Interim Report

on the First Six Months of 2012

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	1/1-6/30/2012	1/1-6/30/2011	± %
Group sales	885.2	829.7	+7%
• Generics (core segment)	585.1	572.1	+2%
• Branded Products (core segment)	284.5	231.0	+23%
Operating profit	101.5	107.6	-6%
Operating profit, adjusted [1]	*127.2*	*121.4*	*+5%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	160.7	153.5	+5%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted [1]	*176.7*	*160.2*	*+10%*
EBIT (Earnings before interest and taxes)	103.9	107.9	-4%
EBIT (Earnings before interest and taxes), adjusted [1]	*129.6*	*121.8*	*+6%*
EBT (Earnings before taxes)	72.8	82.4	-12%
EBT (Earnings before taxes), adjusted [1]	*96.8*	*94.7*	*+2%*
Net income	48.1	56.1	-14%
Net income, adjusted [1]	*69.8*	*65.5*	*+7%*
Cash flow from operating activities	51.6	82.0	-37%
Capital expenditure	327.6	86.9	>100%
Depreciation and amortization (net of write-ups)	56.8	45.5	+25%
Employees (average number for the year calculated on the basis of full-time employees, Jan. 1 – June 30) [2]	7,824	7,810	0%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	7,867	7,784	+1%

Key share figures	1/1-6/30/2012	1/1-6/30/2011	± %
Market capitalization (as of June 29) in € million	1,422.2	1,591.9	-11%
Closing price (XETRA®) in € (as of June 29)	24.10	27.00	-11%
Average number of shares (without treasury shares, Jan. 1 – June 30)	58,883,308	58,791,834	0%
Earnings per share in €	0.82	0.95	-14%
Earnings per share in €, adjusted [1]	*1.19*	*1.11*	*+7%*
Diluted earnings per share in €	0.80	0.93	-14%
Diluted earnings per share in €, adjusted [1]	*1.17*	*1.09*	*+7%*

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

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

In the first half of 2012, the STADA Group showed a positive business development in line with the expectations of the Executive Board. Group sales increased by 7% to € 885.2 million in the first six months of 2012 (1-6/2011: € 829.7 million). Reported earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 5% to € 160.7 million (1-6/2011: € 153.5 million) in the reporting period. Reported net income decreased – primarily due to burdening one-time special effects in the first quarter of 2012 especially from the further planned implementation of the Group-wide cost efficiency program "STADA – build the future" – by 14% to € 48.1 million (1-6/2011: € 56.1 million) in the first half year of 2012. In the second quarter of 2012 taken alone, however, reported net income increased by 9% to € 28.7 million (second quarter of 2011: € 26.3 million). Adjusted EBITDA recorded growth of 10% to € 176.7 million (1-6/2011: € 160.2 million) in the half year under review. Adjusted net income increased by 7% to € 69.8 million (1-6/2011: € 65.5 million) in the first six months of 2012. The adjusted EBITDA as well as adjusted net income therefore both reflected the the upper end of expectations.

Overall, in the view of the Executive Board, STADA achieved a good operating result with this development in the reporting period.

The financial position of the STADA Group continues to be stable. With a view to the investments carried out in the first half of 2012 for the recently made acquisitions, net debt increased to € 1,279.1 million as of June 30, 2012 (Dec. 31, 2011: € 900.3 million). The net debt to adjusted EBITDA ratio on linear extrapolation of the adjusted EBITDA of the first half on a full year basis amounted to 3.6 (1-6/2011: 2.8) in the reporting period and was therefore, as expected, above the value of 3 targeted by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013.

For the outlook, the Executive Board continues to expect that in 2012 and 2013 both core segments can achieve an increase in sales. The Branded Products segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow. From today's perspective, the Executive Board expects a very significant increase for reported net income in financial year 2012 as compared to 2011 – in spite of the decrease from one-time special effects in the first half of 2012. For EBITDA adjusted for one-time special effects, the Executive Board continues to see the opportunity for an increase in the high single-digit percent area. Furthermore, the Executive Board affirms its long-term prognosis envisaged for 2014[1)], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should, at a minimum, be reached.

Sales development of the STADA Group

Group sales recorded growth of 7% to € 885.2 million in the first half of the current financial year (1-6/2011: € 829.7 million). This increase was still based on sales achieved by STADA in the international business, which had a total share of Group sales in the half year under review of 74% (1-6/2011: 72%) and increased by 9% to € 652.0 million (1-6/2011: € 596.7 million).

When effects on sales attributable to changes in the Group portfolio and currency effects are taken into account, Group sales in the first six months of 2012 were € 832.7 million, slightly above the level of the corresponding period in the previous year.

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

In detail, the effects on sales were as follows:

- Portfolio changes[1] had a total share of € 47.6 million or 5.7 percentage points of sales growth in the half year under review.

- As a result of applying foreign exchange rates from the first half of 2012 in comparison with those of the first half year of 2011 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly positive currency effect in the amount of € 1.1 million or 0.1 percentage points.

To the extent that adjusted sales figures are reported in the following, these refer to sales adjusted for portfolio effects and currency fluctuations respectively.[2]

In **Europe**, sales recorded growth of 6% to € 843.3 million (1-6/2011: € 796.0 million) in the reporting period. The share of sales achieved by STADA in European markets thus amounted to 95.3% (1-6/2011: 95.9%) of Group sales. Adjusted, Group sales in Europe amounted to approximately the same level of the corresponding period of the previous year.

In **Western Europe**, sales recorded an increase in the first half of the current financial year of 3% to € 595.5 million (1-6/2011: € 579.8 million). STADA's sales in Western European countries thus contributed 67.3% (1-6/2011: 69.9%) to Group sales. Adjusted Group sales in Western Europe decreased by 1%.

In **Eastern Europe**[3], STADA achieved an increase in sales of 15% to € 247.8 million in the reporting period (1-6/2011: € 216.2 million). This increase is primarily based on the unchanged strong sales increase in Russia (see "Regional development in individual national markets – Russia"), which was further strengthened by a positive currency effect of the Russian ruble. In Serbia, however, local sales decreased in the first half of 2012, in view of the conversion of the distribution model there, both using the previous year's exchange rates as well as in euro (see "Regional developments in individual national markets – Serbia"). A significantly negative currency effect of the Serbian dinar also contributed to this development. Sales in Eastern European countries had a total share of 28.0% in Group sales (1-6/2011: 26.1%). Adjusted Group sales in Eastern Europe increased by 4%.

In the **Asia/Pacific Region**, STADA sales recorded an increase of 54% to € 33.2 million (1-6/2011: € 21.6 million) in the first six months of the current financial year. Sales achieved by the Group in Asian/Pacific markets thus amounted to 3.8% (1-6/2011: 2.6%) of Group sales. STADA's adjusted sales in Asian/Pacific countries increased by a total of 26%. The newly founded subsidiary STADA Australia Pharmaceuticals Pty Ltd[4] commenced sales activities in the current third quarter of 2012.

STADA's sales in the **rest of the world** decreased in the reporting period by 28% to € 8.7 million (1-6/2011: € 12.2 million). The primary reason for this development was the loss of sales from contract manufacturing for US customers following the sale of the Irish production facility.[5] Sales in the rest of the world thus contributed 1.0% (1-6/2011: 1.5%) to Group sales. STADA's adjusted sales decrease was at 6% 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").

In view of the sales development in the individual national markets in the first six months of 2012, the Executive Board expects, from today's perspective, that both core segments can achieve sales growth in 2012 and 2013. The Branded Products segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow.

1) Sales with the small chemical plant in Serbia disposed of as of March 22, 2011; sales of the oncological product Tobra-cell® sold as of September 30, 2011; sales of the branded product Denzapine® acquired on July 1, 2011 for Ireland and on December 1, 2011 for the United Kingdom; sales of the generics business in Switzerland consolidated as of January 2012; sales of a branded product portfolio in Eastern Europe and the Middle East since January 1, 2012 as well as in Central Europe since February 1, 2012; sale of the Irish production facility on January 1, 2012; sale of the engineering companies on March 30, 2012; sales of the French company Laboratoires d'études et de recherches en oligo éléments théraphie (LERO) since February 1, 2012; sales of the branded product Tranexam® for Russia since May 2012; as well as sales of the branded product Ingavirin® for Ukraine since April 2012.

2) The adjusted sales figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison.
3) So-called CEE countries (Central and Eastern Europe) including Russia.
4) Currently not consolidated.
5) See the Company's ad hoc release of February 6, 2012.

Earnings development of the STADA Group

The earnings development in the first half of 2012 was characterized by an increase in operating performance that was shown with growth in all of the Group's operational, i.e. adjusted for one-time special effects, key earnings figures. In view of burdening one-time special effects primarily in the first quarter of 2012 especially from the further planned implementation of the Group-wide cost efficiency program "STADA – build the future", the accumulated reported key earnings figures in the first half year – with the exception of reported EBITDA – decreased. In the second quarter of 2012 taken alone, however, all of the reported key earnings figures increased.

Reported operating profit decreased by 6% in the first six months of 2012 to € 101.5 million (1-6/2011: € 107.6 million). In the second quarter taken alone, reported operating profit recorded an increase of 11% to € 55.2 million (second quarter of 2011: € 49.9 million). **Reported net income** was down by 14% to € 48.1 million (1-6/2011: € 56.1 million) in the half year under review. In the second quarter taken alone, reported net income increased by 9% to € 28.7 million (second quarter of 2011: € 26.3 million). In the first half of 2012, **reported EBITDA** rose by 5% to € 160.7 million (1-6/2011: € 153.5 million). In the second quarter taken alone, reported EBITDA increased by 13% to € 83.5 million (second quarter of 2011: € 73.7 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from the measurement of derivative financial instruments, **adjusted operating profit** recorded a plus of 5% in the reporting period to € 127.2 million (1-6/2011: € 121.4 million). **Adjusted net income** increased by 7% to € 69.8 million in the first six months (1-6/2011: € 65.5 million). **Adjusted EBITDA** showed an increase of 10% to € 176.7 million in the first half of 2012 (1-6/2011: € 160.2 million). Adjusted net income and adjusted EBITDA were thus in the upper end of the expectations of the Executive Board.

One-time special effects amounted to a net burden on earnings of € 25.7 million before or € 22.9 million after taxes in the first half of 2012 (1-6/2011: net burden on earnings due to one-time special effects in the amount of € 13.8 million before or € 10.5 million after taxes).

In the second quarter of 2012, a net burden on earnings in the amount of € 4.1 million before or € 2.9 million after taxes were incurred (second quarter of 2011: net burden on earnings due to one-time special effects in the amount of € 7.9 million before or € 6.0 million after taxes), which can be broken down as follows:

- a burden in the amount of € 2.8 million before or € 1.9 million after taxes in connection with the evaluation of a product portfolio in Italy whose disposal commenced in the current third quarter of 2012 (see "Regional development in individual national markets – Italy").
- a burden in the amount of € 0.8 million before or € 0.6 million after taxes due to expenses in connection with the implementation of the Group-wide cost efficiency program "STADA – build the future" including consulting services (see "STADA – build the future").
- a burden in the amount of € 0.8 million before or € 0.6 million after taxes in connection with ongoing proceedings due to a potential patent infringement (see "Regional development in individual national markets – Spain").
- a burden in the amount of € 0.6 million before or € 0.5 million after taxes for impairments netted with write-ups on intangible assets after impairment tests.
- a burden in the amount of € 0.6 million before or € 0.4 million after taxes for unscheduled personnel expenses due to personnel changes in the STADA Group.
- a burden in the amount of € 0.5 million before or € 0.4 million after taxes for the dissolution of a delivery contract (see "Development, production and procurement").
- a burden in the amount of € 0.2 million before or € 0.1 million after taxes in connection with a recall (see "Regional development in individual national markets – Germany").
- 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.
- a relief in the total amount of € 2.3 million before or € 1.7 million after taxes in connection with two settlement agreements.

Non-operational effects from the measurement of derivative financial instruments amounted, in the first half of 2012, to a net relief on earnings of € 1.7 million before or € 1.2 million after taxes (1-6/2011: net relief on earnings from non-operational effects of derivative financial instruments of € 1.5 million before or € 1.1 million after taxes).

In the second quarter of 2012, non-operational effects from the measurement of derivative financial instruments in the amount of € 1.6 million before or € 1.1 million after taxes were incurred (second quarter of 2011: no noteworthy non-operational effects from derivative financial instruments).

Looking to the important currency relationships for STADA of the euro to the Russian ruble, Serbian dinar and pound sterling, opposing developments were noticeable in the reporting period. Whereas the Russian ruble and pound sterling showed a positive currency effect, the Serbian dinar showed a significantly negative currency effect.

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 derivative financial instruments for the first half of 2012 and for the corresponding period in the previous year to allow for comparison.

Development of the STADA Group's key earnings figures

in € million	1–6/2012	1–6/2011	± %	Margin[1)]1–6/2012	Margin[1)] 1–6/2011
Operating profit	101.5	107.6	-6%	11.5%	13.0%
• Operating segment result Generics	67.4	76.2	-12%	11.5%	13.3%
• Operating segment result Branded Products	65.0	58.4	+11%	22.8%	25.3%
EBITDA[2)]	160.7	153.5	+5%	18.2%	18.5%
EBIT[3)]	103.9	107.9	-4%	11.7%	13.0%
EBT[4)]	72.8	82.4	-12%	8.2%	9.9%
Net income	48.1	56.1	-14%	5.4%	6.8%
Earnings per share in €	0.82	0.95	-14%		
Diluted earnings per share in €	0.80	0.93	-14%		

Development of the STADA Group's adjusted[5)] key earnings figures

in € million	*1–6/2012*	*1–6/2011*	*± %*	*Margin[1)] 1–6/2012*	*Margin[1)] 1–6/2011*
Operating profit, adjusted	*127.2*	*121.4*	*+5%*	*14.4%*	*14.6%*
• Operating segment result Generics, adjusted	*83.9*	*80.2*	*+5%*	*14.3%*	*14.0%*
• Operating segment result Branded Products, adjusted	*68.6*	*58.7*	*+17%*	*24.1%*	*25.4%*
EBITDA[2)], adjusted	*176.7*	*160.2*	*+10%*	*20.0%*	*19.3%*
EBIT[3)], adjusted	*129.6*	*121.8*	*+6%*	*14.6%*	*14.7%*
EBT[4)], adjusted	*96.8*	*94.7*	*+2%*	*10.9%*	*11.4%*
Net income, adjusted	*69.8*	*65.5*	*+7%*	*7.9%*	*7.9%*
Earnings per share in €, adjusted	*1.19*	*1.11*	*+7%*		
Diluted earnings per share in €, adjusted	*1.17*	*1.09*	*+7%*		

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) Adjusted for one-time special effects and non-operational effects from derivative financial instruments.

For the outlook of key earnings figures – despite the planned earnings burdening one-time special effects from the further implementation of the Group-wide cost efficiency program “STADA – build the future” – the Executive Board still expects a very significant increase in reported net income for 2012 as compared to 2011. The STADA Executive Board anticipates continued growth in the key earnings figures adjusted for one-time special effects in the Group for 2012, as well as 2013, and also sees, from today’s perspective, the opportunity for an increase in the high single-digit percent area in EBITDA adjusted for one-time special effects for 2012. This means that record results are once again targeted for these key figures in 2012.

“STADA – build the future”

In the first half of 2012, STADA continued according to plan with the outstanding measures in the context of the further implementation of the Group-wide cost efficiency program “STADA – build the future”, which comprises a planned implementation period from 2010 to the end of 2013, to strengthen mid and long-term earnings potential.

Expenses in connection with the “STADA – build the future” project primarily include, as one time special effects, burdens from the disposals of the Irish production facility STADA Production Ireland Limited and the Engineering companies that are not part of the Group’s core business, as well as external consulting services, in the first half of 2012.

In the course of the restructuring of the Russian production facilities according to “STADA – build the future”, the STADA Executive Board and the STADA Supervisory Board agreed at a joint meeting on August 7, 2012 to a sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., in the context of a partial management buyout to LLC DMN Invest (see “Development, production and procurement” as well as “Acquisitions and disposals”).[1] After the decision by STADA’s boards, the contract as well as associated temporary service agreements are expected to be signed promptly in the current third quarter of 2012. STADA will report the one-time burden in the amount of approx. € 9.0 million before taxes or approx. € 7.2 million after taxes, as a one-time special effect in the third quarter of 2012. In the context of the completion, as part of the restructuring, approximately 182 full-time positions in the STADA production companies at the locations of both sold production facilities will be immediately reduced and the affected persons will be employed at previous conditions by the purchaser in the future. In the context of the transaction, the purchaser will also assume the contractual obligation for a further up to approximately 200 full-time positions – which will initially remain with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production transfers – to offer each affected person employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. As a result of this personnel reduction, STADA could incur further one-time burdens of up to € 2 million by the end of 2014, for which, however, from today’s perspective, a total amount of significantly less than € 1 million is expected. Due to the communication and the introduction of this restructuring measure STADA will reach a significant restructuring goal of the “STADA – build the future” program earlier than planned, presumably within the current financial year 2012, namely the reduction of the number of personnel of 2010 by approx. 10% (corresponding to approx. 800 full time positions) throughout the Group by the end of 2013.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the half year under review by a total of 8%; their share of Group sales thus amounted to 98.2% (1-6/2011: 96.8%). Sales of the two core segments adjusted for portfolio effects and currency influences increased by 2% in the first six months of 2012.

Sales of **Generics**, which continues to be the clearly larger core segment, recorded an increase of 2% to € 585.1 million (1-6/2011: € 572.1 million) in the first half of the current financial year. Thus, Generics had a share of 66.1% in Group sales in the reporting period (1-6/2011: 69.0%). Adjusted, generics sales in the Group increased by 1%.

1) See the Company’s ad hoc release of August 7, 2012.

The core segment **Branded Products** showed an increase of 23% to € 284.5 million in the first six months of 2012 (1-6/2011: € 231.0 million). The share of Branded Products in Group sales thus amounted to 32.1% in the first half of 2012 (1-6/2011: 27.8%). Adjusted sales of branded products in the Group rose by 6%.

In the **Commercial Business** segment, which is not part of the core segments, sales decreased to € 9.0 million in the half year under review (1-6/2011: € 18.0 million). The expected decrease of the low-margin commercial business in Denmark had a particularly noticeable effect in this development. Sales reported under the position **Group holding/Other** reduced to € 6.6 million in the first six months of 2012 (1-6/2011: € 8.6 million).

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

Regional development in individual national markets

In **Germany**, STADA's largest national market, sales were, with € 233.2 million in the first half of 2012 (1-6/2011: € 233.1 million), at approximately the same level as the corresponding period of the previous year. Whereas sales in the German market were still down by 4% in the first quarter of 2012, sales in the second quarter of the current financial year reported growth of 4%. In total, STADA activities in Germany had a share of 26.3% in Group sales in the first six months of 2012 (1-6/2011: 28.1%).

Development in the German market continued to be attributable to the difficult local framework conditions for generics, which are characterized by intensive competition for tenders for discount agreements with public health insurance organizations. Nevertheless, sales in the German Generics segment – in consideration of partly high-volume discount agreements concluded in 2011 – in the half year under review of € 168.0 million (1-6/2011: € 169.7 million) were approximately the same as in the corresponding prior-year period. Whereas sales of generics in the first quarter of 2012 recorded a decline of 6%, sales achieved by STADA in the German market with generics increased by 5% in the second quarter of 2012. Sales achieved by the Group in Germany with generics had a share of 72% of total sales achieved in the German market in the reporting period (1-6/2011: 73%). The STADA Group's market share of generics sold in German pharmacies increased by volume in the first six months of 2012 to approx. 13.3%[1] (1-6/2011: approx. 12.3%[1]) allowing the STADA Group to remain the clear number three in the German generics market.

In the first half of 2012, German STADA sales companies achieved very good results in the view of the Executive Board in the context of numerous tenders for discount agreements with public health insurance organizations. These include the eighth AOK tender round[2] and the second tender round of Barmer GEK[3]. STADA's German sales companies will continue to participate in the future on an ongoing basis in the numerous tenders for discount agreements by public health insurance organizations using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results.

Generics sales generated by STADA in Germany were achieved via various sales companies. The sales development of ALIUD PHARMA, the largest of the sales companies in the German generics market, was approximately at the same level of the corresponding period of the previous year at € 94.1 million (1-6/2011: € 94.6 million) in the first six months of 2012. Sales achieved by the German generics sales company STADApharm decreased in the half year under review by 3% to € 55.9 million (1-6/2011: € 57.8 million). Sales of STADA's generics sales company, cell pharm, special supplier for the indication areas oncology and nephrology, increased by 13% to € 16.5 million (1-6/2011: € 14.5 million) – despite the disposal of the oncological product Tobra-cell® (sales contribution first half of 2011: € 0.3 million) in the third quarter of 2011.

In January 2012, the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – BfArM) initiated graduated plan proceedings on the active pharmaceutical ingredient Citalopram[4] based on new study findings of the initial supplier.

1) Data from IMS Health relating to pharmacy sales to customers (source: IMS/Pharmascope national).
2) See the Company's corporate news of May 23, 2012.
3) See the Company's corporate news of June 4, 2012.
4) For the treatment of depression and for anxiety disorders.

In the course of this in March 2012, BfArM ordered the recall of the 60mg high-dosage strength of this active ingredient by all suppliers in the German market as well as changing the text of the package inserts of all other active ingredient strengths. The burdens for STADA connected with the implementation of this BfArM order amounted to a total of € 0.3 million before or € 0.2 million after taxes in the first half of 2012 and were reported as a one-time special effect (see “Earnings development of the STADA Group”).

Sales generated with branded products – primarily under the local sales labels STADA GmbH and Hemopharm – increased by 3% in the first six months of 2012 to € 64.7 million (1-6/2011: € 62.8 million).

Sales achieved in Germany with branded products had a total share of 28% (1-6/2011: 27%) of sales generated in the German market.

For financial year 2012, the Executive Board expects that the German business will remain relatively stable overall. Operating profitability will remain just below Group average. In consideration of partly high-volume discount agreements concluded in 2011, the Executive Board expects that the Group’s market share by volume will continue to grow in the German generics market.

In **Russia**, the Group’s second most important national market by sales, sales increased significantly in the first half of 2012 by 22% applying the exchange rate of the previous year. In euro, STADA recorded even stronger sales growth of 24% to € 149.5 million (1-6/2011: € 120.9 million) as a result of a positive currency effect of the Russian ruble.

With generics, the Group recorded substantial sales growth in the Russian market in the amount of 26% to € 66.3 million (1-6/2011: € 52.8 million), so that their share of STADA’s sales achieved in Russia amounted to 44% (1-6/2011: 44%). Sales of branded products increased by a strong 22% to € 82.7 million (1-6/2011: € 67.7 million) and their share of STADA’s Russian sales amounted to 55% (1-6/2011: 56%).

After the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts in the first quarter of 2012 for the purchase of the trademark rights for the nutritional supplement Vuka Vuka®[1] and Vuka Drive®[1], a further development of Vuka Vuka® for Russia as well as Vuka Vuka® for the so-called CIS countries (Commonwealth of Independent States), sales responsibility was assumed for both contract areas in the second quarter of 2012 (see “Acquisitions and disposals”).

After completion of the contracts by the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod in the first quarter of 2012 for the purchase of rights for the brand Tranexam®[2] for Russia, sales responsibility was also assumed upon official registration by the relevant national authorities in the second quarter of 2012 (see “Acquisitions and disposals”).

In financial year 2012, STADA expects unchanged strong sales growth in local currency in the Russian market with operating profitability above Group average. The sales and earnings contributions of STADA’s business in both Russia as well as at the Group level will continue to be affected by development of the currency relation of the Russian ruble to the euro.

In **Italy**, the Group showed an increase in sales of 3% to € 78.5 million in the half year under review (1-6/2011: € 75.9 million), whereby the two segments Generics and Branded Products developed in opposite directions.

Sales achieved by STADA with generics in the Italian market increased by 10% to € 59.9 million (1-6/2011: € 54.2 million). Generics thus contributed 76% to STADA’s local sales (1-6/2011: 71%).

1) Nutritional supplement (aphrodisiac).
2) Active ingredient tranexamic acid, for the treatment of hypermenorrhea.

Sales recorded by STADA in Italy with branded products declined as expected by 14% to € 18.6 million (1-6/2011: € 21.7 million). Branded products thus contributed 24% (1-6/2011: 29%) to STADA's Italian sales.

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

For financial year 2012, the Executive Board expects renewed sales growth in Italy with an operating profitability which will again be at about Group average.

In **Belgium**, sales generated by STADA in the first six months of the current financial year were approximately at the same level of the corresponding period of the previous year of € 71.9 million (1-6/2011: € 72.1 million). This development was attributable to various regulatory measures introduced in the second quarter of 2012.

STADA recorded a decline in sales of 1% to € 68.3 million (1-6/2011: € 68.9 million) with generics in the Belgian market. The share of STADA's local sales thus amounted to 95% (1-6/2011: 96%).

Sales recorded by STADA in Belgium with branded products increased by 13% to € 3.6 million (1-6/2011: € 3.2 million). Branded products thus contributed 5% (1-6/2011: 4%) to STADA's Belgian sales.

For financial year 2012, STADA anticipates a slight sales increase with operating profitability at about Group average in the Belgian market.

In **Spain**, sales in the first six months of 2012 increased by 6% to € 60.1 million (1-6/2011: € 56.4 million).

Sales generated by STADA with generics in the Spanish market characterized by increasingly intense price competition rose by 3% to € 54.7 million (1-6/2011: € 53.2 million). Generics thus contributed 91% (1-6/2011: 94%) to local STADA sales.

Sales of branded products increased by 69% to € 5.4 million (1-6/2011: € 3.2 million). Branded products thereby had a 9% share of STADA's Spanish sales (1-6/2011: 6%).

In connection with ongoing proceedings due to a potential patent infringement in the Spanish market, the Group reported a one-time special effect in the amount of € 0.8 million before or € 0.6 million after taxes in the second quarter of 2012 (see "Earnings development of the STADA Group").

In financial year 2012, STADA expects further sales growth in Spain with operating profitability that will remain above Group average.

In **France**, sales increased by 3% to € 39.7 million (1-6/2011: € 38.4 million) in the first half of 2012.

In view of the still difficult framework conditions in the French market including, among other things, a high level of price competition, sales of French STADA generics decreased by 3% to € 34.9 million (1-6/2011: € 36.0 million). Generics thus contributed 88% (1-6/2011: 94%) to local STADA sales.

Sales recorded by STADA in France with branded products rose by 102% to € 4.8 million (1-6/2011: € 2.4 million). The reason for this positive development was the acquisition completed in the first quarter of 2012 of the French company Laboratoires d'études et de recherches en oligo éléments théraphie (LERO). Branded products contributed 12% to STADA's French sales (1-6/2011: 6%).

For financial year 2012, the STADA expects more or less steady sales development in France with operating profitability which continues to be below Group average.

In **Serbia**, local sales decreased in the reporting period. Applying the exchange rates of the previous year, sales decreased by 31%. In euro, sales declined by 37% to € 31.4 million (1-6/2011: € 50.1 million). The expected decrease in sales was primarily attributable to the conversion of the local distribution model for better control of cash flows. Furthermore, a significantly negative currency effect of the Serbian dinar contributed to this development.

STADA's sales of generics in the Serbian market recorded a decrease of 42% to € 24.1 million (1-6/2011: € 41.6 million). Generics thus contributed 77% (1-6/2011: 83%) to STADA's Serbian sales. Sales of branded products in Serbia decreased by 18% to € 5.0 million (1-6/2011: € 6.1 million). Branded products thus contributed 16% (1-6/2011: 12%) to Serbian STADA sales.

In accordance with the announcement in a letter of comfort in the fourth quarter of 2011[1)], discussions are still being held between representatives of the Serbian Ministry of Finance and Economy and Hemofarm about the settlement of outstanding receivables from Serbian wholesalers and the Serbian government from previous financial years, which were completely impaired by STADA in 2011. As previously published, STADA would continually report earnings from the reversal of impairments, which result from the completely impaired outstanding receivables of Hemofarm being better served, in the respective reporting period as earnings-improving one-time special effects.

STADA generally assumes that its own operating business in Serbia is fundamentally stable and that it offers further growth opportunities. Against the backdrop of the adjustment of the local distribution model, however, the Executive Board expects, from today's perspective, that sales will not reach the level of previous year in financial year 2012 because the local market is still characterized by liquidity bottlenecks in the sales channels. Nevertheless, the Executive Board anticipates growth in sales in local currency for subsequent years. As a result of the operative measures taken, however, it is still potentially possible that in 2012, despite the sales decrease, the operating profitability of the locally managed subgroup will be slightly above Group average.

The financial and earnings situation of the Serbian subgroup will continue to be largely characterized by the further development of the liquidity situation of the wholesalers and distribution partners in the Serbian market in financial year 2012 as well. In addition, sales and earnings contributions of this subgroup will continue to predominantly depend on the currency relation of the Serbian dinar, in which this subgroup consolidates all results, to the euro.

1) See the Company's corporate news of November 10, 2011.

STADA's ten largest markets also include the national European markets listed below, in which the Group recorded the following mixed local sales developments – by comparing the first half of 2012 and corresponding half year of the previous year:

- **The United Kingdom:** +3% to € 27.1 million (1-6/2011: € 26.3 million) – applying the exchange rates of the previous year -3% – primarily attributable to the development of the two branded products ApoGo®[1] and Cetraben®[2] as well as a positive currency effect of the pound sterling.
- **The Netherlands:** -8% to € 24.3 million (1-6/2011: € 26.5 million) – primarily due to reduced sales which are not part of the core business.
- **Switzerland:** In the Swiss market, STADA generated sales in the amount of € 18.8 million – primarily due to a generics business consolidated in the Group since January 2012.

In the 17 **additional European countries** with Group-owned local sales companies, sales achieved by STADA increased by 16% to € 99.9 million in the first six months of 2012 (1-6/2011: € 86.2 million).

Development in the Group's most important **Asian markets** in the half year under review was as follows:

In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a 50:50 joint venture with a local partner – increased by 6% applying the exchange rates of the previous year. In euro, sales increased by 15% to € 6.5 million (1-6/2011: € 5.6 million). In **China**, sales increased by 17% applying the exchange rates of the previous year. In euro, STADA recorded an increase in sales of 28% to € 2.3 million (1-6/2011: € 1.8 million). In **Thailand**, sales applying the exchange rates of the previous year were approximately at the same level of the corresponding period of the previous year. In euro, sales increased by 7% to € 1.2 million (1-6/2011: € 1.1 million). In the **Philippines**, sales decreased to € 0.9 million applying the exchange rates of the previous year. In euro, sales declined to € 1.0 million (1-6/2011: € 2.0 million).

The Australian subsidiary, STADA Pharmaceuticals Australia Pty Ltd[3], founded by STADA in the first quarter of 2012, commenced its business activities according to plan in the current third quarter of 2012.[4]

In countries without own sales companies, **export sales** generated by STADA increased by 19% to € 33.0 million (1-6/2011: € 27.8 million).

Development, production and procurement

Research and development costs amounted to € 25.7 million in the first six months of the current financial year (1-6/2011: € 23.5 million). Since STADA does not carry out any research into new active pharmaceutical ingredients due to its business model, it is only a matter of development costs. Furthermore, the Group capitalized development costs for new products in the amount of € 6.9 million in the first half of 2012 (1-6/2011: € 5.4 million).

Overall, STADA launched 367 individual products worldwide in the half year under review (1-6/2011: 253 product launches) in individual national markets.

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

1) Active ingredient apomorphine for the treatment of Parkinson's disease.
2) Treatment series for the treatment of skin eczema and dry skin.
3) Currently not consolidated.
4) See the Company's corporate news of March 27, 2012.

In the course of the restructuring of the Russian production facilities according to “STADA – build the future”, the STADA Executive Board and the STADA Supervisory Board agreed at a joint meeting on August 7, 2012 to a sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., in the context of a partial management buyout to LLC DMN Invest (see “STADA – build the future” as well as “Acquisitions and disposals”).[1] After the decision by STADA’s boards, the contract as well as associated temporary service agreements are expected to be signed promptly in the current third quarter of 2012. STADA will report the one-time burden in the amount of approx. € 9.0 million before taxes or approx. € 7.2 million after taxes, as a one-time special effect in the third quarter of 2012. In the context of the completion, as part of the restructuring, approximately 182 full-time positions in the STADA production companies at the locations of both sold production facilities will be immediately reduced and the affected persons will be employed at previous conditions by the purchaser in the future. In the context of the transaction, the purchaser will also assume the contractual obligation for a further up to approximately 200 full-time positions – which will initially remain with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production transfers – to offer each affected person employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. As a result of this personnel reduction, STADA could incur further one-time burdens of up to € 2 million by the end of 2014, for which, however, from today’s perspective, a total amount of significantly less than € 1 million is expected. Due to the communication and the introduction of this restructuring measure STADA will reach a significant restructuring goal of the “STADA – build the future” program earlier than planned, presumably within the current financial year 2012, namely the reduction of the number of personnel of 2010 by approx. 10% (corresponding to approx. 800 full time positions) throughout the Group by the end of 2013.

Fundamentally, through appropriate investments, STADA maintains all of its production facilities at a level required by legal stipulations and production technology. For the expansion and renewal of production locations and plants, the Group invested a total of € 3.4 million in the first half of 2012 (1-6/2011: € 2.4 million).

Following the previously communicated technical problems in part of the Serbian production for injection substances in 2011, which is primarily used for contract manufacturing, the US Food and Drug Administration (FDA) issued an “Import Alert” in the second quarter of 2012 as well as a “Warning Letter” in the current third quarter of 2012 relating to the Vrsac production location. The themes and measures mentioned in these documents have already, to a significant extent, been implemented during the technical optimization carried out on the plant that was inspected by the FDA and the production processes involving external experts, but were not considered by the FDA. As is known, production on the effected line could once again be taken up for the local as well as the EU market in the second quarter of 2012. For the US market, STADA has foregone further delivery due to economic considerations. The expense in the amount of € 0.5 million before taxes or € 0.4 million after taxes for the corresponding dissolution of the delivery contract was reported as a one-time special effect in the second quarter of 2012 (see “Earnings development of the STADA Group”). The Serbian production location, regardless of the termination of delivery to the US market, will continue to seek to cooperate with the FDA and thereby also undertake further process optimizations if necessary in order to fully meet its own high quality demands. An inspection of the affected production line and the connected processes, which also include the microbiological quality control, on July 17, 2012 by the responsible Serbian supervisory authority confirmed the measures taken by Hemofarm. The final judgement of the local regulatory authority is expected in the third quarter of 2012.

In the course of 2013, as a result of new EU regulations, increased documentation and information requirements will be placed on pre-suppliers of pharmaceutical ingredients in particular also from non EU countries which require greater involvement of national and/or local authorities in the third countries. From today’s perspective, it is questionable whether these new EU requirements on suppliers and third countries can even be met on time. Supply bottlenecks that arise as a result for pharmaceutical ingredients would significantly impact the

1) See the Company’s Ad hoc release of August 7, 2012.

entire European generics industry and thus also STADA. STADA assumes, however, from today's perspective, that as a result of ongoing efforts from the entire industry at both the EU and national level aimed at an appropriate solution, the necessary import of the relevant pharmaceutical ingredients will also be possible in 2013.

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, 2012, the **equity-to-assets ratio** was 29.7% (December 31, 2011: 30.9%) and was thereby satisfactory in the opinion of the Executive Board.

In view of the very high payments in the first half of 2012 for the acquisition of companies and products for the expansion of the Group portfolio in the short term in the total amount of € 377.5 million (1-6/2011: € 51.5 million), **net debt** rose to € 1,279.1 million as of June 30, 2012 (December 31, 2011: € 900.3 million). The **net debt to adjusted EBITDA ratio** amounted in the first half of 2012 on linear extrapolation of the adjusted EBITDA of the first half year on a full year basis to 3.6 (1-6/2011: 2.8) and was thus, as expected in view of the recently made acquisitions, above the value of 3 strived for by the Executive Board. The Executive Board continues to strive to return this key figure to a level of 3 by the end of 2013.

In addition to a five-year corporate bond that was placed in 2010 the amount of € 350 million and an interest rate of 4.00% p.a. for the long-term refinancing of the Group, there were as of June 30, 2012 long-term promissory notes with maturities in the area of 2012–2017 in the total amount of € 829.5 million.

As of June 30, 2012, **intangible assets** included € 436.7 million (December 31, 2011: € 319.2 million) goodwill. Furthermore, fair values determined in the context of the preliminary purchase price allocations from business combinations also led to additions to intangible assets, without consideration of amortization, in the amount of € 275.7 million in the reporting period. Thereof € 222.9 million resulted from the acquisition of the branded product portfolio from Grünenthal as well as € 52.8 million from the acquisition of the generics business from Spirig. Furthermore, additions to intangible assets in the amount of € 38.5 million resulted from the purchase of distribution rights for the branded product Tranexam®[1] in Russia.

Inventories increased from € 399.1 million as of December 31, 2011 to € 465.6 million as of June 30, 2012, among other things, as a result of the business combinations in the sense of IFRS 3 as well as from new inventories in the context of product acquisitions and stockpiling in Russia.

The largest item under **other financial assets** in the amount of € 62.2 million (previous year: € 46.0 million) is the loan from STADA Arzneimittel AG in the amount of € 23.7 million granted to BIOCEUTICALS Arzneimittel AG. The increase in the amount of € 16.2 million as compared to December 31, 2011 is characterized by, among other things, an increase in receivables from factoring in Germany.

Other assets increased from € 47.6 million as of December 31, 2011 to € 64.7 million as of June 30, 2012. This development is a result of increased advance income tax payments and increased interest accruals, among other things.

Cash and cash equivalents, which includes cash and call deposits as well as short-term financial investments, reduced from € 320.7 million as of December 31, 2011 to € 50.6 million as of June 30, 2012 – primarily as a result of the payment of purchase price liabilities from business combinations according to IFRS 3 that were due in the first half of 2012. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

1) Active ingredient tranexamic acid, for the treatment of hypermenorrhea.

Other provisions within equity amounted to - € 149.7 million as of June 30, 2012 and thereby decreased by € 31.9 million as compared to December 31, 2011. The main reason for this was the negative development of the Serbian dinar to Euro, which affected the foreign currency translation reserve.

The increase of **other non-current provisions** to € 39.3 million (previous year: € 34.9 million) is primarily attributable to changes in interest rates as well as the initial consolidation of the generics business of Spirig in financial year 2012.

As of June 30, 2012, the current and non-current **financial liabilities** amounted to € 1,329.8 million (previous year: € 1,221.1 million). The increase was primarily a result of the promissory notes secured in the first quarter of 2012 in the amount of € 100.0 million.

Deferred tax assets increased as of June 30, 2012 to € 76.1 million (previous year: € 63.4 million) – primarily due to the acquisition of the generics business of Spirig and the preliminary purchase price allocation carried out in the context of IFRS 3.

The reduction of **other financial liabilities** from € 252.4 million as of December 31, 2011 to € 215.5 million as of June 30, 2012 is primarily as a result of the payment of purchase price liabilities due from the business combinations in the sense of IFRS 3. The increasing liabilities from discount agreements had an opposing effect that partially compensated for this reduction.

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 51.6 million (1-6/2011: € 82.0 million) in the first half of 2012. The change of € 30.4 million as compared with the the corresponding period of the previous year primarily resulted from the cash-effective increase in inventories, which came to a lesser amount in the first half of 2011. An opposite and partly offsetting effect resulted from the development of trade accounts payable, in which there was a cash-effective increase in the first half of 2012 as opposed to a cash-effective decrease in the corresponding period of the previous year.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to - € 408.0 million (1-6/2011: - € 84,5 million) in the half year under review. The cash flow was primarily characterized in the first six months of 2012 by high payments for investments in business combinations according to IFRS 3, in particular for the acquisition of the Grünenthal branded product portfolio including the associated sales companies, as well as the acquisition of Spirig's generics business including the respective sales structures, and investments in products for the expansion of the portfolio in the short term.

Free cash flow in the first half of the current financial year was at - € 356.4 million resulting from cash flow from investing activities characterized by the high payments for investments (1-6/2011: - € 2.4 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 24.6 million in the reporting period (1-6/2011: € 49.1 million).

Cash flow from financing activities was at € 88.3 million in the first six months of 2012, whereas STADA recorded cash flow from financing activities in the amount of - € 63.1 million in the corresponding period of the previous year. This development was primarily due to the securing of promissory notes in the amount of € 100 million in the first quarter of 2012.

Net cash flow for the period was thus primarily characterized by the strong increase in cash flow from investing activities, for strategic reasons, for company acquisitions and product purchases to expand the Group portfolio in the short term.

Result from associated companies

Earnings from associated companies reported in the half year under review in the amount of € 0.8 million (1-6/2011: € 0.2 million) relate to the companies BIOCEUTICALS Arzneimittel AG[1], the Vietnamese Pymepharco Joint Stock Company and both French pharmacy purchasing syndicates Pharm Ortho Pedic SAS and AELIA SAS, which are accounted for using the equity method.

Acquisitions and disposals

With a view to the continued concentration processes in the industry, the Executive Board still follows an expansive acquisition policy to complement the Group's organic growth with further external growth impulses. The main focus is, on the one hand, on the regional expansion of business activities with concentration on high-growth emerging markets and, on the other hand, on the expansion and internationalization of the core segments, in particular the Branded Products core segment which is generally characterized by better margins and less regulatory intervention than the generics area.

Strict benchmarks still generally apply in the context of the STADA Group's acquisitions, which are geared towards the profitability and appropriateness of the purchase price. For larger acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is not too high.

The operational takeover of the products, companies and markets of the acquired brand portfolio in Central and Eastern Europe as well as the Middle East taken over at the end of 2011 and beginning of 2012 is proceeding according to plan. In this context, all business activities in the individual national markets – including those from the STADA Group as well as the new former Grünenthal units – will be carried out in the future under uniform management responsibility and a uniform market presence. For this reason, there will only be one regional company each in Poland, the Czech Republic, Slovakia, Slovenia and Croatia. With a view to sales activities, STADA will take advantage of a well-established model using independent local distributors in most countries of the MENA region.

After the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed contracts in the first quarter of 2012 for the purchase of trademark rights for the nutritional supplement Vuka Vuka®[2] and Vuka Drive®[2], a further development of Vuka Vuka® for Russia as well as Vuka Vuka® for the so-called CIS countries (Commonwealth of Independent States), sales responsibility was assumed in the second quarter of 2012 for both contract areas (see "Regional development in individual national markets – Russia").

After the completion of contracts in the first quarter of 2012 by the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, for the purchase of rights for the brand Tranexam®[3] in Russia, sales responsibility was also assumed upon official registration by the relevant national authority also in the second quarter of 2012 (see "Regional development in individual national markets – Russia").

In the second quarter of 2012, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, also signed a contract for the distribution of the branded product Ingavirin®[4] in Ukraine. The staggered purchase price amounted to a total of € 1.0 million. Sellers include LLC "Ingapharm" and JSC Valenta Pharmaceuticals, as well as a private individual, Nebolsin V.E. In 2011, the last full financial year before the takeover, sales generated with this branded product amounted to approx. UAH 532,200 (approx. € 47,600).

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, 2012. STADA's financial exposure as of June 30, 2012 amounted to € 19.3 million in payments for equity share and a loan granted in the amount of € 23.7 million.
2) Nutritional supplement (aphrodisiac).
3) Active ingredient tranexamic acid, for the treatment of hypermenorrhea.
4) Active ingredient Ingavirin, for the treatment of influenza.

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

Furthermore, in the course of the restructuring of the Russian production facilities according to "STADA – build the future", the STADA Executive Board and the STADA Supervisory Board agreed at a joint meeting on August 7, 2012 to a sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., in the context of a partial management buyout to LLC DMN Invest (see "STADA – build the future" as well as "Development, production and procurement").[1] After the decision by STADA's boards, the contract as well as associated temporary service agreements are expected to be signed promptly in the current third quarter of 2012. STADA will report the one-time burden in the amount of approx. € 9.0 million before taxes or approx. € 7.2 million after taxes, as a one-time special effect in the third quarter of 2012.

STADA share

Overall, the STADA share price developed very well in the first half of 2012. While the STADA share price closed at € 19.25 at the end of 2011, it amounted to € 24.61 at the end of the first quarter of 2012 and closed the second quarter at € 24.10. The STADA share price thus increased in the first six months of 2012 by 25%. At the end of the first half of 2012, STADA's market capitalization amounted to € 1.422 billion. At the end of 2011, this figure was € 1.135 billion.

As of June 30, 2012, the subscribed share capital of STADA Arzneimittel AG amounted to € 153,435,464.00 (December 31, 2011: € 153,312,536.00) consisting of 59,013,640 registered shares with restricted transferability[2], each with an arithmetical share in share capital of € 2.60 (December 31, 2011: 58,966,360 registered shares). The changes in the first half of 2012 resulted from the exercising of 2,364 warrants 2000/2015[3]. As of June 30, 2012, 168,829 warrants 2000/2015 for the subscription of 3,376,580 STADA registered shares were thus still outstanding.

As of June 30, 2012, 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[4], Stavanger, Norway, and Gryphon International Investment Corporation[5], 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. Furthermore, 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 DWS Investment GmbH, Frankfurt am Main, Germany, a subsidiary of Deutsche Bank AG[6], London, United Kingdom, holds a stake that exceeds the legal reporting threshold of 5%, namely 5.381%. Pursuant to Section 41 (4d) of the German Securities Trading Act (WpHG), SOCIETE GENERALE SA[7], Paris, France, holds a share in voting rights requiring notification of 5.75% in relation to the entire amount of shares with voting rights of STADA Arzneimittel AG of 58,966,480. Thereby, SOCIETE GENERALE SA directly holds 0.1% of shares and also has the option to purchase, via financial or other instruments according to section 25a of the German Securities Trading Act, a 5.65% shareholding in STADA Arzneimittel AG (thereby indirectly 2.82% via SOCIETE GENERALE EFFEKTEN GMBH). In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

1) See the Company's ad hoc release of August 7, 2012.
2) Under the Company's Articles of Incorporation, STADA's registered shares with restricted transferability can only be entered into 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.
3) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
4) See the Company's disclosure of August 11, 2009.
5) See the Company's disclosure of January 14, 2011.
6) See the Company's disclosure of November 23, 2011.
7) See the Company's disclosure of March 14, 2012.

On May 30, 2012,[1] the STADA Annual General Meeting approved a dividend unchanged from the previous year of € 0.37 per STADA common share. The total dividend payments of € 21.8 million (previous year: € 21.7 million) thus represent a dividend ratio of approximately 99% (previous year: approx. 32%) of reported net income. In addition, the Annual General Meeting confirmed the Executive Board and the Supervisory Board with a high level of approval.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the fundamental outlook and the opportunities and risk report published for the Group in the Management Report of STADA's Annual Report 2011 on page 103 ff. Together with the supplements and updates, especially with reference to the current financial year, listed in this interim report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the STADA Group.

STADA's business model is therefore geared towards markets with long-term growth potential and growth opportunities in the health care and pharmaceutical market. Linked to this, however, are also inseparable risks and challenges resulting in particular from changed or additional state regulation and intensive competition. In view of this, in the Executive Board's assessment, far-reaching regulatory interventions, a high level of competition, default risks and significant margin pressure can continue to occur in individual 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 therefore also affect the Group's future development in financial years 2012 and 2013. Furthermore, STADA will have to deal with the effects of the global economic and financial crisis also in the future. In view of this, the Group continues to prepare itself, within the realm of possibility, for specific potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or continued strong volatility in interest rate levels and currency relations that are relevant for the Group. However, in view of the extraordinary dimension of the global financial and economic crisis, burdens which result from this such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences can, as before, not be ruled out.

Sales and earnings development of the STADA Group will continue to be characterized by various and partially stimulating, but also in part very challenging framework conditions in the various national markets in which STADA is active. In the overall assessment of opposing influence factors, the Executive Board, from today's perspective, nevertheless expects a further clear increase in Group sales for 2012 and 2013, in particular with the inclusion of the recent acquisitions in the current financial year.[2]

The Executive Board thus expects, from today's perspective, that in 2012 and 2013 both core segments can achieve sales growth. The Branded Products segment is expected to grow at a disproportionate rate, so that the share of Branded Products in Group sales will continue to grow.

In order to strengthen the mid and long-term earnings potential, STADA will continue to implement the Group-wide cost efficiency program "STADA – build the future" scheduled for the period of 2010 to 2013. The expected planned project-related costs[3] will continue to be reported as one-time special effects according to the progress of the project in each case. This also includes the one-time burden in the amount of approx. € 9.0 million before or approx. € 7.2 million after taxes from the sale of both Russian production facilities as approved by the STADA Executive Board and the STADA Supervisory Board in the current third quarter of 2012.[4]

1) The voting results of the decisions taken at the Annual General Meeting of May 30, 2012 are published on the Company's website at www.stada.de and www.stada.com at least by the end of the current financial year.
2) See the Company's ad hoc release of May 19, 2011 as well as the Company's ad hoc updates of November 9, 2011 and January 31, 2012.
3) See the Company's ad hoc release of June 7, 2010.
4) See the Company's ad hoc release of August 7, 2012.

Despite these earnings burdening one-time special effects from the further implementation of the "STADA – build the future" program, the Executive Board expects a very significant increase in reported net income for 2012 as compared to 2011.

The STADA Executive Board also expects continued growth in the key earnings figures adjusted for one-time special effects in the Group for 2012, as well as 2013, and also sees, from today's perspective, the opportunity for an increase in the high single-digit percent area in EBITDA adjusted for one-time special effects for 2012. This means that record results are once again targeted for these key figures in 2012.

Furthermore, the Executive Board affirms its long-term prognosis envisaged for 2014[1)], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached. The Group's recent acquisitions, which STADA finances organically, i.e. without a capital increase, give the Executive Board a high level of confidence that these long-term growth targets will, at a minimum, be reached despite the operating challenges that still remain in individual national markets.

H. Retzlaff H. Kraft Dr. A. Müller

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS OF 2012 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to June 30 in € 000s	1/1–6/30/2012	1/1–6/30/2011	4/1–6/30/2012	4/1–6/30/2011
Sales	885,235	829,746	441,861	411,425
Cost of sales	448,393	429,226	227,670	209,875
Gross profit	**436,842**	**400,520**	**214,191**	**201,550**
Selling expenses	211,392	185,978	108,961	94,382
General and administrative expenses	77,570	68,648	39,349	35,703
Research and development expenses	25,743	23,518	12,664	11,765
Other income	25,185	10,342	14,019	3,785
Other expenses	26,133	19,639	11,240	9,718
Expenses in connection with the "STADA – build the future" project	19,723	5,484	801	3,821
Operating profit	**101,466**	**107,595**	**55,195**	**49,946**
Result from associated companies	753	218	508	246
Investment income	1,672	125	900	125
Financial income	3,601	4,779	2,209	1,440
Financial expenses	34,692	30,311	17,928	14,849
Financial result	**-28,666**	**-25,189**	**-14,311**	**-13,038**
Earnings before taxes	**72,800**	**82,406**	**40,884**	**36,908**
Taxes on income	24,227	26,321	11,927	10,613
Earnings after taxes	**48,573**	**56,085**	**28,957**	**26,295**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	48,145	56,067	28,703	26,253
• distributable to non-controlling shareholders	428	18	254	42
Earnings per share in € (basic)	0.82	0.95	0.49	0.45
Earnings per share in € (diluted)	0.80	0.93	0.48	0.44

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	1/1–6/30/2012	1/1–6/30/2011	4/1–6/30/2012	4/1–6/30/2011
Earnings after taxes	48,573	56,085	28,957	26,295
Currency translation gains and losses	-29,077	17,206	-24,235	8,835
thereof				
• income taxes	771	-254	553	-51
Gains and losses on available-for-sale financial assets	-5	3	-8	-8
thereof				
• income taxes	1	-1	2	1
Gains and losses on hedging instruments (cash flow hedges)	-842	1,095	-600	-284
thereof				
• income taxes	312	-405	222	105
Actuarial gains and losses from defined benefit plans	-1,359	38	-1,394	-14
thereof				
• income taxes	536	-14	529	6
Other comprehensive income	-31,283	18,342	-26,237	8,529
Consolidated comprehensive income	17,290	74,427	2,720	34,824
thereof				
• distributable to shareholders of STADA Arzneimittel AG	16,258	74,599	2,256	34,856
• distributable to non-controlling shareholders	1,032	-172	464	-32

Consolidated Balance Sheet

Consolidated Balance Sheet as of June 30 in € 000s Assets	June 30, 2012	Dec. 31, 2011
Non-current assets	**1,794,604**	**1,532,764**
Intangible assets	1,414,231	1,147,181
Property, plant and equipment	285,993	299,480
Financial assets	10,146	10,082
Investments in associates	34,511	34,003
Other financial assets	13,604	12,147
Other assets	2,081	1,839
Deferred tax assets	34,038	28,032
Current assets	**1,104,208**	**1,267,081**
Inventories	465,644	399,125
Trade accounts receivable	451,352	446,214
Income tax receivables	25,260	21,310
Other financial assets	48,597	33,858
Other assets	62,631	45,730
Non-current assets and disposal groups held for sale	95	104
Cash and cash equivalents	50,629	320,740
Total assets	**2,898,812**	**2,799,845**

Equity and liabilities	June 30, 2012	Dec. 31, 2011
Equity	**860,013**	**863,911**
Share capital	153,435	153,312
Capital reserve	468,053	467,403
Retained earnings	379,015	352,652
Other provisions	-149,723	-117,836
Treasury shares	-1,603	-1,621
Equity attributable to shareholders of the parent	**849,177**	**853,910**
Shares relating to non-controlling shareholders	10,836	10,001
Non-current liabilities	**1,284,114**	**1,254,956**
Other non-current provisions	39,283	34,917
Financial liabilities	1,137,763	1,124,829
Other financial liabilities	25,499	26,003
Other liabilities	5,500	5,802
Deferred tax liabilities	76,069	63,405
Current liabilities	**754,685**	**680,978**
Other provisions	12,963	11,835
Financial liabilities	192,034	96,229
Trade accounts payable	252,609	241,561
Income tax liabilities	25,542	18,311
Other financial liabilities	190,036	226,383
Other liabilities	81,501	86,659
Total equity and liabilities	**2,898,812**	**2,799,845**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	June 30, 2012	June 30, 2011
Net income	48,573	56,085
Depreciation and amortization net of write-ups of non-current assets	56,828	45,542
Income taxes	24,227	26,321
Interest income and expenses	32,789	27,033
Result from associated companies	-753	-218
Result from the disposals of non-current assets	-436	-244
Changes in pension provisions	-51	-423
Currency translation income and expenses	-4,145	3,872
Other non-cash expenses and gains	31,190	17,908
Gross cash flow	**188,222**	**175,876**
Changes in inventories	-84,642	-7,546
Changes in trade accounts receivable	-19,162	-17,441
Changes in trade accounts payable	20,382	-19,889
Changes in other net assets	-6,449	-7,762
Interest and dividends received	5,116	1,897
Interest paid	-31,452	-29,093
Income tax paid	-20,402	-14,007
Cash flow from operating activities	**51,613**	**82,035**
Payments for purchases of		
• intangible assets	-68,608	-53,350
• property, plant and equipment	-12,977	-18,470
• financial assets	-493	-49
• shares in associated companies	-	-15,502
• business combinations according to IFRS 3	-325,216	-
Proceeds from the disposal of		
• intangible assets	687	1,309
• property, plant and equipment	1,592	1,410
• financial assets	478	205
• shares in consolidated companies	-3,455	-32
Cash flow from investing activities	**-407,992**	**-84,479**
Borrowing of funds	277,126	46,429
Settlement of financial liabilities	-167,648	-89,128
Dividend distribution	-22,030	-21,839
Capital increase from share options	778	1,378
Changes in non-controlling interests	51	-
Changes in treasury shares	13	21
Cash flow from financing activities	**88,290**	**-63,139**
Changes in cash and cash equivalents	**-268,089**	**-65,583**
Changes in cash and cash equivalents due to Group composition	157	-
Changes in cash and cash equivalents due to exchange rates	-2,179	955
Net change in cash and cash equivalents	**-270,111**	**-64,628**
Balance at beginning of year	**320,740**	**199,102**
Balance at end of year	**50,629**	**134,474**

Consolidated Statement of Changes in Shareholders' Equity

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

2012	Number of shares	Share capital	Capital reserve	Retained earnings
Balance as of June 30, 2012	59,013,640	153,435	468,053	51,635
Dividend distribution				
Capital increase from share options	47,280	123	655	
Changes in treasury shares			-5	
Appropriation from retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Comprehensive income				-1,359
Balance as of Dec. 31, 2011	58,966,360	153,312	467,403	52,994
Previous year				
Balance as of June 30, 2011	58,960,160	153,296	467,334	39,553
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
Balance as of Dec. 31, 2010	58,876,360	153,078	466,173	39,515

Net income incl. profit brought forward	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
379,015	-196,018	43	-5,383	-1,603	849,177	10,836	860,013
-21,782					**-21,782**	-248	**-22,030**
					778		**778**
				18	**13**		**13**
					-		**-**
					-	51	**51**
					-		**-**
48,145	-29,682	-4	-842		**16,258**	1,032	**17,290**
352,652	-166,336	47	-4,541	-1,621	853,910	10,001	863,911
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

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, 2012 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, 2011 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, 2012 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 2011. With regard to the principles and methods used in the context of Group Accounting, we refer to the Notes on the consolidated financial statements of the Annual Report 2011.

1.2. Changes in accounting policies

On January 1, 2012, the following change to IFRS 7 became effective: The amendments to IFRS 7 “Disclosures – Transfers of Financial Assets” relate to expanded disclosure requirements in the context of transfers of financial assets and aim to help users of financial statements better evaluate a company’s risk exposures. No significant effects on the consolidated financial statements resulted from the amended requirements of IFRS 7.

In June 2012, IASB published transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) for the standards adopted in May 2011 of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. In the context of these amendments, the transition guidance in IFRS 10 was clarified and additional simplification was ensured in all three standards. The effects of these new standards on STADA’s consolidated financial statements were already explained in the Annual Report 2011.

The other new or changed standards and interpretations adopted by the IASB in 2012, but not yet effective, are not expected to have any significant effects on STADA’s consolidated financial statements in the future.

1.3. Scope of consolidation

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

Changes in the scope of consolidation as of June 30, 2012 compared to December 31, 2011 resulted from the following listed acquisitions under company law:

- Purchase of a generics business in Switzerland including the respective sales structures on January 31, 2012.[1)]
- Purchase of a branded product portfolio for markets belonging to the EU in Central Europe including the associated sales structures on January 31, 2012.[2)]
- Purchase of the French company Laboratoires d'études et de recherches en oligo éléments théraphie SA, Colombes, on February 21, 2012.

Furthermore, the Spanish subsidiary STADA Consumer Health S.L., Barcelona, Spain, and the Lithuanian subsidiary UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania, were included as consolidated subsidiaries within STADA's scope of consolidation as of January 1, 2012.

A change in STADA's scope of consolidation also resulted from the founding of two Russian subsidiaries, OOO Makiz Pharma, Moscow, Russia, and OOO Skoping Pharmaceutical Plant, Ryazanskaya obl., Russia.

In the course of the further implementation of the "STADA – build the future" project, the Group sold the Irish subsidiary STADA Production Ireland Limited, Clonmel, Ireland, in the first half of 2012.[3)]

Furthermore, the following listed STADA subsidiaries were deconsolidated as their activities were not part of the Group's core business, and they were therefore sold:

- HEMOPHARM ENGINEERING Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany
- Hemofarm Inženjering d.o.o., Belgrade, Serbia
- OOO Hemofarm Inženjering Obninsk, Obninsk, Russia
- Global Project d.o.o., Vrsac, Serbia

In addition, the Swiss subsidiary company HF Pharmasuisse AG, Chur, Switzerland, was deconsolidated in the reporting period due to lack of material significance.

In the consolidated interim financial statements of the STADA Group, 72 companies were thereby consolidated as subsidiaries, two companies as joint ventures and four companies as associates as of the balance sheet date on June 30, 2012.

1.4. Business combinations

In financial year 2011 as well as in the first half of 2012, the following significant business combination as defined in IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

On July 22, 2011, STADA and Grünenthal GmbH, a globally active research pharmaceuticals company located in Aachen, Germany, signed contracts on the purchase of a branded product portfolio including the associated sales structures for numerous national markets in Eastern Europe and the Middle East. STADA gained control over the sales companies with an acquired share of 100% including the branded product portfolio on December 30, 2011.[4)]

1) See the Company's ad hoc release of January 31, 2012.
2) See the Company's ad hoc release of January 31, 2012.
3) See the Company's ad hoc release of February 6, 2012.
4) See the Company's ad hoc release of December 30, 2011.

In the first half of 2012, STADA also acquired the branded product portfolio including related sales structures and various pipeline products for markets belonging to the EU in Central Europe from Grünenthal GmbH. The underlying contract between STADA Arzneimittel AG and Grünenthal GmbH was signed on January 27, 2012. STADA gained control over the sales companies with an acquired share of 100% including the branded product portfolio on January 31, 2012.[1)]

The purchase price for the acquisition of the sales companies including the branded product portfolio for the markets in Eastern Europe and the Middle East as well as Central Europe amounted to a total of approx. € 320.2 million.

As the sales companies, including the branded product portfolio acquired in the context of the first tranche, represent an economic unit together with the second tranche of the acquisition, the purchase price allocation for these two tranches is not carried out separately, but rather in joint consideration.

In the context of the preliminary purchase price allocation, goodwill in the amount of € 93.1 million resulted from this business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in sales companies as well as the branded product portfolio approx.	320.2
Expected fair values of the assets and liabilities acquired	227.1
Goodwill	**93.1**

Goodwill here results primarily from the market presence achieved in countries in which STADA was previously not present, or not present to the desired level, especially Poland and countries in the MENA region.

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

Fair values in € million	
Intangible assets	222.9
Other non-current assets	0.8
Trade accounts receivable	5.5
Other current assets	0.8
Cash and cash equivalents	4.1
Assets	**234.1**
Other non-current provisions	1.5
Trade accounts payable	3.2
Other current liabilities	2.3
Liabilities	**7.0**

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

1) See the Company's ad hoc release of January 31, 2012.

Income and expenses for the branded product portfolio in Eastern Europe and the Middle East have been consolidated in the STADA Group since January 1, 2012. The income and expenses for the branded product portfolio for markets belonging to the EU in Central Europe have been consolidated in the STADA Group since February 1, 2012.

Disclosures regarding revenue, gains and losses of the sales companies acquired in financial year 2012, under the assumption that the companies were acquired at the beginning of the respective period, cannot be made in isolation because the business combination, with respect to the two tranches of the acquisition, can only be regarded as an economic unit.

Moreover, there was an additional significant business combination in the first half of 2012 in the context of the purchase of the generics business including the respective sales structures of Spirig, a Swiss pharmaceuticals company based in Egerkingen, Canton Solothurn. The underlying contract between STADA Arzneimittel AG and the shareholders of Spirig was signed on November 9, 2011 and the purchase was finally completed in January 2012.[1)]

The purchase price for this generics business totals CHF 98.1 million (€ 81.4 million) and also includes the right to continue marketing the acquired products under the Spirig umbrella brand. The acquired portfolio includes 56 prescription (RX) and 15 non-prescription (OTC) or discretionary prescription (OTX) products.

In the context of the preliminary purchase price allocation, goodwill in the amount of € 31.4 million resulted from this business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in the sales company as well as the generics business	81.4
Fair values of the assets and liabilities acquired	60.3
Deferred tax liabilities	10.3
Goodwill	**31.4**

Goodwill here results primarily from a strengthening of the sales presence in the Swiss market and furthermore in the rest of the European pharmaceutical market.

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

Fair values in € million	
Intangible assets	52.4
Inventories	9.1
Trade accounts receivable	3.2
Other current assets	0.2
Assets	**64.9**
Other non-current provisions	2.4
Deferred tax liabilities	11.7
Other current liabilities	0.8
Liabilities	**14.9**

1) See the Company's ad hoc release of January 31, 2012.

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

STADA has consolidated the generics business of Spirig since January 1, 2012.

2. Notes to the Consolidated Income Statement

2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from growth in both core segments as well as the growth in important national markets such as Russia, Spain and Italy, for example. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 5.9 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting.

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

Expenses in connection with the "STADA – build the future" project in the first half of 2012 primarily include, as special effects, burdens from the disposals of the Irish production facility STADA Production Ireland Limited and the engineering companies which are not part of the Group's core business, as well as for external consultancy services.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of June 30, 2012, intangible assets included € 436.7 million (December 31, 2011: € 319.2 million) goodwill. Furthermore, fair values determined in the context of the preliminary purchase price allocations led to additions to intangible assets, without consideration of amortization, in the amount of € 275.7 million in the reporting period. Thereof € 222.9 million resulted from the acquisition of the branded product portfolio from Grünenthal as well as € 52.8 million from the acquisition of the generics business from Spirig. Furthermore, additions to intangible assets in the amount of € 38.5 million resulted from the purchase of distribution rights for the branded product Tranexam® in Russia.

3.2. Cash and cash equivalents

Cash and cash equivalents, which includes cash and call deposits as well as short-term financial investments, reduced from € 320.7 million as of December 31, 2011 to € 50.6 million as of June 30, 2012, primarily as a result of the payment of purchase price liabilities from business combinations according to IFRS 3 that were due in the first half of 2012. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

3.3. Financial liabilities

As of June 30, 2012, the Group's current and non-current financial liabilities in the amount of € 192.0 million and € 1,137.8 million (December 31, 2011: € 96.2 million and € 1,124.8 million) include promissory notes and a bond which have a nominal value in the amount of € 829.5 million (December 31, 2011: € 729.5 million) and € 350.0 million (December 31, 2011: € 350.0 million) respectively.

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 investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates. Cash flow from operating activities amounted to € 51.6 million in the first six months of 2012 (1-6/2011: € 82.0 million). The change of € 30.4 million as compared to the previous year primarily resulted from the cash-effective increase of inventories that came to a lesser amount in the first half of 2011. An opposite and partly offsetting effect resulted from the development of trade accounts payable, in which there was a cash-effective increase in the first half of 2012 as opposed to a cash-effective decrease in the corresponding period of the previous year.

4.2. Cash flow from investing activities

Cash flow from investment activities reflects the cash outflows for investments reduced by the inflows from disposals. Cash flow from investment activities amounted to - € 408.0 million in the reporting period (1-6/2011: - € 84.5 million). The cash flow from investment activities in the first six months of 2012 was primarily characterized by high payments for business combinations according to IFRS 3, especially by the acquisition of the Grünenthal branded products portfolio including the associated sales companies as well as by the acquisition of the generics business of Spirig including the corresponding sales structures, or investments for the expansion of the portfolio on the short term.

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 € 88.3 million in the first six months of 2012, whereas STADA reported cash flow from financing activities in the amount of - € 63.1 million in the corresponding period in the previous year. This development was primarily attributable to securing promissory notes in the first quarter of 2012 in the amount of € 100 million.

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. Net cash flow for the period in the first half year of 2012 was thereby significantly characterized by the strong increase in cash flow from investing activities for strategic reasons for the purchase of companies and products to expand the portfolio in the short term.

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

5.2. Information by Operating Segment

in € 000s		1/1–6/30/2012	1/1–6/30/2011
Generics	**External sales**	**585,091**	**572,121**
	Sales with other segments	972	327
	Total sales	586,063	572,448
	Operating profit	67,422	76,220
Branded Products	**External sales**	**284,458**	**231,003**
	Sales with other segments	1,077	918
	Total sales	285,535	231,921
	Operating profit	64,956	58,416
Commercial Business	**External sales**	**9,048**	**18,003**
	Sales with other segments	288	58
	Total sales	9,336	18,061
	Operating profit	-157	707
Reconciliation Group holdings/ other and consolidation	**External sales**	**6,638**	**8,619**
	Sales with other segments	-2,337	-1,303
	Total sales	4,301	7,316
	Operating profit	-30,755	-27,748
Group	**External sales**	**885,235**	**829,746**
	Sales with other segments	-	-
	Total sales	885,235	829,746
	Operating profit	101,466	107,595

5.3. Reconciliation of segment results to net profit

in € 000s	1/1–6/30/2012	1/1–6/30/2011
Operating segment profit	132,221	135,343
Reconciliation Group holdings/other and consolidation	-30,755	-27,748
Result from associated companies	753	218
Investment income	1,672	125
Financial income	3,601	4,779
Financial expenses	34,692	30,311
Earnings before taxes, Group	**72,800**	**82,406**

5.4. Reconciliation of segment assets to Group assets

in € 000s	June 30, 2012	June 30, 2011
Segment assets	1,490,054	1,117,818
Reconciliation Group holdings/other and consolidation	220,315	221,210
Other non-current assets	84,235	88,403
Current assets	1,104,208	1,079,480
Total assets, Group	**2,898,812**	**2,506,911**

6. Additional Information

6.1. Information by region[1]

Sales in € 000s	1/1–6/30/2012	1/1–6/30/2011	±%	±% adjusted[2]
Europe	**843,321**	**796,023**	**+6%**	***0%***
• Belgium	71,917	72,090	0%	*0%*
• Bosnia-Herzegovina	5,895	5,132	+15%	*+27%*
• Bulgaria	3,794	3,016	+26%	*+26%*
• Denmark	10,450	17,874	-42%	*-42%*
• Germany	233,240	233,075	0%	*0%*
• Finland	3,022	3,059	-1%	*-1%*
• France	39,726	38,411	+3%	*-3%*
• United Kingdom	27,148	26,289	+3%	*-5%*
• Ireland	10,370	10,272	+1%	*0%*
• Italy	78,482	75,949	+3%	*+3%*
• Croatia	3,252	509	+539%	*-39%*
• Lithuania	664	674	-1%	*-1%*
• Macedonia	1,598	1,458	+10%	*+22%*
• Montenegro	2,639	3,111	-15%	*-6%*
• The Netherlands	24,295	26,518	-8%	*-8%*
• Austria	7,931	7,077	+12%	*+12%*
• Poland	8,480	1,927	+340%	*-26%*
• Portugal	6,466	6,735	-4%	*-4%*
• Romania	2,348	2,350	0%	*-2%*
• Russia	149,468	120,919	+24%	*+16%*
• Sweden	2,973	3,119	-5%	*-6%*
• Switzerland	18,846	495	+3,710%	*+341%*
• Serbia	31,363	50,113	-37%	*-30%*
• Slovakia	7,592	3,896	+95%	*+27%*
• Slovenia	2,215	1,181	+88%	*+4%*
• Spain	60,090	56,431	+6%	*+6%*
• Czech Republic	10,138	6,315	+61%	*-8%*
• Ukraine	13,043	11,587	+13%	*+4%*
• Rest of Europe	5,876	6,441	-9%	*-23%*
Africa	**4,600**	**6,045**	**-24%**	***-22%***
The Americas	**4,093**	**6,112**	**-33%**	***+27%***
• USA	3,691[3]	5,724[3]	-36%	*+30%*
• Rest of America	402	388	+3%	*+3%*
Asia/pacific region	**33,221**	**21,566**	**+54%**	***+26%***
• China	2,295	1,787	+28%	*+17%*
• Kazakhstan	6,696	4,874	+37%	*+28%*
• The Philippines	1,044	2,024	-48%	*-54%*
• Thailand	1,201	1,127	+7%	*-1%*
• Vietnam	6,516	5,644	+15%	*+6%*
• Rest of Asia/Pacific region	15,469	6,109	+153%	*+77%*

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 € 23.7 million (December 31, 2011: € 23.9 million) had been used as of June 30, 2012.

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

No additional significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2011.

8. Significant events after the balance-sheet date

In the course of the restructuring of the Russian production facilities according to "STADA – build the future", the STADA Executive Board and the STADA Supervisory Board agreed at a joint meeting on August 7, 2012 to a sale of both Russian production facilities, OOO Makiz Pharma, Moscow, and OOO Skopin Pharmaceutical Plant, Ryazanskaya obl., in the context of a partial management buyout to LLC DMN Invest.[1] After the decision by STADA's boards, the contract as well as associated temporary service agreements are expected to be signed promptly in the current third quarter of 2012. STADA will report the one-time burden in the amount of approx. € 9.0 million before taxes or approx. € 7.2 million after taxes, as a one-time special effect in the third quarter of 2012. In the context of the completion, as part of the restructuring, approximately 182 full-time positions in the STADA production companies at the locations of both sold production facilities will be immediately reduced and the affected persons will be employed at previous conditions by the purchaser in the future. In the context of the transaction, the purchaser will also assume the contractual obligation for a further up to approximately 200 full-time positions – which will initially remain with local STADA subsidiaries at the locations of both sold production facilities in order to secure the ongoing production transfers – to offer each affected person employment at previous conditions when they are laid off by the local STADA subsidiaries after completion of the transfers at the latest. As a result of this personnel reduction, STADA could incur further one-time burdens of up to € 2 million by the end of 2014, for which, however, from today's perspective, a total amount of significantly less than € 1 million is expected. Due to the communication and the introduction of this restructuring measure STADA will reach a significant restructuring goal of the "STADA – build the future" program earlier than planned, presumably within the current financial year 2012, namely the reduction of the number of personnel of 2010 by approx. 10% (corresponding to approx. 800 full time positions) throughout the Group by the end of 2013.

1) See the Company's ad hoc release of August 7, 2012.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applied reporting principles for orderly Group 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 7, 2012

H. Retzlaff　　H. Kraft　　Dr. A. Müller

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, 2012 to June 30, 2012, 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 am Main, August 7, 2012

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

R. Brinskelle	S. Varughese
German Public Accountant	German Public Accountant

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

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

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

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1) Employee representatives.

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