Interim Report on the First Six Months of 2013

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1)]	± %
Group sales	974.3	885.2	+10%
• Generics (core segment)	618.3	585.1	+6%
• Branded Products (core segment)	336.5	284.5	+18%
Operating profit	131.7	101.4	+30%
Operating profit, adjusted[2) 3)]	*137.6*	*127.1*	*+8%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	184.1	160.7	+15%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[2) 3)]	*189.8*	*176.7*	*+7%*
EBIT (Earnings before interest and taxes)	132.3	103.8	+27%
EBIT (Earnings before interest and taxes), adjusted[2) 3)]	*138.2*	*129.6*	*+7%*
EBT (Earnings before taxes)	102.1	72.8	+40%
EBT (Earnings before taxes), adjusted[2) 4)]	*106.8*	*96.8*	*+10%*
Net income	66.6	48.2	+38%
Net income, adjusted[2) 4)]	*70.1*	*69.9*	*0%*
Cash flow from operating activities	43.1	51.6	-16%
Capital expenditure	47.6	327.6	-85%
Depreciation and amortization (net of write-ups)	51.8	56.8	-9%
Employees (average number calculated on the basis of full-time employees Jan. 1 – June 30)[5)]	8,837	7,824	+13%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	8,865	7,867	+13%

Key share figures	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1)]	± %
Market capitalization (as of June 28/June 29) in € million	1,968.0	1,422.2	+38%
Closing price (XETRA®) in € (as of June 28/June 29)	33.07	24.10	+37%
Average number of shares (without treasury shares Jan. 1 – June 30)	59,280,328	58,883,308	+1%
Earnings per share in €	1.12	0.82	+37%
Earnings per share in €, adjusted[2) 4)]	*1.18*	*1.19*	*-1%*
Diluted earnings per share in €	1.10	0.80	+38%
Diluted earnings per share in €, adjusted[2) 4)]	*1.16*	*1.17*	*-1%*

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous years. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with IFRS. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.
3) Within the context of this interim report, adjustments in connection with the operating profit, EBITDA and EBIT generally relate to one-time special effects.
4) Within the context of this interim report, adjustments in connection with EBT, net income, earnings per share and diluted earnings per share generally relate to one-time special effects and non-operational effects from the measurement of derivative financial instruments.
5) This average number includes initial consolidations on a pro-rata basis.

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

In the first half of 2013, the STADA Group recorded a positive business development in line with the expectations of the Executive Board. Group sales went up by 10% to € 974.3 million (1-6/2012: € 885.2 million). Reported EBITDA increased by 15% to € 184.1 million (1-6/2012[1)]: € 160.7 million). Reported net income increased by 38% to € 66.6 million (1-6/2012[1)]: € 48.2 million). Adjusted EBITDA recorded a plus of 7% to € 189.8 million (1-6/2012[1)]: € 176.7 million). Adjusted net income was, at € 70.1 million, approximately at the same level of the corresponding period of the previous year (1-6/2012[1)]: € 69.9 million).

In the view of the Executive Board, STADA achieved a good result with this development in the first six months of the current financial year.

The STADA Group's financial position remained stable in the reporting period. Net debt amounted to € 1,211.9 million as of June 30, 2013 (December 31, 2012: € 1,177.3 million). The net debt to adjusted EBITDA ratio in the first half of 2013 on linear extrapolation of the adjusted EBITDA of the reporting period on a full-year basis amounted to 3.2 (1-6/2012[1)]: 3.6).

In terms of the outlook, the Executive Board, from today's perspective, still expects further sales growth in the Group as well as in both core segments for financial years 2013 and 2014. In this context, the Branded Products core segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow. The Executive Board continues to anticipate the opportunity for further growth in adjusted EBITDA in the Group in the high single-digit percentage range in financial years 2013 and 2014, thereby achieving a new record value. In addition, the Executive Board also expects an increase in adjusted EBITDA in both core segments in 2013 and 2014. Furthermore, the Executive Board affirms the long-term prognosis envisaged for 2014[2)], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached at minimum.

Sales development of the STADA Group in the first half of 2013

Group sales rose in the first half of 2013 – with varying development in the individual market regions – by 10% to € 974.3 million (1-6/2012: € 885.2 million).

When effects on sales attributable to changes in the Group portfolio and currency effects are considered, Group sales increased by 6% to € 940.2 million in the first six months of the current financial year.

In detail, these effects on sales, which can be attributed to changes in the Group portfolio and currency effects, were as follows:

- Portfolio changes[3)] had a total share of € 40.0 million or 4.5 percentage points of the sales increase in the reporting period.

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) See the Company's ad hoc releases of June 7, 2010, March 1, 2012 and February 28, 2013.

3) Sales of a branded product portfolio in Central Europe since February 1, 2012, sales of the French company LERO since February 1, 2012, sale of the Engineering companies as of March 30, 2012, sales of Ingavirin® for Ukraine since April 1, 2012, sales of the branded product Tranexam® for Russia since May 2012, sales of a package of five branded products for Ukraine with a focus on the gynecology area of indication since September 2012, sales of the wholesale business of the Swiss subsidiary Spirig HealthCare since March 1, 2013, sales of a branded product portfolio of the Italian subsidiary Crinos disposed of in July 2012, sales in connection with the consolidation of the Vietnamese company Pymepharco as a subsidiary since January 1, 2013.

- As a result of applying foreign exchange rates from the first half of 2013 compared with those of the first half of 2012 for the translation of local sales contributions into the Group currency euro, STADA recorded a negative currency effect in the amount of € 7.8 million or 0.8 percentage points for Group sales. This is because two of the three most important national currencies for STADA, the Russian ruble and the pound sterling, were weaker compared to the Group currency euro in the first six months of the current financial year than in the corresponding prior-year period. However, the Group's third most important national currency, the Serbian dinar, had a slightly positive currency effect in the reporting period. The currency relationships in other countries relevant for STADA only had a small influence on the translation of sales in local currencies into the Group currency euro.

To the extent that adjusted sales figures are reported in the following, this refers to sales adjusted for these portfolio effects and currency fluctuations in each case.

Earnings development of the STADA Group in the first half of 2013

Earnings development in the first half of 2013 was characterized by growth in operating performance as shown by an increase in all of the Group's reported key earnings figures.

Reported operating profit recorded growth of 30% to € 131.7 million in the first six months of the current financial year (1-6/2012[1)]: € 101.4 million). **Reported EBITDA** increased by 15% to € 184.1 million (1-6/2012[1)]: € 160.7 million). **Reported net income** showed a plus of 38% to € 66.6 million (1-6/2012[1)]: € 48.2 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** increased by 8% in the first half of 2013 to € 137.6 million (1-6/2012[1)]: € 127.1 million). **Adjusted EBITDA** recorded growth of 7% to € 189.8 million (1-6/2012[1)]: € 176.7 million). **Net income, adjusted** for one-time special effects and non-operational effects from the measurement of derivative financial instruments, was approximately at the level of the corresponding period of the previous year at € 70.1 million (1-6/2012[1)]: € 69.9 million).

One-time special effects amounted to a net burden on earnings of € 6.0 million before or € 4.3 million after taxes in the first half of 2013 (1-6/2012: net burden on earnings in the amount of € 25.7 million before or € 22.9 million after taxes).

In the second quarter of 2013, there was a net burden on earnings in the amount of € 4.1 million before or € 2.8 million after taxes (second quarter of 2012: € 4.1 million before or € 2.9 million after taxes). In detail, it comprised the following:

- a burden in the amount of € 2.3 million before or € 1.7 million after taxes due to changing IT providers
- a burden in the amount of € 1.2 million before or € 0.9 million after taxes for expenses in connection with the implementation of the Group-wide cost efficiency program "STADA – build the future" including consulting services and related follow-up projects
- a burden in the amount of € 0.4 million before or € 0.3 million after taxes for the integration of the branded product portfolio in Central and Eastern Europe as well as in the Middle East and the conversion of the IT systems of the Swiss sales company Spirig HealthCare AG
- a burden in the amount of € 0.3 million before or € 0.1 million after taxes for unscheduled personnel expenses due to personnel changes in the STADA Group
- a relief in the amount of € 0.1 million before or € 0.2 million after taxes for value adjustments netted of write-ups on intangible assets after impairment tests

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Non-operational effects from the measurement of derivative financial instruments amounted to a net relief on earnings in the amount of € 1.3 million before or € 0.9 million after taxes in the first half of 2013 (1-6/2012: net relief on earnings due to non-operational effects from derivative financial instruments in the amount of € 1.7 million before or € 1.2 million after taxes).

In the second quarter of 2013, the relief on earnings was € 1.8 million before or € 1.2 million after taxes (second quarter of 2012: relief on earnings of € 1.6 million before or € 1.1 million after taxes).

In the charts below, further essential key earnings figures of the STADA Group as well as the resulting margins are presented both as reported figures as well as adjusted for aforementioned one-time special effects and non-operational effects from the measurement of derivative financial instruments for the first half of 2013 with the corresponding period of the previous year to allow for comparison.

Development of the STADA Group's reported key earnings figures

in € million	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1]	± %	Margin[2] 6 months 2013 Jan. 1 – June 30	Margin[2] 6 months 2012 Jan. 1 – June 30[1]
Operating profit	131.7	101.4	+30%	13.5%	11.5%
• Operating segment result Generics	80.7	67.4	+20%	13.0%	11.5%
• Operating segment result Branded Products	85.9	65.0	+32%	25.5%	22.8%
EBITDA[3]	184.1	160.7	+15%	18.9%	18.1%
EBIT[4]	132.3	103.8	+27%	13.6%	11.7%
EBT[5]	102.1	72.8	+40%	10.5%	8.2%
Net income	66.6	48.2	+38%	6.8%	5.4%
Earnings per share in €	1.12	0.82	+37%		
Diluted earnings per share in €	1.10	0.80	+38%		

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

in € million	*6 months 2013 Jan. 1 – June 30*	*6 months 2012 Jan. 1 – June 30[1]*	*± %*	*Margin[2] 6 months 2013 Jan. 1 – June 30*	*Margin[2] 6 months 2012 Jan. 1 – June 30[1]*
Operating profit, adjusted	*137.6*	*127.1*	*+8%*	*14.1%*	*14.4%*
• Operating segment result Generics, adjusted	*81.0*	*83.9*	*-4%*	*13.1%*	*14.3%*
• Operating segment result Branded Products, adjusted	*86.9*	*68.6*	*+27%*	*25.8%*	*24.1%*
EBITDA[3], adjusted	*189.8*	*176.7*	*+7%*	*19.5%*	*20.0%*
• EBITDA Generics, adjusted	*103.8*	*105.9*	*-2%*	*16.8%*	*18.1%*
• EBITDA Branded Products, adjusted	*110.4*	*90.5*	*+22%*	*32.8%*	*31.8%*
EBIT[4], adjusted	*138.2*	*129.6*	*+7%*	*14.2%*	*14.6%*
EBT[5], adjusted	*106.8*	*96.8*	*+10%*	*11.0%*	*10.9%*
Net income, adjusted	*70.1*	*69.9*	*0%*	*7.2%*	*7.9%*
Earnings per share in €, adjusted	*1.18*	*1.19*	*-1%*		
Diluted earnings per share in €, adjusted	*1.16*	*1.17*	*-1%*		

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
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 the measurement of derivative financial instruments.

"STADA – build the future"

In the reporting period, the Group continued the outstanding measures of the "STADA – build the future" (BtF) program, which was launched in 2010 to strengthen the mid and long-term earnings potential, and expects to have finished or initiated all of the significant measures by the end of 2013 as planned, after the personnel reduction targets have already been exceeded in the previous year.

Considering that the operational implementation of the Group-wide cost efficiency program is nearly complete, the Executive Board evaluated measures for further cost optimization in the Group in cooperation with external consultants in the first half of 2013.

As a result of this evaluation, the Executive Board finds that a broad-based culture of continuous cost optimization has now developed in the Group, which regularly leads to the identification and implementation of individual projects for the improvement of efficiency that not only continue or supplement BtF projects, but today already significantly exceed the framework of BtF. So there are currently several new projects, sometimes stretching over several years, for the improvement of efficiency in the areas of IT and Operations. In addition, a comprehensive program for the optimization of Group taxes was launched in the second quarter of 2013, which is scheduled to deliver significant tax improvements as early as 2014.

Against this backdrop, the Executive Board currently does not deem it necessary to launch a new Group-wide cost-efficiency program, but relies on the instruments for continuous cost optimization that have been established in the Group in the meantime.

Development of segments

Sales of the two **core segments** Generics and Branded Products increased in the period under review by a total of 10%; their share of Group sales thus amounted to 98.0% (1-6/2012: 98.2%). Adjusted for portfolio effects and currency influences, sales of the two core segments increased by 7% in the first six months of 2013.

Sales of the core segment **Generics** increased by 6% to € 618.3 million in the first half of 2013 (1-6/2012: € 585.1 million). Generics thus contributed 63.5% to Group sales (1-6/2012: 66.1%). Adjusted sales of Generics in the Group recorded growth of 4%.

The core segment **Branded Products** recorded growth in sales of 18% to € 336.5 million in the reporting period (1-6/2012: € 284.5 million). Branded products thereby contributed 34.5% to Group sales (1-6/2012: 32.1%). Adjusted sales of branded products in the Group recorded a plus of 14%.

In the **Commercial Business** segment, which is not part of the core segments, sales increased to € 19.2 million in the reporting period (1-6/2012: € 9.0 million). This development is based for the most part on the purchase of a pharmaceutical wholesale and commercial business in Switzerland that has been consolidated since March 1, 2013. Sales reported under the position **Group holdings / other** decreased to € 0.3 million in the first six months of 2013 (1-6/2012: € 6.6 million). This decline was particularly due to decreased sales with a Dutch contract manufacturer and changes to the local supply chain.

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

Development of the market regions

The following describes the business development of STADA's four market regions Germany, Central Europe, CIS / Eastern Europe and Asia & Pacific. Furthermore, within the individual market regions the development of the most important countries according to sales within these market regions is also described.

Market region Germany

In the **market region Germany**, sales in the first half of 2013 decreased by 2% to € 238.6 million (1-6/2012: € 243.7 million). The market region thus contributed 24.5% to Group sales (1-6/2012: 27.5%). Of the sales generated by market region Germany, € 16.3 million was attributable to export sales (1-6/2012: € 13.3 million). Adjusted sales in the market region decreased by 2%.

Sales generated in **Germany** (i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany) decreased by 4% to € 222.3 million in the reporting period (1-6/2012: € 230.4 million).

This sales decrease experienced in the German market overall was still attributable to the difficult local framework conditions for generics, which stem from the intensive competition in tenders for discount agreements from public health insurance organizations. In light of this, sales of the German generics segment declined in the first six months of 2013 by 7% to € 154.7 million (1-6/2012: € 167.0 million). Sales generated in Germany with generics in the first half of the current financial year accounted for 70% of the total sales achieved in the German market (1-6/2012: 73%). The market share of generics sold in German pharmacies in the reporting period was at the level of 2012 by volume with approx. 13.3%[1)] (1-6/2012: approx. 13.3%[1)]). The Group's overall primary objective of appropriate operating profitability in the German generics market led to a decrease in sales in the first half of 2013 for the Generics segment in Germany without, however, negatively affecting the position of the STADA Group as the clear number 3[1)].

Generics sales generated by STADA in Germany are achieved via various sales companies. In this context, sales of the largest German sales company ALIUD PHARMA GmbH, Laichingen, decreased in the first half of 2013 by 9% to € 85.6 million (1-6/2012: € 94.1 million). Sales achieved in the first six months of the current financial year by the German generics sales company STADApharm GmbH, Bad Vilbel, decreased by 3% to € 54.3 million (1-6/2012: € 55.9 million). Sales of the generics sales company cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, a special supplier for the indication areas oncology and nephrology, increased in the first half of 2013 by 5% to € 17.3 million (1-6/2012: € 16.5 million).

Sales generated with branded products in Germany – primarily under the local sales labels STADA GmbH and Hemopharm GmbH Pharmazeutisches Unternehmen – recorded significant growth of 7% in the reporting period to € 67.3 million (1-6/2012: € 62.9 million).

In the first half of the current financial year, branded products contributed a total of 30% (1-6/2012: 27%) to the total sales achieved in the German market.

For financial year 2013, the Executive Board expects sales in the market region Germany to be approximately at the same level as the previous year or slightly below. Operating profitability is expected to remain only slightly below the Group average.

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

Market region Central Europe

In the **market region Central Europe**, sales in the half year under review increased slightly by 1% to € 407.3 million (1-6/2012: € 403.6 million). Sales achieved in this market region thus amounted to 41.8% of Group sales (1-6/2012: 45.6%). Of the sales generated by the market region Central Europe, € 10.4 million was attributable to export sales (1-6/2012: € 8.1 million). Adjusted Group sales in this market region decreased by 1%.

The Executive Board still expects an increase in sales for financial year 2013 with operating profitability at Group average in the market region Central Europe.

Sales achieved in market region Central Europe in the first six months of 2013 were subject to varying developments in the individual markets. The development of business in the five largest markets according to sales within this market region is described in detail below.

Sales in **Italy** in the first half of 2013 recorded a plus of 11% to € 87.2 million (1-6/2012: € 78.4 million). The two segments Generics and Branded Products showed opposing developments.

Sales generated in Italy with generics increased by 24% to € 74.2 million (1-6/2012: € 59.9 million), primarily due to regulatory measures introduced in the course of financial year 2012 to advance generics. Generics thus contributed 85% to local sales (1-6/2012: 76%).

Sales recorded in the Italian market with branded products declined as expected by 30% to € 13.0 million (1-6/2012: € 18.6 million). The decline was, among other things, a result of the sale of a portfolio in the third quarter of 2012, the products of which are being gradually transfered to the acquirer. Branded products thereby contributed 15% to sales in Italy (1-6/2012: 24%).

In **Belgium**, sales decreased slightly by 1% to € 71.3 million in the half year under review (1-6/2012: € 71.9 million). Whereas sales decreased by 13% in the Belgian market in the first quarter of 2013, sales increased in the second quarter of 2013 by 14%. The sales development was primarily based on the changes to regulatory framework conditions introduced in the second quarter of 2012 which led to a significant increase in price competition.

Sales generated by generics in the Belgian market declined by 1% to € 67.6 million (1-6/2012: € 68.3 million). Generics thereby contributed 95% to local sales (1-6/2012: 95%).

At € 3.8 million, sales generated with branded products in Belgium were slightly above the level of the first half of 2012 (1-6/2012: € 3.6 million). The share of branded products in sales in Belgium amounted to 5% (1-6/2012: 5%).

As is known, STADA's Belgian subsidiary, S.A. Eurogenerics N.V., and the pharmaceutical company Omega Pharma N.V. signed a new contract for the distribution of its generics to pharmacies and wholesalers in Belgium on January 31, 2013. As compared to the previous conditions, Eurogenerics expects annual cost reductions in the higher single-digit million euro area over the period of the contract. In addition, customers in Belgium benefit from considerably improved service as a result of more intense utilization of the Omega Pharma sales team. The contract has a minimum term of five years.

In **Spain**, sales recorded a decrease of 13% to € 52.5 million (1-6/2012: € 60.1 million) in the first six months of the current financial year.

Sales generated in the Spanish market with generics recorded a decrease of 14% to € 46.8 million in the reporting period (1-6/2012: € 54.7 million). Overall, the sales decline in the first half year of 2013 was attributable to the deliberate termination of the Spanish hospital business in 2012, increasingly intense price and discount competition as well as market-curbing, local regulations that were newly introduced in 2012. Generics contributed 89% to Spanish sales in the reporting period (1-6/2012: 91%).

Sales of branded products in Spain, however, increased by 5% to € 5.7 million (1-6/2012: € 5.4 million). Branded products thus contributed 11% to local sales (1-6/2012: 9%).

In **France**, sales rose by 17% to € 46.4 million in the reporting period (1-6/2012: € 39.7 million).

Despite the reduction of reimbursement amounts as of the second quarter of the current financial year, sales achieved with generics in the French market increased to € 40.9 million (1-6/2012: € 34.9 million) as a consequence of the regulatory framework conditions to promote generics that took effect in the second half of 2012 and associated significant growth in volume. Generics thereby contributed 88% to local sales (1-6/2012: 88%).

Sales achieved with branded products in France recorded significant growth of 14% to € 5.5 million (1-6/2012: € 4.8 million). This positive development was primarily attributable to the purchase of the French company LERO carried out in the first quarter of 2012. Thus, branded products had a share in sales of 12% in France (1-6/2012: 12%).

In the **United Kingdom**, sales in the first six months of the current financial year increased by 1% to € 27.0 million applying the exchange rates of the previous year (1-6/2012: € 26.8 million). In euro, sales decreased by 3% to € 26.0 million due to a slightly negative currency effect of the pound sterling (1-6/2012: € 26.8 million). Overall, it was possible for a positive sales development of branded products in the local currency to compensate for the difficult market environment for generics.

Sales achieved with branded products decreased by 2% to € 21.7 million (1-6/2012: € 22.2 million). Branded products thereby contributed 84% to sales achieved in the United Kingdom (1-6/2012: 83%). Sales of generics, where STADA continues to be a niche provider of selected generics in the United Kingdom with only a few active pharmaceutical ingredients, decreased as a result of increased competition by 8% to € 4.2 million (1-6/2012: € 4.6 million). Generics thereby contributed 16% to local sales (1-6/2012: 17%).

Market region CIS / Eastern Europe

Sales in the **market region CIS / Eastern Europe**[1)] increased significantly by 30% to € 292.5 million in the half year under review (1-6/2012: € 225.7 million). Sales achieved in this market region thereby contributed 30.0% to Group sales (1-6/2012: 25.5%). Of the sales generated by the market region CIS / Eastern Europe, € 5.4 million was attributable to export sales (1-6/2012: € 3.7 million). Adjusted Group sales in this market region increased by 28%.

For financial year 2013, the Executive Board continues to anticipate significant growth in sales in the market region CIS / Eastern Europe. Operating profitability is expected to be above Group average.

The development of the two largest markets by sales within this market region, Russia and Serbia, is described in detail below.

Russia recorded a clear sales increase in the first six months of 2013 of 33% applying the exchange rates of the previous year. In euro, sales grew by a strong 30% to € 194.2 million (1-6/2012: € 149.5 million) due to a negative currency effect of the Russian ruble.

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

Sales in the Russian market with generics recorded a significant increase of 16% to € 76.7 million (1-6/2012: € 66.3 million) so that their share in sales generated in Russia amounted to 39% (1-6/2012: 45%).

Sales of branded products rose by a strong 42% to € 117.5 million (1-6/2012: € 82.7 million). They thereby contributed 61% to sales in Russia (1-6/2012: 55%).

In **Serbia**, sales achieved in the first half year of 2013 rose significantly by 28% applying the exchange rates of the previous year. In euro, sales increased by a strong 29% to € 40.3 million with a slightly positive currency effect of the Serbian dinar (1-6/2012: € 31.4 million). Following the conversion of the local distribution model for improved controlling of cash flows carried out in the fourth quarter of 2011 and a correlated, expected sales decrease in 2012, sales achieved in the Serbian market in the reporting period – independent of the low comparable basis of the corresponding period of the previous quarter – were attributable to increasing demand.

Sales generated with generics in Serbia recorded growth of 40% to € 33.8 million (1-6/2012: € 24.1 million). Generics thus contributed 84% to Serbian sales (1-6/2012: 77%).

Sales generated in the Serbian market with branded products increased by 30% to € 6.5 million (1-6/2012: € 5.0 million). Branded products thereby contributed 16% to sales generated in Serbia (1-6/2012: 16%).

STADA continues to assume that its own operating business in the Serbian market is fundamentally stable and that it offers further growth opportunities. In addition to the development of the liquidity situation of the wholesalers and distribution partners in Serbia, sales and earnings contributions in Serbia will continue to be significantly dependent on the currency relationship of the Serbian dinar to the euro also in the future.

Market region Asia & Pacific

In the **market region Asia & Pacific**, sales in the first half year of 2013 increased significantly by 195% to € 35.9 million (1-6/2012: € 12.2 million). Sales of the market region thereby contributed 3.7% to Group sales (1-6/2012: 1.4%). The growth in the market region Asia & Pacific was primarily attributable to the sales increase in the Vietnamese market following the consolidation of the Pymepharco Joint Stock Company as a subsidiary since January 1, 2013. Irrespective of this, the adjusted sales in this market region also increased by 11%.

For financial year 2013, the Executive Board still expects another sales increase in the market region Asia & Pacific with operating profitability above Group average.

Development, production and procurement

Research and development costs were at € 27.5 million in the half year under review (1-6/2012: € 25.7 million). Since STADA is not active in research for new active pharmaceutical ingredients in view of its business model, it is only a matter of development costs. Furthermore, the Group capitalized development costs for new products in the amount of € 6.9 million in the first six months of the current financial year (1-6/2012: € 6.9 million).

Worldwide, STADA launched a total of 352 individual products in the individual national markets in the first half of 2013 (1-6/2012: 367 product launches).

As an example of another on-time launch of a generic product following the expiration of the patent for the original product, STADA introduced products with the Viagra active ingredient sildenafil to the market in Germany as well as numerous other European countries through various subsidiaries.[1)]

1) See the Company's corporate news of June 23, 2013.

In view of the product pipeline, which remains well-filled, the Executive Board expects to be able to continuously launch new products in the individual national markets of the respective market regions – with a focus on generics in European countries – in the future as well.

STADA generally makes adequate investments to ensure that all Group-owned production facilities are maintained at the level required by legal stipulations and technical production considerations. For the expansion and renewal of production sites and facilities, the Group invested a total of € 8.5 million in the first half of 2013 (1-6/2012: € 3.4 million).

As a result of new EU regulations, as of July 2, 2013 increased documentation and information requirements will be placed on pre-suppliers of pharmaceutical ingredients, in particular also from non-EU countries, which require greater involvement of national and/or local authorities in the third countries. As non-EU countries are meeting these new regulations to an ever-increasing extent and as STADA has also taken bridging measures for the introductory period, from today's perspective the Group does not expect that the new requirements in the STADA Group will lead to any significant supply bottlenecks in terms of active ingredients.

Financial position and cash flow

The financial position of the STADA Group remains stable. As of the reporting date June 30, 2013, the **equity-to-assets ratio** was 28.9% (December 31, 2012[1)]: 30.6%) and thereby satisfactory in the opinion of the Executive Board.

Net debt amounted to € 1,211.9 million as of June 30, 2013 (December 31, 2012: € 1,177.3 million). The **net debt to adjusted EBITDA ratio** amounted in the reporting period on linear extrapolation of the adjusted EBITDA of the first half of 2013 on a full year basis to 3.2 (1-6/2012[1)]: 3.6).

In the second quarter of 2013, STADA successfully issued a second corporate bond in the capital market with a volume of € 350 million, a term of five years and a fixed interest rate of 2.25% p.a.[2)] The order book was oversubscribed by more than three times; the issue price was 99.417%. The proceeds from the issue will be used for general financing purposes.

As of June 30, 2013, in addition to this bond, the long-term refinancing of the Group comprised the five-year corporate bond that was placed in 2010 in the amount of € 350 million with an interest rate of 4.00% p.a. as well as long-term promissory notes with maturities in the area of 2013 to 2017 in the total amount of € 740.0 million, of which a total of € 189.5 million will reach maturity in the second half of 2013 and the refinancing of which has already been secured by the bond issued in the second quarter of 2013.

Intangible assets included € 461.4 million goodwill as of June 30, 2013 (December 31, 2012: € 455.8 million) including the additions from the preliminary purchase price allocations. Furthermore, there were additions to the other intangible assets from business combinations – not considering amortization in the reporting period – in the amount of € 30.9 million, which correspond to the fair values determined in the context of the preliminary purchase price allocations.

Investments in associates decreased as compared to December 31, 2012 by € 26.3 million to € 8.6 million (December 31, 2012: € 34.9 million) primarily due to the control achieved as of January 1, 2013 of the subsidiary Pymepharco Joint Stock Company, which was previously included in the consolidated financial statements as an associated company and has been consolidated as a subsidiary as of 2013.

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) See the Company's corporate news of May 29, 2013.

The increase of **inventories** to € 502.4 million (December 31, 2012: € 475.3 million) was also predominantly a result of the consolidation of the subsidiary Pymepharco Joint Stock Company since January 1, 2013.

Trade accounts receivable increased by € 12.4 million to € 504.5 million (December 31, 2012: € 492.1 million). This was also primarily attributable to the consolidation of the subsidiary Pymepharco Joint Stock Company since January 1, 2013.

As of June 30, 2013, the Group's **current and non-current financial liabilities** in the amount of € 223.2 million and € 1,299.3 million (December 31, 2012: € 328.5 million and € 941.6 million) include, in particular, promissory notes which have a nominal value in the amount of € 740.0 million (December 31, 2012: € 794.5 million) and two bonds which have a nominal value in the amount of € 350.0 million each (December 31, 2012: one bond at € 350.0 million). The increase in financial liabilities primarily resulted from the bond placed in the second quarter of the current financial year with a volume of € 350.0 million.

Cash flow from operating activities – which consists of changes in items not covered by investing activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 43.1 million in the first six months of 2013 (1-6/2012: € 51.6 million). The change of € 8.5 million as compared to the corresponding period of the previous year predominately resulted from the cash-effective decrease of other financial liabilities and other liabilities, whereas a significantly lower cash-effective decrease occurred in this regard in the prior-year period. The resulting decrease in cash flow from operating activities was only partially compensated by the significantly lower cash-effective increase in inventories as compared to the corresponding period of the previous year.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -43.2 million in the period under review (1-6/2012: € -408.0 million). Cash flow from investing activities was particularly influenced in the first half of 2013 by payments for investments in intangible assets and property, plant and equipment, whereas it was primarily characterized by high payments for investments in business combinations according to IFRS 3 in the corresponding period of the previous year. The payments for investments in business combinations in the reporting period relate to the final purchase price payments for the additional shares as well as control acquired of the operations of Pymepharco Joint Stock Company as well as the pharmaceutical wholesaling and commercial business acquired from Spirig Pharma AG.

Free cash flow in the reporting period amounted to € -0.1 million (1-6/2012: € -356.4 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 13.5 million in the first six months of 2013 (1-6/2012: € 24.6 million).

Cash flow from financing activities amounted to € 218.2 million in the first half of the current financial year, while cash flow from financing activities in the amount of € 88.3 million was recorded in the corresponding period in the previous year. This development was primarily a result of the bond placed by STADA in the second quarter of 2013. In opposition, the repayment of financial liabilities increased as compared to the prior-year period.

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 217.8 million in the first half year under review (1-6/2012: € -270.1 million).

Result from associated companies

Earnings from associated companies reported in the period under review in the amount of € 0.4 million (1-6/2012: € 0.8 million) relate to the company BIOCEUTICALS Arzneimittel AG, which is accounted for using the equity method, and both French companies Pharm Ortho Pedic SAS and AELIA SAS.

Acquisitions and disposals

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

Despite the active acquisition policy, strict benchmarks are still applied in the Group which concerns profitability and appropriateness of the purchase price. For larger acquisitions or cooperations with capital investments, appropriate capital measures are generally imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

In the current third quarter of 2013 STADA and the owners of Thornton & Ross agreed to negotiate exclusively on the purchase of the British OTC manufacturer.[1)] Thornton & Ross has a number of well-known prescription-free (OTC) branded products for a wide variety of indications – among other things, cold, pain and dermatology. In financial year 2012/2013 (April 1, 2012 – March 31, 2013), Thornton & Ross generated sales of GBP 66.233 million (applying the exchange rate from the date the ad hoc release was published approx. € 76.66 million) and thereby approx. 11% more than in the previous year – for the most part through the pharmacy and drugstore distribution channels in the United Kingdom. The EBITDA margin in 2012/2013 was above the average for the STADA Group. Thornton & Ross is currently one of the fastest-growing companies in the British pharmaceutical market and at the same time number 5 in the British OTC market. Thornton & Ross has an EU-GMP-certified production site and currently employs approx. 425 people. The contract signing and completion of the acquisition are planned for the third quarter of the current financial year. Consolidation of sales is sought from September 2013.

STADA share

In the first half of 2013, the STADA share recorded a very positive development. Whereas the STADA share price closed at € 24.41 at the end of 2012, it amounted to € 31.94 at the end of the first quarter of 2013 and closed the second quarter at € 33.07. The STADA share price thus increased in the first six months of 2013 by approx. 35%. At the end of the first half of the year, the STADA market capitalization amounted to € 1.968 billion. At the end of 2012, this figure was € 1.448 billion.

As of June 30, 2013, the subscribed share capital of STADA Arzneimittel AG amounted to € 154,728,444.00 (December 31, 2012: € 154,263,876.00) consisting of 59,510,940 registered shares with restricted transferability[2)], each with an arithmetical share in share capital of € 2.60 (December 31, 2012: 59,332,260 registered shares with restricted transferability). Changes in the first half of 2013 resulted from the exercising of 8,934 warrants 2000/2015[3)]. As of June 30, 2013, 143,964 warrants 2000/2015 for the subscription of 2,879,280 STADA registered shares were thus still outstanding.

STADA assumes, as of June 30, 2013, in accordance with 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 Gryphon International Investment Corporation[4)], Toronto/Ontario, Canada, with 3.20%, holds a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon

1) See the Company's ad hoc release of August 6, 2013.
2) Under the Company's Articles of Association, 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 January 14, 2011.

International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada. SOCIETE GENERALE SA[1], Paris, France, reported, according to reports made to the Company as of June 30, 2013 pursuant to Section 25a (1) of the German Securities Trading Act (WpHG) that they held a share in voting rights requiring notification of 8.60% in relation to the entire amount of shares with voting rights of STADA Arzneimittel AG of 59,397,240. Thereby, SOCIETE GENERALE SA directly holds 0.09% of shares and has the option to purchase, via financial or other instruments according to Section 25a of the German Securities Trading Act (WpHG), a 8.51% shareholding in STADA Arzneimittel AG (thereby directly 3.92% via SOCIETE GENERALE EFFEKTEN GMBH). Furthermore, STADA assumes, as of June 30, 2013, in accordance with the announcements on exceeding or falling below reporting thresholds available to the Company according to Section 25a (1) of the German Securities Trading Act (WpHG) that SOCIETE GENERALE EFFEKTEN GMBH[1], Frankfurt, Germany, has the option to purchase, via financial or other instruments according to Section 25a of the German Securities Trading Act (WpHG), a 3.92% shareholding in STADA Arzneimittel AG. DWS Investment GmbH, Frankfurt am Main, Germany, a subsidiary of Deutsche Bank AG[2], London, United Kingdom, holds a share in voting rights requiring notification of 3.04% according to reports made to the Company as of June 30, 2013, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG). According to Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

On June 5, 2013[3], the STADA Annual General Meeting resolved a dividend of € 0.50 per common share that was significantly higher than the previous year by 35.1%. The total dividend payments of € 29.6 million (previous year: € 21.8 million) thus represent a dividend ratio of approx. 34% (previous year: approx. 99%) of reported net income. In addition, the Annual General Meeting confirmed the Executive Board and the Supervisory Board with a high level of approval. Furthermore, the Annual General Meeting made resolutions on the creation of a new authorized capital and a new conditional capital as well as on the purchase and utilization of treasury shares. The Annual General Meeting also confirmed the membership of all shareholder representatives in the Supervisory Board for another five years[4] and concluded a revised remuneration system for the Supervisory Board. Dr. Martin Abend was re-elected Chairman of the Supervisory Board and Manfred Krüger (employee representative) deputy Chairman of the Supervisory Board at the constituent Supervisory Board meeting held directly after the Annual General Meeting.

In the second quarter of 2013 according to information available to the Company, STADA reported a total of two Directors' Dealings in the form of a sale and a purchase. On April 2, 2013, Hartmut Retzlaff, Chairman of the Executive Board, sold 3,000 STADA warrants at a price of € 299.167 per warrant. Furthermore, Hartmut Retzlaff purchased 1,574 STADA shares at a price of € 32.449 per share on April 2, 2013.

Boards of the Company

Effective May 3, 2013, the STADA Supervisory Board appointed Dr. Matthias Wiedenfels as a member of the Executive Board of STADA Arzneimittel AG for Corporate Development & Central Services.[5] The contract is valid until December 31, 2016. In the context of the Executive Board's rules of procedure, Human Resources, Legal, IP/Patents, Compliance, Risk Management, Portfolio Management, Export Control and Facility Management, which were previously allocated to other Executive Board areas, were assigned to this new Executive Board area. The appointment of Dr. Wiedenfels takes account of the increased size of the company and the corresponding increase in the number of tasks for the individual members of the Executive Board.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the fundamental outlook and the opportunities and risk report published for the Group in the Management Report of STADA's Annual Report 2012. Together with the supplements and updates, especially with reference to the current financial year, listed in this interim report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the STADA Group.

1) See the Company's disclosure of June 14, 2013.
2) See the Company's disclosure of May 22, 2013.
3) The voting results of the decisions taken at the Annual General Meeting of June 5, 2013 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.
4) Dr. Martin Abend (Chairman), Dr. Eckhard Brüggemann, Dr. K. F. Arnold Hertzsch, Dieter Koch, Constantin Meyer and Carl Ferdinand Oetker.
5) See the Company's ad hoc release of May 3, 2013.

STADA's business model is therefore geared towards markets with long-term growth potential and growth opportunities in the health care and pharmaceutical market. Linked to this, however, are also inseparable risks and challenges resulting in particular from changed or additional state regulation and intensive competition. In view of this, in the Executive Board's assessment, far-reaching regulatory interventions, a high level of competition, default risks and significant margin pressure can continue to occur in individual markets of the respective market regions in the future. The latter applies primarily to the increasing volume of business activities in the Generics core segment characterized by tenders.

In addition, STADA will continue to have to deal with non-operational influence factors. The most important currency relations for the Group, in particular of the Russian ruble and the Serbian dinar to the euro, will thus also affect the Group's future development in financial years 2013 and 2014. Furthermore, STADA will have to deal with the effects of the ongoing global economic and financial crisis also in the future. In view of this, the Group continues to prepare itself, within the realm of possibility, for specific potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or strong volatility in interest rate levels and currency relations that are relevant for the Group. However, in view of the extraordinary dimension of the ongoing global financial and economic crisis, burdens which result from this such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences cannot be ruled out.

In future, the sales and earnings development of the STADA Group will also continue to be characterized by both stimulating and challenging framework conditions in the individual markets of the respective market regions in which STADA is active. In the overall assessment of opposing influence factors, the Executive Board, from today's perspective, nevertheless expects further growth in Group sales for financial years 2013 and 2014.

The Executive Board thereby expects that sales growth can be achieved in both core segments in 2013 and 2014. In this context, the Branded Products core segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow.

In order to strengthen the mid and long-term earnings potential, the Group will pursue the outstanding measures of the Group-wide cost efficiency program "STADA – build the future" scheduled for the period of 2010 to the end of 2013. In the process, the remaining expected, project-related costs[1] – from today's perspective only in the single-digit million-euro area – will be reported as one-time special effects according to the progress of the project as planned.

Nevertheless, in light of the Group's general growth prospects, the Executive Board continues to anticipate the opportunity for further growth in adjusted EBITDA in the Group in the high single-digit percentage range in financial years 2013 and 2014, thereby achieving a new record value. In addition, the Executive Board also expects an increase in adjusted EBITDA in both core segments in financial years 2013 and 2014.

Furthermore, the Executive Board affirms the long-term prognosis envisaged for 2014[2], according to which Group sales of approx. € 2.15 billion, at an adjusted level, EBITDA of approx. € 430 million and net income of approx. € 215 million should be reached at minimum.

H. Retzlaff H. Kraft Dr. A. Müller Dr. M. Wiedenfels

1) See the Company's ad hoc release of June 7, 2010.
2) See the Company's ad hoc releases of June 7, 2010, March 1, 2012 and February 28, 2013.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS OF 2013 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement for the period from Jan. 1 to June 30 in € 000s	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1]	2nd quarter 2013 Apr. 1 – June 30	2nd quarter 2012 Apr. 1 – June 30[1]
Sales	974,291	885,235	497,325	441,861
Cost of sales	497,413	448,391	254,434	227,669
Gross profit	**476,878**	**436,844**	**242,891**	**214,192**
Selling expenses	224,906	211,388	115,347	108,959
General and administrative expenses	84,055	77,626	44,113	39,377
Research and development expenses	27,508	25,743	14,291	12,664
Other income	11,399	25,185	4,846	14,019
Other expenses	18,243	26,133	12,114	11,240
Expenses in connection with the "STADA – build the future" project	1,886	19,723	1,211	801
Operating profit	**131,679**	**101,416**	**60,661**	**55,170**
Result from associated companies	353	753	424	508
Investment income	226	1,672	226	900
Financial income	2,955	2,855	1,708	1,836
Financial expenses	33,069	33,882	16,505	17,523
Financial result	**-29,535**	**-28,602**	**-14,147**	**-14,279**
Earnings before taxes	**102,144**	**72,814**	**46,514**	**40,891**
Taxes on income	34,688	24,229	14,294	11,928
Earnings after taxes	**67,456**	**48,585**	**32,220**	**28,963**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	66,643	48,157	31,719	28,709
• distributable to non-controlling shareholders	813	428	501	254
Earnings per share in € (basic)	1.12	0.82	0.53	0.49
Earnings per share in € (diluted)	1.10	0.80	0.52	0.48

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in € 000s	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1]	2nd quarter 2013 Apr. 1 – June 30	2nd quarter 2012 Apr. 1 – June 30[1]
Earnings after taxes	67,456	48,585	32,220	28,963
Items to be recycled to the income statement in future:				
Currency translation gains and losses	-31,789	-29,077	-35,605	-24,235
thereof				
• income taxes	-203	771	-44	553
Gains and losses on available-for-sale financial assets	-10	-5	-7	-8
thereof				
• income taxes	3	1	2	2
Gains and losses on hedging instruments (cash flow hedges)	1,745	-842	852	-600
thereof				
• income taxes	-647	312	-316	222
Items not to be recycled to the income statement in future:				
Actuarial gains and losses from defined benefit plans	0	-1,349	0	-1,389
thereof				
• income taxes	0	536	0	529
Other comprehensive income	-30,054	-31,273	-34,760	-26,232
Consolidated comprehensive income	37,402	17,312	-2,540	2,731
thereof				
• distributable to shareholders of STADA Arzneimittel AG	36,733	16,280	-2,204	2,267
• distributable to non-controlling shareholders	669	1,032	-336	464

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Balance Sheet

Consolidated Balance Sheet as of June 30 in € 000s Assets	June 30, 2013	Dec. 31, 2012[1)]
Non-current assets	**1,785,246**	**1,801,437**
Intangible assets	1,425,175	1,417,083
Property, plant and equipment	281,523	273,822
Financial assets	9,272	12,463
Investments in associates	8,557	34,885
Other financial assets	18,141	16,160
Other assets	2,468	1,677
Deferred tax assets	40,110	45,347
Current assets	**1,465,658**	**1,180,645**
Inventories	502,379	475,311
Trade accounts receivable	504,521	492,143
Income tax receivables	41,100	31,209
Other financial assets	43,052	36,137
Other assets	62,005	51,039
Non-current assets and disposal groups held for sale	2,048	2,076
Cash and cash equivalents	310,553	92,730
Total assets	**3,250,904**	**2,982,082**

Equity and liabilities	June 30, 2013	Dec. 31, 2012[1)]
Equity	**940,543**	**912,315**
Share capital	154,728	154,264
Capital reserve	474,933	472,459
Retained earnings including net income	497,956	460,922
Other provisions	-213,993	-184,467
Treasury shares	-1,563	-1,572
Equity attributable to shareholders of the parent	**912,061**	**901,606**
Shares relating to non-controlling shareholders	28,482	10,709
Non-current borrowed capital	**1,468,261**	**1,100,174**
Other non-current provisions	49,016	47,749
Financial liabilities	1,299,312	941,572
Other financial liabilities	17,127	24,528
Other liabilities	3,671	3,561
Deferred tax liabilities	99,135	82,764
Current borrowed capital	**842,100**	**969,593**
Other provisions	10,642	10,538
Financial liabilities	223,228	328,519
Trade accounts payable	266,890	268,973
Income tax liabilities	19,697	25,759
Other financial liabilities	234,703	221,943
Other liabilities	86,940	113,861
Total equity and liabilities	**3,250,904**	**2,982,082**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in € 000s	June 30, 2013	June 30, 2012[1)]
Net income	67,456	48,585
Depreciation and amortization net of write-ups of non-current assets	51,794	56,828
Income taxes	34,688	24,229
Interest income and expenses	31,350	32,725
Result from associated companies	-353	-753
Result from the disposals of non-current assets	-360	-436
Changes in other non-current provisions	187	-77
Currency translation income and expenses	7,411	-4,145
Other non-cash expenses and gains	186,910	144,932
Gross cash flow	**379,083**	**301,888**
Changes in inventories	-32,737	-84,642
Changes in trade accounts receivable	-19,924	-19,162
Changes in trade accounts payable	876	20,382
Changes in other net assets, unless attributable to investing or financing activities	-217,018	-120,115
Interest and dividends received	3,240	5,116
Interest paid	-34,340	-31,452
Income tax paid	-36,038	-20,402
Cash flow from operating activities	**43,142**	**51,613**
Payments for investments in		
• intangible assets	-24,410	-68,608
• property, plant and equipment	-15,227	-12,977
• financial assets	-20	-493
• shares in associated companies	-	-
• business combinations according to IFRS 3	-6,924	-325,216
Proceeds from the disposal of		
• intangible assets	2,280	687
• property, plant and equipment	662	1,592
• financial assets	410	478
• shares in consolidated companies	-	-3,455
Cash flows from investing activities	**-43,229**	**-407,992**
Borrowing of funds	565,296	277,126
Settlement of financial liabilities	-319,160	-167,648
Dividend distribution	-30,899	-22,030
Capital increase from share options	2,939	778
Changes in non-controlling interests	-	51
Changes in treasury shares	8	13
Cash flows from financing activities	**218,184**	**88,290**
Changes in cash and cash equivalents	**218,097**	**-268,089**
Changes in cash and cash equivalents due to Group composition	-	157
Changes in cash and cash equivalents due to exchange rates	-274	-2,179
Net change in cash and cash equivalents	**217,823**	**-270,111**
Balance at beginning of the period	**92,730**	**320,740**
Balance at end of the period	**310,553**	**50,629**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statement of Changes in Shareholders' Equity in € 000s 2013	Number of shares	Share capital	Capital reserve
Balance as of June 30, 2013	**59,510,940**	**154,728**	**474,933**
Dividend distribution			
Capital increase from share options	178,680	464	2,475
Changes in treasury shares			-1
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income			
Net income			
Balance as of Jan. 1, 2013[1)]	**59,332,260**	**154,264**	**472,459**
Previous year			
Balance as of June 30, 2012[1)]	**59,013,640**	**153,435**	**468,053**
Dividend distribution			
Capital increase from share options	47,280	123	655
Changes in treasury shares			-5
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income[1)]			
Net income[1)]			
Balance as of Jan. 1, 2012 adjusted	**58,966,360**	**153,312**	**467,403**
IAS 19 adjustments			
Balance as of Jan. 1, 2012	**58,966,360**	**153,312**	**467,403**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
497,956	-209,931	28	-4,090	-1,563	912,061	28,482	940,543
-29,620					-29,620	-1,279	-30,899
					2,939		2,939
				9	8		8
					-		-
					-	18,383	18,383
	395				395		395
11	-31,654	-12	1,745		-29,910	-144	-30,054
66,643					66,643	813	67,456
460,922	-178,672	40	-5,835	-1,572	901,606	10,709	912,315
430,765	-196,018	43	-5,383	-1,603	849,292	10,836	860,128
-21,782					-21,782	-248	-22,030
					778		778
				18	13		13
					-		-
					-	51	51
					-		-
-1,349	-29,682	-4	-842		-31,877	604	-31,273
48,157					48,157	428	48,585
405,739	-166,336	47	-4,541	-1,621	854,003	10,001	864,004
93					93		93
405,646	-166,336	47	-4,541	-1,621	853,910	10,001	863,911

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, 2013 were prepared under consideration of the regulations outlined in 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, 2012 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, 2013 have been observed by STADA.

In these consolidated interim financial statements – with the exception of the changed accounting policies listed in Note 1.2. –, the same accounting policies and methods of computation are applied as in the consolidated financial statements for financial year 2012. With regard to the principles and methods used in the context of Group Accounting we insofar generally refer to the Notes on the consolidated financial statements of the Annual Report 2012.

1.2. Changes in accounting policies

In the first half of 2013, STADA observed and, if relevant, applied the following IASB pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2013, which had no or no significant effect on the presentation of STADA's business, financial, earnings situation or cash flow:

- **IFRS 1 "First-time Adoption of IFRS":** The amendment introduces a new exception of general retrospective application of IFRS by first-time adopters in relation to government loans. As STADA already prepares the consolidated financial statements according to IFRS, revised versions of the standard or amendments to it are not relevant.
- **IFRS 7 "Financial Instruments: Disclosures":** The amendment relates to expanded disclosures in the reporting of netting agreements. Comprehensive disclosures are also intended for those netting rights that do not lead to offsetting according to IFRS.
- **IFRS 13 "Fair Value Measurement":** The new standard contains a definition of fair value, provides a framework for the measurement of fair value in a single IFRS and contains, moreover, regulations on disclosures of fair value measurement. IFRS 13 thus seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- **IAS 1 "Presentation of Financial Statements":** The amendment relates to the reporting of items in other comprehensive income within the statement of comprehensive income. According to the amendment, items reported under other comprehensive income are to be divided into two categories dependent on whether or not they will be recognized in the income statement (recycling) in the future.
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine":** The new interpretation deals with the question of the recognition and measurement of the costs of stripping at a surface mine that fall due during the production phase.

- **Amendments in the context of the Annual Improvement Project 2009–2011:**
  IFRS 1 "First-time Adoption of IFRS": The amendment includes clarifications that relate to a possible repeat application of IFRS 1, subject to certain conditions, as well as the application of the regulations of IAS 23. As STADA already prepares the consolidated financial statements according to IFRS, revised versions of the standard or amendments to it are not relevant.
  IAS 1 "Presentation of Financial Statements": The amendment includes a clarification on comparative information required to be disclosed when providing a third balance sheet either voluntarily or as required. With regard to the changes to be applied retrospectively due to lack of material significance permissibly resulting from the changed standard IAS 19, STADA dispensed with the presentation of a third balance sheet as well as any further voluntary information.
  IAS 16 "Property, Plant and Equipment": The amendment includes a clarification relating to the classification of spare parts and servicing equipment as property, plant and equipment or inventory.
  IAS 32 "Financial Instruments: Presentation": The amendment includes a clarification that tax effects of distributions and transaction costs from the issue or buyback of equity instruments is to be recognized in accordance with IAS 12.
  IAS 34 "Interim Financial Reporting": The amendment clarifies that the disclosure of segment assets and liabilities shall only be required if they are regularly reported to the Chief Operating Decision Maker and there has been a material change in these since the last annual financial statements.

The amended standard IAS 19 "Employee Benefits" was to be applied starting from the beginning of financial year 2013 and, in particular, had effects on STADA's consolidated financial statements as described below. As compared to the previous regulation the formerly optional corridor method for recognizing actuarial gains and losses was eliminated. Actuarial gains and losses shall hereafter only be recognized under other comprehensive income. In accordance with the new regulation, income from the return on plan assets shall now be exclusively recognized in the amount of the discount rate and thus a net interest on the net liabilities or net assets is introduced. Past service cost shall be recognized immediately in profit or loss. Furthermore, the amended IAS 19 requires more extensive notes. In consideration that STADA already immediately recognizes actuarial gains and losses under other comprehensive income, this does not result in any changes for STADA's consolidated financial statements. For STADA, the remaining amendments result primarily in the immediate recognition of a potential past service cost, a different calculation and a different recognition of income from the return on plan assets as well as additional notes. The new regulations additionally result in a different treatment of additional compensation in the context of partial retirement (Altersteilzeit) agreements.

In the context of the retrospective adjustments carried out in accordance with the amended standard IAS 19 in conjunction with IAS 8 as well as in conjunction with IAS 1, balance sheet items changed as of December 31, 2012 as follows: Other non-current provisions decreased by € 0.12 million to € 47.75 million. Other current and non-current liabilities decreased overall by € 0.04 million to € 117.42 million. Equity increased – relating to retained earnings including net income as well as other provisions – overall by € 0.14 million to € 912.32 million. Deferred tax assets increased by € 0.05 million to € 45.35 million. Deferred tax liabilities increased by € 0.07 million to € 82.76 million.

Due to the retrospective adjustments, the following changes resulted for the income statement in the first half of 2012: .

Consolidated Income Statement in € 000s	6 months 2012 Jan. 1 – June 30	Adjustments in accordance with amended standard IAS 19	6 months 2012 Jan. 1 – June 30 adjusted
Sales	885,235	-	885,235
Cost of sales	448,393	-2	448,391
Gross profit	**436,842**	**2**	**436,844**
Selling expenses	211,392	-4	211,388
General and administrative expenses	77,570	56	77,626
Research and development expenses	25,743	-	25,743
Other income	25,185	-	25,185
Other expenses	26,133	-	26,133
Expenses in connection with the “STADA – build the future” project	19,723	-	19,723
Operating profit	**101,466**	**-50**	**101,416**
Result from associated companies	753	-	753
Investment income	1,672	-	1,672
Financial income	3,601	-746	2,855
Financial expenses	34,692	-810	33,882
Financial result	**-28,666**	**64**	**-28,602**
Earnings before taxes	**72,800**	**14**	**72,814**
Taxes on income	24,227	2	24,229
Earnings after taxes	**48,573**	**12**	**48,585**
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	48,145	12	48,157
• distributable to non-controlling shareholders	428	-	428
Earnings per share in € (basic)	0.82	-	0.82
Earnings per share in € (diluted)	0.80	-	0.80

In May 2011, the IASB adopted the new standards IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 10 replaces the consolidation requirements of the former IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities” and introduces a uniform consolidation model for all subsidiaries. IFRS 11 governs the accounting for joint operations and joint ventures and thus replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. The former option to proportionately consolidate joint ventures is eliminated in favor of mandatory application of the equity method. In the context of IFRS 12, disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities are combined, expanded and replaced. The new regulations, which were adopted in European law in 2012, in the EU are applicable to financial years beginning on or after January 1, 2014. In June 2012, IASB published transition guidance adopted into European law in April 2013 (amendments to IFRS 10, IFRS 11 and IFRS 12) for the standards adopted in May 2011 of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. In the context of these amendments, the transition guidance in IFRS 10 was clarified and additional simplification was ensured in all three standards. The significant change here results from IFRS 11 “Joint Arrangements”. The joint ventures included in the consolidated financial statements, which have been proportionately consolidated to date, are to be accounted for using the equity method as of financial year 2014. The proportionate share of assets and liabilities of these companies will thereby no longer be included in the consolidated balance sheet and the proportionate share of aggregated earnings of these units will be disclosed under one item within the income statement, whereas a disclosure is currently made under the relevant income and expense items. As a significant effect of this change on the business, financial and earnings position, this results in – on the basis of the income statements of the respective companies for financial year 2012 – a reduction of external sales by approx. € 15 million as well as a reduction in the operating profit of approx. € 4 million. However, no effects on net income are expected from this changed accounting policy for joint ventures as the proportionate profit from joint ventures will be reported under one item in the financial result.

The other standards and interpretations adopted by the IASB in 2013, but not yet effective and/or changed, are not expected to have any significant effects on STADA's consolidated financial statements in the future.

In the first half of 2013, STADA made a reporting change within equity. For reasons of concentration of information, retained earnings and net income including profit brought forward will now be reported in one item retained earnings including net income. The prior-year figures were adjusted accordingly for the purpose of comparability. Overall, this change in reporting has no effects on equity beyond the combination of items previously reported separately.

1.3. Scope of consolidation

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

Changes in the scope of consolidation as of June 30, 2013 as compared to December 31, 2012 resulted from the following listed mergers under company law:

- In Austria, the subsidiary STADA GmbH, Vienna, Austria, which had been consolidated since January 2012, was merged with the subsidiary STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria, which was also already consolidated.[1)]
- In the Czech Republic, the subsidiary STADA s.r.o., Roztoky, Czech Republic, which had been consolidated since February 2012, was merged with the subsidiary STADA PHARMA CZ, s.r.o., Prague, Czech Republic, which was also already consolidated.

These mergers did not have any effect on the Group's business, financial and earnings situation.

Furthermore, the Vietnamese subsidiary Pymepharco Joint Stock Company was included in the scope of consolidation, which was previously included in the consolidated financial statements of STADA as an associate. Control of the subsidiary was achieved on January 1, 2013.

Since April 1, 2013 the company Well Light Investment Services Joint Stock Company has also been consolidated as a subsidiary. STADA holds a share of 49% of this company. Taking into account additional contractual obligation STADA exerts a controlling influence on the company.

In the second quarter of the current financial year, furthermore, the joint venture STADA Import/Export International Limited was founded and has been consolidated since April 1, 2013 in STADA's consolidated financial statements.

1) The formal legal merger of the two Austrian subsidiaries has not yet been concluded as of June 30, 2013.

In addition, the Irish subsidiary SFS International Limited, Clonmel, Ireland, was deconsolidated as of June 30, 2013. These did not have any effect on the Group's business, financial and earnings situation.

In the consolidated interim financial statements of the STADA Group, 63 companies were thereby consolidated as subsidiaries, three companies as joint ventures and three companies as associates as of the balance sheet date on June 30, 2013.

1.4. Business combinations

In the first half of 2013, the following significant business combination in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

Since January 1, 2013, STADA has controlled the Vietnamese pharmaceutical company Pymepharco Joint Stock Company, whose business activities focus on the production and sale of pharmaceutical products as well as import activities for the Vietnamese health and pharmaceutical market, via additional indirect investments and legal arrangements. Accordingly, Pymepharco, which was previously treated as an associated company, has been consolidated in the STADA Group as a subsidiary since January 1, 2013 taking into account minority interests.

In the context of the preliminary purchase price allocation, goodwill in the amount of approx. € 11.2 million resulted from the business combination and is broken down as follows:

in € million	
Purchase price for 10% of the shares in Pymepharco Joint Stock Company approx.	7.4
Fair value of shares recognized according to the equity method at the acquisition date approx.	30.3
Proportionate fair values of the assets and liabilities acquired approx.	26.5
Goodwill	11.2

An amount of approx. € 3.6 million, which was reported in other income, resulted from the preliminary revaluation of shares recognized up to the acquisition date according to the equity method at the time control was achieved.

Goodwill here results primarily from a strengthened presence in the market region Asia & Pacific as well as a stronger participation in the growth market Vietnam. The partial goodwill method was used for the recognition of this goodwill in the balance sheet.

The non-controlling share in the acquired company in the context of the preliminary purchase price allocation determined at the acquisition date is approx. € 18.4 million.

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

Fair values in € million	
Intangible assets	30.9
Other non-current assets	13.0
Trade accounts receivable	13.2
Other current assets	15.1
Cash and cash equivalents	0.3
Assets	**72.5**
Deferred tax liabilities	8.9
Other non-current liabilities	0.1
Financial liabilities	9.2
Other current liabilities	9.4
Liabilities	**27.6**

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

In the first half of 2013, furthermore, the following insignificant business combination in the sense of IFRS 3 was recorded:

STADA concluded a contract with Spirig HealthCare AG in the third quarter of 2012 for the acquisition of the pharmaceutical wholesale and commercial business of Spirig Pharma AG. The acquisition was completed in the first quarter of 2013. The purchase price was CHF 5.1 million (approx. € 4.2 million). The business has been consolidated in the STADA Group since March 1, 2013.

Sales achieved with the business operations of Pymepharco Joint Stock Company and the pharmaceutical wholesale and commercial business since their acquisition dates (January 1, 2013 and March 1, 2013 respectively) amounted to a total of about € 30 million in the first half of 2013. The operating profit adjusted for effects from the preliminary purchase price allocations (about € 2 million) of these business combinations amounted to about € 4 million in the first half of 2013. If STADA had purchased the pharmaceutical wholesale and commercial business on January 1, 2013, sales of approx. € 34 million and operating profit, adjusted for effects from the preliminary purchase price allocations (about € 2 million), of approx. € 4 million would have been achieved from the two business combinations in the first half of 2013.

2. Notes to the Consolidated Income Statement

2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from growth in both core segments as well as the growth in the market regions CIS / Eastern Europe, in particular in the Russian and Serbian markets, and Asia & Pacific. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 3.7 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5.) and in additional information (see Note 6.).

2.2. Other income

Other income decreased in the first half of 2013 as compared to the corresponding period of the previous year to € 11.4 million (1-6/2012: € 25.2 million). This development is primarily attributable to net currency translation income reported under this item in the previous year in the amount of € 4.1 million. The offsetting of currency translation income and expense results in a reported expense for the first half of 2013.

2.3. Other expenses

Other expenses decreased in the first six months of 2013 as compared to the corresponding period of the previous year to € 18.2 million (1-6/2012: € 26.1 million). This development is primarily attributable to a reduction in value adjustments of intangible assets.

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

Expenses in connection with the "STADA – build the future" project primarily included in the first six months of 2013, as special effects, burdens from external consulting services and related subsequent projects.

In the first half of 2012, this item primarily included burdens from the disposal of the Irish production facility STADA Production Ireland Limited, as well as the engineering companies that are not part of the Group's core business.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

As of June 30, 2013, intangible assets included € 461.4 million (December 31, 2012: € 455.8 million) goodwill including the additions from the preliminary purchase price allocations. Furthermore, there were additions to the other intangible assets from business combinations – not considering amortization in the reporting period – in the amount of € 30.9 million, which correspond to the fair values determined in the context of the preliminary purchase price allocations.

3.2. Investments in associates

Investments in associates decreased by € 26.3 million to € 8.6 million (December 31, 2012: € 34.9 million) primarily due to the control achieved as of January 1, 2013 of the subsidiary Pymepharco Joint Stock Company, which was previously included in the consolidated financial statements as an associated company and has been consolidated as a subsidiary as of 2013.

3.3. Inventories

The increase of inventories to € 502.4 million (December 31, 2012: € 475.3 million) was also predominantly a result of the consolidation of the subsidiary Pymepharco Joint Stock Company since January 1, 2013.

3.4. Trade accounts receivable

Trade accounts receivable increased by € 12.4 million to € 504.5 million (December 31, 2012: € 492.1 million). This was also primarily attributable to the consolidation of the subsidiary Pymepharco Joint Stock Company since January 1, 2013.

3.5. Financial liabilities

As of June 30, 2013, the Group's current and non-current financial liabilities in the amount of € 223.2 million and € 1,299.3 million (December 31, 2012: € 328.5 million and € 941.6 million) include, in particular, promissory notes with a nominal value in the amount of € 740.0 million (December 31, 2012: € 794.5 million) and two bonds with a nominal value of € 350.0 million each (December 31, 2012: one bond at € 350.0 million). The increase in financial liabilities thus mainly resulted from the bond placed in the second quarter of the current financial year with a volume of € 350.0 million.

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to the scope of consolidation or exchange rates – amounted to € 43.1 million (1-6/2012: € 51.6 million) in the first six months of 2013. The change of € 8.5 million as compared to the corresponding period of the previous year predominately resulted from the cash-effective decrease of other financial liabilities and other liabilities, whereas a significantly lower cash-effective decrease occurred in this regard in the prior-year period. The resulting decrease in cash flow from operating activities was only partially compensated by the significantly lower cash-effective increase in inventories as compared to the corresponding period of the previous year.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -43.2 million in the period under review (1-6/2012: € -408.0 million). Cash flow from investment activities was particularly influenced in the first half of 2013 by payments for investments in intangible assets and property, plant and equipment, whereas it was primarily characterized by high payments for investments in business combinations according to IFRS 3 in the corresponding period of the previous year. The payments for investments in business combinations in the reporting period relate to the final purchase price payments for the additional shares as well as control acquired of the operations of Pymepharco Joint Stock Company as well as the pharmaceutical wholesaling and commercial business acquired from Spirig Pharma AG.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € 218.2 million in the first half of the current financial year, while cash flow from financing activities in the amount of € 88.3 million was recorded in the corresponding period in the previous year. This development was primarily a result of the bond placed by STADA in the second quarter of 2013. In opposition, the repayment of financial liabilities increased as compared to the prior-year period.

4.4. Net cash flow for the period

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 217.8 million in the half year under review (1-6/2012: € -270.1 million).

5. Segment Reporting

5.1. General information

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

Reported segment result corresponds to the operating profit of the income statement of the STADA Group in accordance with IFRS. Reporting of individual non-current assets according to segment as well as segment liabilities is waived, as this information is not used for Group monitoring. The presentation of the total assets is also waived in accordance with IAS 34 as their value has not changed significantly as compared to December 31, 2012.

5.2. Information by operating segment

in € 000s		6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1]
Generics	**External sales**	**618,269**	**585,091**
	Sales with other segments	427	972
	Total sales	618,696	586,063
	Operating profit	80,669	67,433
	Depreciation / amortization	22,795	21,242
	Impairment losses	292	5,199
	Reversals	-	395
	Significant non-cash items within operating result	190,525	139,385
Branded Products	**External sales**	**336,531**	**284,458**
	Sales with other segments	-	1,077
	Total sales	336,531	285,535
	Operating profit	85,912	64,957
	Depreciation / amortization	23,557	21,894
	Impairment losses	167	1,941
	Reversals	-	-
	Significant non-cash items within operating result	11,027	6,293
Commercial Business	**External sales**	**19,162**	**9,048**
	Sales with other segments	-	288
	Total sales	19,162	9,336
	Operating profit	102	-157
	Depreciation / amortization	87	174
	Impairment losses	-	-
	Reversals	-	-
	Significant non-cash items within operating result	287	88
Reconciliation Group holdings / other and consolidation	**External sales**	**329**	**6,638**
	Sales with other segments	-427	-2,337
	Total sales	-98	4,301
	Operating profit	-35,004	-30,817
	Depreciation / amortization	5,150	3,796
	Impairment losses	116	2,977
	Reversals	370	-
	Significant non-cash items within operating result	989	2,546
Group	**External sales**	**974,291**	**885,235**
	Sales with other segments	-	-
	Total sales	974,291	885,235
	Operating profit	131,679	101,416
	Depreciation / amortization	51,589	47,106
	Impairment losses	575	10,117
	Reversals	370	395
	Significant non-cash items within operating result	202,828	148,312

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

5.3. Reconciliation of segment results to net profit

in € 000s	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30[1)]
Operating segment profit	166,683	132,233
Reconciliation Group holdings / other and consolidation	-35,004	-30,817
Result from associated companies	353	753
Investment income	226	1,672
Financial income	2,955	2,855
Financial expenses	33,069	33,882
Earnings before taxes, Group	**102,144**	**72,814**

1) The previous year's figures have been adjusted in accordance with the changed IAS 19 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

6. Additional Information

6.1. Information by market region

Sales by market regions in € 000s	6 months 2013 Jan. 1 – June 30	6 months 2012 Jan. 1 – June 30	±%[1]	±% adjusted[2]
Germany	**238,576**	**243,752**	**-2%**	***-2%***
• Germany	222,293	230,417	-4%	*-4%*
• Export sales of the market region Germany	16,283	13,335	+22%	*+20%*
Central Europe	**407,314**	**403,611**	**+1%**	***-1%***
• Italy	87,206	78,432	+11%	*+11%*
• Belgium	71,340	71,879	-1%	*-1%*
• Spain	52,505	60,072	-13%	*-13%*
• France	46,403	39,729	+17%	*+16%*
• United Kingdom	25,970	26,784	-3%	*+1%*
• Switzerland	23,867	16,663	+43%	*-1%*
• The Netherlands	18,481	24,210	-24%	*-24%*
• Ireland	11,452	10,295	+11%	*+11%*
• Denmark	10,817	10,450	+4%	*+4%*
• Austria	9,130	7,766	+18%	*+18%*
• Other / Rest of Central Europe	39,767	49,269	-19%	*-20%*
• Export sales of the market region Central Europe	10,376	8,062	+29%	*+34%*
CIS / Eastern Europe	**292,486**	**225,697**	**+30%**	***+28%***
• Russia	194,181	149,468	+30%	*+29%*
• Serbia	40,324	31,363	+29%	*+33%*
• Ukraine	16,965	13,043	+30%	*+10%*
• Kazakhstan	9,255	6,696	+38%	*+42%*
• Bosnia-Herzegovina	6,689	5,895	+13%	*+13%*
• Other / Rest of CIS / Eastern Europe	19,671	15,500	+27%	*+28%*
• Export sales of the market region CIS / Eastern Europe	5,401	3,732	+45%	*+44%*
Asia & Pacific	**35,915**	**12,175**	**>100%**	***+11%***
• Vietnam	30,925	6,496	>100%	*+33%*
• China	1,731	2,269	-24%	*-23%*
• Thailand	1,345	1,201	+12%	*+9%*
• The Philippines	1,118	1,044	+7%	*+5%*
• Other / Rest of Asia & Pacific	749	1,165	-36%	*-37%*
• Export sales of the market region Asia & Pacific	47	-	-	-

1) Calculated on thousand euro basis.
2) Adjustments due to changes in the Group portfolio and currency effects.

7. Disclosures about fair value measurements and financial instruments

The subsequent table shows how the valuation rates of assets and liabilities measured at fair value were determined:

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets June 30, 2013	Level 2 Valuation methods with input parameters observable in the market June 30, 2013	Level 3 Valuation methods with input parameters not observable in the market June 30, 2013
Available-for-sale financial assets (AfS)	38	-	-
Financial assets held for trading (FAHfT)	-	8,521	-
Financial liabilities held for trading (FLHfT)	-	1,112	-
Derivative financial liabilities with hedging relationship	-	5,605	-

Available-for-sale financial assets (AfS) relate to shares for which market prices are available for measurement. Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate swaps or interest rate/currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values were determined using appropriate valuation models. This includes the application of the discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows, which are already fixed or calculated by means of the current yield curve are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date. The same applies for the calculation of the fair values of the derivative financial liabilities with a hedging relationship, which reflect the negative market values of the interest rate swaps used as hedging instruments.

Fair values by levels of hierarchy in € 000s on a non-recurring basis	Level 1 Quoted prices in active markets June 30, 2013	Level 2 Valuation methods with input parameters observable in the market June 30, 2013	Level 3 Valuation methods with input parameters not observable in the market June 30, 2013
Non-current assets and disposal groups held for sale	-	2,048	-

The assets classified as held for sale are buildings of a STADA subsidiary in Serbia. The non-recurring basis for the determination of fair value represents a valuation created by an independent expert, which was largely based on input parameters observable in the market.

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of June 30, 2013:

in € 000s	Carrying amount June 30, 2013	Fair value June 30, 2013	Carrying amount Dec. 31, 2012	Fair Value Dec. 31, 2012
Amounts due to banks	89,398	89,167	129,488	130,615
Promissory notes	737,599	750,617	791,507	836,330
Bonds	695,543	714,595	349,096	369,257
Financial liabilities	1,522,540	1,554,379	1,270,091	1,336,202

Financial liabilities shown in the chart are allocated to the valuation category Financial liabilities measured at amortized costs in accordance with IAS 39. There have been no changes regarding the division of financial assets and financial liabilities into valuation categories in accordance with IAS 39 in the first half of 2013 as compared to the presentation in the Annual Report 2012.

For all other financial assets and liabilities not displayed in the chart above, the carrying amounts – approximately or based on valuation methods taking as basis the listed prices on active markets or input parameters observable in the market – correspond to the respective fair values of the individual assets and liabilities.

8. Contingent liabilities

The following lists significant changes in contingent liabilities in the first half of 2013 as compared to those described in the Annual Report 2012.

Contingent liabilities reported in the Annual Report 2012 from residual risks in the amount of € 4.0 million relating to legal proceedings regarding the violation of competition law in Serbia no longer existed in the first half of 2013 as the claim for this is now excluded.

As of June 30, 2013, furthermore, there were contingent liabilities in the amount of € 13.3 million relating to potential liabilities from patent risks or patent disputes for various active pharmaceutical ingredients.

Other financial obligations primarily include obligations from rental and leasing obligations and remaining financial obligations that are primarily characterized by a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized according to the equity method. STADA, as guarantor, recognized this guarantee as of June 30, 2013 as a financial guarantee in accordance with IAS 39 with its fair value in the amount of € 0.3 million (December 31, 2012: € 0.3 million). Furthermore, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of June 30, 2013. As of June 30, 2013, rental and leasing obligations totaled € 47.2 million (December 31, 2012: € 50.6 million) and the remaining financial liabilities totaled € 38.1 million (December 31, 2012: € 32.0 million).

9. Related party transactions

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 15.7 million (December 31, 2012: € 13.8 million) had been used as of June 30, 2013.

In addition, there is a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of June 30, 2013.

Furthermore, no significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2012.

10. Significant events after the balance-sheet date

In the current third quarter of 2013 STADA and the owners of Thornton & Ross agreed to negotiate exclusively on the purchase of the British OTC manufacturer.[1] Thornton & Ross has a number of well-known prescription-free (OTC) branded products for a wide variety of indications – among other things, cold, pain and dermatology. In financial year 2012/2013 (April 1, 2012 – March 31, 2013), Thornton & Ross generated sales of GBP 66.233 million (applying the exchange rate from the date the ad hoc release was published approx. € 76.66 million) and thereby approx. 11% more than in the previous year – for the most part through the pharmacy and drugstore distribution channels in the United Kingdom. The EBITDA margin in 2012/2013 was above the average for the STADA Group. Thornton & Ross is currently one of the fastest-growing companies in the British pharmaceutical market and at the same time number 5 in the British OTC market. Thornton & Ross has an EU-GMP-certified production site and currently employs approx. 425 people. The contract signing and completion of the acquisition are planned for the third quarter of the current financial year. Consolidation of sales is sought from September 2013.

1) See the Company's ad hoc release of August 6, 2013.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for orderly consolidated 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 7, 2013

H. Retzlaff   H. Kraft   Dr. A. Müller   Dr. M. Wiedenfels

REVIEW REPORT

To STADA Arzneimittel AG, Bad Vilbel

We have reviewed the condensed interim consolidated financial statements – 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 to June 30, 2013, that are part of the semi annual financial report pursuant to article 37w WpHG. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, August 7, 2013

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

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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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