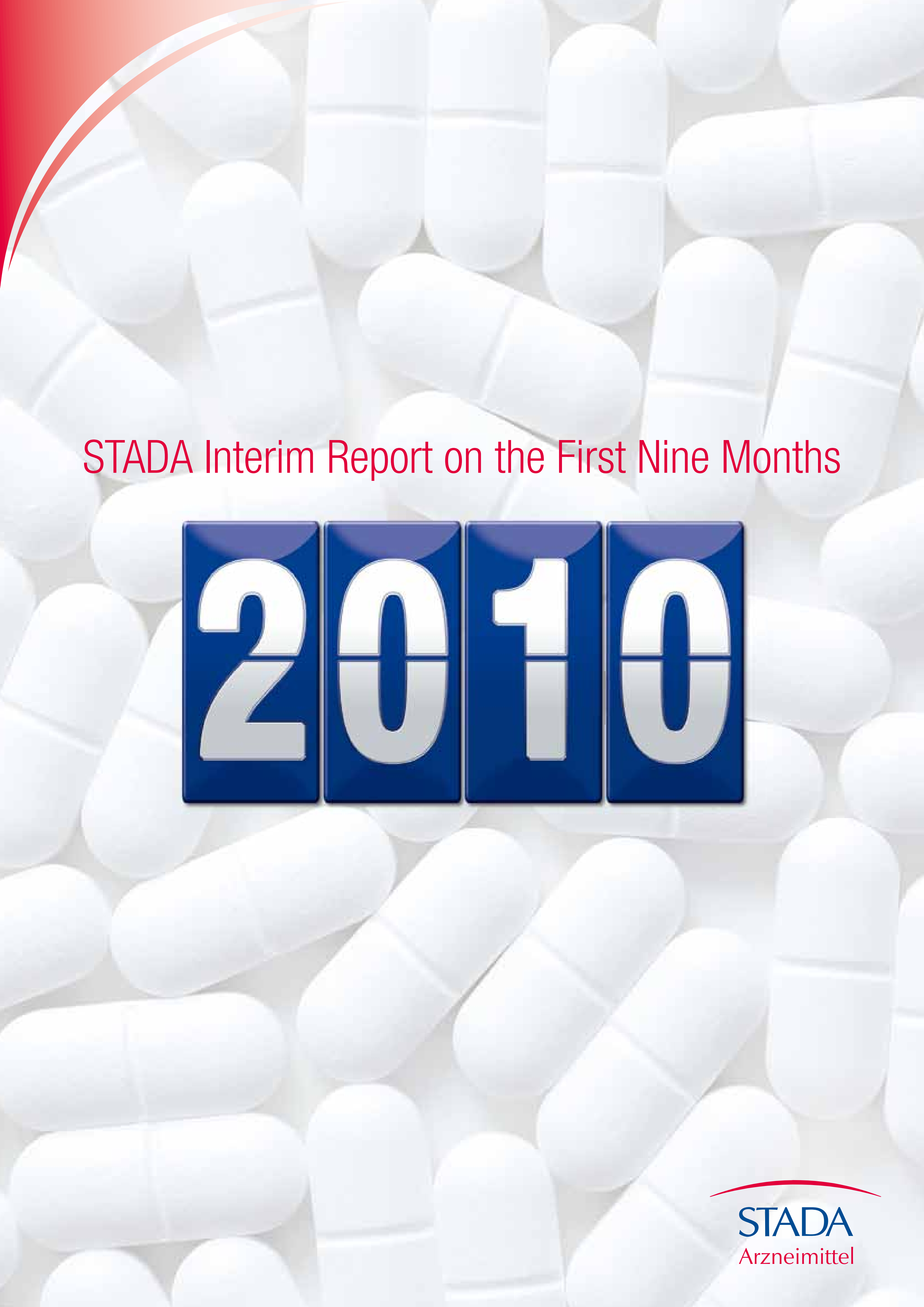

STADA Interim Report on the First Nine Months

2010

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	1/1–9/30/2010	1/1–9/30/2009	± %
Group sales	1,177.8	1,138.5	+3%
• Generics (core segment)	815.7	816.6	0%
• Branded Products (core segment)	311.4	278.7	+12%
• Commercial Business	44.4	36.9	+20%
• Group holdings / other	6.3	6.2	0%
Operating profit	104.9	129.1	-19%
Operating profit, adjusted[1)]	*165.6*	*143.5*	*+15%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	182.9	190.2	-4%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1)]	*224.2*	*200.4*	*+12%*
EBIT (Earnings before interest and taxes)	105.3	129.9	-19%
EBIT (Earnings before interest and taxes), adjusted[1)]	*166.0*	*143.5*	*+16%*
EBT (Earnings before taxes)	66.1	91.7	-28%
EBT (Earnings before taxes), adjusted[1)]	*127.4*	*108.8*	*+17%*
Net income[2)]	38.8	71.5	-46%
Net income[2)], adjusted[1)]	*91.2*	*84.3*	*+8%*
Cash flow from operating activities	130.6	124.7	+5%
Capital expenditure	90.8	88.1	+3%
Depreciation and amortization (net of write-ups)	77.6	60.3	+29%
Average number of employees (Jan. 1 – Sept. 30)	8,083	8,061	0%

Key share figures	1/1–9/30/2010	1/1–9/30/2009	± %
Market capitalization in € million (as of Sept. 30)	1,239.9	1,097.6	+13%
Closing price (XETRA®) in € (as of Sept. 30)	21.06	18.68	+13%
Average number of shares not including treasury shares (Jan. 1 – Sept. 30)	58,759,561	58,654,553	0%
Earnings per share in €	0.66	1.22	-46%
Earnings per share in €, adjusted[1)]	*1.55*	*1.44*	*+8%*
Diluted earnings per share in €	0.65	1.22	-47%
Diluted earnings per share in €, adjusted[1)]	*1.52*	*1.44*	*+6%*

1) Adjusted for one-time special effects as well as non-operational effects from currency influences and interest rate hedge transactions in the first nine months of 2009 and the first nine months 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

In spite of a continuing difficult environment in individual national markets, particularly in Serbia and Germany, (see “Regional development in individual national markets”), the sales and operating earnings development of the STADA Group – i.e. without consideration of the significant earnings-burdening, one-time special effects in the third quarter of 2010 – was still within expectations in the first nine months of the current financial year.

Group sales increased in the first three quarters of the current financial year – with continuing mixed development in the individual national markets – by 3% to € 1,177.8 million (1-9/2009: € 1,138.5 million). Key earnings figures in the reporting period decreased, in view of the difficult framework conditions in individual national markets as well as high one-time special effects in the third quarter of 2010, primarily due to write-downs on receivables as a result of liquidity problems on the part of Serbian wholesalers (see “Earnings development of the STADA Group” as well as the Company’s ad hoc release of September 28, 2010) and expenses in connection with the “STADA – build the future” project (see “Earnings development of the STADA Group” as well as “STADA – build the future”); operationally, however, i.e. excluding one-time special effects, they all exceeded the key earnings figures from the comparable period in the previous year.

Operating profit recorded a decrease of 19% to € 104.9 million (1-9/2009: € 129.1 million). Adjusted operating profit, by contrast, recorded an increase of 15% to € 165.6 million (1-9/2009: € 143.5 million). Net income declined by 46% to € 38.8 million (1-9/2009: € 71.5 million). Adjusted net income increased by 8% to € 91.2 million (1-9/2009: € 84.3 million); the considerable deterioration in the tax rate as a result of structural changes in the regional profit allocation is a noticeable burdening factor here. Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 4% to € 182.9 million (1-9/2009: € 190.2 million). Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) rose by 12% to € 224.2 million (1-9/2009: € 200.4 million).

For financial year 2010 the Executive Board, in spite of a continuing challenging environment in individual national markets, particularly in Serbia and Germany, from today’s perspective considers its prognosis to be just achievable – provided the recovery now strived for in the Serbian business in the current fourth quarter in the course of the changed business policy (see “Regional development in individual national markets – Serbia” as well as the Company’s ad hoc release of September 28, 2010). According to this, the opportunity continues to exist for growth in Group sales and operating profit, i.e. adjusted for one-time special effects, with at least stable operating margins.

The current sales and earnings development of the Group has not to date influenced the Group’s long-term expectations either, as the current financial year, particularly in Serbia, from today’s perspective, is primarily burdened by only temporary effects.

Sales development of the STADA Group

Group sales rose in the first nine months of 2010 – despite the continuing difficult framework conditions in particular in the Serbian and German markets – by 3% to € 1,177.8 million (1-9/2009: € 1,138.5 million) (see “Regional development in individual national markets”). The Group’s international sales thus had a share of 67% in Group sales in the reporting period (1-9/2009: 64%). In the third quarter of 2010 taken alone, STADA recorded an increase in Group sales of 4% to € 399.7 million (third quarter of 2009: € 383.3 million).

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

The effects on sales were as follows:

- Portfolio changes[1)] contributed a total of € 13.8 million or 1.2 percentage points to sales growth in the first three quarters of 2010.
- As a result of applying foreign exchange rates from the first nine months of 2010 compared with those of the first nine months 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 € 3.8 million or 0.3 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 achieved sales growth of 3% to € 1,122.1 million in the reporting period (1-9/2009: € 1,093.0 million). STADA's sales in European markets thus amounted to a 95.3% (1-9/2009: 96.0%) share of Group sales. STADA's adjusted sales in European markets increased by 1%.

In **Western Europe**, sales rose in the first three quarters of the current financial year by 3% to € 852.1 million (1-9/2009: € 825.8 million). The decreased sales in Germany had a particularly noticeable curbing effect here. STADA's sales in Western European countries thus amounted to a 72.3% share (1-9/2009: 72.5%) of Group sales. STADA's adjusted sales in Western Europe increased by 2%.

In **Eastern Europe**[3)], the Group recorded a sales plus of 1% to € 270.0 million (1-9/2009: € 267.1 million) in the first nine months of 2010. Sales generated by STADA in Eastern European markets thus had a share of 22.9% of Group sales (1-9/2009: 23.5%). STADA's adjusted sales in Eastern Europe decreased by 1%. The curbed sales development in Eastern Europe was predominantly characterized by the difficult situation in Serbia, which affected all market participants there (see "Regional development in individual national markets").

In **Asia**, STADA's sales rose in the first three quarters of the current financial year by 23% to € 39.7 million (1-9/2009: € 32.2 million). STADA's sales in the Asian countries thus contributed 3.4% (1-9/2009: 2.8%) to Group sales. STADA's adjusted sales in Asia increased by 18%.

STADA recorded an increase in Group sales in the **rest of the world** in the reporting period of 21% to € 16.0 million (1-9/2009: € 13.3 million). Sales in the rest of the world thus had a share of 1.4% in Group sales (1-9/2009: 1.2%). 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"). In view of the developments presented there, the Executive Board, from today's perspective, expects that the Group can still record a narrow increase in sales overall in financial year 2010, if the Serbian business recovers as strived for in the fourth quarter.

Earnings development of the STADA Group

Due to the curbed sales development in Serbia and Germany (see "Regional development in individual national markets"), high one-time special effects in the third quarter of 2010, primarily due to write-downs on receivables as a result of liquidity problems on the part of Serbian wholesalers[4)], as well as expenses in connection with the "STADA – build the future" project (see "STADA – build the future"), the

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, 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 as well as, since August 1, 2010, sales with the transferred Dutch packaging unit in Etten-Leur.

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) See the Company's ad hoc release of September 28, 2010.

Group's key earnings figures in the reporting period decreased; operationally, however, i.e. excluding one-time special effects, they all exceeded the key earnings figures from the corresponding period in the previous year.

Operating profit decreased in the first three quarters of 2010 by 19% to € 104.9 million (1-9/2009: € 129.1 million). In the third quarter of 2010 taken alone, operating profit decreased by 85% to € 6.3 million (third quarter of 2009: € 43.7 million). **Net income** declined in the first nine months of 2010 by 46% to € 38.8 million (1-9/2009: € 71.5 million). The tax rate rose in this period to 41.1% (1-9/2009: 21.8%). This effect is based in particular on the limited tax deductibility of special effects as well as a structurally changed regional profit allocation. In the third quarter of 2010 taken alone, net income was € -11.2 million (third quarter of 2009: € 23.2 million). **Earnings before interest, taxes, depreciation and amortization (EBITDA)** recorded a decline in the first three quarters of 2010 of 4% to € 182.9 million (1-9/2009: € 190.2 million). In the third quarter of 2010 taken alone, EBITDA decreased by 40% to € 40.0 million (third quarter of 2009: € 66.2 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 operating profit** increased in the first nine months of 2010 by 15% to € 165.6 million (1-9/2009: € 143.5 million). In the third quarter of 2010 taken alone, adjusted operating profit recorded a slight increase of 2% to € 56.0 million (third quarter of 2009: € 54.8 million). **Adjusted net income** increased in the first nine months of the current financial year by 8% to € 91.2 million (1-9/2009: € 84.3 million). In the third quarter of 2010 taken alone, adjusted net income showed a decrease of 2% to € 31.5 million (third quarter of 2009: € 32.1 million). STADA recorded an increase in **adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA)** of 12% to € 224.2 million in the first nine months of 2010 (1-9/2009: € 200.4 million). In the third quarter of 2010 taken alone, STADA recorded an increase in adjusted EBITDA of 1% to € 75.6 million (third quarter of 2009: € 74.6 million).

One-time special effects in the first nine months of 2010 amounted to a burden on earnings in a total of € 63.1 million before or € 53.6 million after taxes (1-9/2009: net burden on earnings due to one-time special effects in the amount of € 12.1 million before or € 9.4 million after taxes).

In the third quarter of 2010, one-time special effects resulted in a burden on earnings in the total amount of € 49.7 million before or € 43.1 million after taxes (third quarter of 2009: net burden on earnings due to one-time special effects in the amount of € 11.0 million before or € 8.0 million after taxes), which can be broken down as follows:

- a burden in the amount of € 29.5 million before or € 26.5 million after taxes primarily as a result of further value adjustments on receivables from local wholesalers in Serbia (see "Regional development in individual national markets – Serbia" as well as the Company's ad hoc release of September 28, 2010)
- a burden in the amount of € 15.2 million before or € 13.0 million after taxes due to expenses in connection with the "STADA – build the future" project (see "STADA – build the future")
- a net burden in the amount of € 5.0 million before or € 3.6 million after taxes for unscheduled amortization on intangible assets and financial assets after impairment tests

Non-operational effects from currency influences and interest rate hedge transactions amounted to a relief on earnings in a total of € 1.8 million before or € 1.2 million after taxes in the first nine months of 2010 (1-9/2009: net burden on earnings due to non-operational effects from currency influences and interest rate hedge transactions in the amount of € 5.1 million before or € 3.4 million after taxes).

In the third quarter of 2010, non-operational effects from interest rate hedge transactions thereby resulted in a relief on earnings of € 0.5 million before or € 0.3 million after taxes. After adjusting the refinancing structures, there currently continues to be no longer any significant risk of non-operational effects from currency influences. Such effects were accordingly not recorded in the third quarter of 2010. In the third quarter of 2009, the net burden on earnings due to non-operational effects from currency influences and interest rate hedge transactions was € 1.6 million before or € 1.0 million after taxes.

To the extent that adjusted key earnings figures are subsequently disclosed, the earnings adjustments carried out respectively include these effects in total both for the first nine months of 2010 as well as for the respective corresponding comparison period.[1)]

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

In spite of a continuing challenging environment in individual national markets, particularly in Serbia and Germany, the Executive Board still considers its outlook for earnings in financial year 2010 to be just achievable – provided the recovery now strived for in the Serbian business in the current fourth quarter in the course of the changed business policy (see "Regional development in individual national markets – Serbia" as well as the Company's ad hoc release of September 28, 2010). According to this outlook, the opportunity continues to exist for growth in operating profit, i.e. adjusted for one-time special effects, with at least stable operating margins.

Development of the STADA Group's key earnings figures

in € million	1–9/2010	1–9/2009	± %	Margin[2)] 1–9/2010	Margin[2)] 1–9/2009
Operating profit	104.9	129.1	-19%	8.9%	11.3%
• Operating segment result Generics	86.2	105.6	-18%	10.6%	12.9%
• Operating segment result Branded Products	51.4	52.3	-2%	16.5%	18.8%
EBITDA[3)]	182.9	190.2	-4%	15.5%	16.7%
EBIT[4)]	105.3	129.9	-19%	8.9%	11.4%
EBT[5)]	66.1	91.7	-28%	5.6%	8.1%
Net income	38.8	71.5	-46%	3.3%	6.3%
Earnings per share in €	0.66	1.22	-46%		
Diluted earnings per share in €	0.65	1.22	-47%		

Development of the STADA Group's adjusted[6)] key earnings figures

in € million	*1–9/2010*	*1–9/2009*	*± %*	*Margin[2)] 1–9/2010*	*Margin[2)] 1–9/2009*
Operating profit, adjusted	*165.6*	*143.5*	*+15%*	*14.1%*	*12.6%*
• Operating segment result Generics, adjusted	*118.9*	*109.1*	*+9%*	*14.6%*	*13.3%*
• Operating segment result Branded Products, adjusted	*66.7*	*56.8*	*+17%*	*21.4%*	*20.4%*
EBITDA[3)], adjusted	*224.2*	*200.4*	*+12%*	*19.0%*	*17.6%*
EBIT[4)], adjusted	*166.0*	*143.5*	*+16%*	*14.1%*	*12.6%*
EBT[5)], adjusted	*127.4*	*108.8*	*+17%*	*10.8%*	*9.5%*
Net income, adjusted	*91.2*	*84.3*	*+8%*	*7.7%*	*7.4%*
Earnings per share in €, adjusted	*1.55*	*1.44*	*+8%*		
Diluted earnings per share in €, adjusted	*1.52*	*1.44*	*+6%*		

1) The adjusted key earnings figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison (see "Notes – 5.1.").
2) Related to relevant Group sales.
3) Earnings before interest, taxes, depreciation and amortization.
4) Earnings before interest and taxes.
5) Earnings before taxes.
6) Adjusted for one-time special effects and non-operational effects from currency influences and interest rate hedge transactions.

"STADA – build the future"

In the course of the implementation of the "STADA – build the future" project, the Group, in the third quarter of the current financial year, transferred the Dutch packaging unit in Etten-Leur as of August 1, 2010. According to the contracts the Group can draw on the capacities of the unit transferred 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 of the respective property, plant and equipment, which is within the scope of project planning for "STADA – build the future", amounted to € 6.2 million before or € 5.8 million after taxes and was reported as a burdening one-time special effect in the third quarter of 2010 (see "Earnings development of the STADA Group").

In the context of the "STADA – build the future" project, the Group implemented a restructuring of the sales of branded products in Italy in the third quarter of 2010, which should lead to a reduction of the relevant sales force. Related discussions between Crinos and the Italian trade unions are currently taking place. In view of this, expenses were deferred already in the third quarter of the current financial year, which were recorded as burdening one-time special effects (see "Earnings development of the STADA Group"). As a result of the rapid proceedings in Italy, the special burden for "STADA – build the future" will exceed the amount of € 10 million originally expected in 2010.

Finally, as of October 1, 2010, the Group implemented the comprehensive reform of internal reporting lines as envisaged by "STADA – build the future". The reporting structure, previously primarily locally aligned, was changed to a predominantly functional organizational structure for the areas of Finance as well as Production and Development (including Procurement); the sales functions remain close to the market, i.e. primarily locally and regionally organized.

Development of segments

Sales of the two **core segments**, Generics and Branded Products, increased in the reporting period by a total of 3% or 2% when adjusted.

These two core segments thus had a share of 95.7% in Group sales in the first nine months of 2010 (1-9/2009: 96.2%).

Sales of **Generics**, which continues to be the significantly larger core segment, were in the first three quarters of 2010 – despite the partly difficult framework conditions in individual national markets (see "Regional development in individual national markets") – € 815.7 million at the level of the previous year (1-9/2009: € 816.6 million). Generics thus contributed 69.3% to Group sales in the reporting period (1-9/2009: 71.7%). Adjusted, generics sales in the Group were also at the level of the previous year.

Branded Products increased in the first nine months of the current financial year by 12% to € 311.4 million (1-9/2009: € 278.7 million). Branded products thus had a share of 26.4% in Group sales in the first three quarters of 2010 (1-9/2009: 24.5%). The Group recorded an increase of 6% in adjusted sales of branded products.

In **Commercial Business**, which is not part of the core business, sales rose to € 44.4 million in the first nine months of 2010 (1-9/2009: € 36.9 million). Sales reported under **Group holdings/other** were € 6.3 million in the reporting period at the level of the previous year (1-9/2009: € 6.2 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**, which continues to be the Group's largest national market, sales in the first nine months of the current financial year decreased by 4% to € 392.7 million (1-9/2009: € 407.4 million) and were thus below expectations from the beginning of the year. STADA's German business thus contributed 33.3% to Group sales in the first three quarters of 2010 (1-9/2009: 35.8%). Sales achieved by STADA in the German market with generics in the first nine months of 2010 thus had a share of 76% (1-9/2009: 78%) of sales generated in the German market.

The decrease in sales in Germany continued to be attributable to the ongoing difficult local framework conditions for generics. Sales in the German Generics segment in the reporting period thus decreased by 6% to € 298.6 million (1-9/2009: € 318.4 million). The STADA Group's market share of generics sold in German pharmacies declined by volume in the first nine months of 2010 to approx. 12.6% (financial year 2009: approx. 13.4%). This continues to be contrasted however with operating profitability in the German Group business, as expected, only just under Group average in the first three quarters of 2010.

This development in the German market is primarily attributable to the results achieved by various STADA sales companies in the context of the numerous tenders for discount agreements by statutory health insurance organizations. STADA continues to participate on an ongoing basis in tenders for such discount agreements using various bid strategies characterized by margin and market share aspects and consequently also with a large variation in terms of award results. The associated primary objective that continues to be pursued by the Group of reaching an appropriate operating profitability in the German market will, also for the full year 2010, result in a decrease in sales and market share for STADA in the Generics segment in Germany, without negatively affecting the position of the STADA Group as the clear number 3 in the German generics market.

This local market strategy currently being pursued by STADA is also attributable 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 as well as 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 generated by STADA in Germany continue to be achieved via various sales lines. Sales of ALIUD PHARMA, the largest of the Group-owned sales labels in the German generics market, decreased in the first nine months of the current financial year by 10% to € 162.8 million (1-9/2009: € 181.5 million). Sales of the second Group-owned German generics line STADApharm also declined in the reporting period by 3% to € 111.3 million (1-9/2009: € 114.7 million). In contrast, sales of STADA's other generics sales label, cell pharm, special supplier for the indication areas oncology and nephrology, increased in the first nine months of 2010 by 10% to € 23.1 million (1-9/2009: € 21.0 million).

Sales generated with branded products in Germany – predominantly under the local sales lines STADA GmbH and Hemopharm GmbH – increased in the reporting period by 6% to € 92.1 million (1-9/2009: € 87.3 million) – also influenced by the purchase in the fourth quarter of 2009 of the branded product Eunova®, which in financial year 2010 to date has achieved sales of € 4.3 million.[1)] Sales achieved by the Group in the German market with branded products in the first nine months of 2010 thus had a share of 23% (1-9/2009: 21%) of sales generated in Germany.

1) See STADA's Annual Report 2009. EUNOVA Multi-Vitalstoffe Langzeit Kapseln contributed a total of € 5.4 million to sales in the first nine months of 2010; in addition to sales in the German market, export sales in the amount of € 1.1 million were achieved.

In its outlook for STADA's business activities in Germany for financial year 2010 overall, the Executive Board, against the backdrop of the difficult framework conditions described before as well as the strategies currently being pursued there, now expects 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 generated, applying the exchange rates of the previous year, pleasing sales growth of 16% in the reporting period – 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, sales increased by 22% to € 156.0 million (1-9/2009: € 127.4 million).

The two core segments in the Russian market had an approximately equal share of local Group sales in the first nine months of 2010.

With generics, the Group achieved a sales increase by 15% to € 77.9 million (1-9/2009: € 67.6 million) or 50% of STADA's sales in Russia (1-9/2009: 53%).

Sales of branded products rose by 31% to € 78.0 million (1-9/2009: € 59.4 million) or 50% of STADA's sales in the Russian market (1-9/2009: 47%). Branded products acquired in 2009 and accepted for sale since April 2010 also contributed to this in the amount of € 3.9 million.

For financial year 2010, STADA continues to expect further strong sales growth in local currency in the Russian market with operating profitability above Group average. The sales and earnings contributions of STADA's Russian business at Group level will remain significantly influenced by the development of the currency relation of the local currency, the Russian ruble, to the euro.

In **Italy**, the Group recorded sales growth in the first three quarters of 2010 of 20% to € 99.9 million (1-9/2009: € 83.1 million).

With a considerable increase of 43% to € 68.0 million (1-9/2009: € 47.5 million), generics continued to have the largest share of local sales, thus contributing 68% (1-9/2009: 57%) to Italian sales. The significant sales growth in generics was based on the relatively low comparable basis of the corresponding period in the previous year, a ban on discounts to the trade channels as well as overall strong market growth.

In contrast, sales of branded products generated by STADA in the Italian market decreased in the first nine months of 2010 by 10% to € 32.0 million (1-9/2009: € 35.7 million). Branded products thus contributed 32% (1-9/2009: 43%) to local STADA sales. In order to significantly improve the operating profitability of the Italian branded product business, the Group, in the context of the Group-wide "STADA – build the future" project, in the third quarter of 2010, implemented a restructuring for which expenses were deferred in the third quarter of the current financial year and which the Group recorded as burdening one-time special effects (see "Earnings development of the STADA Group" and "STADA – build the future").

For financial year 2010 – regardless of price reductions implemented in the third quarter of 2010 – the Executive Board continues to expect sales growth in Italy, with operating profitability again at about Group average.

In **Belgium**, STADA achieved sales growth in the first three quarters of the current financial year in the amount of 10% to € 99.1 million (1-9/2009: € 90.4 million).

With an increase of 10% to € 94.0 million (1-9/2009: € 85.8 million), generics thereby continued to have the largest share of local sales in the reporting period. They thus had a 95% share of STADA's Belgian sales (1-9/2009: 95%).

The Group generated a sales increase in the amount of 12% to € 5.1 million with branded products in Belgium in the first nine months of 2010 (1-9/2009: € 4.5 million). Their share of STADA's sales generated in Belgium thus amounted to 5% (1-9/2009: 5%).

In the Belgian market, STADA continues to anticipate another significant increase in sales for financial year 2010 with an operating profitability at about Group average.

In **Spain**, STADA achieved sales growth in the amount of 10% to € 61.8 million in the reporting period (1-9/2009: € 56.2 million).

This was due primarily to the growth of the Spanish generics business. In this market characterized by an increased growth dynamic, STADA was able to increase generics sales in the first nine months of 2010 by 12% to € 56.9 million (1-9/2009: € 50.9 million). Generics thus contributed 92% in the first three quarters of the current financial year (1-9/2009: 91%) to STADA's sales in Spain.

Sales of branded products decreased by 6% in the reporting period to € 4.9 million (1-9/2009: € 5.3 million). Branded products thus had a 8% share of STADA's local sales (1-9/2009: 9%).

For financial year 2010, STADA continues to expect a further increase in sales in the Spanish market, with an operating profitability which continues to be below Group average.

In **France**, sales declined in the first nine months of the current financial year slightly by 3% to € 57.0 million (1-9/2009: € 58.6 million) with a view to decreased selling prices of some main generic groups as a result of French Authorities' regulations.

Sales of generics in France thereby declined slightly by 3% to € 53.6 million (1-9/2009: € 55.2 million) in the first nine months of 2010, so that they contributed 94% (1-9/2009: 94%) to STADA's sales in France.

Sales generated by STADA in the local market with branded products decreased by 2% to € 3.4 million in the reporting period (1-9/2009: € 3.5 million). Branded products thus had a share of 6% of STADA's sales in France in the first nine months of 2010 (1-9/2009: 6%).

In France, STADA continues to strive for the local full-year target of approximately stable sales with an operating profitability that remains below Group average.

In **Serbia**, sales declined in the first nine months of 2010 by 27% applying the exchange rates of the previous year. In euro, the Group recorded a decrease in sales of 33% to € 52.7 million (1-9/2009: € 78.7 million).

The primary reason for this development remained the deliberate renouncement, continued also in the third quarter of 2010, by the Serbian sales force of further sales possible in the double-digit million euro area accumulated for the current financial year, in order to reduce the default risk on receivables for the Group in view of the ongoing liquidity problems on the part of Serbian wholesalers.

In spite of this, further value adjustments had to be carried out on receivables from local wholesalers in Serbia in the third quarter of 2010. Due to liquidity problems on the part of Serbian wholesalers, the Group recognized earnings-burdening one-time special effects in the total amount of € 29.5 million before taxes in the reporting period (see "Earnings development of the STADA Group" and the Company's ad hoc release of September 28, 2010). By far the most significant individual case concerned trade accounts receivable due to STADA's Serbian subsidiary Hemofarm A.D., Vrsac, from the Serbian wholesaler group Velefarm, in which Hemofarm – in addition to a participation of the Serbian state – holds a minority interest. In order to sustainably secure these receivables, a restructuring plan between Hemofarm and

Velefarm was signed on September 28, 2010, for the Velefarm liabilities with respect to Hemofarm that, among other things, provides for the appointment of a Chief Restructuring Officer at Velefarm. The restructuring plan is intended to enable Velefarm to pay the outstanding receivables due to Hemofarm on a gradual basis over several years.

Under new management, Hemofarm will also modify the local distribution model with the goal of improving the risk profile with respect to wholesalers and customers. In addition, Hemofarm's cost structure, in the context of a special project, is currently being rapidly adjusted to the changed environmental conditions, in the context of which specific measures may considerably exceed the optimizations already planned in the context of the Group-wide "STADA – build the future" project.

STADA generated sales of € 36.9 million with generics in the local market in the reporting period (1-9/2009: € 61.4 million). Generics thus contributed 70% (1-9/2009: 78%) to sales in Serbia.

Sales of branded products in Serbia amounted to € 4.6 million (1-9/2009: € 5.1 million) in the first three quarters of the current financial year. They thus had a 9% share of STADA's Serbian sales (1-9/2009: 7%).

In spite of the direction setting restructuring plan, STADA expects a considerable decrease in sales in Serbia for financial year 2010 overall. The operating profitability – i.e. not including the burdening effects primarily of value adjustments on receivables from Serbian wholesalers – of the subgroup managed from there, due to the deliberate renouncement of sales, should thereby be at about or slightly above Group average.

The sales and earnings contributions of STADA's Serbian subgroup in 2010 will continue to primarily depend on the development of the currency relation of the local currency, the Serbian dinar, in which this subgroup consolidates all results, to the euro.

STADA's ten largest national markets also include the following national EU markets, with the following mixed sales developments for the Group – each comparing the first nine months of 2010 with the corresponding period in the previous year:

- **United Kingdom:** +5% to € 40.0 million (1-9/2009: € 38.1 million)
- **The Netherlands:** +12% to € 32.0 million (1-9/2009: € 28.4 million) – significantly influenced by sales from the disposal of bulkware[1)] in particular to the Dutch packaging unit in Etten-Leur, which was transferred as of August 1, 2010 (adjusted +1%)
- **Denmark:** +36% to € 25.4 million (1-9/2009: € 18.6 million) – due, among other things, to the acquisition of a portfolio consisting mainly of branded products

In the 15 **additional European countries** with Group-owned local sales companies, sales generated by STADA in the reporting period was € 96.4 million at the level of the previous year (1-9/2009: € 96.6 million).

Sales development in STADA's most important **Asian** markets in the first nine months of 2010 was as follows: In the **Philippines**, sales rose by 15% applying the exchange rates of the previous year. In euro, sales increased by 27% to € 10.9 million (1-9/2009: € 8.6 million). In **Vietnam**, sales consolidated on a pro rata basis – generated in the scope of a joint venture with a local partner – recorded a plus of 22% applying the exchange rates of the previous year. In euro, sales rose by 20% to € 8.0 million (1-9/2009: € 6.7 million). In **China**, STADA recorded an increase in sales of 23% applying the exchange rates of the previous year. In euro, sales grew by 28% to € 2.0 million (1-9/2009: € 1.6 million). In **Thailand**, sales declined by 3% applying the exchange rates of the previous year. In euro, sales went up by 10% to € 1.8 million (1-9/2009: € 1.7 million).

1) Reported in the Group holdings/other segment.

In countries without own sales companies, **export sales** generated by STADA in the first nine months of 2010, with an increase of 16% to € 35.6 million (1-9/2009: € 30.8 million), were above the level of the corresponding period in the previous year.

Research and development

Research and development costs amounted to € 39.1 million in the first three quarters of the current financial year (1-9/2009: € 33.8 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 € 9.3 million were capitalized in the reporting period (1-9/2009: € 12.0 million).

In the first nine months of 2010, the Group launched 442 individual products worldwide (1-9/2009: 335 product launches) in individual national markets.

STADA's product pipeline remains well-filled. From today's perspective, the Executive Board thus expects to also be able to continually launch new products in the future, with a focus on generics in EU markets.

STADA continues to review various financing possibilities for the development of further biosimilar products[1)] from the substance category of monoclonal antibodies, as development at its own cost remains impossible for the Group due to the cost and risk profile. STADA is striving to have a decision on the continuation of this project 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 September 30, 2010, the **equity-to-assets ratio**, at 34.4% (December 31, 2009: 35.5%), continued to be clearly above the minimum ratio targeted by the Executive Board.

Net debt amounted to € 879.1 million as of September 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 nine months on a full year basis – amounted to 2.9. The Executive Board continues to target a maximum value of 3 for this ratio on a full year basis.

Besides a corporate bond, promissory notes in the total amount of € 525.0 million as of September 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.

In addition, STADA currently continues to have short-term firmly-pledged open credit lines i.e. not utilized by the Group, in the amount of over € 500 million.

The Group's **cash flow from operating activities** in the first nine months of the current financial year amounted to € 130.6 million (1-9/2009: € 124.7 million). **Free cash flow** was at € 56.2 million in the reporting period (1-9/2009: € 51.8 million, adjusted for influences from other accounting periods at that time, € 62.5 million). **Free cash flow adjusted** for expenses from acquisitions and proceeds from disposals amounted to € 82.7 million in the reporting period, while free cash flow adjusted for expenses from acquisitions and proceeds from disposals as well as influences from other accounting periods[2)] had been at € 57.1 million in the first nine months of 2009.

1) 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.
2) Utilization of provisions from 2008 as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine.

Result from the accounting of shares in associated companies

The reported result from the accounting of shares in associated companies in the first nine months of 2010 in the amount of € 0.3 million (1-9/2009: € -0.1 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 biosimilar products and which is accounted for in the STADA Group as per STADA's shareholding on the reporting date September 30, 2010 in the amount of 15.86% in accordance with the equity method.[1)]

Related party disclosures

Related party disclosures made in the Annual Report 2009 remain unchanged for the Interim Report on the First Nine Months of 2010, with the following two exceptions or changes:

- The utilization of the capital guarantee granted by STADA to BIOCEUTICALS Arzneimittel AG amounted to € 2.2 million as of September 30, 2010; a total of € 31.2 million of the credit line facility given by STADA to BIOCEUTICALS had been used as of this reporting date.
- In addition, the wife of the Chief Production and Development Officer newly appointed in the third quarter of 2010 (see "Personalia") owns a pharmacy with which STADA maintains exclusively business relations usual for the industry as with other third parties.

Acquisitions and Disposals

In the first nine months of 2010, the Group continued to pursue a cautious acquisition policy, which continued to be oriented toward stringent standards in terms of profitability and appropriateness of the purchase price. In view of this, the Group made no acquisitions in the third quarter of 2010. In the current fourth quarter of 2010, on the other hand, STADA acquired a small company.

Effective October 1, 2010, STADA acquired the Egyptian Germa Pharm, based in Cairo. The purchase price was € 1.0 million. In 2009, the company achieved sales in the amount of € 0.8 million. With the takeover, the Group is planning, in cooperation with STADA's Serbian subsidiary Hemofarm, to expand business activities in the Middle East.

In view of the increasing concentration of processes in the industry, the Executive Board continues to see the opportunity, but also the necessity, to complement the Group's organic growth with further external growth impulses. In terms 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 also does not rule out cooperations with significant equity investments. For larger projects such as acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable in the future if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

STADA share

In the first nine months of 2010, STADA's share price was characterized by high volatility. The STADA share closed at € 29.17 on March 31, 2010, was listed at € 27.31 on June 30, 2010, and reached € 21.06 on September 30, 2010. At the end of 2009, the STADA share price was € 24.20. On the reporting date, September 30, 2010, the market capitalization of STADA amounted to € 1.240 billion. At the end of 2009, the market capitalization had been € 1.424 billion.

1) STADA's financial exposure as of September 30, 2010: € 19.3 million payments for equity share, € 31.2 million loans and € 2.2 million capital guarantee drawn.

As of September 30, 2010, the 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 nine months of 2010 resulted from the exercising of 1,327 warrants 2000/2015[3)]. As of September 30, 2010, 175,693 warrants 2000/2015 for the subscription of 3,513,860 STADA registered shares were thus still outstanding.

In the first nine months of 2010, STADA did not purchase any own shares and sold – exclusively as part of the employee stock ownership program – 1,525 treasury shares at an average price of € 25.46. As of September 30, 2010, 102,030 treasury shares were thus held by STADA, compared to 103,555 shares which the Company had held as of December 31, 2009.

In the third quarter of 2010 there was one announcement on falling below one of the legal reporting thresholds according to Section 21 (1) of the German Securities Trading Act (WpHG). York Capital Management Global Advisors, LLC., New York, USA, announced that it had fallen below the legal reporting threshold of 3%.[4)] As of the reporting date September 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, holds a stake that exceeds the legal reporting threshold of 3%.[5)] In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

Personalia

On July 26, 2010, STADA announced that Dr. rer. nat. Axel Müller was to become the new Chief Production and Development Officer of STADA Arzneimittel AG.[6)] The relevant contract was concluded on July 26, 2010. On September 16, 2010, Dr. Müller took up his Executive Board responsibilities. The Supervisory Board appointed him as Executive Board member from this day until December 31, 2014. As STADA Executive Board member, Dr. Müller is responsible for the areas Production, Research and Development, Purchasing and Procurement, Portfolio Management as well as Group Integration.

At the same time, on July 26, 2010, the former Chief Production and Development Officer, Christof Schumann, declared his resignation from his Executive Board responsibilities with effect as of July 31, 2010.[6)] The Supervisory Board released Schumann from his employment contract until the regular expiration of the contract at the end of the year.

On September 3, 2010, Hartmut Retzlaff, Chairman of the Executive Board, was appointed for a further five years as a member of the STADA Executive Board until August 31, 2016.[7)] Retzlaff has been on the Executive Board of STADA Arzneimittel AG since 1993 and has been Chairman of the Executive Board since 1994. His previous contract ends on August 31, 2011.

In addition, the Supervisory Board, also on September 3, 2010, prematurely extended the appointment of Helmut Kraft as Chief Financial Officer for five years, thus until December 31, 2014.[7)] Kraft has been Chief Financial Officer since the beginning of the year. His previous contract would have ended on December 31, 2012.

All new Executive Board contracts are based on a uniform remuneration structure in line with new legal requirements from the Law for the Appropriateness of Executive Board Remuneration (VorstAG). The Supervisory Board thus concluded the announced adjustment of all Executive Board contracts to comply with the Law for the Appropriateness of Executive Board Remuneration (VorstAG) and secured the structure of STADA's three-person Executive Board for the long term.

1) After deducting treasury shares, 58,774,330 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 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 September 29, 2010.
5) See the Company's disclosure of August 11, 2009.
6) See the Company's ad hoc release of July 26, 2010.
7) See the Company's corporate news of September 3, 2010.

Outlook

The Executive Board fundamentally confirms the outlook and risk report published for the Group in STADA's Annual Report 2009 as well as in the interim reports of the current financial year. 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 repeatedly result from intense competition and changed or additional state regulation. Therefore, in the Executive Board's assessment, far-reaching regulatory interventions, intense 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 core segment characterized by tenders. Furthermore, the development of the STADA Group in financial year 2010 will 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 financial year 2010, be characterized by differing and partially contradictory factors in the various national markets.

Positive effects on earnings as a result of the implementation of the "STADA – build the future" project 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 2010 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 of measures implemented at an early stage, the net burden in 2010 will be above the € 10 million originally expected.

Against the backdrop of all the factors influencing the Group's earnings development mentioned in this outlook, the Executive Board, in its overall assessment for the prognosis for financial year 2010 believes from today's perspective – provided the recovery now strived for in the Serbian business in the current fourth quarter in the course of the changed business policy – can be just achieved. Accordingly, the opportunity continues to exist for growth in Group sales and operating profit i.e. adjusted for one-time special effects, with at least stable operating margins.

In addition, the Executive Board continues to hold to the long-term targets envisaged for financial year 2014, according to which Group sales of approx. € 2.15 billion, an adjusted EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached.

H. Retzlaff H. Kraft Dr. A. Müller

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

Consolidated Income Statement

in € 000s	1/1–9/30/2010	1/1–9/30/2009	7/1–9/30/2010	7/1–9/30/2009
01. Sales	1,177,757	1,138,499	399,661	383,272
02. Cost of sales	616,293	617,725	212,380	201,208
03. Gross profit	**561,464**	**520,774**	**187,281**	**182,064**
04. Other operating income	39,633	32,693	7,931	5,655
05. Selling expenses	276,919	260,066	86,282	86,984
06. General and administrative expenses	92,041	87,958	28,417	29,082
07. Research and development expenses	39,123	33,790	13,131	11,609
08. Other operating expenses	71,377	41,449	45,880	15,259
09. Expenses in connection with the “STADA – build the future” project[1]	16,695	1,065	15,157	1,065
10. Operating profit	**104,942**	**129,139**	**6,345**	**43,720**
11. Investment income	141	845	139	-21
12. Result from the accounting of shares in associated companies	257	-69	8	-348
13. Financial income	2,720	8,169	630	2,933
14. Financial expenses	41,980	46,427	13,447	15,512
15. Financial result	**-38,862**	**-37,482**	**-12,670**	**-12,948**
16. Earnings before taxes	**66,080**	**91,657**	**-6,325**	**30,772**
17. Taxes on income	27,157	19,986	4,897	7,547
18. Net income[2]	**38,923**	**71,671**	**-11,222**	**23,225**
thereof				
• net income distributable to shareholders of STADA Arzneimittel AG	38,839	71,469	-11,184	23,155
• net income relating to non-controlling shareholders	84	202	-38	70
19. Earnings per share in €	0.66	1.22	-0.19	0.39
20. Earnings per share in € (diluted)	0.65	1.22	-0.19	0.39

1) Expenses in connection with the “STADA – build the future” project were reported separately for the first time in the third quarter of the current financial year to allow for improved transparency. The comparative figures from previous periods were adjusted accordingly.
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.

Consolidated Statement of Comprehensive Income

in € 000s	1/1–9/30/2010	1/1–9/30/2009
Net income	**38,923**	**71,671**
thereof		
• net income distributable to shareholders of STADA Arzneimittel AG	38,839	71,469
• net income relating to non-controlling shareholders	84	202
Income and expenses recognized directly in shareholders' equity	**-39,817**	**-25,518**
thereof		
• currency translation differences attributable to shareholders of STADA Arzneimittel AG	-39,466	-24,570
• currency translation differences attributable to non-controlling shareholders	584	245
• fair value assessment Available for Sale (exclusively attributable to shareholders of STADA Arzneimittel AG)	-9	67
• 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)	-1,512	-2,105
• deferred taxes on fair value assessment Available for Sale	2	-18
• deferred taxes on fair value assessment Available for Sale at associated companies	8	-
• deferred taxes on cash flow hedges	426	562
• actuarial gains (+) and losses (-) from provisions for pensions (exclusively attributable to shareholders of STADA Arzneimittel AG)	200	410
• deferred taxes on actuarial gains (+) and losses (-) from provisions for pensions	-20	-109
Consolidated comprehensive income	**-894**	**46,153**
thereof		
• relating to shareholders of STADA Arzneimittel AG	-1,562	45,706
• relating to non-controlling shareholders	668	447

Consolidated Balance Sheet

Assets in € 000s	Sept. 30, 2010	Dec. 31, 2009
A. Non-current assets	1,342,463	1,406,574
1. Intangible assets	991,033	1,000,087
2. Property, plant and equipment	294,946	309,033
3. Financial assets	22,240	19,566
4. Shares in associated companies	7,434	7,200
5. Non-current trade accounts receivable	-	2,638
6. Non-current income tax receivables	-	1,064
7. Other non-current assets	5,593	44,469
8. Deferred tax assets	21,217	22,517
B. Current assets	1,088,902	1,045,155
1. Inventories	413,575	374,983
2. Current trade accounts receivable	397,107	419,435
3. Current income tax receivables	35,134	30,319
4. Other current assets	81,222	57,531
5. Non-current assets held for sale	5,680	5,582
6. Current securities	66	369
7. Cash and cash equivalents	156,118	156,936
Total assets	2,431,365	2,451,729

Equity and liabilities in € 000s	Sept. 30, 2010	Dec. 31, 2009
A. Equity	837,000	869,677
1. Share capital	153,078	153,009
2. Reserves, treasury shares and unappropriated retained earnings	674,797	708,115
3. Shares relating to non-controlling shareholders	9,125	8,553
B. Non-current liabilities and provisions	1,113,229	683,539
1. Non-current provisions	24,252	23,490
2. Non-current financial liabilities	983,785	565,326
3. Non-current trade accounts payable	-	29
4. Other non-current liabilities	39,893	30,032
5. Deferred tax liabilities	65,299	64,662
C. Current liabilities and provisions	481,136	898,513
1. Current provisions	10,188	10,490
2. Current financial liabilities	51,505	490,951
3. Current trade accounts payable	269,307	266,577
4. Current income tax liabilities	22,388	21,823
5. Other current liabilities	127,748	108,672
Total equity and liabilities	2,431,365	2,451,729

Consolidated Cash Flow Statement

Net cash flow for the period in € 000s	1/1–9/30/2010	1/1–9/30/2009
Cash flow from operating activities	130,615	124,670
Cash flow from investing activities	-74,366	-72,911
Cash flow from financing activities	-55,393	-55,154
Changes in cash and cash equivalents (sub-total)	**856**	**-3,395**
Changes in cash and cash equivalents due to Group composition and exchange rates	-1,674	-10,377
Total	**-818**	**-13,772**

Consolidated Statement of Changes in Shareholders’ Equity

in € 000s	9/30/2010	9/30/2009
Share capital	153,078	152,775
Capital reserve	466,176	464,580
Retained earnings	29,880	45,022
Unappropriated retained earnings	354,712	303,592
Treasury shares	-1,722	-1,761
Currency translation differences	-169,423	-117,648
Provisions Available for Sale	43	46
Provisions for cash flow hedges	-4,869	-4,082
Equity of STADA Arzneimittel AG	**827,875**	**842,524**
Share of non-controlling shareholders	9,125	8,307
Total shareholders’ equity	**837,000**	**850,831**

Selected explanatory notes

1. General

1.1. Accounting policies

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

The consolidated interim management report has been prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of September 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 we 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 (not relevant for STADA)
- 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": address 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 (no relevance for STADA)
- 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 (no relevance for STADA)
- 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 September 30, 2010, there were changes in the scope of consolidation as compared to June 30, 2010 as a result of the consolidation of the Bulgarian Hemofarm subsidiary STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria. The initial consolidation of this STADA subsidiary has no significant influence on the consolidated income statement or the consolidated balance sheet.

In the course of the implementation of the “STADA – build the future” project, the Group, in the third quarter of the current financial year, deconsolidated the Dutch packaging unit Centrafarm Services B.V., Etten-Leur, the Netherlands (see “STADA – build the future”).

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 September 30, 2010.

2. Notes to the Consolidated Income Statement

2.1. Sales

Sales are recorded in this interim 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. Expenses in connection with the “STADA – build the future” project

The expenses in connection with the “STADA – build the future” project include, among other things, as one-time special effects, the book loss from the disposal of the Dutch packaging unit in Etten-Leur as well as the burden from the planned restructuring in Italy.

The Dutch packaging unit in Etten-Leur was transferred as of August 1, 2010. According to the contracts agreed with the acquirer, the Group can draw on the capacities of the unit transferred for a transitional period at fixed costs and to a variable extent determined by STADA.

In Italy, the Group implemented a restructuring in the third quarter of the current financial year. In view of this, expenses were deferred in the third quarter of 2010, recorded as burdening one-time special effects.

2.4. 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 nine months of 2010.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of September 30, 2010, intangible assets included € 323.5 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.

Group equity amounted to € 837.0 million as of September 30, 2010 (December 31, 2009: € 869.7 million). As of this reporting date, the equity-to-assets ratio was thus 34.4% (December 31, 2009: 35.5%).

3.3. Financial liabilities

As of September 30, 2010, the Group's current and non-current financial liabilities in the amount of € 51.5 million and € 983.8 million (December 31, 2009: € 491.0 million and € 565.3 million, respectively) include promissory notes as well as a bond, which have a nominal value in the amount of € 525.0 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 September 30, 2010, rental and leasing obligations amounted to € 46.3 million (December 31, 2009: € 46.9 million) and the remaining financial liabilities amounted to € 72.5 million (December 31, 2009: € 109.7 million).

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. The increase of cash flow from operating activities by € 5.9 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. In the corresponding period of the previous year, an increase of receivables 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, at € -74.4 million and with a change of 2%, 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. Cash flow from financing activities changed only insignificantly as compared to the corresponding period of the previous year to € -55.4 million (1-9/2009: € -55.2 million). The bond placed in April in the amount of € 350 million was, in the third quarter of the current financial year, largely utilized for repayment of 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 were 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		1/1–9/30/2010	1/1–9/30/2009
Generics	External sales	815,684	816,616
	Sales with other segments	602	1,830
	Total sales	816,286	818,446
	Operating profit	86,185	105,567
	Segment assets (Sept. 30)	860,223	910,952
Branded Products	External sales	311,428	278,713
	Sales with other segments	1,897	2,355
	Total sales	313,325	281,068
	Operating profit	51,371	52,331
	Segment assets (Sept. 30)	218,035	191,962
Commercial Business	External sales	44,393	36,925
	Sales with other segments	163	407
	Total sales	44,556	37,332
	Operating profit	-1,849	227
	Segment assets (Sept. 30)	3,406	2,921
Group holdings / other	External sales	6,252	6,245
	Sales with other segments	14	0
	Total sales	6,266	6,245
	Operating profit	-30,765	-28,986
	Segment assets (Sept. 30)	226,545	228,929
Reconciliation consolidated financial statements	External sales	0	0
	Sales with other segments	-2,676	-4,592
	Total sales	-2,676	-4,592
	Operating profit	0	0
	Segment assets (Sept. 30)	0	0
Group	External sales	1,177,757	1,138,499
	Sales with other segments	0	0
	Total sales	1,177,757	1,138,499
	Operating profit	104,942	129,139
	Segment assets (Sept. 30)	1,308,219	1,334,764

6.3. Reconciliation of segment results to net profit

in € 000s	1/1–9/30/2010	1/1–9/30/2009
Operating segment profit	104,942	129,139
Investment income	141	845
Result from the accounting of shares in associated companies under the equity method	257	-69
Financial income	2,720	8,169
Financial expenses	41,980	46,427
Earnings before taxes, Group	**66,080**	**91,657**

6.4. Reconciliation of segment assets to Group assets

in € 000s	Sept. 30, 2010	Sept. 30, 2009
Segment assets	1,308,219	1,334,764
Other non-current assets	34,244	76,038
Current assets	1,088,902	1,057,951
Total assets, Group	**2,431,365**	**2,468,753**

7. Additional Information

7.1. Information by region[1]

Sales in € 000s	1/1–9/30/2010	1/1–9/30/2009	±%	*±% adjusted[2]*
Europe	**1,122,075**	**1,092,980**	**+3%**	***+1%***
• Belgium	99,058	90,359	+10%	
• Bosnia-Herzegovina	9,646	13,698	-30%	*-23%*
• Bulgaria	4,138	4,838	-14%	*-7%*
• Denmark	25,412	18,629	+36%	*+31%*
• Germany	392,707	407,371	-4%	*-5%*
• Finland	4,323	3,345	+29%	
• France	57,047	58,634	-3%	
• UK	39,975	38,091	+5%	*+2%*
• Ireland	14,383	14,855	-3%	
• Italy	99,929	83,149	+20%	
• Macedonia	1,967	2,043	-4%	*+5%*
• Montenegro	4,266	4,292	-1%	*+9%*
• The Netherlands	31,979	28,441	+12%	*+1%*
• Austria	11,302	10,934	+3%	
• Poland	1,898	2,128	-11%	*-3%*
• Portugal	9,034	8,656	+4%	
• Romania	3,367	2,854	+18%	*+29%*
• Russia	156,033	127,428	+22%	*+13%*
• Sweden	2,758	3,115	-11%	*-22%*
• Serbia	52,665	78,677	-33%	*-27%*
• Slovakia	5,033	4,103	+23%	*+18%*
• Spain	61,779	56,156	+10%	
• Czech Republic	8,080	9,100	-11%	*-14%*
• Ukraine	15,727	12,367	+27%	*+21%*
• Rest of Europe	9,569	9,717	-2%	*-1%*
The Americas	**8,794**	**9,125**	**-4%**	***0%***
Asia	**39,662**	**32,246**	**+23%**	***+18%***
• China	2,017	1,582	+28%	*+23%*
• Kazakhstan	6,299	5,564	+13%	*+8%*
• The Philippines	10,943	8,630	+27%	*+15%*
• Thailand	1,845	1,684	+10%	*-3%*
• Vietnam	8,017	6,659	+20%	*+22%*
• Rest of Asia	10,541	8,127	+30%	*+29%*
Rest of world	**7,226**	**4,148**	**+74%**	***+61%***

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").

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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.