STADA Interim Report on the First Six Months

2010

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	1/1-6/30/2010	1/1-6/30/2009	± %
Group sales	778.1	755.2	+3%
• Generics (core segment)	544.6	537.8	+1%
• Branded Products (core segment)	202.5	187.6	+8%
• Commercial Business	29.5	24.6	+20%
• Group holdings / other	1.5	5.2	-72%
Operating profit	98.6	85.4	+15%
Operating profit, adjusted[1]	*109.6*	*88.7*	*+24%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	142.9	124.0	+15%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1]	*148.6*	*125.8*	*+18%*
EBIT (Earnings before interest and taxes)	98.8	86.6	+14%
EBIT (Earnings before interest and taxes), adjusted[1]	*109.9*	*89.0*	*+23%*
EBT (Earnings before taxes)	72.4	60.9	+19%
EBT (Earnings before taxes), adjusted[1]	*84.5*	*65.5*	*+29%*
Net income[2]	50.0	48.3	+4%
Net income[2], adjusted[1]	*59.7*	*52.1*	*+14%*
Cash flow from operating activities	104.0	55.9	+86%
Capital expenditure	77.7	62.0	+25%
Depreciation and amortization (net of write-ups)	44.1	37.4	+18%
Average number of employees (Jan. 1 – June 30)	8,070	8,132	-1%

Key share figures	1/1-6/30/2010	1/1-6/30/2009	± %
Market capitalization in € million (as of June 30)	1,607.9	1,046.5	+54%
Closing price (XETRA®) in € (as of June 30)	27.31	17.81	+53%
Average number of shares not including treasury shares (Jan. 1 – June 30)	58,752,205	58,654,069	0%
Earnings per share in €	0.85	0.82	+4%
Earnings per share in €, adjusted[1]	*1.02*	*0.89*	*+15%*
Diluted earnings per share in €	0.83	0.82	+1%
Diluted earnings per share in €, adjusted[1]	*0.99*	*0.89*	*+11%*

1) Adjusted for one-time special effects as well as non-operational effects from currency influences and interest rate hedge transactions in the first half year of 2009 and the first half year of 2010.
2) Unless otherwise stated, "net income" in this interim report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.

MANAGEMENT REPORT

Overview: good Group development as expected in the first half year of 2010

In the first half year of 2010, the STADA Group, as expected, recorded an increase in sales and earnings as well as in almost all sales-related profit margins.

Group sales increased – with mixed development in the individual national markets – in the first six months of the current financial year by 3% to € 778.1 million compared to the first half year of the previous financial year (1-6/2009: € 755.2 million).

Net income rose in the reporting period by 4% compared to the corresponding period in the previous year to € 50.0 million (1-6/2009: € 48.3 million). Adjusted net income even rose in the first six months of 2010 by 14% to € 59.7 million (1-6/2009: € 52.1 million); earnings before interest, taxes, depreciation and amortization (EBITDA) went up in the same period by 15% to € 142.9 million (1-6/2009: € 124.0 million). In addition, all other key earnings figures of the Group also recorded growth rates in the reporting period; the sales-related margins of the various key earning figures almost all increased compared with those of the first half year of 2009.

The development of the STADA Group in the first half year of 2010 was thus overall within the scope of expectations published at the beginning of the year and, in the view of the Executive Board, may be described as good, particularly against the backdrop of a continuing difficult environment in individual national markets such as in Serbia and Germany (see "Regional development in individual national markets").

From the Executive Board's perspective, it is, moreover, pleasing that initial successes were already recorded with the implementation of the Group-wide project "STADA – build the future" in the current third quarter of 2010. Thus, a reduction in the number of employees by 113 was already achieved through the transfer of the Dutch packaging unit (see "STADA Group's long-term targets taking into account the 'STADA – build the future' project").

From today's perspective, the Executive Board therefore holds to its forecast, according to which, in the current financial year 2010, there continues to be the opportunity for an increase in sales and operating profit (adjusted for one-time special effects) with at least stable operating margins.

On June 7, 2010, the STADA Group also published long-term targets.[1] According to these, with Group sales of approx. € 2.15 billion, an EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached in 2014.[2] Of the one-time special effects amounting to approx. € 50 million by 2013 necessary to achieve these targets, approx. € 10 million will be incurred in 2010 (see "Earnings development of the STADA Group").

Sales development of the STADA Group

In the first half year of 2010, **Group sales** rose by 3% to € 778.1 million (1-6/2009: € 755.2 million). This was primarily due to the Group's international sales, which had a total share of 67% (1-6/2009: 63%) in Group sales in the first six months of the current financial year and thus recorded an increase of 9% to € 518.2 million (1-6/2009: € 473.6 million).

When effects on sales from changes in the Group portfolio and currency effects are taken into account, Group sales increased by 2% in the first half year of 2010 compared to the corresponding period in the previous year.

1) See the Company's ad hoc release of June 7, 2010.
2) For related assumptions and framework conditions, see "STADA Group's long-term targets taking into account the 'STADA – build the future' project".

The influence from these effects was detailed as follows:

- Portfolio changes[1] contributed a total of € 5.3 million and thus 0.7 percentage points to sales growth in the reporting period.
- As a result of applying the foreign exchange rates from the first half year of 2010 compared with those of the first half year of 2009 for the translation of local sales contributions into the Group currency euro, STADA recorded a slightly positive currency effect in the amount of € 3.1 million or 0.4 percentage points.

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

In **Europe**, the STADA Group recorded an increase in sales of 2% to € 742.3 million in the first six months of 2010 (1-6/2009: € 724.6 million). STADA's sales in European markets thus amounted to a 95.4% (1-6/2009: 95.9%) share of Group sales. Adjusted, STADA's Group sales in Europe grew by 1%.

In **Western Europe**, sales rose by 2% to € 569.0 million in the reporting period (1-6/2009: € 558.9 million). Sales generated by STADA in Western European markets thus contributed 73.1% (1-6/2009: 74.0%) to Group sales. STADA's adjusted sales in Western Europe increased by 1%.

In **Eastern Europe**[3] sales increased by 5% to € 173.3 million in the half year under review (1-6/2009: € 165.7 million). STADA's sales in Eastern European markets thus amounted to a 22.3% (1-6/2009: 21.9%) share of Group sales. STADA's adjusted sales in Eastern Europe recorded a sales increase of 2%. The year-on-year comparison here must particularly take into account the difficult market situation in Serbia (see "Regional development in individual national markets").

In **Asia**, STADA's sales rose by 16% to € 25.4 million in the first half year of 2010 (1-6/2009: € 22.0 million). Sales in Asia thus had a share of 3.3% in Group sales (1-6/2009: 2.9%). STADA's adjusted sales in Asian markets increased by 13%.

Group sales in the **rest of the world** rose in the reporting period by 21% to € 10.4 million (1-6/2009: € 8.6 million). Sales from the rest of the world thus contributed 1.3% (1-6/2009: 1.1%) to Group sales. STADA's adjusted sales growth amounted here to 19%.

Sales development in STADA's most important individual national markets is described in more detail in the context of the reporting on regional developments (see "Regional development in individual national markets"). Against the backdrop of these developments, the Executive Board, from today's perspective, continues to expect that the Group can achieve overall sales growth in financial year 2010.

Earnings development of the STADA Group

All reported key earnings figures increased in the first six months of the current financial year.

In the first half year of 2010, **net income** rose by 4% to € 50.0 million (1-6/2009: € 48.3 million). **Earnings before interest, taxes, depreciation and amortization (EBITDA)** increased by 15% in the half year under review to € 142.9 million (1-6/2009: € 124.0 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects and non-operational effects from currency influences and interest rate hedge transactions, **adjusted net income** increased by 14% to € 59.7 million in the first six months of the current financial year (1-6/2009: € 52.1 million). **Adjusted earnings before interest, taxes,**

1) Acquisition of the branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln – for sale through the German STADA subsidiary Hemopharm GmbH – as of November 13, 2009, the purchase in Denmark of a portfolio of mainly branded products with eight pharmaceutical active ingredients as of January 15, 2010 and consolidation since January 18, 2010 as well as the purchase in Russia, as of November 18, 2009, of a package of five Russian branded products with a focus on the gynecology area of indication with sales contributions since April 1, 2010.
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.

depreciation and amortization (adjusted EBITDA) recorded an increase of 18% to € 148.6 million in the first half year of 2010 (1-6/2009: € 125.8 million).

One-time special effects in the first half year of 2010 resulted in a net burden on earnings in the total amount of € 13.4 million before or € 10.5 million after taxes (1-6/2009: net burden on earnings due to one-time special effects in the amount of € 1.1 million before or € 1.3 million after taxes).

In the second quarter of 2010, net burdens on earnings due to one-time special effects in the total amount of € 5.5 million before or € 4.5 million after taxes were incurred (second quarter of 2009: net burden on earnings due to one-time special effects in the amount of € 1.4 million before or € 1.4 million after taxes), which can be broken down as follows:

- a net burden in the amount of € 0.1 million before or € 0.02 million after taxes for unscheduled amortization on intangible assets and financial assets after impairment tests
- a burden in the amount of € 1.1 million before or € 0.8 million after taxes as a result of expenses in connection with the "STADA – build the future" project[1)] (see "STADA Group's long-term targets taking into account the 'STADA – build the future' project")
- a burden in the amount of € 0.8 million before or € 0.6 million after taxes as a result of expenses in connection with the recall of products with the active ingredient Bufexamac (see "Regional development in individual national markets – Germany")
- a burden in the amount of € 3.5 million before or € 3.1 million after taxes as a result of further value adjustments on receivables from local wholesalers in Serbia (see "Regional development in individual national markets – Serbia")

Non-operational effects from currency influences and interest rate hedge transactions amounted to a relief on earnings in the total amount of € 1.3 million before or € 0.9 million after taxes in the first six months of the current financial year (1-6/2009: net burden on earnings due to non-operational effects from currency influences and interest rate hedge transactions in the amount of € 3.4 million before or € 2.5 million after taxes).

In the second quarter of 2010, non-operational effects from interest rate hedge transactions thereby resulted in a burden on earnings in the amount of € 0.1 million before or € 0.1 million after taxes (second quarter of 2009: net relief on earnings due to non-operational effects from currency influences and interest rate hedge transactions in the amount of € 2.7 million before or € 1.7 million after taxes). After adjusting the refinancing structures, there is currently no longer any significant risk of non-operational effects from currency influences; such effects were accordingly not recorded in the second quarter of 2010.

To the extent that reference is made in the following to adjusted key earnings figures, the earnings adjustments carried out each include all these effects both for the half year under review as well as for the respective corresponding comparison period.[2)]

In the chart below, further essential key earnings figures of the STADA Group as well as the resulting margins are each also reported adjusted for aforementioned one-time special effects and non-operational effects from currency influences and interest rate hedge transactions for the first half year of 2010 and 2009 to allow for comparison.

It is clear from this that STADA was also able to improve all other Group-related key earnings figures for the reporting period as compared to the first half year of 2009. In addition, almost all of the respective sales-related margins were higher than in the comparative half year of the previous year.

For financial year 2010 overall, the Executive Board holds to its expectation that there is the opportunity for operating earnings growth and at least a stabilization of operating margins. Overall, from today's perspective, it should continue to be possible in 2010 to be able to achieve growth in terms of all key earnings figures adjusted for one-time special effects.

1) In connection with this project, the Supervisory Board decided not to extend the Executive Board contract of Christof Schumann past December 31, 2010 (see the Company's ad hoc release of May 10, 2010). This resulted, in the second quarter of 2010, in a burdening provision, recognized as a one-time special effect, in the amount of the contractually approved transitional allowance of € 1.1 million. In addition, another burdening special effect in the amount of € 0.6 million was incurred in the current third quarter of 2010 due to the departure of Christof Schumann from the STADA Executive Board as of July 31, 2010 (see the Company's ad hoc release of July 26, 2010).
2) The adjusted key earnings figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison (see "Notes – 5.2.").

Development of the STADA Group's key earnings figures

in € million	1–6/2010	1–6/2009	± %	Margin[1] 1–6/2010	Margin[1] 1–6/2009
Operating profit	98.6	85.4	+15%	12.7%	11.3%
• Operating segment result Generics	76.2	66.2	+15%	14.0%	12.3%
• Operating segment result Branded Products	38.7	34.2	+13%	19.1%	18.2%
EBITDA[2]	142.9	124.0	+15%	18.4%	16.4%
EBIT[3]	98.8	86.6	+14%	12.7%	11.5%
EBT[4]	72.4	60.9	+19%	9.3%	8.1%
Net income	50.0	48.3	+4%	6.4%	6.4%
Earnings per share in €	0.85	0.82	+4%		
Diluted earnings per share in €	0.83	0.82	+1%		

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

in € million	*1–6/2010*	*1–6/2009*	*± %*	*Margin[1] 1–6/2010*	*Margin[1] 1–6/2009*
Operating profit, adjusted	*109.6*	*88.7*	*+24%*	*14.1%*	*11.7%*
• Operating segment result Generics, adjusted	*80.2*	*66.7*	*+20%*	*14.7%*	*12.4%*
• Operating segment result Branded Products, adjusted	*39.1*	*37.1*	*+5%*	*19.3%*	*19.8%*
EBITDA[2], adjusted	*148.6*	*125.8*	*+18%*	*19.1%*	*16.6%*
EBIT[3], adjusted	*109.9*	*89.0*	*+23%*	*14.1%*	*11.8%*
EBT[4], adjusted	*84.5*	*65.5*	*+29%*	*10.9%*	*8.7%*
Net income, adjusted	*59.7*	*52.1*	*+14%*	*7.7%*	*6.9%*
Earnings per share in €, adjusted	*1.02*	*0.89*	*+15%*		
Diluted earnings per share in €, adjusted	*0.99*	*0.89*	*+11%*		

STADA Group's long-term targets taking into account the "STADA – build the future" project

On June 7, 2010, in the second quarter of 2010, the STADA Executive Board adopted the long-term growth targets for the Group.[6]

According to these targets, STADA aims, in five years, i.e. in financial year 2014, to achieve EBITDA in the amount of approx. € 430 million. EBITDA of € 280.1 million was achieved in the past financial year 2009.

From this, STADA calculates a value of approx. € 215 million for net income achievable in 2014. Net income of € 100.4 million was achieved in the past financial year 2009.

From today's perspective, Group sales are expected to reach approx. € 2.15 billion in 2014. Group sales of € 1.57 billion were achieved in the past financial year 2009.

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 currency influences and interest rate hedge transactions.
6) See the Company's ad hoc release of June 7, 2010.

This growth forecast by STADA is based on the following assumptions and framework conditions:

- predominantly organic growth
- no significant disposals with an effect on sales and earnings
- forward projection of current currency relations and the current interest rate level
- without consideration of one-time special effects
- forward projection of current regulatory conditions in the markets relevant for STADA
- range of the forecast plus/minus 5%

The implementation of the "STADA – build the future" project to sustainably increase earnings initiated by the Executive Board at the same time is also expected to contribute to achieving the growth targets. This project should reduce the complexity of Group structures, make centralized control of Group companies more efficient and accelerate continuous cost optimization with a focus on the fields of cost of sales/ production locations as well as organizational, reporting and personnel structures. This will also involve the sale or abandonment of production facilities as well as outsourcing individual functional areas to third-party providers.

The program will also result, in the short and mid-term, in significant staff reductions in all Company divisions and regions, which, including outsourcing and sales, involves approx. 800 full-time positions and thus approx. 10% of the current personnel level in the Group; the focus of the staff reductions will be outside of Germany.

The implementation of "STADA – build the future" is expected to be completed in 2013; positive effects on earnings as a result of the project for EBITDA adjusted for one-time special effects and the correspondingly adjusted net income are to be expected to a significant extent from 2011. In the period until 2013, from today's perspective, project-related investments of a total of approx. € 20 million as well as project-related expenditure for special write-offs, personnel expenses and consultancy services of a total of approx. € 50 million are expected; the Group will recognize each of these project-related costs as a one-time special effect according to progression of the project. As a result, a net burden of approx. € 10 million is expected for 2010.

In the course of the implementation of the "STADA – build the future" project, the Group, in the current third quarter as of August 1, 2010, transferred the Dutch packaging unit in Etten-Leur to Hansfree B.V. According to the contracts agreed with the acquirer, the Group can draw on the capacities of the unit sold for a transitional period at fixed costs and to a variable extent determined by STADA. Within the scope of the transfer, the 113 employees and the assets in the amount of € 0.7 million also passed to the acquiring company. The book loss for STADA associated with the transfer, which is within the scope of project planning for "STADA – build the future", amounted to € 5.9 million before or € 5.6 million after taxes and will be reported as a burdening one-time special effect in the current third quarter.

Development of Segments

Sales of the two **core segments**, Generics and Branded Products, increased in the first half year of 2010 by a total of 3% or 2% when adjusted. These two core segments thus contributed 96.0% to Group sales in the half year under review (1-6/2009: 96.1%).

Sales of **Generics**, which continues to be the significantly larger core segment, increased in the first six months of 2010 – despite the partly difficult framework conditions in individual national markets (see "Regional development in individual national markets") – by 1% to € 544.6 million (1-6/2009: € 537.8 million). Generics thus had a share of 70.0% in Group sales in the reporting period (1-6/2009: 71.2%). Adjusted generics sales in the Group recorded an increase of 1%.

Branded Products recorded an increase in the first half year of the current financial year of 8% to € 202.5 million (1-6/2009: € 187.6 million). The share of Branded Products in Group sales thus amounted to 26.0% in the half year under review (1-6/2009: 24.8%). Adjusted sales of branded products in the Group recorded growth of 3%.

In **Commercial Business**, which is not part of the core business, sales generated by the Group in the first six months of 2010 increased to € 29.5 million (1-6/2009: € 24.6 million). Sales reported under **Group holdings/other** decreased to € 1.5 million in the first half year of 2010 (1-6/2009: € 5.2 million).

The development of the **operating segment earnings** as well as of the resulting **operating segment margins** based on the respective segment sales is illustrated in the chart above "Development of the STADA Group's key earnings figures".

Regional development in individual national markets

In **Germany**, which continues to be the largest national market for STADA, sales decreased in the first half year of 2010 by 8% to € 259.9 million (1-6/2009: € 281.6 million). German business activities thus had a share of 33.4% in Group sales in the first six months of the current financial year (1-6/2009: 37.3%). Sales generated by STADA with generics in Germany in the first six months thereby amounted to a share of 76% of Group sales achieved in Germany (1-6/2009: 77%).

This decrease in sales in the German market continued to be based on the ongoing difficult local framework conditions for generics. Sales in the German Generics segment in the half year under review, having declined by 9% to € 196.7 million (1-6/2009: € 217.1 million), were thus below the Group's original expectations; the STADA Group's market share of generics sold in German pharmacies decreased by volume in the first half year of 2010 to approx. 12.8% (financial year 2009: approx. 13.5%). This is contrasted however with operating profitability in the German Group business as expected only just under Group average in the first half year of 2010.

This development in the German market is primarily characterized by the results achieved by various STADA sales companies in the numerous tenders for discount agreements by statutory health insurance organizations. Awards of such discount agreements are generally associated with gains in sales and market share, but only at considerably lower margins; not gaining awards on the other hand normally means significant losses in sales and market share.[1)] STADA continues to regularly participate in tenders for such discount agreements using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results. The current primary objective pursued by the Group of reaching an appropriate operating profitability in the German market may, also for the full year 2010, result in a moderate decrease in sales and market share for STADA in the Generics segment in Germany, without negatively affecting the position of the STADA Group as clear number 3 in the German generics market.

This local market strategy currently being pursued is also due to the fact that further laws aiming to make structural changes in the German health care system are currently going through the legislative process. In this context, different regulatory changes are also being discussed for the structural element of discount agreements – with the goal, among other things, of achieving a greater degree of acceptance among patients and improved anti-trust protection – which, if actually implemented, in the current assessment of the Executive Board, could lead overall to moderately positive effects for generics suppliers from their expected effective date as of January 1, 2011.

Generics sales achieved in the German market continue to be generated via various sales labels. Sales of ALIUD PHARMA, the largest of the Group-owned sales lines in the German generics market, decreased in the first six months of 2010 by 15% to € 109.2 million (1-6/2009: € 128.4 million). Sales of the second Group-owned German generics label STADApharm also declined in the half year under review by 4% to € 71.9 million (1-6/2009: € 74.9 million). In contrast, sales of STADA's other generics sales line, cell pharm, special supplier for the indication areas oncology and nephrology, increased in the first six months of 2010 by 14% to € 14.8 million (1-6/2009: € 13.0 million).

1) There continues to be legal discussion on various types of discount agreements, both at a national and EU level, as to the fundamental legality and configuration of specific details.

Sales generated with branded products in the German market – predominantly under the local sales labels STADA GmbH and Hemopharm – decreased in the first half year of 2010 by 2% to € 61.9 million (1-6/2009: € 63.5 million). Sales generated by STADA with branded products in Germany in the reporting period amounted to a share of 24% of Group sales achieved in the German market (1-6/2009: 23%). This is based on opposing developments.

On the one hand, apart from a winter season that was weaker than usual, STADA, like numerous other suppliers, was also affected by a recall of drugs containing Bufexamac which is used for the treatment of hemorrhoids, ordered by the German regulatory authority, the Federal Institute for Drugs and Medical Devices (BfArM), in the second quarter of 2010. Regulatory authorities in other countries have only partly adopted this measure to date. The relevant STADA product with this active ingredient under the trademark Mastu® had achieved annual sales within the Group of € 5.6 million and annual sales of € 1.2 million in the German market alone in 2009. Before the end of the second quarter of 2010, STADA was able to deliver a successor product in Germany using the former trademark. The recall of former Mastu® products and the accelerated launch of a successor product has resulted in a total burden to date in the amount of € 0.8 million before or € 0.6 million after taxes, which has been reported as a one-time special effect (see “Earnings development of the STADA Group”).

In contrast to this, on the other hand, sales development of the branded product segment in Germany was positively affected by the branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln, acquired by STADA – in Germany for sale through Hemopharm – at the end of 2009, with which the Group generated sales of € 2.0 million in the first half year of 2010.[1)]

In their outlook for the current financial year for overall business in Germany, the Executive Board, in view of the difficult market environment described and the strategies currently being pursued there, now expects, from today’s perspective, a moderate decline in sales, with operating profitability however just under Group average.

In **Russia**, which continues to be the Group’s second most important national market, STADA achieved pleasing sales growth in the first half year of 2010 in the amount of 17%, applying the exchange rates of the previous year, in spite of a local price regulation introduced on April 1, 2010, for so-called essential pharmaceuticals, which affects approx. 40% of local Group sales. In euro, the Group increased sales by 24% to € 96.8 million (1-6/2009: € 77.8 million).

The two core segments in the Russian market continued to have nearly the same share of local Group sales in the reporting period. Sales of generics thereby amounted to € 49.3 million (1-6/2009: € 42.2 million) or 51% of STADA’s sales in Russia (1-6/2009: 54%). Sales of branded products amounted to € 47.5 million (1-6/2009: € 35.3 million) or 49% of STADA’s sales in Russia (1-6/2009: 45%).

At the end of 2009, as is known, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a purchasing contract for a package of five Russian branded products with a focus on the gynecology area of indication.[2)] Sales responsibility was assumed as planned in the second quarter of the current financial year. The sales contribution of the acquired products to Group sales in the reporting period was € 1.7 million.[3)]

For financial year 2010, STADA continues to expect strong sales growth in local currency in Russia with operating profitability above Group average. The sales and earnings contributions of the Russian business activities at Group level will thereby remain largely dependent on the development of the currency relation of the local currency, the Russian ruble, to the euro.

Sales generated by STADA in **Belgium** in the first half year of the current financial year increased by 11% to € 68.2 million (1-6/2009: € 61.5 million).

1) See STADA’s Annual Report 2009. EUNOVA Multi-Vitalstoffe Langzeit Kapseln contributed a total of € 2.6 million to sales in the first half of 2010; in addition to sales in the German market, export sales in the amount of € 0.6 million were achieved.
2) See STADA’s Annual Report 2009.
3) Sales contribution from April 1, 2010 to June 30, 2010.

Generics thereby continued to have the largest share of local sales in the Belgian market in the half year under review. Generics sales generated by STADA there in the first half year of 2010 rose by 11% to € 64.7 million (1-6/2009: € 58.5 million). Generics thus made up 95% of local sales in the first six months of 2010 (1-6/2009: 95%).

STADA generated sales of € 3.5 million with branded products in Belgium in the reporting period (1-6/2009: € 3.0 million). They thus had a 5% share of STADA's Belgian sales (1-6/2009: 5%).

For financial year 2010, STADA continues to expect another clear sales increase in Belgium with operating profitability at about Group average.

In **Italy**, STADA recorded an increase in sales of 24% to € 66.7 million in the first six months of 2010 (1-6/2009: € 54.0 million). This was primarily due to the generics sales generated by the Group's Italian activities, which rose sharply by 61% to € 45.9 million (1-6/2009: € 28.5 million). In the first half year of 2010, generics in Italy thus had a share of 69% (1-6/2009: 53%) of local sales. This clear sales growth in generics was due on the one hand to the relatively low comparable basis for the half year in 2009 and, on the other, to newly introduced limitations on discounts for the trade channels.

In contrast, sales of STADA's branded products in Italy declined in the reporting period by 18% to € 20.9 million (1-6/2009: € 25.4 million) and thus had a share of 31% (1-6/2009: 47%) of STADA's sales in Italy.

From today's perspective, the Executive Board continues to expect sales growth – regardless of further measures on price regulation currently being discussed – in the Italian market for financial year 2010, with operating profitability again at approximately Group average.

Sales generated by STADA in **Spain** also recorded a clear increase of 19% to € 43.5 million in the first half year of 2010 (1-6/2009: € 36.4 million).

This relates in particular to the increase in the local generics business. In this market characterized by an increased growth dynamic, Generics sales achieved by STADA in the first half year of 2010 grew by 19% to € 39.2 million (1-6/2009: € 33.0 million). Generics thus had a share of 90% of STADA's sales in Spain in the first six months of 2010 (1-6/2009: 91%).

Sales of branded products rose by 26% in the half year under review to € 4.3 million (1-6/2009: € 3.4 million). Branded products thus contributed 10% (1-6/2009: 9%) to local STADA sales.

For financial year 2010, STADA continues to expect a further sales increase in Spain – despite a 25% average price cut for generics in May – with an operating profitability which continues to be below Group average.

In **France**, sales remained nearly stable in the first six months of the current financial year at € 38.4 million (1-6/2009: € 38.7 million) despite the decrease of the selling prices of some main generic groups as a consequence of French Authorities' regulations.

Sales of generics in France thereby stayed almost unchanged at € 36.0 million (1-6/2009: € 36.4 million) in the first half year of 2010, so that their share of local sales was 94% (1-6/2009: 94%). Sales achieved by STADA with branded products in the half year under review increased slightly by 4% to € 2.4 million (1-6/2009: € 2.3 million). Branded products thus contributed 6% (1-6/2009: 6%) to French sales in the first six months of 2010.

In the French market the local full year target of approximately stable sales with an operating profitability that remains below Group average continues to be strived for.

In **Serbia**, sales decreased in the first half year of 2010 by 15% applying the exchange rates of the previous year. In euro, STADA recorded a decrease in sales of 21% to € 35.8 million (1-6/2009: € 45.2 million). The primary reason for this development was the deliberate renouncement by the Serbian sales force of further sales possible in the second quarter of 2010, almost in the double-digit euro million area, in order to reduce the default risk on receivables for the Group in view of the liquidity problems on the part of local wholesalers. In spite of this, further value adjustments in the amount of € 3.5 million before or € 3.1 million after taxes had to be carried out on receivables from local wholesalers in Serbia in the second quarter of 2010 (see “Earnings development of the STADA Group”).

Generics generated sales of € 26.7 million in the Serbian market in the half year under review (1-6/2009: € 33.9 million). Their share of local sales thus amounted to 75% (1-6/2009: 75%). In the Branded Products segment, sales in Serbia in the first half year of the current financial year amounted to € 2.8 million (1-6/2009: € 3.4 million). They thus had a 8% share in local sales (1-6/2009: 7%).

For the Serbian market in the current second half year, STADA expects sales development that continues to be difficult. The operating profitability – i.e. not including the burdening effects of value adjustments on receivables from local wholesalers – of the subgroup managed from there is expected to be about or slightly above Group average in financial year 2010. Further cost reductions in the operating business activity, among other things, are expected to contribute to this. In view of this, this subgroup continues to be expected to be a focus for measures to improve earnings in the context of the Group-wide “STADA – build the future” project for the optimization of Group structures, whose implementation was begun in the second quarter of 2010.

In addition, the sales and earnings contributions of this subgroup in 2010 will continue to largely depend on the development of the currency relation of the local currency, the Serbian dinar, in which the subsidiary consolidates all results, to the euro.

STADA’s ten largest markets also include the following national EU markets, with the following mixed sales developments for STADA – each comparing the first half year of 2010 and the first half year of 2009:

- **United Kingdom:** +4% to € 26.1 million (1-6/2009: € 25.2 million)
- **The Netherlands:** +1% to € 19.7 million (1-6/2009: € 19.5 million)
- **Denmark:** +38% to € 17.2 million (1-6/2009: € 12.5 million) – due, among other things, to the purchase of a portfolio of mainly branded products

In the 15 **additional European countries** with Group-owned local sales companies, sales generated by STADA in the first half year of 2010 decreased by 3% to € 64.2 million (1-6/2009: € 66.5 million). The extraordinarily high sales base of the corresponding half year in the previous year could, as expected, not be reached again.

Sales development in the Group’s most important **Asian** markets in the half year under review was as follows: In the **Philippines,** sales rose by 17% applying the exchange rates of the previous year. In euro, sales grew by 24% to € 7.5 million (1-6/2009: € 6.0 million). In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a joint venture with a local partner – increased by 15% applying the exchange rates of the previous year. In euro, sales increased by 11% to € 5.0 million (1-6/2009: € 4.6 million). In **China**, sales increased by 17% applying the exchange rates of the previous year. In euro, STADA recorded a sales increase of 19% to € 1.3 million (1-6/2009: € 1.1 million). In **Thailand**, sales decreased by 5% applying the exchange rates of the previous year. In euro, sales increased by 4% to € 1.2 million (1-6/2009: € 1.2 million).

In countries without own sales companies, **export sales** achieved by STADA increased in the half year under review by 11% to € 22.5 million (1-6/2009: € 20.3 million).

Research and development

Research and development costs amounted to € 26.0 million in the first half year of 2010 (1-6/2009: € 22.2 million). These costs continue to relate only to development costs as STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients. In addition, development costs for new products in the amount of € 6.8 million were capitalized in the half year under review (1-6/2009: € 7.2 million).

Overall, STADA launched 308 individual products worldwide in the first half year of 2010 (1-6/2009: 236 product launches) in individual national markets.

STADA's product pipeline remains well-filled so that, in the Executive Board's view, continuous new product launches, particularly with regard to generics in EU countries, can continue to be expected in the future.

In addition, STADA continues to review diverse financing possibilities for the development of further biosimilar products from the substance category of monoclonal antibodies, as development at its own cost remains impossible due to the cost and risk profile. In the context of related preparatory work, costs in the amount of € 2.0 million (1-6/2009: € 0.8 million) were thereby incurred in the first half year of 2010. A decision on the continuation of this project is strived for by the end of the year.

Financial position and cash flow

In the Executive Board's view, the STADA Group's financial position continues to be stable. As of the reporting date June 30, 2010, the **equity-to-assets ratio**, at 34.6% (December 31, 2009: 35.5%), continued to be clearly above the minimum ratio strived for by the Executive Board.

Net debt amounted to € 902.6 million as of June 30, 2010 (December 31, 2009: € 899.0 million); if the net debt of the Group is placed in proportion to the adjusted EBITDA of STADA, this value – on linear extrapolation of the adjusted EBITDA of the first half year on a full year basis – was at 3.0. The Executive Board continues to strive for a maximum value of 3 for this ratio on a full year basis.

The Executive Board currently remains hesitant to again increase the Group's net debt in order to finance external growth, without, however, ruling out taking advantage of special opportunities.

In view of the targeted optimization of the long-term refinancing structure to increase liquidity security, STADA, as is known, placed a corporate bond with a volume of € 350 million in the second quarter of 2010.[1] The bond has a term of five years with an interest rate of 4.00% per year. The issue price was 99.987%. The denomination amounts to € 1,000. The proceeds from the issue will be used for general business purposes.

In addition, promissory notes in the total amount of € 565.0 million as of June 30, 2010 continue to contribute to a significant degree to the long-term refinancing of the Group; a large tranche of these promissory notes in the amount of approx. € 195.5 million do not next reach maturity until the fourth quarter of 2011.

Furthermore, STADA continues to have short-term firmly-pledged bilateral credit lines. Currently the Group has access to over € 500 million in such open, i.e. not currently utilized by the Group, credit lines.

1) See the Company's corporate news of April 14, 2010.

The Group's **cash flow from operating activities** in the first six months of the current financial year was at € 104.0 million (1-6/2009: € 55.9 million). **Free cash flow** amounted to € 40.6 million in the half year under review (1-6/2009: € -4.9 million, adjusted for influences from other accounting periods at that time € 5.8 million). **Free cash flow adjusted** for payments for acquisitions and proceeds from disposals amounted to € 64.0 million in the first half year of 2010, while free cash flow adjusted for payments for acquisitions and proceeds from disposals as well as influences from other accounting periods[1)] had been at € 14.2 million in the first half year of 2009.

Result from the accounting of shares in associated companies

The reported result from the accounting of shares in associated companies in the first half year of 2010 in the amount of € 0.2 million (1-6/2009: € 0.3 million) is the result of accounting for BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital, whose business activities are oriented to so-called biosimilar products[2)] and which is accounted for in the STADA Group as per STADA's shareholding on the reporting date June 30, 2010 in the amount of 15.86% in accordance with the equity method.[3)]

Related party disclosures

Related party disclosures made in the Annual Report 2009 remain unchanged for the Interim Report on the First Six Months of 2010, with the following two exceptions or changes: that the utilization of the capital guarantee granted by STADA to BIOCEUTICALS Arzneimittel AG amounted to € 3.0 million as of June 30, 2010 and that a total of € 32.1 million has been used from the credit line facility given by STADA to BIOCEUTICALS.

Acquisitions

In the first six months of the current financial year, the Group continued to pursue a cautious acquisition policy and to apply stringent standards in terms of profitability and appropriateness of the purchase price. In view of this, there were no acquisitions in the second quarter of 2010.

In view of the increasing concentration processes in the industry, the Executive Board continues to see the opportunity, but also the necessity, to complement the Group's organic growth with additional external growth impulses. In view of this, STADA will, in the future, continue to pursue an active, but also cautious acquisition policy, whose stringent standards will continue to be focused on profitability and appropriateness of the purchase price. In this context, the Executive Board does not exclude cooperations with a significant capital investment.

The Executive Board, however, is currently hesitant to further increase the Group's net financial liabilities in order to finance external growth without, however, excluding taking advantage of special opportunities. For larger projects such as acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

STADA share

The development of the STADA share in the first half year of 2010 was – with continuing marked volatility – basically pleasing. The STADA share price had been listed at year-end 2009 at € 24.20 and was at € 27.31 as of June 30, 2010. The STADA share price thus increased in the first six months of 2010 by 13%. STADA's market capitalization as of the reporting date June 30, 2010 was € 1.608 billion. At the end of 2009, the market capitalization was still € 1.424 billion.

1) Utilization of provisions from 2008 as a consequence of the negative patent decision in Germany in connection with the active pharmaceutical ingredient Olanzapine.
2) A biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.
3) STADA's financial exposure as of June 30, 2010: € 19.3 million payments for equity share, € 32.1 million loans and € 3.0 million capital guarantee drawn.

As of June 30, 2010, subscribed share capital of STADA Arzneimittel AG was at an amount of € 153,078,536.00 (December 31, 2009: € 153,009,532.00) consisting of 58,876,360[1] registered shares with restricted transferability[2], each with an arithmetical share in share capital of € 2.60 (December 31, 2009: 58,849,820 registered shares). The changes in the first six months of 2010 result from the exercising of 1,327 warrants 2000/2015[3]. As of June 30, 2010, 175,693 warrants 2000/2015 for the subscription of 3,513,860 STADA registered shares were thus still outstanding.

In the first half year of 2010, STADA did not purchase any of its own shares and sold – exclusively as part of the employee stock ownership program – 1,211 treasury shares at an average price of € 25.49. As of June 30, 2010, 102,344 treasury shares were thus held by STADA, compared to 103,555 shares which the Company had held as of December 31, 2009.

As of June 30, 2010, STADA assumes, considering the announcements on exceeding or falling below reporting thresholds available to the Company according to Section 21 (1) of the German Securities Trading Act (WpHG), that SKAGEN AS, Stavanger, Norway,[4] and York Capital Management Global Advisors, LLC., New York, USA,[5] each hold a stake that exceeds the legal reporting threshold of 3%. In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

STADA's Annual General Meeting which took place this year on June 8, 2010[6] approved a dividend of € 0.55 per common share – an increase of 3 cents or 6% compared to the previous year. The total dividend payments of € 32.3 million thus represent a dividend ratio of approx. 32% of net income. In addition, the Executive Board and the Supervisory Board were confirmed with nearly 100% approval and various amendments to the articles of incorporation that were necessary as a result of regulatory changes were approved. The advance resolution for the purchase and disposal of own shares strived for by the Executive Board and the Supervisory Board found a majority, but not the necessary qualifying majority.

Personalia

On July 26, 2010, STADA announced that Dr. rer. nat. Axel Müller is to become the new Chief Production and Development Officer of STADA Arzneimittel AG.[7] The relevant contract was concluded on July 26, 2010. Dr. Müller will take up his Executive Board responsibilities – subject to his personal availability – no later than November 1, 2010; the Supervisory Board has appointed him as Executive Board member from the first day of his employment until December 31, 2014. As STADA Executive Board member, Dr. Müller will be responsible for the areas Production, Research and Development, Purchasing and Procurement, Portfolio Management as well as Group Integration. Until Dr. Müller takes office, the Chairman of the Executive Board, Hartmut Retzlaff, additionally assumes responsibility for the Executive Board functions previously held by Christof Schumann.

At the same time, the former Chief Production and Development Officer, Christof Schumann, declared that he resigned from his Executive Board responsibilities with effect as of July 31, 2010, 12:00 a.m.; this step was taken on the most agreeable terms with the Supervisory Board, which released Schumann from his employment contract until the regular expiration of the contract at the end of the year. Already in May, the Supervisory Board had, as is known, resolved to seek a replacement to carry out Schumann's Executive Board responsibilities and to allow his Executive Board contract to expire, as per agreement, on December 31, 2010.[8]

On June 8, 2010, the Annual General Meeting elected Carl Ferdinand Oetker as shareholder representative to the Supervisory Board until the end of the original term of office of the departing predecessor[9], i.e. until the conclusion of the Annual General Meeting which decides on the approval for the 2012 financial year. In a meeting of the Supervisory Board held directly after the Annual General Meeting, Carl Ferdinand Oetker was re-elected Chairman of the Audit Committee.

1) After deducting treasury shares, 58,774,016 registered shares are entitled to vote.
2) Under the Company's articles of incorporation, STADA's registered shares with restricted transferability can only be transferred in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share register 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 June 21, 2010.
6) The wording of the decisions of the Annual General Meeting of June 8, 2010 as well as all voting results are published on the Company's website at www.stada.de and www.stada.com at least until the end of the current financial year.
7) See the Company's ad hoc release of July 26, 2010.
8) See the Company's ad hoc release of May 10, 2010.
9) Uwe E. Flach, see the Company's ad hoc release of August 24, 2009.

Outlook

The Executive Board fundamentally confirms the outlook and risk report published for the Group in STADA's Annual Report 2009. Together with the supplementary statements and updates made in this interim report, it gives, in the view of the Executive Board, an accurate and up-to-date overall picture of the STADA Group's opportunities and risks.

STADA's business model is accordingly geared towards markets with long-term growth potential in the health care and pharmaceutical markets; inevitably linked to this, however, are risks and challenges that arise from repeatedly intensive competition and changed or additional state regulation. Therefore, in the Executive Board's assessment, far-reaching regulatory interventions, intensive competition and significant margin pressure will always occur in individual national markets. The latter applies in particular to the increasing volume of business in the Generics segment characterized by tenders.

Furthermore, the Group will, also in the future, have to deal with non-operational influence factors, particularly specific effects from the global financial and economic crisis. The development of the STADA Group in financial year 2010 will thus continue to depend to a large extent on currency relations, particularly those of the Russian ruble and Serbian dinar to the euro.

The sales and earnings development of the STADA Group will thus, also in the current financial year 2010, be characterized by differing and partially contradictory factors in the various national markets. From the overall sales increase for the Group expected by the Executive Board in 2010, however, positive influences on earnings development can also be anticipated.

Positive effects on earnings as a result of the "STADA – build the future" project[1)], whose implementation was begun in the second quarter of 2010, are to be expected for EBITDA adjusted for one-time special effects and the correspondingly adjusted net income to a significant extent from 2011. In the period until 2013, from today's perspective, project-related investments of a total of approx. € 20 million as well as project-related expenditure for special write-offs, personnel expenses and consultancy services of a total of approx. € 50 million are to be expected. The Group will recognize each of these project-related costs as a one-time special effect according to progression of the project. As a result, a net burden of approx. € 10 million is expected for 2010.

Against the backdrop of all the factors influencing the Group's earnings development mentioned in this outlook, the Executive Board, from today's perspective, in its overall assessment, continues to see the clear opportunity to achieve both the short-term targets for financial year 2010 – sales and operating earnings growth as well as at least a stabilization of operating margins – and the long-term targets set for financial year 2014 – Group sales of approx. € 2.15 billion and an adjusted EBITDA of approx. € 430 million.

H. Retzlaff H. Kraft

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS OF 2010 (ABRIDGED)

Consolidated Income Statement

in € 000s	1/1-6/30/2010	1/1-6/30/2009	4/1-6/30/2010	4/1-6/30/2009
01. Sales	778,096	755,227	382,425	379,287
02. Cost of sales	403,913	416,517	190,858	218,249
03. Gross profit	**374,183**	**338,710**	**191,567**	**161,038**
04. Other operating income	31,702	27,038	14,361	11,128
05. Selling expenses	190,637	173,082	100,774	88,882
06. General and administrative expenses	64,054	58,876	30,654	28,993
07. Research and development expenses	25,992	22,181	13,981	11,039
08. Other operating expenses	26,605	26,190	13,354	6,458
09. Operating profit	**98,597**	**85,419**	**47,165**	**36,794**
10. Investment income	2	866	2	866
11. Result from the accounting of shares in associated companies	249	279	376	683
12. Financial income	2,090	5,236	1,421	3,838
13. Financial expenses	28,533	30,915	14,973	13,449
14. Financial result	**-26,192**	**-24,534**	**-13,174**	**-8,062**
15. Earnings before taxes	**72,405**	**60,885**	**33,991**	**28,732**
16. Taxes on income	22,260	12,439	12,024	4,491
17. Net income[1)]	**50,145**	**48,446**	**21,967**	**24,241**
thereof				
• net income distributable to shareholders of STADA Arzneimittel AG	50,023	48,314	21,891	24,196
• net income relating to non-controlling shareholders	122	132	76	45
18. Earnings per share in €	0.85	0.82	0.37	0.41
19. Earnings per share in € (diluted)	0.83	0.82	0.36	0.41

1) Unless otherwise stated, "net income" in this interim report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.

Consolidated Statement of Comprehensive Income

in € 000s	1/1-6/30/2010	1/1-6/30/2009
Net income	**50,145**	**48,446**
thereof		
• net income distributable to shareholders of STADA Arzneimittel AG	50,023	48,314
• net income relating to non-controlling shareholders	122	132
Income and expenses recognized directly in shareholders' equity	**-9,871**	**-25,251**
thereof		
• currency translation differences attributable to shareholders of STADA Arzneimittel AG	-9,057	-24,814
• currency translation differences attributable to non-controlling shareholders	488	273
• fair value assessment Available for Sale (exclusively attributable to shareholders of STADA Arzneimittel AG)	-13	143
• fair value assessment Available for Sale at associated companies (exclusively attributable to shareholders of STADA Arzneimittel AG)	-30	-
• cash flow hedges (exclusively attributable to shareholders of STADA Arzneimittel AG)	-1,942	-1,384
• deferred taxes on fair value assessment Available for Sale	3	-38
• deferred taxes on fair value assessment Available for Sale at associated companies	8	-
• deferred taxes on cash flow hedges	543	369
• actuarial gains (+) and losses (-) from provisions for pensions (exclusively attributable to shareholders of STADA Arzneimittel AG)	130	273
• deferred taxes on actuarial gains (+) and losses (-) from provisions for pensions	-1	-73
Consolidated comprehensive income	**40,274**	**23,195**
thereof		
• relating to shareholders of STADA Arzneimittel AG	39,664	22,790
• relating to non-controlling shareholders	610	405

Consolidated Balance Sheet

Assets in € 000s	June 30, 2010	Dec. 31, 2009
A. Non-current assets	**1,394,421**	**1,406,574**
1. Intangible assets	1,020,097	1,000,087
2. Property, plant and equipment	310,270	309,033
3. Financial assets	27,435	19,566
4. Shares in associated companies	7,427	7,200
5. Non-current trade accounts receivable	2,542	2,638
6. Non-current income tax receivables	-	1,064
7. Other non-current assets	5,426	44,469
8. Deferred tax assets	21,224	22,517
B. Current assets	**1,140,627**	**1,045,155**
1. Inventories	405,994	374,983
2. Current trade accounts receivable	392,761	419,435
3. Current income tax receivables	28,710	30,319
4. Other current assets	92,423	57,531
5. Non-current assets held for sale	3,993	5,582
6. Current securities	67	369
7. Cash and cash equivalents	216,679	156,936
Total assets	**2,535,048**	**2,451,729**

Equity and liabilities in € 000s		
A. Equity	**878,047**	**869,677**
1. Share capital	153,078	153,009
2. Reserves, treasury shares and unappropriated retained earnings	715,902	708,115
3. Shares relating to non-controlling shareholders	9,067	8,553
B. Non-current liabilities and provisions	**1,126,892**	**683,539**
1. Non-current provisions	23,889	23,490
2. Non-current financial liabilities	995,180	565,326
3. Non-current trade accounts payable	4	29
4. Other non-current liabilities	41,049	30,032
5. Deferred tax liabilities	66,770	64,662
C. Current liabilities and provisions	**530,109**	**898,513**
1. Current provisions	10,308	10,490
2. Current financial liabilities	124,186	490,951
3. Current trade accounts payable	261,075	266,577
4. Current income tax liabilities	21,878	21,823
5. Other current liabilities	112,662	108,672
Total equity and liabilities	**2,535,048**	**2,451,729**

Consolidated Cash Flow Statement

Net cash flow for the period in € 000s	1/1-6/30/2010	1/1-6/30/2009
Cash flow from operating activities	104,028	55,851
Cash flow from investing activities	-63,381	-60,716
Cash flow from financing activities	20,799	-15,515
Changes in cash and cash equivalents (sub-total)	**61,446**	**-20,380**
Changes in cash and cash equivalents due to Group composition and exchange rates	-1,703	-11,757
Total	**59,743**	**-32,137**

Consolidated Statement of Changes in Shareholders’ Equity

in € 000s	6/30/2010	6/30/2009
Share capital	153,078	152,775
Capital reserve	466,177	464,580
Retained earnings	29,712	44,921
Unappropriated retained earnings	365,871	280,440
Treasury shares	-1,727	-1,765
Currency translation differences	-138,993	-117,892
Provisions Available for Sale	44	102
Provisions for cash flow hedges	-5,182	-3,554
Equity of STADA Arzneimittel AG	**868,980**	**819,607**
Share of non-controlling shareholders	9,067	8,289
Total shareholders’ equity	**878,047**	**827,896**

Selected explanatory 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, 2010 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, 2009 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, 2010 have been observed by STADA.

In the Executive Board's view, the interim report includes all usual adaptations that must be constantly made and which are necessary for an adequate presentation of the Group's business, financial and earnings situation. With regard to the principles and methods used in the context of Group Accounting please refer to the Notes on the consolidated financial statements of the Annual Report 2009.

1.2. Changes in accounting policies

As compared to financial year 2009 the following standards and interpretations are applied for the first time:

- IFRS 1 "First-time Adoption of IFRS": changes relate to wording, therefore in general no influence on the presentation of the business, financial and earnings situation
- IFRS 2 "Share-based Payment": clarifies the accounting of share-based payments within the Group that are made in cash (not relevant for STADA)
- IAS 39 "Financial Instruments: Recognition and Measurement: Hedged Items": relates to changes concerning risk positions qualifying for hedge accounting
- IFRIC 9/IAS 39 "Reassessment of Embedded Derivatives" and "Financial Instruments: Recognition and Measurement": addresses the question of how embedded derivatives are to be accounted for upon reclassification of hybrid contracts out of the "fair value through profit or loss" category
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation": addresses the questions of the amount of the designatable risk (foreign currency risk), which company within a group is allowed to hold the hedging instrument in case of the hedge of a net investment into a foreign operation and how to measure the amounts for the hedge and the hedged item to be reclassified from equity to the income statement in case of a disposal of the foreign operation
- IFRIC 17 "Distributions of Non-cash Assets to Owners": governs the recognition and the measurement of liabilities from distributions in the form of non-cash dividends and how a difference between the carrying amount of the distributed assets and the carrying amount of the dividend paid out is to be accounted for
- Various changes in the context of the Annual Improvement Project from April 2009

1.3. Scope of consolidation

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

As of June 30, 2010, there were changes in the scope of consolidation as compared to March 31, 2010 as a result of the initial consolidation of STADA's subsidiary Hemofarm USA Corporation, Washington, USA, as well as OOO STADA CIS, Nizhny Novgorod, Russia. The Russian company primarily fulfills holding functions for operationally active units; initial consolidation therefore has no significant influence on the consolidated income statement or the consolidated balance sheet.

In the consolidated financial statements of the STADA Group, 69 companies were thereby consolidated as subsidiaries, two companies as joint ventures and one subsidiary as an associate as of the balance sheet date on June 30, 2010.

2. Notes to the Consolidated Income Statement

2.1. Sales

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

2.2. Research and development expenses

In the case of research and development expenses of STADA Arzneimittel AG, it must be considered that it is only a matter of development expenses because STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients. In accordance with the STADA Group's accounting guidelines presented in the Annual Report 2009 a part of development costs is capitalized.

2.3. Taxes on income

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group's consolidated financial statements for the first half of 2010.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of June 30, 2010, intangible assets included € 333.5 million (December 31, 2009: € 331.2 million) goodwill.

3.2. Consolidated statement of changes in shareholders' equity

Pursuant to IAS 1.134, STADA understands capital exclusively as equity reported in the Group's balance sheet and aims to continuously improve its market value through optimal capital management.

Shareholders' equity amounted to € 878.0 million as of June 30, 2010 (December 31, 2009: € 869.7 million). As of this reporting date, the equity-to-assets ratio was thus 34.6% (December 31, 2009: 35.5%).

3.3. Financial liabilities

As of June 30, 2010, the Group's current and non-current financial liabilities in the amount of € 124.2 million and € 995.2 million (December 31, 2009: € 491.0 million and € 565.3 million) include promissory notes as well as a bond, which have a nominal value in the amount of € 565.0 million (December 31, 2009: € 675.0 million) and € 350 million.

3.4. Other financial obligations

Other financial obligations mainly relate to obligations from rental and leasing obligations as well as additional financial obligations. On June 30, 2010, rental and leasing obligations amounted to € 38,089 thousand (December 31, 2009: € 46,897 thousand) and the remaining financial liabilities amounted to € 121,066 thousand (December 31, 2009: € 109,707 thousand).

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement.

The increase of cash flow from operating activities by € 48.2 million compared to the corresponding period of the previous year is primarily due to the decrease of receivables in the course of the further execution of factoring as well as the increase of liabilities in the first half year of 2010; in the corresponding period of the previous year, an increase of receivables and a decrease of liabilities had contributed to a decreased cash flow from operating activities.

4.2. Cash flow from investing activities

Cash flow from investment activities reflects the cash outflows from capital expenditure reduced by the inflows from disposals. Cash flow from investing activities was, with € -63.4 million and a change by 4%, approximately at the level of the previous year.

4.3. Cash flow from financing activities

Cash flow from financing activities encompasses payments from changes in financial liabilities, for dividend payments and treasury shares as well as additions to shareholders' equity. The increase of cash flow from financing activities to € 20.8 million (1-6/2009: € -15.5 million) primarily results from the bond placed in April in the amount of € 350 million, which could not entirely be used to redeem other financial liabilities.

4.4. Net cash flow for the period

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

5. Other Disclosures

5.1. One-time special effects and adjusted key figures

STADA's financial performance indicators have been influenced by a number of one-time special effects and/or non-operational effects in the reporting period.

The deduction of such effects which have an impact on STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous periods. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the international accounting requirements in accordance with the International Financial Reporting Standards (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. Adjusted key figures should not be viewed in isolation as an alternative to STADA's financial performance indicators presented in accordance with IFRS. In addition, a statement on the future development of adjusted key figures is only possible to a limited extent due to the one-time character of the special effects recognized in these figures.

6. Segment Reporting

6.1. General information

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

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

6.2. Information by operating segment

in € 000s		1/1-6/30/2010	1/1-6/30/2009
Generics	**External sales**	**544,615**	**537,845**
	Sales with other segments	507	798
	Total sales	545,122	538,643
	Operating profit	76,215	66,207
	Segment assets (June 30)	887,982	904,771
Branded Products	**External sales**	**202,528**	**187,645**
	Sales with other segments	1,123	1,395
	Total sales	203,651	189,040
	Operating profit	38,747	34,244
	Segment assets (June 30)	235,055	195,161
Commercial Business	**External sales**	**29,501**	**24,565**
	Sales with other segments	155	146
	Total sales	29,656	24,711
	Operating profit	4,491	699
	Segment assets (June 30)	3,592	2,991
Group holdings / other	**External sales**	**1,452**	**5,172**
	Sales with other segments	5	0
	Total sales	1,457	5,172
	Operating profit	-20,856	-15,731
	Segment assets (June 30)	231,173	229,443
Reconciliation consolidated financial statements	**External sales**	**0**	**0**
	Sales with other segments	-1,790	-2,339
	Total sales	-1,790	-2,339
	Operating profit	0	0
	Segment assets (June 30)	0	0
Group	**External sales**	**778,096**	**755,227**
	Sales with other segments	0	0
	Total sales	778,096	755,227
	Operating profit	98,597	85,419
	Segment assets (June 30)	1,357,802	1,332,366

6.3. Reconciliation of segment results to net profit

in € 000s	1/1-6/30/2010	1/1-6/30/2009
Operating segment profit	98,597	85,419
Investment income	2	866
Result from the accounting of shares in associated companies under the equity method	249	279
Financial income	2,090	5,236
Financial expenses	28,533	30,915
Earnings before taxes, Group	**72,405**	**60,885**

6.4. Reconciliation of segment assets to Group assets

in € 000s	June 30, 2010	June 30, 2009
Segment assets	1,357,802	1,332,366
Other non-current assets	36,619	87,527
Current assets	1,140,627	1,020,459
Total assets, Group	**2,535,048**	**2,440,352**

7. Additional Information

7.1. Information by region[1)]

Sales in € 000s	1/1-6/30/2010	1/1-6/30/2009	±%	*±% adjusted*[2)]
Europe	**742,270**	**724,601**	**+2%**	***+1%***
• Belgium	68,240	61,452	+11%	
• Bosnia-Herzegovina	6,398	12,146	-47%	*-44%*
• Bulgaria	2,974	3,386	-12%	*-6%*
• Denmark	17,212	12,511	+38%	*+32%*
• Germany	259,946	281,580	-8%	*-8%*
• Finland	2,697	2,158	+25%	
• France	38,443	38,728	-1%	
• UK	26,111	25,206	+4%	*+1%*
• Ireland	10,191	9,889	+3%	
• Italy	66,723	53,967	+24%	
• Macedonia	1,374	1,422	-3%	*+3%*
• Montenegro	2,661	2,858	-7%	*-1%*
• The Netherlands	19,690	19,508	+1%	
• Austria	7,105	6,986	+2%	
• Poland	1,561	1,449	+8%	*+15%*
• Portugal	5,898	5,491	+7%	
• Romania	2,182	1,858	+17%	*+25%*
• Russia	96,812	77,848	+24%	*+15%*
• Sweden	1,864	2,342	-20%	*-30%*
• Serbia	35,764	45,217	-21%	*-15%*
• Slovakia	3,434	2,810	+22%	*+16%*
• Spain	43,501	36,428	+19%	
• Czech Republic	5,535	5,888	-6%	*-9%*
• Ukraine	9,977	7,634	+31%	*+29%*
• Rest of Europe	5,977	5,839	+2%	*+3%*
The Americas	**5,843**	**6,085**	**-4%**	***-1%***
Asia	**25,419**	**21,993**	**+16%**	***+13%***
• China	1,272	1,068	+19%	*+17%*
• Kazakhstan	3,884	3,245	+20%	*+19%*
• The Philippines	7,478	6,012	+24%	*+17%*
• Thailand	1,203	1,154	+4%	*-5%*
• Vietnam	5,050	4,561	+11%	*+15%*
• Rest of Asia	6,532	5,953	+10%	*+9%*
Rest of world	**4,564**	**2,548**	**+79%**	***+68%***

1) Broken down according to the national market in which the sales were achieved.
2) Adjustments due to changes in the Group portfolio as well as to currency effects (see "Sales development of the STADA Group").

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for orderly Group interim financial reporting, we assert that the interim consolidated financial statements give a true and fair view of the Group's business, financial and earnings situation, that 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, and that the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year are described.

Bad Vilbel, August 10, 2010

H. Retzlaff	H. Kraft
Chairman of the Executive Board	Chief Financial Officer

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, 2010 to June 30, 2010, that are part of the semi annual financial report pursuant to article 37w WpHG. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt, August 10, 2010

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

R. Brinskelle
Wirtschaftsprüfer

S. Varughese
Wirtschaftsprüfer

Publisher: STADA Arzneimittel AG, Stadastrasse 2–18, D-61118 Bad Vilbel, Phone: +49 (0) 6101/603-0, Fax: +49 (0) 6101/603-259, E-mail: info@stada.de

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.

Contact: STADA Arzneimittel AG · STADA Corporate Communications · Phone: +49 (0) 6101/603-113 · Fax: +49 (0) 6101/603-506 · E-mail: communications@stada.de

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1) Employee representatives.