup> 1–6/2011	Margin <sup>1)</sup> 1–6/2010
Operating profit	107.6	98.6	+9%	13.0%	12.7%
• Operating segment result Generics	76.2	76.2	0%	13.3%	14.0%
• Operating segment result Branded Products	58.4	38.7	+51%	25.3%	19.1%
EBITDA <sup>2)</sup>	153.5	142.9	+7%	18.5%	18.4%
EBIT <sup>3)</sup>	107.9	98.8	+9%	13.0%	12.7%
EBT <sup>4)</sup>	82.4	72.4	+14%	9.9%	9.3%
Net income	56.1	50.0	+12%	6.8%	6.4%
Earnings per share in €	0.95	0.85	+12%		
Diluted earnings per share in €	0.93	0.83	+12%		

Development of the STADA Group's adjusted<sup>5)</sup> key earnings figures

in € million	1–6/2011	1–6/2010	± %	Margin <sup>1)</sup> 1–6/2011	Margin <sup>1)</sup> 1–6/2010
Operating profit, adjusted	121.4	109.6	+11%	14.6%	14.1%
• Operating segment result Generics, adjusted	80.2	80.2	0%	14.0%	14.7%
• Operating segment result Branded Products, adjusted	58.7	39.1	+50%	25.4%	19.3%
EBITDA <sup>2)</sup> , adjusted	160.2	148.6	+8%	19.3%	19.1%
EBIT <sup>3)</sup> , adjusted	121.8	109.9	+11%	14.7%	14.1%
EBT <sup>4)</sup> , adjusted	94.7	84.5	+12%	11.4%	10.9%
Net income, adjusted	65.5	59.7	+10%	7.9%	7.7%
Earnings per share in €, adjusted	1.11	1.02	+9%		
Diluted earnings per share in €, adjusted	1.09	0.99	+10%		

For financial years 2011 and 2012, the Executive Board, from today's perspective, continues to expect further growth in earnings. For financial year 2011, there should 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.

## “STADA – build the future”

In the context of “STADA – build the future”, STADA initiated in the second quarter of 2011 the evaluation of a possible sale of the Irish production facility, which is expected to be completed by the end of the year. In addition, the evaluation of the sale of two Russian production facilities was also initiated in the second quarter. The successive transfer of the production volumes of these three production facilities to other STADA-owned production facilities, which has also already been initiated, will improve the utilization there and thus lower unit costs of the respective products in the medium term. If the respective facilities are sold, a significant expense in the low net double-digit million area is, however, initially to be anticipated, as expected and already announced in the context of the publication of the “STADA – build the future” project in 2010.

1) Related to relevant Group sales.

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

3) Earnings before interest and taxes.

4) Earnings before taxes.

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

In addition, in the course of further implementing the Group-wide cost efficiency program, STADA continued to restructure the sales model for the Russian market, in the process of which the number of local employees was reduced due to an increased concentration of sales activities there.

Furthermore, the Serbian STADA subgroup remained 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.

### Development of segments

Sales of the two **core segments**, Generics and Branded Products, increased in the first six months of the current financial year by a total of 7%. Adjusted for portfolio effects and currency influences, sales of the two core segments grew by 8% in the reporting period. In the first half year of 2011, the total share of the two core segments in Group sales amounted to 96.8% (1-6/2010: 96.0%).

Sales of **Generics**, which continues to be the clearly larger core segment, recorded an increase of 5% to € 572.1 million (1-6/2010: € 544.6 million) in the half year under review. Generics thereby contributed 69.0% of Group sales in the first six months of the current financial year (1-6/2010: 70.0%). Adjusted, Generics sales in the Group also increased by 5%.

**Branded Products** recorded a sales increase in the first half year of 2011 of 14% to € 231.0 million (1-6/2010: € 202.5 million). Branded Products thus had a share of 27.8% in Group sales in the first half year of 2011 (1-6/2010: 26.0%). Adjusted sales of branded products in the Group also rose by 14%.

In the **Commercial Business** segment, which is not part of the core segments, sales decreased to € 18.0 million in the reporting period (1-6/2010: € 29.5 million). In the first six months of 2011, sales reported under the position **Group holdings/other** showed an increase to € 8.6 million (1-6/2010: € 1.5 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 is illustrated in the chart above “Development of the STADA Group’s key earnings figures”.

### Regional development in individual national markets

In **Germany**, which remains STADA’s largest national market, sales decreased, as expected, in the first half year of 2011 by 10% to € 233.1 million (1-6/2010: € 259.9 million). While the sales decrease in the German market had still been in the double-digit percentage area at 11% in the first quarter of 2011, sales only declined in the single-digit percentage area by 9% in the second quarter of the current financial year. Overall, STADA’s German business activities contributed 28.1% to Group sales in the first six months of 2011 (1-6/2010: 33.4%).

The anticipated decrease in sales in Germany was based on the ongoing difficult local framework conditions for generics. Sales in the German Generics segment in the half year under review thus went down by 14% to € 169.7 million (1-6/2010: € 196.7 million). The STADA Group’s market share of generics sold in German pharmacies was thereby slightly reduced in volume over the first six months of 2011 to approx. 12.3% (financial year 2010: approx. 12.5%).<sup>1)</sup> In the reporting period, however, this continued to be contrasted by operating profitability in the German Group business as expected only just under Group average.

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

Sales achieved by STADA in the German market with generics in the first six months of 2011 totaled 73% (1-6/2010: 76%) of sales generated in the German market.

For the most part, development in the German market continued to be based on the results achieved by STADA sales companies in the context of the numerous tenders for discount agreements with 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 primary objective of the Group in this connection to achieve an appropriate operating profitability in Germany led, for the first half year of 2011, to a decrease in sales and market share for STADA in the Generics segment in the German market, without, however, negatively affecting the position of the STADA Group as the clear number 3 in the German generics market.

In the second quarter of 2011, the STADA Group achieved, in the view of the Executive Board, a strong result in the sixth round of AOK tenders of the Allgemeinen Ortskrankenkassen (AOK) for discount agreements valid throughout Germany.<sup>1)</sup> 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 sales<sup>2)</sup>, and Risperidon, the third strongest product. The contracts started on June 1, 2011 and have a regular term of two years. In addition, the two STADA sales companies STADapharm GmbH and ALIUD PHARMA GmbH also achieved very good results in the fourth round of tenders of the Deutsche Angestellten Krankenkasse (DAK) for discount agreements valid throughout Germany in the current third quarter.<sup>3)</sup> The DAK, which insures approx. 6.5 million individuals, thus concluded respective contracts with these two STADA sales companies, each for ten active ingredients from a total of 33 active ingredients – including some product launches and in-house production. The contracts are legally effective, start on October 1, 2011 and have a regular term of two years. In light of these partly high-volume discount agreements newly concluded with the AOK and the DAK, 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 achieved numerous awards in tenders of discount agreements on a multiple-award basis of several other public health insurance organizations.

As of January 1, 2011, the Pharmaceutical Market Restructuring Act (AMNOG) became effective in Germany. The moderate improvement in the structural framework conditions for generics suppliers in Germany that was originally expected after this law came into effect will not occur, 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 was significantly reduced. Furthermore, the Group is affected by 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 at maximum, which STADA will recognize as a one-time special effect in 2011. In this context, € 0.3 million was incurred as of the first half year of 2011 so far.

Generics sales generated by STADA in Germany are still achieved via various sales companies. Sales of ALIUD PHARMA, the largest of the Group-owned sales companies in the German generics market, decreased in the first six months of 2011 by 13% to € 94.6 million (1-6/2010: € 109.2 million). Sales generated with the Group-owned German generics sales company STADapharm declined in the half year under review by 20% to € 57.8 million (1-6/2010: € 71.9 million). Sales of STADA's other generics sales company, cell pharm, special supplier for the indication areas oncology and nephrology, recorded a decrease in sales in the first six months of the current financial year of 2% to € 14.5 million (1-6/2010: € 14.8 million).

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

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

2) Sales ranking according to data from IMS Health.

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

Sales generated with branded products – primarily under the local sales labels STADA GmbH and Hemopharm – slightly increased in the first half year of 2011 by 1% to € 62.8 million (1-6/2010: € 61.9 million).

The total share generated by STADA with branded products in the German market was 27% in the first six months of 2011 (1-6/2010: 24%).

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

In **Russia**, which continues to be the Group's second most important national market in terms of sales, STADA achieved a significant increase in sales in the first half year of 2011 in the amount of 27%, applying last year's exchange rates. In euro, sales increased by a strong 25% to € 120.9 million (1-6/2010: € 96.8 million).

The two core segments had an approximately equal share of local Group sales in the Russian market in the first six months of the current financial year. With generics, the Group achieved sales growth in the amount of 7% to € 52.8 million (1-6/2010: € 49.3 million) or 44% of STADA's sales in Russia (1-6/2010: 51%). Sales of branded products increased significantly by 43% to € 67.7 million (1-6/2010: € 47.5 million) or 56% of STADA's sales in the Russian market (1-6/2010: 49%).

In financial year 2011, STADA expects continued 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 affected by the development of the currency relation of the Russian ruble to the euro.

In the second quarter of 2011, an evaluation of the sale of two smaller Russian production facilities was initiated in the context of the "STADA – build the future" project, which, in the case of a sale, would lead to a significant expense (see "STADA – build the future").

In **Italy**, the Group achieved a strong increase in sales of 14% to € 75.9 million in the half year under review (1-6/2010: € 66.7 million).

With considerable growth in sales of 18% to € 54.2 million (1-6/2010: € 45.9 million), generics continued to hold the largest share of local sales, thereby contributing 71% (1-6/2010: 69%) to Italian sales. The significant increase in sales in generics was primarily based on successful product launches, as well as overall strong market growth, and was achieved despite another burdening price regulation for reimbursable products introduced on April 1, 2011.

Sales achieved by STADA with branded products in the Italian market in the reporting period increased by 4% to € 21.7 million (1-6/2010: € 20.9 million). Branded products thereby had a 29% share of STADA's local sales (1-6/2010: 31%).

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 was able to increase sales in the first half year of 2011 by 6% to € 72.1 million (1-6/2010: € 68.2 million).

With growth of 6% to € 68.9 million (1-6/2010: € 64.7 million), generics maintained the largest share of local sales in the first six months of 2011, contributing 96% (1-6/2010: 95%) to STADA's sales in Belgium.

The Group recorded a sales decrease in the amount of 10% to € 3.2 million with branded products in Belgium in the half year under review (1-6/2010: € 3.5 million). The share of STADA's sales generated in the Belgian market amounted to 4% (1-6/2010: 5%).

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

In **Spain**, sales in the first six months of 2011 rose significantly by 30% to € 56.4 million (1-6/2010: € 43.5 million).

In the Spanish generics market, still characterized by an increased growth dynamic, STADA achieved a rise in generics sales in the reporting period of 36% to € 53.2 million (1-6/2010: € 39.2 million). This was primarily also due to a very successful product launch on schedule with a patent expiration in the first quarter of 2011. Generics thereby had a share of 94% (1-6/2010: 90%) in Spanish STADA sales in the first half year of 2011.

Sales of branded products in the first six months of 2011 decreased by 26% to € 3.2 million (1-6/2010: € 4.3 million). Branded products thus contributed 6% (1-6/2010: 10%) to local STADA sales.

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

In **Serbia**, sales increased significantly in the reporting period by 41% applying the exchange rates of the previous year. In euro, sales increased by a strong 40% to € 50.1 million (1-6/2010: € 35.8 million).

STADA's sales generated by generics in the Serbian market rose by 56% to € 41.6 million in the first half year of 2011 (1-6/2010: € 26.7 million). Generics thereby had an 83% share of sales in Serbia (1-6/2010: 75%). Sales of branded products in Serbia in the first six months of 2011 increased by 114% to € 6.1 million (1-6/2010: € 2.8 million). They thus contributed 12% (1-6/2010: 8%) to STADA sales in Serbia.

The recovery of STADA Group activities in Serbia is primarily attributable to the restructuring plan, initiated in 2010 and continuously adjusted, aimed at sustainably securing the receivables 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. Furthermore, Hemofarm's cost structure is being rapidly adjusted to the changed environmental conditions in the context of a special project as a means to further improve STADA's business activities in Serbia. To that end, individual measures may considerably exceed the optimizations already planned in the context of "STADA – build the future".

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 continues to expect sales growth in local currency for financial year 2011 in Serbia. Although, in the course of the current financial year, Hemofarm followed the approach of competitors and wholesalers and partially grants additional discounts to the Serbian public health insurance system, operating profitability of the subgroup, whose management is carried out from there, is expected to be slightly above Group average in 2011. In addition to the direction-setting restructuring plan for the Velefarm receivables, further cost reductions in operating business activity are still expected to contribute to this. Against this backdrop, the subgroup is still 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.

There are currently technical problems in part of the Serbian production for injection substances, which is primarily used for contract manufacturing. As a precautionary measure, Hemofarm, together with the customers, decided to temporarily discontinue the distribution of several batches of two products in various European markets as well as the US market in the current third quarter of 2011. If the goods cannot be released again, an extraordinary burden on earnings of up to € 1.9 million is to be expected in the current third quarter of 2011 due to the required returns and inventory write-downs.

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, and on the development of the liquidity situation of the wholesalers and distribution partners in the Serbian market.

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

- **France:** unchanged € 38.4 million (1-6/2010: € 38.4 million).
- **The Netherlands:** +35% to € 26.5 million (1-6/2010: € 19.7 million).
- **United Kingdom:** +1% to € 26.3 million (1-6/2010: € 26.1 million) – applying last year's exchange rates +2%.
- **Denmark:** +4% to € 17.9 million (1-6/2010: € 17.2 million) – applying last year's exchange rates also +4%.

In the 15 **additional European countries** with Group-owned local sales companies, sales generated by STADA increased by 9% to € 69.7 million in the first six months of 2011 (1-6/2010: € 64.2 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 – rose by a strong 30% applying the exchange rates of the previous year. In euro, sales increased by 12% to € 5.6 million (1-6/2010: € 5.0 million). In **China**, STADA recorded an increase in sales of 52% applying the exchange rates of the previous year. In euro, sales showed growth of 40% at € 1.8 million (1-6/2010: € 1.3 million). In **Thailand**, sales declined by 5% applying the exchange rates of the previous year. In euro, STADA recorded a sales decrease by 6% to € 1.1 million (1-6/2010: € 1.2 million). In the **Philippines**, sales decreased by 72% applying the exchange rates of the previous year. In euro, sales declined by 73% to € 2.0 million (1-6/2010: € 7.5 million). There, STADA recorded expected declining low-margin commercial sales particularly in the first quarter of 2011.

In countries without own sales companies, **export sales** generated by STADA recorded an increase in the half year under review of 19% to € 26.9 million (1-6/2010: € 22.5 million).

### Research and development

Research and development costs amounted to € 23.5 million in the first six months of the current financial year (1-6/2010: € 26.0 million). The costs continue to relate only to development costs as STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients. In addition, the Group capitalized development costs for new products in the amount of € 5.4 million in the first half year of 2011 (1-6/2010: € 6.8 million).

Overall, STADA launched 253 individual products worldwide in the first half year of 2011 (1-6/2010: 308 product launches) in individual national markets.

The Group continues to possess a well-filled product pipeline, so that the Executive Board expects a steady flow of product launches to continue in the 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 remains stable. As of the reporting date June 30, 2011, the **equity-to-assets ratio**, at 36.8% (December 31, 2010: 34.6%), continued to be clearly above the minimum ratio strived for by the Executive Board.

**Net debt** amounted to € 890.0 million as of June 30, 2011 (December 31, 2010: € 864.1 million). The **net debt to adjusted EBITDA ratio** amounted in the first six months of 2011 on linear extrapolation of the adjusted EBITDA of the first half year on a full year basis to 2.8 (1-6/2010: 3.0) and thus continued to be significantly below the maximum value of 3 targeted by the Executive Board.

In addition to a corporate bond, long-term promissory notes with maturities in the area of 2012–2015 in the total amount of € 329.5 million as of June 30, 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 € 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 to that end. A capital increase, however, would still only come into question in connection with a larger acquisition.

**Intangible assets** increased to € 1,018.1 million as of June 30, 2011 (December 31, 2010: € 986.0 million) primarily due to the acquisition of the British branded product Cetraben®.

**Property, plant and equipment** rose to € 307.2 million as of the balance sheet date (December 31, 2010: € 298.0 million), in particular based on the purchase of buildings in Serbia.

**Investments in associates** grew as of the reporting date June 30, 2011 to € 31.9 million (December 31, 2010: € 17.3 million) predominantly as a result of the increase in shareholdings in the Vietnamese Pymepharco Joint Stock Company.

**Other financial assets** decreased to € 42.2 million as of June 30, 2011 (December 31, 2010: € 50.7 million). This development resulted primarily from the reduced utilization of the credit line facility given by STADA Arzneimittel AG to BIOCEUTICALS Arzneimittel AG.

**Trade accounts receivable** recorded a slight increase as of the balance sheet date to € 461.8 million (December 31, 2010: € 448.9 million) and thereby developed at a lower rate than sales.

**Trade accounts payable** decreased on June 30, 2011 to € 214.1 million (December 31, 2010: € 233.5 million). This reduction can mainly be attributed to the high corresponding figure as of December 31, 2010, which was based on high order volumes from pre-suppliers.

**Cash flow from operating activities** amounted to € 82.0 million in the first half of 2011. The decrease of € 22.0 million compared to the corresponding period in the previous year is due in particular to the cash-effective increase in trade accounts receivable as well as the cash-effective decrease in trade accounts payable. In the corresponding period of the previous year, a decrease in trade accounts receivable as well as an increase in trade accounts payable contributed to a higher cash flow from operating activities. A cash-effective decrease in inventories had an opposite and partly offsetting effect, while a cash-effective increase in inventories was recorded in the first half year of 2010.

**Cash flow from investing activities** amounted to € -84.5 million in the reporting period and was thus, due to a higher investment volume, € 21.1 million above the figure of the first half year of 2010.

**Free cash flow** in the first six months of the current financial year was at € -2.4 million (1-6/2010: € 40.6 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 49.1 million in the half year under review (1-6/2010: € 64.0 million).

**Cash flow from financing activities** amounted to € -63.1 million in the first half year of 2011, while cash flow from financing activities in the amount of € 20.8 million was reported in the corresponding period of the previous year due to higher proceeds from the borrowing of funds resulting from the bond placed by STADA in financial year 2010.

The dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2010 totaled € 21.7 million or € 0.37 per STADA common share and was paid out in the second quarter of the current financial year.

### Result from associated companies

The result from associated companies reported in the first half year of 2011 in the amount of € 0.2 million (1-6/2010: € 0.2 million) relates to the companies BIOCEUTICALS Arzneimittel AG<sup>1)</sup> and Pymepharco Joint Stock Company<sup>2)</sup> as well as, since the beginning of the current financial year, the pharmacy purchasing syndicate Pharm Ortho Pedic SAS, which are accounted for using the equity method.

### Acquisitions and Disposals

With a view to the continued concentration of processes in the industry, the Executive Board intends to complement the Group's organic growth with further external growth impulses. Against this backdrop, STADA is again pursuing an accelerated approach to acquisition. The Group thereby focuses 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 expanded even further. 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 the 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 also in the future if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

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

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

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 June 30, 2011. STADA's financial exposure as of June 30, 2011 is as follows: € 19.3 million payments for equity share and € 23.0 million loans.

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

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

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

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

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

The acquisition requires the approval of the responsible anti-trust authorities, so that the implementation of the transaction and the consolidation of product sales is expected for the fourth quarter of 2011. Payment of the purchase price will be made at the time of completion of the acquisition.

STADA will use cash on hand as well as existing free credit lines to finance the acquisition. In addition, the placement of a further corporate bond is currently being examined in this context.

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

In addition, STADA resolved in the second quarter of the current financial year to enter into concrete negotiations with Spirig Pharma AG, a Swiss pharmaceuticals company based in Egerkingen, on the acquisition of Spirig's generics business in Switzerland.<sup>1)</sup>

The portfolio for sale includes 56 prescription (Rx) and 15 non-prescription (OTC) and discretionary prescription (OTX) products. With regard to the target products STADA estimates the current annual sales volume to be approx. CHF 45 million. The acquisition under consideration does not include any production facilities.

STADA originally aimed to make a final decision on the acquisition opportunity within a period of three months after the beginning of contract negotiations. From today's perspective, this decision could, however, be delayed until the first quarter of 2012 in agreement with the seller due to technical processing aspects.

Furthermore, STADA signed contracts for the purchase of the British branded product Cetraben® in the second quarter of 2011.<sup>2)</sup> The sellers were various companies and a private individual. The purchase price amounts to GBP 30 million (approx. € 34.6 million). STADA used cash on hand to finance the acquisition.

Since 2006, the British STADA subsidiary Genus Pharmaceuticals has sold, under the Cetraben® brand, a moisturizing cream and bath essence in the therapeutic area of dermatology for the treatment of skin eczema and dry skin as a licensed product in the UK. On comple-

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

2) See the Company's corporate news of May 26, 2011.

tion of the contractually agreed purchase, these previously in-licensed products will be transferred to the ownership of Genus Pharmaceuticals. In 2010, Genus Pharmaceuticals generated sales of GBP 7.5 million (approx. € 8.7 million) with these high-margin and seasonally independent products and thus achieved sales growth of 27% compared to 2009.

Between 2006 and 2010, Genus Pharmaceuticals generated average annual growth rates of 30% with these products. After the purchase, the Company, from today's perspective, sees good chances of maintaining this strong growth at a similar level. The planned introduction of further products under the Cetraben® brand name is also expected to contribute to this.

The acquisition of the Cetraben® branded products secures both products, whose license agreement would have expired at the end of 2012, for the product portfolio of Genus Pharmaceuticals in the long term. In addition, the profitability of Genus Pharmaceuticals will be considerably improved as a result of the license payments previously in the amount of 15% of net sales, which will no longer be applicable in the future.

In the context of the acquisition, STADA acquired the brands, the approvals, the product pipeline and the domain names for Europe and a large number of Eastern European countries including Russia as well as joint ownership of the dossier. The STADA Group therefore also has the opportunity to internationalize the Cetraben® products and thus develop additional growth impulses for both products. Furthermore, the acquisition will allow STADA to further expand its expertise in the area of dermatology.

In the second quarter of 2011, STADA used the contractually agreed option to increase the shareholding in 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 – from 23.7% to the maximum amount of 49% in order to benefit even more from the growth opportunities in Vietnam in the future. The purchase price for this investment amounts to a total of € 25.2 million, of which € 15.1 million was paid in the second quarter of 2011.

### STADA share

The performance of the STADA share continued to be volatile in the first half year of 2011. The share price had closed at € 25.38 at the end of the year, was listed at € 27.34 on March 31, 2011, and reached € 27.00 on June 30, 2011. The STADA share price thus increased by 6% in the first six months of 2011. STADA's market capitalization as of the reporting date June 30, 2011 was € 1.592 billion. At the end of 2010, this figure was still € 1.494 billion.

As of June 30, 2011, the subscribed share capital of STADA Arzneimittel AG amounted to € 153,296,416 (December 31, 2010: € 153,078,536) consisting of 58,960,160 registered shares with restricted transferability<sup>1)</sup>, each with an arithmetical share in share capital of € 2.60 (December 31, 2010: 58,876,360 registered shares with restricted transferability). The changes in the first six months of 2011 result from the exercising of 4,190 warrants 2000/2015<sup>2)</sup>. As of June 30, 2011, 171,503 warrants 2000/2015 for the subscription of 3,430,060 STADA registered shares were thus still outstanding.

As of June 30, 2011, STADA assumes, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that SKAGEN AS<sup>3)</sup>, Stavanger, Norway and Gryphon International Investment Corporation<sup>4)</sup>, Toronto/Ontario, Canada, hold a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada. In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

1) 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.

2) The legally binding option terms and conditions are published on the Company website under [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com).

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

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

## STADA Annual General Meeting 2011

STADA's Annual General Meeting which took place this year on June 16, 2011<sup>1)</sup> approved a distribution ratio unchanged from the previous year of 32% of reported net income and thus a dividend of € 0.37 per STADA common share (previous year: € 0.55). In addition, the Annual General Meeting confirmed the Executive Board and the Supervisory Board with almost 100% approval. Furthermore, the advance resolution on the purchase and use of own shares was passed.

Finally, the following system for the remuneration of the Executive Board members was approved:

The remuneration of the Executive Board members 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 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 revised remuneration structure, individual contractual commitments still remain 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.

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:

- 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. To this end, while the earnings related bonus component of this variable annual bonus is oriented on the adjusted EBITDA of the Company of the respective financial year, the objectives related bonus component of the variable annual bonus remunerates for the achievement of specific pre-determined, written goals which are individually agreed upon 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 company'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 long-term special remuneration must also be agreed upon.

1) The voting results of the decisions taken at the Annual General Meeting of June 16, 2011 are published on the Company's website at [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com) at least by the end of the current financial year.

## Outlook

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

STADA's business model is accordingly geared towards markets with long-term growth potential in the health care and pharmaceutical markets. 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 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 influence factors. 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 continue to be generally characterized in financial year 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.

In addition, the Group expects positive effects on earnings as a result of the implementation of the "STADA – build the future" project for EBITDA adjusted for one-time special effects and the correspondingly adjusted net income 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. In the case of the sale of production facilities in Ireland and Russia, currently evaluated in the context of "STADA – build the future", a significant expense in the low net double-digit million area would be expected for 2011.

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 again reach 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 2014<sup>1)</sup>, 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 – on the basis of a largely organic business – should be reached.



H. Retzlaff



H. Kraft



Dr. A. Müller

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

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

## Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to June 30 in € 000s	1/1-6/30/2011	1/1-6/30/2010	4/1-6/30/2011	4/1-6/30/2010
Sales	829,746	778,096	411,425	382,425
Cost of sales	429,226	403,913	209,875	190,858
<b>Gross profit</b>	<b>400,520</b>	<b>374,183</b>	<b>201,550</b>	<b>191,567</b>
Selling expenses	185,978	190,637	94,382	100,774
General and administrative expenses	68,648	63,624	35,703	30,654
Research and development expenses	23,518	25,992	11,765	13,981
Other income	10,342	28,703	3,785	12,128
Other expenses	19,639	22,498	9,718	10,013
Expenses in connection with the "STADA – build the future" project	5,484	1,538	3,821	1,108
<b>Operating profit</b>	<b>107,595</b>	<b>98,597</b>	<b>49,946</b>	<b>47,165</b>
Result from associated companies	218	249	246	376
Investment income	125	2	125	2
Financial income	4,779	2,090	1,440	1,421
Financial expenses	30,311	28,533	14,849	14,973
<b>Financial result</b>	<b>-25,189</b>	<b>-26,192</b>	<b>-13,038</b>	<b>-13,174</b>
<b>Earnings before taxes</b>	<b>82,406</b>	<b>72,405</b>	<b>36,908</b>	<b>33,991</b>
Taxes on income	26,321	22,260	10,613	12,024
<b>Earnings after taxes</b>	<b>56,085</b>	<b>50,145</b>	<b>26,295</b>	<b>21,967</b>
<i>thereof</i>				
• distributable to shareholders of STADA Arzneimittel AG (net income)	56,067	50,023	26,253	21,891
• distributable to non-controlling shareholders	18	122	42	76
Earnings per share in € (basic)	0.95	0.85	0.45	0.37
Earnings per share in € (diluted)	0.93	0.83	0.44	0.36

## Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	1/1-6/30/2011	1/1-6/30/2010	4/1-6/30/2011	4/1-6/30/2010
<b>Earnings after taxes</b>	<b>56,085</b>	<b>50,145</b>	<b>26,295</b>	<b>21,967</b>
<b>Currency translation gains and losses</b>	<b>17,206</b>	<b>-8,569</b>	<b>8,835</b>	<b>-10,117</b>
<b>Gains and losses on available-for-sale financial assets</b>	<b>3</b>	<b>-32</b>	<b>-8</b>	<b>-7</b>
<i>thereof</i>				
• income taxes	-1	11	1	2
<b>Gains and losses on hedging instruments (cash flow hedges)</b>	<b>1,095</b>	<b>-1,399</b>	<b>-284</b>	<b>-531</b>
<i>thereof</i>				
• income taxes	-405	543	105	203
<b>Actuarial gains and losses from defined benefit plans</b>	<b>38</b>	<b>129</b>	<b>-14</b>	<b>50</b>
<i>thereof</i>				
• income taxes	-14	-1	6	28
<b>Other comprehensive income</b>	<b>18,342</b>	<b>-9,871</b>	<b>8,529</b>	<b>-10,605</b>
<b>Consolidated comprehensive income</b>	<b>74,427</b>	<b>40,274</b>	<b>34,824</b>	<b>11,362</b>
<i>thereof</i>				
• distributable to shareholders of STADA Arzneimittel AG	74,599	39,664	34,856	10,981
• distributable to non-controlling shareholders	-172	610	-32	381

## Consolidated Balance Sheet

Consolidated Balance Sheet as of June 30 in € 000s		
Assets	June 30, 2011	Dec. 31, 2010
<b>Non-current assets</b>	<b>1,427,431</b>	<b>1,381,450</b>
Intangible assets	1,018,053	985,952
Property, plant and equipment	307,211	297,968
Financial assets	13,764	14,419
Investments in associates	31,946	17,332
Other financial assets	25,290	34,467
Other assets	1,736	1,595
Deferred tax assets	29,431	29,717
<b>Current assets</b>	<b>1,079,480</b>	<b>1,125,283</b>
Inventories	378,259	386,088
Trade accounts receivable	461,806	448,946
Income tax receivables	32,168	34,943
Other financial assets	16,952	16,194
Other assets	55,566	37,126
Non-current assets and disposal groups held for sale	255	2,884
Cash and cash equivalents	134,474	199,102
<b>Total assets</b>	<b>2,506,911</b>	<b>2,506,733</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>922,145</b>	<b>868,489</b>
Share capital	153,296	153,078
Capital reserve	467,334	466,173
Retained earnings	400,269	366,280
Other provisions	-106,515	-125,047
Treasury shares	-1,678	-1,698
<b>Equity attributable to shareholders of the parent</b>	<b>912,706</b>	<b>858,786</b>
Shares relating to non-controlling shareholders	9,439	9,703
<b>Non-current liabilities</b>	<b>904,396</b>	<b>910,477</b>
Other non-current provisions	33,523	32,612
Financial liabilities	774,175	781,627
Other financial liabilities	23,856	25,519
Other liabilities	7,157	5,701
Deferred tax liabilities	65,685	65,018
<b>Current liabilities</b>	<b>680,370</b>	<b>727,767</b>
Other provisions	8,236	9,012
Financial liabilities	250,356	281,685
Trade accounts payable	214,148	233,503
Income tax liabilities	32,704	30,803
Other financial liabilities	98,315	93,118
Other liabilities	76,611	79,646
<b>Total equity and liabilities</b>	<b>2,506,911</b>	<b>2,506,733</b>

## Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	June 30, 2011	June 30, 2010
Net income	56,085	50,145
Depreciation and amortization net of write-ups of non-current assets	45,542	44,089
Income taxes	26,321	22,260
Interest income and expenses	27,033	24,647
Result from associated companies	-218	-249
Result from the disposals of non-current assets	-244	81
Changes in pension provisions	-423	-165
Currency translation income and expenses	3,872	-14,213
Other non-cash expenses and gains	-1,625	955
<b>Gross cash flow</b>	<b>156,343</b>	<b>127,550</b>
Changes in inventories	9,470	-33,575
Changes in trade accounts receivable	-14,904	33,391
Changes in trade accounts payable	-19,889	9,395
Changes in other net assets	-7,782	-1,683
Interest and dividends received	1,897	826
Interest paid	-29,093	-18,587
Income tax paid	-14,007	-13,289
<b>Cash flow from operating activities</b>	<b>82,035</b>	<b>104,028</b>
Payments for purchases of		
• intangible assets	-53,350	-43,030
• property, plant and equipment	-18,470	-17,598
• financial assets	-49	-3,468
• shares in consolidated companies	-15,502	-1,799
Proceeds from the disposal of		
• intangible assets	1,309	1,517
• property, plant and equipment	1,410	743
• financial assets	205	254
• shares in consolidated companies	-32	-
<b>Cash flows from investing activities</b>	<b>-84,479</b>	<b>-63,381</b>
Borrowing of funds	46,429	352,693
Settlement of financial liabilities	-89,128	-299,988
Dividend distribution	-21,839	-32,362
Capital increase from share options	1,378	437
Changes in non-controlling interests	-	-
Changes in treasury shares	21	19
<b>Cash flows from financing activities</b>	<b>-63,139</b>	<b>20,799</b>
<b>Changes in cash and cash equivalents</b>	<b>-65,583</b>	<b>61,446</b>
Changes in cash and cash equivalents due to Group composition	-	-
Changes in cash and cash equivalents due to exchange rates	955	-1,703
<b>Net change in cash and cash equivalents</b>	<b>-64,628</b>	<b>59,743</b>
<b>Balance at beginning of year</b>	<b>199,102</b>	<b>156,936</b>
<b>Balance at end of year</b>	<b>134,474</b>	<b>216,679</b>

## 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
<b>Balance as of June 30, 2011</b>	<b>58,960,160</b>	<b>153,296</b>	<b>467,334</b>	<b>39,553</b>
Dividend distribution				
Capital increase from share options	83,800	218	1,160	
Changes in treasury shares			1	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				38
<b>Balance as of Dec. 31, 2010</b>	<b>58,876,360</b>	<b>153,078</b>	<b>466,173</b>	<b>39,515</b>
<b>Previous year</b>				
<b>Balance as of June 30, 2010</b>	<b>58,876,360</b>	<b>153,078</b>	<b>466,177</b>	<b>29,712</b>
Dividend distribution				
Capital increase from share options	26,540	69	368	
Changes in treasury shares			-3	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				47
Comprehensive income				129
<b>Balance as of Dec. 31, 2009</b>	<b>58,849,820</b>	<b>153,009</b>	<b>465,812</b>	<b>29,536</b>

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
400,269	-143,177	58	-2,949	-1,678	912,706	9,439	922,145
-21,747					-21,747	-92	-21,839
					1,378		1,378
				20	21		21
					-		-
					-		-
-331					-331		-331
56,067	17,396	3	1,095		74,599	-172	74,427
366,280	-160,573	55	-4,044	-1,698	858,786	9,703	868,489
365,871	-138,993	44	-5,182	-1,727	868,980	9,067	878,047
-32,311					-32,311	-51	-32,362
					437		437
				22	19		19
					-		-
					-	-45	-45
					47		47
50,023	-9,063	-26	-1,399		39,664	610	40,274
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 37w (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 June 30, 2011 were prepared under consideration of the regulations outlined in the International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the consolidated financial statements as of December 31, 2010 was selected.

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

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

#### 1.2. Changes in accounting policies

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

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

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

### 1.3. Scope of consolidation

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

As of June 30, 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 Pedic SAS, which is included by STADA as an associated company using the equity method. In addition, the subsidiary Hemofarm USA Corporation, based in Washington, USA, was deconsolidated due to a lack of material significance.

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

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

- STADA R&D GmbH, Bad Vilbel, Germany into STADA Arzneimittel AG, Bad Vilbel, Germany
- LIFE TRANS Pharma Vertriebs GmbH, Bad Vilbel, Germany into STADA Arzneimittel AG, Bad Vilbel, Germany
- ALIUD PHARMA Verwaltungs GmbH, Laichingen, Germany into BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany
- Eurovax<sup>1)</sup> GmbH, Bad Vilbel, Germany into BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany

In the consolidated financial statements of the STADA Group, 63 companies were thereby consolidated as subsidiaries, two companies as joint ventures and three companies as associates as of the balance sheet date on June 30, 2011.

## 2. Notes on the Consolidated Income Statement

### 2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from a good development of sales in various markets. In the reporting period, exchange rate effects and portfolio changes had a total influence of € 3.8 million on sales. For information on how sales are broken down according to segments and regions, please refer to Segment Reporting.

### 2.2. Research and development expenses

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

1) Non-consolidated subsidiary.

### 2.3. Other income and other expenses

In the first half year of 2011, other income decreased by € 18.4 million compared to the corresponding period of the previous year. This resulted mainly from net currency translation income in the amount of € 14.2 million included in this item in the first half year of 2010, while net currency translation expenses in the amount of € 3.9 million, which were recognized in other expenses, had to be recorded in the first half year of 2011.

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

Expenses in connection with the “STADA – build the future” project primarily include, as one-time special effects, external consultancy services in the first six months of 2011.

### 2.5. Income taxes

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group’s consolidated financial statements for the first half of 2011. Compared with the previous year, the tax rate rose by 1.2 percentage points due to a changed earnings mix within the Group.

## 3. Notes to the Consolidated Balance Sheet

### 3.1. Intangible assets

As of June 30, 2011, intangible assets included € 326.6 million (December 31, 2010: € 322.9 million) goodwill. Furthermore, additions from the acquisition of the branded product Cetraben® of € 34.6 million are recognized in the current financial year.

### 3.2. Property, plant and equipment

Property, plant and equipment rose to € 307.2 million as of the balance sheet date (December 31, 2010: € 298.0 million) – in particular based on the purchase of buildings in Serbia.

### 3.3. Investments in associates

In the first half year of 2011, additions to investments in associates include the increase of shareholdings in the Vietnamese pharmaceutical company Pymepharco Joint Stock Company from 23.7% to 49.0%. The purchase price for this investment amounts to a total of € 25.2 million, € 15.1 million was paid for the share increase in the second quarter of 2011.

### 3.4. Other financial assets

Other financial assets decreased to € 42.2 million as of June 30, 2011 (December 31, 2010: € 50.7 million). This development resulted primarily from the repayment of loan receivables of STADA Arzneimittel AG with respect to BIOCEUTICALS Arzneimittel AG.

### 3.5. Consolidated statement of changes in shareholders' equity

Shareholders' equity amounted to € 922.1 million as of June 30, 2011 (December 31, 2010: € 868.5 million). As of this reporting date, the equity-to-assets ratio was thus 36.8% (December 31, 2010: 34.6%).

As of June 30, 2011, the Company held 99,596 treasury shares (June 30, 2010: 102,344). In the first half year of 2011, 1,110 treasury shares were sold at an average price of € 27.64.

### 3.6. Financial liabilities

As of June 30, 2011, the Group's current and non-current financial liabilities in the amount of € 250.4 million and € 774.2 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 € 350.0 million (previous year: € 350.0 million).

### 3.7. Contingent liabilities and other financial obligations

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

Other financial obligations mainly relate to obligations from rental and leasing obligations as well as additional financial obligations. On June 30, 2011, rental and leasing obligations amounted to € 44.3 million (December 31, 2010: € 46.8 million) and the remaining financial liabilities amounted to € 18.7 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 € 82.0 million in the first half year of 2011. The decrease of € 22.0 million compared to the corresponding period in the previous year is due in particular to the cash-effective increase in trade accounts receivable as well as the cash-effective decrease in trade accounts payable. In the corresponding period of the previous year, a decrease in trade accounts receivable as well as an increase in trade accounts payable contributed to a higher cash flow from operating activities. A cash-effective decrease in inventories had the opposite and partly offsetting effect, while a cash-effective increase in inventories was recorded in the first half year of 2010.

### 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 € -84.5 million in the first half year of 2011 and was thus, due to a higher investment volume, € 21.1 million above the figure of the corresponding period of 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 from additions to shareholders' equity as well as changes in treasury shares. Cash flow from financing activities amounted to € -63.1 million in the first half year of 2011, while cash flow from financing activities in the amount of € 20.8 million was reported in the corresponding period of the previous year due to higher proceeds from the borrowing of funds resulting from the bond placed by STADA in financial year 2010.

The dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2010 totaled € 21.7 million (previous year: € 32.3 million) or € 0.37 (previous year: € 0.55) per STADA common share and was paid out in the second quarter of the current financial year.

### 4.4. Net cash flow for the period

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

## 5. Segment Reporting

### 5.1. General information

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

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

## 5.2. Information by operating segment

in € million		1/1–6/30/2011	1/1–6/30/2010
<b>Generics</b>	<b>External sales</b>	<b>572,121</b>	<b>544,615</b>
	Sales with other segments	327	507
	Total sales	572,448	545,122
	Operating profit	76,220	76,215
	Segment assets (June 30)	858,037	887,982
<b>Branded Products</b>	<b>External sales</b>	<b>231,003</b>	<b>202,528</b>
	Sales with other segments	918	1,123
	Total sales	231,921	203,651
	Operating profit	58,416	38,747
	Segment assets (June 30)	256,533	235,055
<b>Commercial Business</b>	<b>External sales</b>	<b>18,003</b>	<b>29,501</b>
	Sales with other segments	58	155
	Total sales	18,061	29,656
	Operating profit	707	4,491
	Segment assets (June 30)	3,248	3,592
<b>Reconciliation Group holdings/ other and consolidation</b>	<b>External sales</b>	<b>8,619</b>	<b>1,452</b>
	Sales with other segments	-1,303	-1,785
	Total sales	7,316	-333
	Operating profit	-27,748	-20,856
	Segment assets (June 30)	221,210	231,173
<b>Group</b>	<b>External sales</b>	<b>829,746</b>	<b>778,096</b>
	Sales with other segments	-	-
	Total sales	829,746	778,096
	Operating profit	107,595	98,597
	Segment assets (June 30)	1,339,028	1,357,802

### 5.3. Reconciliation of segment results to net profit

in € 000s	1/1–6/30/2011	1/1–6/30/2010
Operating segment profit	135,343	119,453
Reconciliation Group holdings/other and consolidation	-27,748	-20,856
Result from associated companies	218	249
Investment income	125	2
Financial income	4,779	2,090
Financial expenses	30,311	28,533
<b>Earnings before taxes, Group</b>	<b>82,406</b>	<b>72,405</b>

### 5.4. Reconciliation of segment assets to Group assets

in € 000s	June 30, 2011	June 30, 2010
Segment assets	1,117,818	1,126,629
Reconciliation Group holdings/other and consolidation	221,210	231,173
Other non-current assets	88,403	36,619
Current assets	1,079,480	1,140,627
<b>Total assets, Group</b>	<b>2,506,911</b>	<b>2,535,048</b>

## 6. Additional Information

### 6.1. Information by region<sup>1)</sup>

Sales in € 000s	1/1–6/30/2011	1/1–6/30/2010	±%	±% adjusted <sup>2)</sup>
<b>Europe</b>	<b>796,023</b>	<b>742,270</b>	<b>+7%</b>	<b>+7%</b>
• Belgium	72,090	68,240	+6%	
• Bosnia-Herzegovina	5,132	6,398	-20%	-19%
• Bulgaria	3,016	2,974	+1%	+1%
• Denmark	17,874	17,212	+4%	+4%
• Germany	233,075	259,946	-10%	
• Finland	3,059	2,697	+13%	
• France	38,411	38,443	0%	
• UK	26,289	26,111	+1%	+2%
• Ireland	10,272	10,191	+1%	
• Italy	75,949	66,723	+14%	
• Macedonia	1,458	1,374	+6%	+7%
• Montenegro	3,111	2,661	+17%	+18%
• The Netherlands	26,518	19,690	+35%	0%
• Austria	7,077	7,105	0%	
• Poland	1,927	1,561	+23%	+23%
• Portugal	6,735	5,898	+14%	
• Romania	2,350	2,182	+8%	+8%
• Russia	120,919	96,812	+25%	+25%
• Sweden	3,119	1,864	+67%	+65%
• Serbia	50,113	35,764	+40%	+43%
• Slovakia	3,896	3,434	+13%	+11%
• Spain	56,431	43,501	+30%	
• Czech Republic	6,315	5,535	+14%	+12%
• Ukraine	11,587	9,977	+16%	+26%
• Rest of Europe	9,300	5,977	+56%	+56%
<b>Africa</b>	<b>6,045</b>	<b>4,562</b>	<b>+33%</b>	<b>+33%</b>
<b>The Americas</b>	<b>6,112</b>	<b>5,843</b>	<b>+5%</b>	<b>+5%</b>
• USA	5,724 <sup>3)</sup>	5,540 <sup>3)</sup>	+3%	+4%
• Rest of America	388	303	+28%	+30%
<b>Asia</b>	<b>21,565</b>	<b>25,419</b>	<b>-15%</b>	<b>-9%</b>
• China	1,787	1,272	+40%	+52%
• Kazakhstan	4,874	3,884	+25%	+35%
• The Philippines	2,024	7,478	-73%	-72%
• Thailand	1,127	1,203	-6%	-5%
• Vietnam	5,644	5,050	+12%	+30%
• Rest of Asia	6,108	6,532	-6%	-5%
<b>Rest of world</b>	<b>1</b>	<b>2</b>	<b>-50%</b>	<b>-50%</b>

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

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

3) Exclusively export sales to the USA.

## 7. Related party transactions

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 23.0 million (December 31, 2010: € 31.8 million) had been used as of June 30, 2011.

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

## 8. Significant events after the balance-sheet date

In the current third quarter of 2011, STADA and Grünenthal GmbH, a globally active research pharmaceuticals company located in Aachen, Germany, signed the contracts on the purchase of a branded product portfolio including the associated sales structures for numerous national markets in Central and Eastern Europe as well as in the Middle East.

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

The acquisition requires the approval of the responsible anti-trust authorities, so that the implementation of the transaction as well as the consolidation of product sales is sought for the fourth quarter of 2011.

## REVIEW REPORT

To STADA Arzneimittel AG, Bad Vilbel

We have reviewed the condensed interim consolidated financial statements of the STADA Arzneimittel AG – comprising the balance sheet, the income statement, statement of comprehensive income, condensed cash flow statement, condensed statement of changes in equity and selected explanatory notes, together with the interim group management report of the STADA Arzneimittel AG, Bad Vilbel, for the period from January 1, 2011 to June 30, 2011, that are part of the semi annual financial report pursuant to article 37w WpHG. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt, August 9, 2011

PKF Deutschland GmbH  
Wirtschaftsprüfungsgesellschaft



R. Brinskelle  
German Public Accountant



S. Varughese  
German Public Accountant

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Bad Vilbel, August 9, 2011



H. Retzlaff



H. Kraft



Dr. A. Müller

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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.

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