STADA Arzneimittel Aktiengesellschaft

Annual Financial Statements of December 31, 2013

Management Report for financial year 2013

STADA
Arzneimittel

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Management Report for financial year 2013

BALANCE SHEET

Balance Sheet as of December 31 in € Assets	Dec. 31, 2013	Dec. 31, 2012
A. Non-current assets		
I. Intangible assets		
1. Concessions acquired against payment, commercial property rights and similar rights and values as well as licenses for such rights and values	304,188,450.66	318,776,834.88
3. Goodwill	94,503,919.37	103,160,766.95
2. Advance payments	50,702,932.58	61,388,275.40
	449,395,302.61	**483,325,877.23**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings including buildings on third-party land	43,952,950.72	46,200,179.66
2. Plant and tools and machinery equipment	12,740,884.89	12,844,508.84
3. Other fixtures and fittings, tools and equipment	13,662,451.93	15,021,551.00
4. Advance payment and construction in progress	914,573.58	918,986.37
	71,270,861.12	**74,985,225.87**
III. Financial assets		
1. Shares in associates	1,285,452,183.42	1,225,983,285.10
2. Loans to associates	489,344,820.97	34,000,000.00
3. Investments	9,848,690.51	10,668,690.51
4. Loans to associates and other participating interests	15,642,000.00	13,813,000.00
	1,800,287,694.90	**1,284,464,975.61**
	2,320,953,858.63	**1,842,776,078.71**
B. Current assets		
I. Inventories		
1. Raw and auxiliary materials and manufacturing supplies	9,697,862.78	8,416,068.35
2. Work in progress	6,142,187.67	9,167,281.18
3. Finished goods and merchandise	51,731,703.10	53,901,002.60
4. Advance payments	2,483,847.37	621,691.61
	70,055,600.92	**72,106,043.74**
II. Receivables and other assets		
1. Trade accounts receivable	41,514,640.73	18,265,605.75
2. Receivables form associates	414,980,937.31	435,298,739.61
3. Receivables from associates and other participating interests	544,580.67	779,422.03
4. Other assets	25,491,629.92	37,989,503.35
	482,531,788.63	**492,333,270.74**
III. Cash on hand and balances with banks	**7,234,309.24**	**11,340,609.21**
	559,821,698.79	**575,779,923.69**
C. Prepaid expenses / deferred charges	**4,888,713.77**	**2,501,747.43**
	2,885,664,271.19	**2,421,057,749.83**

Balance Sheet as of December 31 in € Equity and Liabilities		Dec. 31, 2013	Dec. 31, 2012
A.	**Equity**		
I.	**Share Capital**	**157,150,500.00**	**154,263,876.00**
	Treasury shares	-239,171.40	-243,557.60
	Issued capital **Conditional capital € 74,252,412 (previous year: € 74,774,154)**	**156,911,328.60**	**154,020,318.40**
II.	**Capital reserve**	**493,164,073.94**	**477,759,283.93**
III.	**Retained earnings**		
1.	Statutory reserve	376,883.98	376,883.98
2.	Other retained earnings	150,445,624.50	40,419,897.75
IV.	**Distributable profit**	**116,578,257.14**	**31,547,699.66**
		917,476,168.16	**704,124,083.72**
B.	**Provisions**		
1.	Provisions for pensions and similar obligations	25,542,154.03	23,684,634.03
2.	Tax provisions	2,525,793.51	1,398,151.04
3.	Other provisions	159,710,527.46	104,105,328.63
		187,778,475.00	**129,188,113.70**
C.	**Liabilities**		
1.	Bonds, of which convertible € 0.00	700,000,000.00	350,000,000.00
2.	Amounts due to banks	696,651,162.64	844,709,862.47
3.	Trade accounts payable	33,043,530.14	31,898,989.38
4.	Liabilities to associates	312,075,436.46	314,702,136.98
5.	Other liabilities thereof from taxes € 10,741,686.96 (previous year: € 5,401,618.61) in the context of social security € 0.00 (previous year: € 0.00)	38,639,498.79	46,434,563.58
		1,780,409,628.03	**1,587,745,552.41**
		2,885,664,271.19	**2,421,057,749.83**

INCOME STATEMENT

Income Statement for the period of Jan. 1 to Dec. 31 in €	2013	2012
1. Sales	412,895,813.51	370,537,062.90
2. Increase in inventories of finished goods and work in progress	0.00	11,967,383.34
Decrease in inventories of finished goods and work in progress	5,194,393.01	0.00
3. Other operating income thereof from currency translation: € 17,420,990.46 (previous year: € 7,729,000.15)	365,233,179.85	61,315,413.79
	772,934,600.35	**443,819,860.03**
4. Cost of materials		
Cost of raw and auxiliary materials and manufacturing supplies and goods purchased	177,514,648.49	162,157,554.88
5. Personnel expenses		
a) Salaries	76,111,354.15	68,000,997.75
b) Social security contributions and expenses for retirement benefits and support thereof for retirement benefits: € 1,787,145.07 (previous year: € 1,617,884.33)	12,128,268.16	11,005,936.02
	88,239,622.31	**79,006,933.77**
6. Amortization / depreciation on non-current intangible assets and property, plant and equipment	59,551,856.86	38,338,832.72
7. Other operating expenses thereof from currency translation: € 19,596,542.63 (previous year: € 10,640,850.39)	230,443,882.21	233,080,806.13
8. Investment income thereof from associates € 77,291,229.96 (previous year: € 69,327,551.27)	77,291,229.96	69,327,551.27
9. Income from profit transfer agreements	10,855,738.26	68,504,283.87
10. Income from loans thereof from associates € 6,550,403.51 (previous year: € 671,563.91)	7,417,999.46	2,021,871.74
11. Other interest and similar income thereof from associates € 16,905,125.96 (previous year: € 13,315,280.80)	20,773,208.47	25,187,997.49
12. Depreciation on financial assets and current securities	47,024,769.48	4,494,000.00
13. Interest and similar expenses thereof from associates € 260,040.75 (previous year: € 1,282,243.13)	61,492,062.73	61,284,735.06
14. Net profit or loss from ordinary business activities	**225,005,934.42**	**30,498,701.84**
15. Extraordinary expenses	243,480.00	243,480.00
16. Extraordinary profit or loss	**243,480.00**	**243,480.00**
17. Taxes on income and earnings	47,518.75	158,475.30
18. Other taxes	64,838.19	83,434.82
19. Net profit	**224,650,097.48**	**30,013,311.72**
20. Profit brought forward from the previous year	1,928,159.66	1,534,387.94
21. Allocation to retained earnings	110,000,000.00	0.00
22. Distributable profit	**116,578,257.14**	**31,547,699.66**

NOTES TO THE 2013 ANNUAL FINANCIAL STATEMENTS OF STADA ARZNEIMITTEL AG

Accounting requirements applied

In accordance with Section 267 of the German Commercial Code (Handelsgesetzbuch, HGB), STADA Arzneimittel AG is a major incorporated body. In addition to general requirements to the books of account (Section 238 ff. of the German Commercial Code), the supplementing requirements for incorporated bodies with regard to annual financial statements and management report (Section 264 ff. of the German Commercial Code) and the supplementing regulations of the German Stock Corporation Act (Aktiengesetz, AktG) apply.

The income statement was prepared according to the total-cost method.

Accounting Policies

Intangible assets acquired against payment are recognized at cost less scheduled, and, to the extent necessary, unscheduled amortization, generally with application of the straight-line method. Intangible assets are amortized over a useful lifetime of 3 to 15 years. Intangible assets reported by STADA Arzneimittel AG include drug approvals, brands, licenses, marketing rights, software and goodwill. Internally-created intangible assets are not capitalized.

Property, plant and equipment are also recognized at cost less depreciation over their useful life and generally depreciated using the straight line method. The cost of self-constructed assets include directly attributable costs as well as appropriate proportions of overhead costs. To the extent necessary, unscheduled depreciation was carried out.

Useful life of property, plant and equipment:	**Expected depreciation**
Factory and office buildings	15 to 50 years
Operating facilities	10 to 15 years
Plant and office furniture and equipment	3 to 13 years

Movable assets with a limited life of up to € 150 are fully depreciated in the year they were added. Independently usable movable assets with a limited life from € 150 to € 1,000 are allocated to a compound item which is reversed over five years. At the time they have become fully amortized, these assets are reported as a disposal in the assets analysis. For simplification, the compound tax item method is also reported in the commercial balance sheet.

Financial assets are recognized at cost or in the case of expected long-term impairment, if it is lower than cost, at fair value. If the reasons for impairment are completely or partially inapplicable and if a value adjustment was carried out in the previous years, a reversal of an impairment loss is carried out, up to a maximum of the historical cost.

Inventories are measured at cost. Cost includes, apart from individual cost, production overheads and material overheads as well as administrative expenses on a pro rata basis. Cost does not include interest on borrowings. The inventories are written down at the end of the reporting period provided the replacement cost or the market value is lower. Inventory risks resulting from the storage period are taken into account.

Receivables, other assets and cash are recognized at nominal value. For the receivables, identifiable risks are accounted for through appropriate individual valuation adjustments. General credit risks are sufficiently accommodated with a general bad debt provision. Low-interest or non interest-bearing items with a remaining maturity of more than 12 months are discounted. Existing cash and cash equivalents in foreign currency are measured at the mean spot exchange rate.

For financial instruments that are hedged (hedged item and hedging transaction), the net hedge presentation method was used, i.e., unrealized losses were not booked that result from the hedged risks provided they are matched with unrealized gains in the same amount.

Prepaid expenses are disclosed as a separate item. Prepaid expenses include the discount that resulted from the difference between the settlement amount and the lower issue price of a financial liability. The discount is depreciated over the period of the financial liability.

Pension provisions were measured using actuarial techniques in accordance with the Projected Unit Credit Method (PUC). In the case of pension obligations, use was made of the option to apply as a discount rate the average market interest rate determined and published by the German Central Bank with a 15-year term. The covered funds were offset against the pension provisions. The offset covered funds are measured at fair value.

Tax and other provisions are recognized at the settlement amount necessary based on reasonable commercial judgment, taking into account any identifiable risks and uncertain obligations. Price and cost increases expected in the future were taken into account. Provisions with a remaining term of over one year were discounted in accordance with the average market interest rate of the last seven years.

Liabilities are reported at nominal value or the higher settlement amount. If the settlement amount of a liability is higher than the issue price, it is recognized in income as prepaid expenses depreciated over the respective term.

Foreign currencies are translated on the day they originate, at their bid price for receivables and their asking price for liabilities.

Receivables and liabilities in foreign currencies were measured at nominal value or the settlement amount at the mean spot exchange rate as of the balance sheet date. Gains are only taken into account if they relate to receivables and liabilities with a remaining term of up to one year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2013
Balance sheet

1. Non-current assets

For the development of non-current assets in 2013 including cumulated cost and cumulated depreciation, please see the following assets analysis.

Statement of changes in non-current assets of STADA Arzneimittel AG as of Dec. 31, 2013 in €	As of Jan. 1, 2013	Historic costs of acquisition: Additions 2013	A	Disposals Reclassifications 2013	D R	As of Dec. 31, 2013
Non-current assets						
I. Intangible assets						
1. Concessions acquired against payment, commercial property rights and similar rights and values as well as licenses for such rights and values	542,231,575.27	9,690,951.54	A	352,940.43 17,144,706.36	D R	**568,714,292.74**
2. Goodwill	103,882,170.91	0.00	A	0.00	D	**103,882,170.91**
3. Advance payments	93,280,405.82	8,874,381.16	A	983,360.16 -16,883,754.36	D R	**84,287,672.46**
	739,394,152.00	**18,565,332.70**		**-1,075,348.59**		**756,884,136.11**
II. Property, plant and equipment						
1. Land, leasehold rights and buildings including buildings on third-party land	68,034,360.90	329,823.89	A	3,653.48	R	**68,367,838.27**
2. Plant and tools and machinery equipment	30,033,731.29	1,532,596.08	A	1,218,390.85 466,022.88	D R	**30,813,959.40**
3. Other fixtures and fittings, tools and equipment	43,127,109.88	1,626,968.22	A	80,979.56 106,909.70	D R	**44,780,008.24**
4. Advance payment and construction in progress	918,986.37	833,125.27	A	-837,538.06	R	**914,573.58**
	142,114,188.44	**4,322,513.46**		**-1,560,322.41**		**144,876,379.49**
III. Financial assets						
1. Shares in associates	1,232,715,129.50	400,205,975.69	A	294,532,307.89	D	**1,338,388,797.30**
2. Loans to associates	34,000,000.00	455,344,820.97	A	0.00	D	**489,344,820.97**
3. Investments	19,349,690.51	0.00	A	0.00	D	**19,349,690.51**
4. Loans to associates and other participating interests	13,813,000.00	1,829,000.00	A	0.00	D	**15,642,000.00**
	1,299,877,820.01	**857,379,796.66**		**-294,532,307.89**		**1,862,725,308.78**
	2,181,386,160.45	**880,267,642.82**		**-297,167,978.89**		**2,764,485,824.38**

As of Jan. 1, 2013	Accumulated depreciation: Additions Write-ups 2013	A WR	Disposals Reclassifications 2013	D R	As of Dec. 31, 2013	Residual carrying amount Dec. 31, 2013	Residual carrying amount Dec. 31, 2012
223,454,740.39	40,979,829.18	A	352,771.26 444,043.77	D R	264,525,842.08	304,188,450.66	318,776,834.88
721,403.96	8,656,847.58	A	0.00		9,378,251.54	94,503,919.37	103,160,766.95
31,892,130.42	2,151,300.55	A	14,647.32 -444,043.77	D R	33,584,739.88	50,702,932.58	61,388,275.40
256,068,274.77	**51,787,977.31**		**367,418.58**		**307,488,833.50**	**449,395,302.61**	**483,325,877.23**
21,834,181.24	2,580,706.31	A	0.00 0.00	D R	24,414,887.55	43,952,950.72	46,200,179.66
17,189,222.45	2,091,189.77	A	1,207,337.71	D	18,073,074.51	12,740,884.89	12,844,508.84
28,105,558.88	3,091,983.47	A	79,986.04 0.00	D R	31,117,556.31	13,662,451.93	15,021,551.00
0.00	0.00	A	0.00	D	0.00	914,573.58	918,986.37
67,128,962.57	**7,763,879.55**		**1,287,323.75**		**73,605,518.37**	**71,270,861.12**	**74,985,225.87**
6,731,844.40	46,204,769.48	A	0.00	D	52,936,613.88	1,285,452,183.42	1,225,983,285.10
0.00	0.00	A	0.00	D	0.00	489,344,820.97	34,000,000.00
8,681,000.00	820,000.00	A	0.00	D	9,501,000.00	9,848,690.51	10,668,690.51
0.00	0.00	A	0.00	D	0.00	15,642,000.00	13,813,000.00
15,412,844.40	**47,024,769.48**		**0.00**		**62,437,613.88**	**1,800,287,694.90**	**1,284,464,975.61**
338,610,081.74	**106,576,626.34**		**1,654,742.33**		**443,531,965.75**	**2,320,953,858.63**	**1,842,776,078.71**

The useful life of twelve years for goodwill takes account of the future economic benefits in the intangible assets. The useful lives of individual items of goodwill were determined on the basis of the expected economic benefits of acquired businesses and are oriented on the useful lives of product rights purchased via acquisition and evaluated by a valuer.

2. Trade accounts receivable

The item includes receivables in the amount of € 581,704.85 (previous year: € 588,004.22) with a remaining term of more than one year.

3. Receivables from associated companies and participating interests

As of the balance sheet date, there are loan receivables in the amount of € 96,963,137.64 (previous year: € 114,544,755.30) with a remaining term of more than one year.

The item receivables from associates and other participating interests includes exclusively trade accounts receivable with a remaining term of up to one year.

4. Other assets

The item in the amount of € 25,491,629.92 (previous year: € 37,989,503.35) includes tax receivables in the amount of € 9,858,730.99 (previous year: € 21,752,313.87. Other assets have a remaining of up to one year.

5. Accrued items

As of the balance sheet date, there were accrued receivables from accruals of interest-bearing transactions in the amount of € 1.5 million and deferred liabilities in the amount of € 19.6 million.

6. Prepaid expenses / deferred charges

Prepaid expenses/deferred charges include a discount in the amount of € 1,608,113.24 (previous year: € 58,626.46) as well as proportionate expenses for the next year in the amount of € 3,280,570.31 (previous year: € 2,443,120.97).

7. Deferred taxes

From 2010, deferred taxes are created for temporary differences between the commercial and tax valuation rates of assets, liabilities or prepaid expenses/deferred charges. The income tax rate (consisting of corporation tax, solidarity surcharge and trade tax) used for deferral of taxes amounts to 27.03%. In the case of deferred taxes, use was made of the option not to recognize the active excess resulting from the comparison of balance sheet items after offsetting the deferred tax assets and liabilities.

Deferred taxes are therefore also not included in tax expenses. The positive excess of the deferred tax assets not recognized amounts to € 5,223,000. Unnetted, deferred tax assets amount to € 5,467,000 and deferred tax liabilities to € 244,000.

Deferred tax liabilities primarily result from differing valuation rates as well as of assets in foreign currencies with a remaining term of one year or less. Deferred tax assets primarily result from differing valuation rates of pension and other provisions as well as the offsetting of plan assets in accordance with BilMoG.

8. Equity

Subscribed share capital

Share capital amounted to € 157,150,500.00 (previous year: € 154,263,876.00) and was divided into 60,442,500 registered shares with restricted transferability, each with an arithmetical share of share capital of € 2.60 per share. As of December 31, 2012, share capital still consisted of 59,332,260 registered shares with restricted transferability. The increase in share capital resulted from the exercising of warrants. Offsetting against treasury shares in the amount of € 239,171.40 results in a recognized share capital of € 156,911,328.60 as of December 31, 2013.

As of December 31, 2013, STADA assumes, 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[1)], Toronto, Canada with 3.20%, holds a stake that exceeds the legal reporting threshold of 3%. Of the shareholding of Gryphon International Investment Corporation, 3.15% is attributable to Gryphon International Investment Corporation, Toronto/Ontario, Canada, and 0.05% to Gryphon Investment Counsel Inc., Toronto/Ontario, Canada.

DWS Investment GmbH[2)], Frankfurt am Main, Germany, a subsidiary of Deutsche Bank AG, London, United Kingdom, holds a share in voting rights requiring notification of 3.04% according to reports made to STADA as of December 31, 2013, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG).

SOCIETE GENERALE SA[3)], Paris, France, reported, according to reports made to the Company as of December 31, 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 25 a of the German Securities Trading Act, a 8.51% shareholding in STADA Arzneimittel AG (thereby indirectly 3.92% via SOCIETE GENERALE EFFEKTEN GMBH)[3)]. Furthermore, STADA assumes, as of December 31, 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, Frankfurt, Germany, has the option to purchase, via financial or other instruments according to section 25a of the German Securities Trading Act, a 3.92% shareholding in STADA Arzneimittel AG.

In addition, STADA assumes, in accordance with the announcements available to the Company as of December 31, 2013 according to Section 21 (1) of the German Securities Trading Act that BlackRock Inc.[4)], New York, NY, USA, has a share in voting rights of 3.001%, thereof 3.001% are attributed to the company. BlackRock Holdco 2, Inc.[4)], Wilmington, DE, USA, also reported a share in voting rights according to Section 21 (1) of the German Securities Trading Act of 3.001%, thereof 3.001% are attributable to the company. Furthermore, BlackRock Financial Management, Inc.[4)], New York, NY, USA, according to Section 21 (1) of the German Securities Trading Act, reported a share in voting rights of 3.001%, thereof 3.001% are attributable to the company.

In addition, STADA assumes, in accordance with the announcements available to the Company as of December 31, 2013 according to Section 21 (1) of the German Securities Trading Act that Norges Bank[5)], Oslo, Norway, has a share in voting rights of 3.01%. Furthermore, the Company was reported in the name of the Government of Norway according to Section 21 (1) of the German Securities Trading Act that its share in voting rights in STADA amount to 3.01%, thereof 3.01% are attributable to the country of Norway.

In accordance with Deutsche Börse AG regulations, the free float of STADA Arzneimittel AG thus remains 100%.

1) See the Company's disclosure of January 14, 2011.
2) See the Company's disclosure of May 22, 2013.
3) See the Company's disclosure of June 14, 2013.
4) See the Company's disclosure of November 14, 2013.
5) See the Company's disclosure of December 18, 2013.

Authorized Capital

In accordance with the resolution of the Annual General Meeting of June 5, 2013, there is an authorized capital in the amount of € 77,134,304.00. According to this resolution, the Executive Board, with approval of the Supervisory Board, is authorized until June 4, 2018 to increase the authorized capital once or repeatedly by up to € 77,134,304.00 by issuing up to 29,667,040 registered shares with transfer restrictions against cash or non-cash contributions.

Conditional capital

The share capital is conditionally increased by up to € 69,188,340.00 by issuing up to 26,610,900 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The conditional capital increase serves the purpose of granting shares to the holders or creditors of bonds with warrants and/or convertible bonds issued by the Company or a subordinated group company on the basis of the authorization of the Annual General Meeting of June 5, 2013 (Conditional Capital 2013). In addition, the share capital of the company is conditionally increased by up to € 5,064,072.00 by issuing up to 1,947,720 restricted registered common shares (Conditional Capital 2004/I). The conditional capital increase will be effected only insofar as the holders of warrants exercise their option rights.

The Executive Board was authorized, with approval of the Extraordinary General Meeting of March 8, 2000, on or before March 7, 2005, on one ore more occasions, to issue convertible bonds in bearer form with attached bearer warrants in an aggregate nominal amount of up to € 100,000,000.00 with a maturity of up to 7 years.

Of the warrants issued in 2000 – the warrants had been added to a holder partial debenture, which was repaid on June 26, 2005, while the exercise period of the warrants runs until June 26, 2015 – as of December 31, 2013, the exercise of 97,386 warrants for the subscription of 1,947,720 STADA registered shares was still outstanding.

The option price was adjusted accordingly based on several capital measures carried out. The option price of a warrant which authorizes subscription of now 20 shares of STADA Arzneimittel AG (section 1 (2) sentence 1 of the option terms and conditions), continues to amount to € 329.00.

Capital reserve

The capital reserve amounts to € 493,164,073.94 (previous year: 477,759,283.93 €). The change as compared to the previous year results from the exercising of warrants (€ 15,376,824.00) as well as earnings from the disposal of treasury shares in the context of an employee stock ownership program (€ 27,966.01).

Retained earnings

The retained earnings in the amount of € 150,445,624.50 (previous year: € 40,419,897.75) primarily include allocations from net profit. The change compared to the previous year results from disposal of treasury shares in the context of an employee stock ownership program (€ 25,726.75) as well as the allocation to retained earnings 2013 (€ 110,000,000.00).

Treasury shares

As of the reporting date, the Company held 91,989 treasury shares, each with an arithmetical par value of € 2.60. This is equivalent to a share capital of € 239,171.40 or 0.15 % of share capital. As of December 31, 2012, the Company held 93,676 treasury shares.

In 2013, 1,687 shares were sold and no shares were purchased. The resulting gain in the amount of € 27,966.01 was added to the capital reserve. Treasury shares were exclusively issued to employees in the context of an employee stock ownership program. The proceeds from the disposal of treasury shares led to an inflow to the operating business.

Treasury shares may be disposed of against a contribution in kind, in particular in connection with business combinations, the acquisition of business undertakings or the acquisition of participations in business undertakings.

Following the resolution adopted at the Annual General Meeting on June 5, 2013, in accordance with Section 71 (1) no. 8 AktG, the Company was authorized from June 6, 2013 until June 5, 2018 to acquire own shares of up to 10% of the share capital. The Executive Board has not made use of this authorization to date.

Disposal of treasury shares

Disposal date	Number	% of share capital	Arithmetical par value (in €)	Disposal price (in €)	Disposal result (in €)
January	150	0.0%	390.00	3,839.48	1,161.98
February	102	0.0%	265.20	2,911.88	1,091.18
March	244	0.0%	634.40	7,025.67	2,670.27
July	103	0.0%	267.80	3,391.59	1,553.04
August	59	0.0%	153.40	2,159.68	1,106.53
September	47	0.0%	122.20	1,711.98	873.03
October	132	0.0%	343.20	5,133.22	2,777.02
November	526	0.0%	1,367.60	19,926.70	10,537.60
December	324	0.0%	842.40	11,978.76	6,195.36
Total	1,687	0.0%	4,386.20	58,078.96	27,966.01

9. Provisions

As a result of adjustments due to the German Accounting Law Modernization Act, the balance sheet item “Pensions” required an addition in the amount of € 243,000 p.a., which was recognized as an extraordinary result in the reporting year. For accounting of pension obligations, use was made of the option to allocate the expenses resulting from the adjustments due to the German Accounting Law Modernization Act over a period of 15 years (total amount € 3.7 million).

As a result of discounting the pension obligation in accordance with the average market interest rate of the past 7 years, which was calculated and published by the German Central Bank, an addition to pension provisions in the amount of € 1,805,000 was necessary.

Pension provisions were calculated in accordance with actuarial principles based on the biometric accounting principles of the Heubeck 2005 G mortality tables by Dr. Klaus Heubeck as well as based on an interest rate of 4.90 % p.a., a pension trend of 1.80% p.a. and a salary trend of 3.00% p.a.

Liabilities from pension commitments are partially secured by assets (reinsurance policy). Assets removed from the claims of creditors were offset against the underlying liabilities.

The total settlement amount (not including German Accounting Law Modernization Act allocation) of pension commitments amounts to € 35,678,000. The fair value of the pledged reinsurance policy amounts to € 10,135,000. In the reporting year, expenses in the amount of € 1,805,000 were offset against income in the amount of € 351,000 in the financial result.

Other provisions in particular include expenses in the area of personnel (€ 12,595,000), for warranties (€ 8,415,000) and for outstanding settlements from health insurance organizations resulting from the discount agreements with health insurance organizations (€ 104,345,000).

10. Bond

In 2010, a non-convertible bond with a nominal value of € 350 million was issued. The bond has a term of 5 years.

A second, also non-convertible bond with a nominal value of € 350 million was issued in the year 2013. This bond also has a term of 5 years.

11. Amounts due to banks

Remaining maturities of financial liabilities due to banks in € million	up to 1 year	1 to 5 years	over 5 years
Amounts due to banks	274.8	421.9	0.0

12. Trade and other payables

Remaining maturities of trade payables in € million	up to 1 year	1 to 5 years	over 5 years
Liabilities to associates	312.1	0.0	0.0
Liabilities to other suppliers	33.0	0.0	0.0
Other liabilities	38.5	0.1	0.0

13. Income Statement

In 2013, sales of STADA Arzneimittel AG in the amount of € 412,896,000 include an international share of € 147,931,000. Thereof € 141,026,000 was attributable to Europe, € 16,000 to MENA and € 6,889,000 to Asia. Sales can be broken down into the following activities:

in € 000s	2013	2012	2011
Sales from the delivery of goods	338,671	326,741	315,989
License revenue	24,251	44,381	15,499
Sale of approvals	30,013	15	2,048
Services	19,961	0	0
Total	412,896	370,537	333,536

Unscheduled depreciation on non-current assets was at € 8,831,000 (previous year: € 4,622,000) in financial year 2013. Unscheduled depreciation on non-current assets was at € 47,025,000 (previous year: € 4,494,000) in financial year 2013.

Other operating income includes income outside of the reporting period from credits in the amount of € 186,000 (previous year: € 1,102,000) as well as € 3,084,000 (previous year: € 3,837,000) from the reversal of provisions.

In addition, other operating income from the sale of non-current assets in the amount of € 280,095,000 (previous year: € 155,000) are recognized.

Other operating expenses include expenses from outside of the reporting period for insurance payments of € 152,000 (previous year: € 267,000).

Extraordinary profit or loss in the amount of € 243,000 resulted exclusively from the option used to depreciate over a period of 15 years the difference resulting from adjustments due to the German Accounting Law Modernization Act in the measurement of pension obligations.

Current taxes on income and earnings are attributed to the earnings of normal business activities.

14. Other notes and disclosures

In 2013, the average number of employees was 976, thereof, among other things,

- 121 employees in warehousing and shipping,
- 245 employees in production and packaging,
- 610 employees in administration.

The appointment and dismissal of Executive Board members are subject to the provisions of section 84 of the German Stock Corporation Act. The members of the Executive Board are or were:

- Hartmut Retzlaff, Chairman
- Helmut Kraft, Chief Financial Officer
- Dr. Matthias Wiedenfels, Chief Business Development & Central Services (joined May 3, 2013)
- Dr. Axel Müller, Chief Production and Development Officer (departed on August 7, 2013)

The Executive Board members held the following mandates during the financial year 2013:

Hartmut Retzlaff is also member of the Administrative Board of HSBC Trinkaus & Burkhardt AG, member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG (up to July 31, 2013), member of the Supervisory Board/Board of Directors of SA Neocare N.V., SA Eurogenerics N.V., STADA Pharmaceuticals (Asia) Ltd., STADApharm AB, Clonmel Healthcare Limited, STADA Financial Investments Limited and STADA Vietnam J.V Co. Limited (since September 11, 2013)

Helmut Kraft is also member of the Regional Advisory Board Central of Commerzbank AG, member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG (since August 22, 2013) and member of the Supervisory Board/Board of Directors of STADA Vietnam J.V. Co. Limited (since September 11, 2013).

Dr. Matthias Wiedenfels is also a member of the management of STADA LUX S.à.r.l. and a member of the Supervisory Board/Board of Directors of Spirig HealthCare AG and Pegach AG.

15. Remuneration of the Executive Board and the Supervisory Board

In financial year 2013, total compensation paid to the Executive Board amounted to € 6,266,260.51[1)] for STADA Arzneimittel AG (previous year: € 5,978,884.46).

In financial year 2013, total compensation paid to the Supervisory Board amounted to € 1,061,600.00 for STADA Arzneimittel AG (previous year: € 867,500.00).

The compensation paid to former members of the Executive Board amounted to € 3,039,307.48 in financial year 2013.

Current pension provisions for former Executive Board members in financial year 2013 amounted to € 9,598,064.00 before the netting with the actuarial reserve.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the balance sheet date. Nor has STADA taken on any contingent liabilities for the benefit of the Board members of STADA Arzneimittel AG.

1) Thereof progress payment of variable long-term special remuneration in the total amount of € 1,206,250.00 as a result of achieving the annual interim goals in the respective individual contracts for financial year 2013.

16. Information on the Company's Supervisory Board

Composition of the Supervisory Board and its committees

The members of the Supervisory Board on the balance sheet date were:

- Dr. Martin Abend, Attorney, Dresden (Chairman)
- Manfred Krüger, Member of Worker's Council released from duty, Mühlheim am Main (Deputy Chairman)
- Dr. Eckhard Brüggemann, Doctor, in retirement, Heme
- Heike Ebert, Head of Packaging, Niddatal
- Dr. K. F. Amold Hertzsch, Self-employed pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Self-employed pharmacist, Seelze
- Carl Ferdinand Oetker, Banker, Düsseldorf
- Karin Schöpper, Head of Market Research, Bad Vilbel

Manfred Krüger, Heike Ebert and Karin Schöpper are Supervisory Board members who were elected by the employees as their representatives.

Mandates of Supervisory Board members

Carl Ferdinand Oetker is at the same time member of the Advisory Board, Board of Trustees or Board of Directors of EWABO Chemikalien GmbH & Co. KG (Chairman of the Advisory Board), wink Stanzwerkzeuge GmbH & Co. KG (Chairman of the Advisory Board), Hela Gewürzwerk Hermann Laue GmbH, Lampe Asset Management GmbH (member of the Advisory Board), Lampe Privatinvest Management GmbH, Dale Investment Advisors GmbH (Chairman of the Advisory Board), FOCAM AG (member of the Economic Advisory Board), Stiftung Hamburger Admiralität (member of the Board of Trustees), Cloverfield Inc. (member of the Board of Directors), member of the Board of Trustees of North Rhine-Westphalia of the Stifterverband für die Deutsche Wissenschaft, of informedia-Stiftung (member of the Board of Trustees), of Deutsche AIDS-Stiftung (member of the Board of Trustees), of the Deutsche Welthungerhilfe e.V. (member of the Board of Trustees).

17. Contingent liabilities pursuant to Section 251 of the German Commercial Code

At the balance sheet date, there were contingent liabilities pursuant to Section 251 of the German Commercial Code of € 208,544,310.11 (previous year: € 91,174,675.12). Of this, € 52,166,745.41 (previous year: € 59,862,601.41) relate to contingent liabilities from guarantees to associated companies.

Due to an ongoing evaluation of the risk situation and in view of the findings gathered until the balance sheet date, STADA assumes that the liabilities underlying the contingent liabilities will be met. Utilization of contingent liabilities is considered to be unlikely.

18. Transactions not included in the balance sheet and other financial obligations

Remaining other financial liabilities from lease and rental agreements amounted to € 47,540,859.83.

Maturities of remaining other financial liabilities:

in € million	
2014	12.7
2015	7.8
2016	7.5
2017	5.9
2018	4.5
After 2018	9.2

As of the balance sheet date, STADA Arzneimittel AG had transferred the majority of trade accounts receivable for the improvement of liquidity to an external third party. As the contract also transferred the risks of collectability to the buyer (real factoring), there are no liabilities to be recognized by STADA Arzneimittel AG from this transfer.

There is an order obligation from liabilities for future expenses and investments in the amount of € 74 million.

19. List of equity interests of STADA Arzneimittel AG in accordance with section 285 no. 11 of the German Commercial Code

The following list shows the earnings of the companies regardless from the share in capital.

1) Direct investments of STADA Arzneimittel AG

	Earnings 2013	Equity	Equity interest in %
Germany[1]			
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel	0 EUR	253 kEUR	100%
BIOCEUTICALS Arzneimittel AG, Bad Vilbel	8,292 kEUR	11,643 kEUR	15.86%
Mobilat Produktions GmbH, Pfaffenhofen	0 EUR	256 kEUR	100%
STADA GmbH, Bad Vilbel	0 EUR	359 kEUR	100%
STADA Pharma International GmbH, Bad Vilbel	0 EUR	31 kEUR	100%
STADApharm GmbH, Bad Vilbel	0 EUR	154 kEUR	100%
International[2]			
Ciclum Farma, Unipessoal, LDA, Paco de Arcos/Portugal	380 kEUR	4,468 kEUR	100%
Crinos S.p.A., Milan/Italy	-1,551 kEUR	29,896 kEUR	96.77%
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt/France	2,619 kEUR	41,847 kEUR	100%
EG S.p.A., Milan/Italy	12,362 kEUR	51,387 kEUR	98.87%
Grunenthal Ukraine LLC, Kiev/Ukraine[3]	-	-	100%
Laboratorio STADA, S.L., Barcelona/Spain	8,324 kEUR	80,300 kEUR	100%
OAO Nizhpharm, Nizhny Novgorod/Russia[4]	2,033,930 kRUB	11,188,012 kRUB	100%
OOO Hemofarm, Obninsk/Russia	479,424 kRUB	1,391,354 kRUB	10%
OOO STADA Marketing, Nizhny Novgorod/Russia[4]	318,198 kRUB	172,091 kRUB	10%
Oy STADA Pharma Ab, Helsinki/Finland	1,381 kEUR	-1,152 kEUR	100%
STADA Arzneimittel Gesellschaft m.b.H., Vienna/Austria	1,181 kEUR	2,606 kEUR	100%
STADA d.o.o., Ljubljana/Slovenia	54 kEUR	338 kEUR	100%
STADA d.o.o., Mostar/Bosnia-Herzegovina[3]	-	-	100%
STADA d.o.o., Zagreb/Croatia	316 kHRK	2,468 kHRK	100%
STADA Egypt Ltd., Cairo/Egypt	-2,054 kEGP	-1,523 kEGP	75%
STADA LUX S.à.r.l., Luxembourg/Luxembourg	0 kEUR	3 kEUR	100%
STADApharm AS, Oslo/Norway[4]	-1 kNOK	104 kNOK	100%
STADA PHARMA CZ s.r.o., Prague/Czech Republic	6,343 kCZK	226,598 kCZK	100%
STADA Pharma Services India Private Limited, Mumbai/India[3]	-	-	85%
STADA PHARMA Slovakia, s.r.o., Bratislava/Slovakia[4]	1,105 kEUR	6,920 kEUR	100%
STADA Pharmaceuticals (Asia) Ltd., Hong Kong/People's Republic of China	14,089 kHKD	129,579 kHKD	100%
STADA Pharmaceuticals Australia Pty Ltd, Sydney/Australia	-3,097 kAUD	-4,474 kAUD	100%
STADA Poland Sp. z o.o. Piaseczno/Poland	1,007 kPLN	10,264 kPLN	100%
STADA Service Holding B.V, Etten-Leur/The Netherlands	24,017 kEUR	621,019 kEUR	100%
STADA (Shanghai) Enterprise Management Consulting Co. Ltd., Shanghai/People's Republic of China[3]	-	-	100%
STADA UK Holdings Ltd., Newbury/United Kingdom	22,567 kEUR	460,042 kEUR	100%

1) There is a profit and loss transfer contract for German companies with a result of 0.
2) For foreign companies, equity is shown both in local currency and in accordance with local law.
3) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 no. 1 of the German Commercial Code.
4) Figures from financial year 2012.

2) Indirect investments of STADA Arzneimittel AG:

	Earnings 2013	Equity	Equity interest in %
Germany[1]			
ALIUD PHARMA GmbH, Laichingen	0 EUR	52 kEUR	100%
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel	0 EUR	229 kEUR	100%
Grippostad GmbH, Bad Vilbel	0 EUR	25 kEUR	100%
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg	-388 kEUR	-644 kEUR	100%
HF PharmaSwyzz Deutschland GmbH, Bad Homburg	-1 kEUR	16 kEUR	100%
IIP Institut für Industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH, Aschaffenburg[2]	703 kEUR	2,415 kEUR	25%
STADAvita GmbH, Bad Homburg	1 EUR	25 kEUR	100%
STADA CEE GmbH, Bad Homburg	0 EUR	223 kEUR	100%
STADA Medical GmbH, Bad Vilbel	70 EUR	103 kEUR	100%
International[3]			
AELIA SAS, Saint Brieuc/France[2]	387 kEUR	517 kEUR	20%
Britannia Pharmaceuticals Ltd., Newbury/United Kingdom	11,703 kGBP	32,370 kGBP	100%
Centrafarm B.V., Etten-Leur/The Netherlands	1,313 kEUR	2,160 kEUR	100%
Centrafarm Nederland B.V., Etten-Leur/The Netherlands	-690 kEUR	32,929 kEUR	100%
Centrafarm Services B.V., Etten-Leur/The Netherlands	-1,651 kEUR	-7,342 kEUR	100%
CIG (Hong Kong) Limited, Hong Kong/People's Republic of China	-11 kHKD	70 kHKD	70%
Clonmel Healthcare Limited, Clonmel/Ireland	7,595 kEUR	28,662 kEUR	100%
CNRD 2009 Ireland Ltd. J.V., Dublin/Ireland	-16 kEUR	151 kEUR	50%
Crinos S.p.A., Milan/Italy	-1,551 kEUR	29,896 kEUR	3.23%
Croma Medic, Inc., Manila/The Philippines	14,575 kPHP	301,670 kPHP	100%
Crosspharma Ltd., Belfast/United Kingdom	139 kEUR	1,534 kEUR	100%
Dak Nong Pharmaceutical Joint Stock, Dak Nong/Vietnam	528,292 kVND	2,401,249 kVND	43%
DIALOGFARMA LLC, Moscow/Russia[4]	-	-	100%
EG S.p.A., Milan/Italy	12,362 kEUR	51,387 kEUR	1.13%
Genus Pharmaceuticals Holdings Ltd., Newbury/United Kingdom	0 kGBP	12,222 kGBP	100%
Genus Pharmaceuticals Ltd., Newbury/United Kingdom	2,304 kGBP	34,311 kGBP	100%
Healthypharm B.V., Etten-Leur/The Netherlands	1,603 kEUR	6,691 kEUR	100%
Hemofarm A.D., Vrsac/Serbia	3,458,950 kRSD	18,921,652 kRSD	100%
Hemofarm Arabia Ltd., Damascus/Syria[4]	-	-	50%
Hemofarm Banja Luka d.o.o., Banja Luka/Bosnia-Herzegovina	2,858 kBAM	62,606 kBAM	91.5%
Hemofarm Komerc d.o.o., Skopje/Macedonia[4]	-	-	99.18%
Hemofarm S.àr.l., Constantine/Algeria[4]	-	-	40%
Hemofarm Sabac d.o.o., Sabac/Serbia	294,574 kRSD	4,320,657 kRSD	100%
Hemomont d.o.o., Podgorica/Montenegro	65 kRSD	12,158 kRSD	71.02%
Hetmark FZCO, Dubai/United Arab Emirates[2]	353 kUSD	163 kUSD	50%
HF Pharmasuisse AG, Chur/Switzerland[4]	-	-	100%
HTP Huisapotheek B.V., Etten-Leur/The Netherlands	18 kEUR	11 kEUR	100%
Jinan Hemofarm Pharmaceuticals, Jinan/People's Republic of China[4]	-	-	35.5%
LCM Limited, Huddersfield/United Kingdom	0 kGBP	0 kGBP	100%
Lero SA, Boulogne-Billancourt/France	32 kEUR	475 kEUR	100%

1) There is a profit and loss transfer contract for German companies with a result of 0.
2) Figures from financial year 2012.
3) For foreign companies, equity is shown both in local currency and in accordance with local law.
4) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 no. 1 of the German Commercial Code.

	Earnings 2013	Equity	Equity interest in %
International[1]			
Neocare B.V., Etten-Leur/The Netherlands	-90 kEUR	431 kEUR	100%
Nizhpharm-Kazakhstan TOO DO, Almaty/Kazakhstan	511,201 kKZk	1,287,040 kKZk	100%
Nizhpharm-Ukraine DO, Kiev/Ukraine	-17,539 kUAH	15,388 kUAH	100%
OOO Hemofarm, Obninsk/Russia	479,424 kRUB	1,391,354 kRUB	90%
OOO STADA CIS, Nizhny Novgorod/Russia[3]	19,931 kRUB	-30,277 kRUB	100%
OOO STADA Marketing, Nizhny Novgorod/Russia[3]	318,198 kRUB	172,091 kRUB	90%
OOO STADA PharmDevelopment, Nizhny Novgorod/Russia	-49,492 kRUB	-43,067 kRUB	100%
Pegach AG, Egerkingen/Switzerland	-49 kCHF	361 kCHF	100%
Pharm Ortho Pedic SAS, Pellouailles Les Vignes/France[3]	170 kEUR	2,138 kEUR	25%
PharmaCoDane ApS, Herlev/Denmark	1,906 kDKK	96,016 kDKK	100%
Phu Yen Export Import Pharmaceuticals Joint Stock, Phu Yen/Vietnam	547,593 kVND	17,247,448 kVND	20%
PYMEPHARCO JOINT STOCK COMPANY, Tuy Hoa/Vietnam	139,536,915 kVND	698,083,913 kVND	59%
Quang Tri Pharmaceutical Joint Stock, Quang Tri Province/Vietnam	1,392,157 kVND	4,824,342 kVND	22.8%
Quatropharma Holding B.V., Etten-Leur/The Netherlands[2]	-	-	100%
S.A. Eurogenerics N.V., Brussels/Belgium	8,675 kEUR	34,567 kEUR	100%
S.A. Neocare N.V., Brussels/Belgium	3,397 kEUR	89,674 kEUR	100%
Spirig HealthCare AG, Egerkingen/Switzerland	-2,808 kCHF	10,755 kCHF	100%
STADA (Thailand) Co. Ltd., Bangkok/Thailand	21,952 kTHB	56,576 kTHB	60%
STADA Egypt Ltd., Cairo/Egypt	-2,054 kEGP	-1,523 kEGP	25%
STADA Financial Investments Limited, Clonmel/Ireland	239 kEUR	92,737 kEUR	100%
STADA Genericos, S.L., Barcelona/Spain	-1 kEUR	2 kEUR	100%
STADA Hemofarm d.o.o., Zagreb/Croatia[2]	-	-	100%
STADA HEMOFARM Poland Sp. z o.o., Warsaw/Poland[2]	-	-	100%
STADA HEMOFARM S.R.L., Temisvar/Rumania	-2,262 kRON	13,092 kRON	100%
STADA IMPORT/EXPORT INTERNATIONAL LIMITED, Hong Kong/People's Republic of China	303 kUSD	316 kUSD	51%
STADA Import/Export Ltd., Tortola/British Virgin Islands	249 kUSD	343 kUSD	51%
STADA IT Solutions d.o.o., Belgrade/Serbia	11,995 kRSD	11,995 kRSD	100%
STADA M&D S.R.L., Bucharest/Romania	-129 kRON	206 kRON	100%
STADA MENA DWC LLC, Dubai/United Arab Emirates[2]	-	-	100%
STADA PHARMA Bulgaria EOOD, Sofia/Bulgaria	380 kBGN	1,506 kBGN	100%
STADA Pharma Services India Private Limited, Mumbai/ India[2]	-	-	15%
STADA Pharmaceuticals (Beijing) Ltd., Beijing/People's Republic of China	-4,161 kCNY	44,304 kCNY	83.35%
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City/Vietnam	224,714,429 kVND	733,483,536 kVND	50%
STADA, LDA, Paco de Arcos/Portugal	-5 kEUR	0 kEUR	100%
STADApharm AB, Malmö/Sweden[3]	-30 kSEK	17,482 kSEK	100%
STADAPHARMA HEALTHCARE INC., Makati City/The Philippines	-156 kPHP	791 kPHP	40%
Sundrops Limited, Huddersfield/United Kingdom	585 kGBP	3,552 kGBP	100%
Thornton & Ross Ireland Limited, Dublin/Ireland	0 kEUR	0 kEUR	100%
Thornton & Ross Limited, Huddersfield/United Kingdom	4,393 kGBP	40,497 kGBP	100%
UAB STADA-Nizhpharm-Baltiya, Vilnius/Lithuania	522 kLkL	2,735 kLkL	100%
Velefarm A.D., Belgrade/Serbia[2]	-	-	19.65%
Vetfarm A.D., Belgrade/Serbia[2]	-	-	15%
Well Light Investment Services JSC, Ho Chi Minh City/Vietnam	1,767,430 kVND	112,058,750 kVND	49%
ZAO Makiz-Pharma, Moscow/Russia[3]	74,805 kRUB	1,109,597 kRUB	100%
ZAO Skopinpharm, Ryazanskaya obl./Russia[3]	167,246 kRUB	350,690 kRUB	100%
Zeroderma Limited, Huddersfield/United Kingdom	259 kGBP	100 kGBP	100%

1) For foreign companies, equity is shown both in local currency and in accordance with local law.

2) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 no. 1 of the German Commercial Code.
3) Figures from financial year 2012.

20. Conversion rates

The exchange rates underlying the currency translation of currencies outside of the Euro zone that are important for STADA Arzneimittel AG developed as follows:

in €	Average rate		Closing rate	
	2013	2012	Dec. 31, 2013	Dec. 31, 2012
1 Swiss franc (CHF)	0.81381	0.83065	0.81520	0.82836
1 Pound sterling (GBP)	1.17683	1.23262	1.20034	1.22639
1 Hong Kong dollar (HKD)	0.09692	0.09982	0.09367	0.09786
1 Serbian dinar (RSD)	0.00884	0.00880	0.00871	0.00892
1 Russian ruble (RUB)	0.02348	0.02497	0.02210	0.02488
1 US dollar (USD)	0.75181	0.77413	0.72637	0.75855

21. External auditor fees

Total fees charged by the external auditors for the financial year pursuant to Section 285 no. 17 of the German Commercial Code is disclosed in the relevant Note to the Consolidated Financial Statements.

22. Corporate Governance Code

In accordance with § 161 of the German Stock Corporation Act, the Executive and Supervisory Boards have issued their annual joint declaration of compliance with the German Corporate Governance Code. Shareholders are provided with permanent access to this declaration on the Company's website www.stada.de (German website) and www.stada.com (English website). The Company also publishes the declaration in its Annual Report.

23. Financial Instruments

Derivative financial instruments

Risks from interest rate and currency related fluctuations in cash flow with derivative financial instruments are countered, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

Derivatives are used to offset changes in fair values and/or interest payment cash flows from the underlying hedge items (receivables from associated companies and interest liabilities).

STADA concludes currency forwards and currency options in order to limit currency risks. Exchange-rate hedging in 2013 was primarily undertaken for the Russian ruble, the Swiss franc, the pound sterling and the Australian dollar. As of the reporting date, all currency forwards were individually hedged with loans or liabilities to associated companies.

STADA concludes interest-rate swaps in order to hedge the interest rate risk of promissory notes. As of the reporting date, all interest-rate swaps were hedged with promissory notes.

In order to hedge cash flows from loans to associated companies (interest and currency risk), STADA concluded interest rate/currency swaps. As of the reporting date, all interest rate/currency swaps were individually hedged with loans to associated companies.

The valuation of interest rate hedge transactions results from the present value of the discounted cash flows, i.e. fixed interest rates against variable interest rates.

Hedged items:

	Market values	
Hedged item	**Hedged risk**	**Secured amount of the hedged item (carrying amount) in € million**
Assets	Interest rate change /currency risk	95.15
	Currency risk	51.22
Liabilities	Interest rate risk	117.00
	Currency risk	0.00
		263.37

The market values of the derivative financial instruments in a hedging relationship are as follows:

in € million	**2013**	**2012**
Currency forwards	-0.4	-0.1
Interest rate swaps	-4.7	-9.8
Interest rate / currency swaps	10.0	0.4
	4.9	-9.4

All hedges are micro-hedges.

All hedges are expected to be highly effective as the important features are nearly identical (critical terms match).

Hedged risks – pending loss provisions not created, write-ups on liabilities in foreign currencies and write-downs of receivables in foreign currencies:

in € 000s	
Interest rate / currency risk	10,187
Currency risk	388
Total hedged balance sheet risk	**10,575**

The effectiveness of hedges is evaluated on the reporting date according to the critical terms match method.

In the future, the risks being hedged will likely be offset, because the hedged items and hedging transactions are subject to the same risk, which is influenced by identical factors in the same way and because the hedging transactions to not exhibit any other risks than the hedged items. Settlement shall be complete to the greatest extent by December 31, 2017.

Bad Vilbel, March 24, 2014

STADA Arzneimittel Aktiengesellschaft
The Executive Board

H. Retzlaff
Chairman

H. Kraft
Chief Financial Officer

Dr. M. Wiedenfels
Chief Business Development &
Central Services Officer

BASIS OF THE COMPANY

Business Model and Company Structure

As a publicly-listed parent company, STADA Arzneimittel AG (hereinafter abbreviated as STADA AG or STADA), directly and indirectly holds shares in the companies that belong to the STADA Group.

The operating business of STADA AG represents only a portion of the global business of the STADA Group. In the evaluation of the results of STADA AG, the operating profit of the activities of the AG in the core segments of Generics and Branded Products should be taken into account. Despite the central organizational structure in the Group, the sales functions in the STADA AG are regionally organized according to market region in order to guarantee the necessary flexibility and market proximity and thereby to enable quick adaptation to changed market conditions. Profit or loss is significantly affected by the services, such as the delivery of goods to other Group companies, which result from the function of the AG as a parent company or holding company of the STADA Group. With effect as from July 1, 2013, the Executive Board decided to adjust the Group's transfer pricing guidelines. This measure results in additional income for STADA AG that is recognized under sales. The profit or loss from ordinary business activities of STADA AG is also characterized by investment income. The four market regions Germany, Central Europe, CIS/Eastern Europe[1)] and Asia & Pacific hold operating responsibility in the STADA Group. The Annual Report of the STADA Group provides a complete overview.

Controlling

The most important financial performance indicators of STADA AG include, in addition to strategic and operational requirements, also financial key figures. These financial performance indicators, that STADA AG uses as key figures of operational management, include sales and net profit.

Sales is an important key figure for ensuring the success of STADA AG. Among other things, top-line programs to increase sales, which particularly focus on branded products, play a significant role for future success. Reported sales is an indicator of financial performance as STADA AG aims at the generation of further sales growth, also by way of its active acquisitions policy.

Net profit has been defined as an indicator of financial performance and a key parameter as it also represents a key figure of the success of STADA AG and, among other things, ensures STADA AG's ability to provide a dividend.

Research and development

STADA AG deliberately does not conduct any research based on the business model. The focus is generally on the development of finished pharmaceutical products that are not subject to commercial property rights. The basis for profitable growth and long-term company success is the continuous market introduction of generics products at the earliest point in time following the expiration of patents and at the best possible cost of sales in the individual countries. The Group's own development centers play a significant role in the process, and they are supplemented by subcontracted development and cooperations with external development partners. One decisive strategic success factor in the Group's timely product development includes the coordination of an international network of internal and external development partners.

1) CIS/Eastern Europe includes the markets of Bosnia-Herzegovina, Bulgaria, Kazakhstan, Lithuania, Macedonia, Montenegro, Romania, Russia, Serbia and Ukraine (CIS: Commonwealth of Independent States).

In the branded products area, our employees seek out solutions for internationalizing and supplementing our product portfolio and creating a positioning that is different to our competitors. In addition to classic generics, the STADA Group expands its product portfolio continuously with special projects. These include, among others, the licensing and cooperative agreement concluded with Gedeon Richter, Budapest, Hungary, for the development and marketing of two monoclonal antibodies. STADA was able to further its activities in the area of biosimilars by in-licensing a filgrastim product for the European market from the Canadian pharmaceutical company Apotex in October 2013. The STADA Group's development costs amounted to € 55.7 million in 2013 (previous year: € 52.2 million). The Group's innovative power resulted in 724 product launches worldwide in 2013 (previous year: 717). Over 1,100 ongoing approval procedures for more than 150 active pharmaceutical ingredients for more than 50 countries were in the approval process as of December 31, 2013.

Employees

The long-term success of STADA AG is largely attributable to its employees with their specialist knowledge, their experience and their commitment as well as diversity. Personnel management at STADA generally follows a long-term personnel policy with the goal of optimally supporting employees as well as attracting and keeping the best talents. STADA offers internships to young people as well as various career training programs in the pharmaceuticals area. Training, language skills support and specialist workshops and seminars also contribute to staff development and to the up-to-date knowledge of employees in various specialist departments.

The STADA Group's personnel management is organized in a decentralized way, allowing to better meet the various needs at individual locations. They are largely independent in many areas of personnel policy in accordance with company guidelines. Further details are published annually in the personnel and social report on the Group's website at www.stada.de.

Employees are awarded with a variable remuneration system according to performance goals set with them personally and measured by the Company's success. STADA employees in Germany can purchase a maximum number of shares in the context of an employee stock ownership program that is supported with a contribution.

The average number of employees in STADA AG increased as compared to the previous year by 2.8% to 976 employees (previous year: 949 employees).

Environmental protection and safety

STADA AG promotes environmental protection as a rule. Procedures are being continuously improved in order to minimize their environmental impact and health risks. Within the Group, the responsibility for sustainability, especially with regard to environmental matters, is operatively met in a project-related way beyond the legal framework.

STADA makes a significant contribution to efficient health care due to the STADA Group's focus on the development of Generics as the largest business segment.

As a health company, STADA AG places the highest priority on product quality and product safety. This applies likewise to finished products, raw materials, services and working conditions. For this purpose, STADA AG introduced international quality management systems such as good manufacturing practice standards (GMP) and ISO standards.

ECONOMIC REPORT

General Economic and Industry-Specific Situation

General economic situation

Economic development in 2013[1] was still affected by the sovereign debt crisis in the Euro zone. Gross world product (GWP) increased in 2013 by +3.0 % and was thus down by 0.1 % on the growth of the prior-year period. This affected both the developed countries and the emerging markets. GDP in the Euro zone, where STADA has a leading role in certain countries, decreased by -0.4% (previous year: -0.7%). While the GDP in the home market of Germany was somewhat more stable with +0.5%, the previous year figure of +0.9% was not reached here. GDP growth in emerging markets of 4.7% and in particular in the CIS region of 2.1% remained robust despite the downturn. This development supports the purchasing power of patients that behave as so-called "self-pay patients" in the health care sector of these markets that are becoming increasingly important for the STADA Group. The remaining emerging market regions that are important for STADA of ASEAN-5, with +5%, and the Middle East and North Africa, with +2.4%, in 2013 showed satisfying though less dynamic growth than in the previous year.

Industry-specific situation

The health care and pharmaceuticals market generally benefits from global growth in the population, the demographic development of an aging society and from medical progress. Sales in the international pharmaceutical market increased by approx. 2.9%[2] to approx. € 739.6 billion in 2013 as compared to the previous year. Sales in the global generics market increased by approx. 6.3% to approx. € 110.7 billion[2] in 2013 as compared to the previous year. The market share of generics in the global pharmaceutical market amounted to 15.0%[2]. Growth drivers of the industry include the continuous expiration of patent rights. In addition, the penetration of generics is still relatively low in several European countries where STADA has a leading role, and penetration is expected to grow against the backdrop of the pressure to reduce costs in the context of the European sovereign debt crisis. In certain markets, however, this growth in volume will be counteracted by governmental intervention in pricing. The volume of the generics market is also growing in Germany. However, this growth is being more than eaten away by intensive price competition particularly with tenders for discount agreements with the public health insurance organizations. The discontinuation of the last portfolio and product range contracts with the public health insurance organizations as of April 2013 again exacerbated the German generics market situation for STADA.

Sales of the global OTC market increased on the previous year by approx. 7.7% to € 51.3 billion[3]. The market share amounted to 8.2%[2]. The branded product area is hardly affected by government price regulations and is largely dependent on the demand and purchasing power of so-called "self-pay patients" and the marketing materials used. The segment can generally benefit from relatively free pricing conditions.

Effects of overall economic and industry-specific framework conditions

In consideration of the demand in the health care market, which is relatively independent of the economy, the international economic environment generally has less direct effects on the business development of STADA AG than the regulatory environment does. Nevertheless, the economic development does have an effect on the Group's activities in the form of currency and interest rate fluctuation, which primarily has an indirect influence on the success of STADA AG within investment income. STADA regularly takes precautionary measures in order to appropriately react to strong volatility.

1) Source: International Monetary Fund: World Economic Outlook update of January 21, 2014.
2) IMS Market Prognosis, September 2013; IMS Market Prognosis Global, September 2013; IMS Syndicated Analytics Service (September) 2013; prepared for STADA March 2014.
3) IMS MIDAS (September) 2013.

Business Development

Sales in 2013 developed better than expected as compared to the 2012 prognosis report. The operating business of STADA AG was once again burdened by price pressure as a result of the discount agreements of public health insurance organizations in Germany, and the regulatory conditions became stricter once again as compared to the previous year. However, this negative effect was more than compensated for by the robust development of the German Branded Products business and the increase in the delivery of goods within the Group but also, in particular, by income from the sale of intangible assets with subsequent back-licensing for further utilization in sales and the adjustment of transfer pricing in the context of the implementation of a tax optimization program as of July 1, 2013.

The substantial rise in net profit in 2013 of € 194.6 million to € 224.7 million was predominantly a result of an increase in other operating income attributable to intra-Group sales of associated companies in the context of the implementation of the tax optimization program.

Investment income and income from profit transfer agreements recorded a negative balance. In addition to the conditions in the German generics market becoming stricter once again, the necessity to balance national budgets in Europe as a result of the European sovereign debt crisis, as well as the dampened prospects for economic development, led to government-ordained savings in the health care systems. As a result, the mandatory prescription of low-cost medicines pushed by corresponding regulatory measures, which was noticeable in increased sales by volume, was counteracted by government-ordained price reductions in individual countries of the Euro zone. Relatively strong growth in emerging markets such as Russia and Asia could not completely offset this development.

In order to strengthen the mid and long-term earnings potential, the STADA Group continuously identifies and implements efficiency-boosting projects. Accordingly, a new IT service center was opened in Serbia in the third quarter, which is expected to generate annual cost savings for STADA AG totaling € 5 million as from 2015. In the second half of 2013, STADA also implemented a tax optimization program concluded by the STADA Executive Board on July 1, 2013, which generated tax improvements for STADA AG. This program serves to reduce the negative effects of the so-called interest barrier in Germany. The STADA Group and STADA AG focus investments in particular on the expansion and internationalization of the high-margin branded products business.

Situation | Earnings Situation

in € million	2013	2012
Sales	412.9	370.5
Net profit or loss from ordinary business activities	225.0	30.5
Net profit	224.7	30.0

Net profit or loss from ordinary business activities

The sales of STADA AG recorded strong growth in 2013 of 11% to € 412.9 million. The Generics segment in Germany, however, was burdened by regulatory framework conditions that were once again made stricter and legally prohibit portfolio contracts between public health insurance organizations and manufacturers as of April 2013. As result, the portfolio contracts were gradually replaced by tenders on an individual basis, which led to corresponding revenue reductions. An increased volume of the delivery of goods within the Group was also not able to completely compensate for the opposing development in the Generics segment. Branded Products showed stable development on the whole, even if warranty provisions were necessary for a few products that are highly dependent on the season.

There were, however, substantial earnings contributions from the sale of intangible assets with subsequent back-licensing for further utilization in sales (€ 30.0 million), as well as earnings from the implementation of a tax optimization program to reduce the negative effects of the interest barrier in Germany (€ 20.0 million).

In the context of this tax optimization program, the intragroup sale of associated companies, in particular Clonmel in Ireland, led to additional revenue and therefore contributed € 276.9 million to the substantial increase in other operating income of € 303.9 million to € 365.2 million.

Materials and personnel expenses developed similarly to sales growth with an increase of 10% and 12% respectively. A negative effect came from the increase in amortization on intangible assets from € 38.3 million to € 59.6 million and, in particular, depreciation on financial assets from € 4.5 million to € 47.0 million primarily in Italy, Portugal and France. In Italy, the investment in the subsidiary, Crinos, was fully written down (€ 23.3 million) as the business model for branded generics was heavily burdened as a result of new government regulations.

Investment income and income from profit transfer agreements decreased on balance by € 49.7 million to € 88.1 million. Whereas investment income, as a result of increased dividends from associates, grew by € 8.0 million, the income from profit transfer agreements decreased predominantly as a result of the discontinuation of portfolio agreements with public health insurance organizations in Germany by € 57.7 million. Overall, the result of ordinary business activities increased substantially by € 194.5 million to € 225.0 million in 2013.

Net profit

The tax expense decreased to € 47,519 despite the substantially higher result of ordinary business activities. This is primarily attributable to the largely tax-free disposal of investments as part of operating income. Net profit totals € 224.7 million.

Situation | Assets Situation

in € million	2013	2012
Non-current assets	2,321.0	1,842.8
Current assets	559.8	575.8
Equity	917.5	704.1
Provisions	187.8	129.2
Liabilities	1,780.4	1,587.7

The balance sheet total of € 2,885.7 million in 2013 was 19% higher than the previous year. The increase in non-current assets of € 478.2 million primarily concerns an increase in financial assets (+€ 515.8 million). Here, loans to associates primarily increased as a result of the capital contribution for a newly founded holding in the United Kingdom of € 455.3 million. Impairments on property, plant and equipment and especially intangible assets had an opposing effect. Within intangible assets, the amount of concessions acquired against payment and commercial property rights decreased by € 14.6 million due to an increased need for amortization. Goodwill decreased due to regular depreciation / amortization by € 8.7 million.

Current assets decreased slightly by € 15.8 million. Due to balance sheet date effects, trade accounts receivable increased, which was lower in amount than the decrease in receivables from associates, other assets, inventories and cash on hand. Whereas the decrease of € 20.3 million in receivables from associates resulted from the balancing of receivables by subsidiaries, the decrease in other assets of € 12.5 million relates to a change in tax claims.

Equity increased substantially by € 213.4 million, predominantly due to the € 194.6 million increase in net profit, € 110.0 of which was transferred to retained earnings. The exercise of share options in 2013 and the resulting change in share capital and capital reserve also had a slightly positive effect on equity. The equity-to-assets ratio amounted to 32% (previous year: 29%).

Provisions increased by € 58.6 million to € 187.8 million primarily due to the existing discount agreements with the public health insurance organizations.

Total liabilities primarily increased substantially by € 192.8 million to € 1,780.6 million (previous year: € 1,587.7 million), as a result of issuing a corporate bond (nominal value: € 350 million). Against this backdrop, the amounts due to banks decreased by € 148.1 million. There were hardly any changes in trade accounts payable. As a result of reduced factoring, other liabilities declined by € 7.8 million. In addition to assets recognized in the balance sheet, STADA AG takes advantage of off balance sheet assets. These primarily include leased or rented items within the usual framework such as company cars and rented building space. STADA AG primarily has factoring as off balance sheet financing instruments.

Situation | Financial Situation

Cash flow from operating activities amounted to € 120.8 million in 2013 (previous year: € -5.5 million). This improvement primarily resulted from a strong increase in the result for the period (+€ 194.6 million) adjusted for higher, as compared to the previous year, non-cash-effective depreciation, amortization and impairment (+€ 74.1 million), particularly of financial assets and provisions (+€ 36.0 million) as a result of public health insurance discounts as well as of disposal of intangible assets, primarily of disposals of investments (+€ 276.9 million).

Cash flow from investing activities amounted to € -290.0 million (previous year: € -351.2 million) and was primarily a result of loans to the new British holding for the financing of acquisitions in investments.

Cash flow from financing activities amounted to € 165.1 million (2012: € 144.0 million) and was predominantly influenced by issuing a corporate bond with a nominal value in the amount of € 350 million for the financing of the British OTC supplier Thornton & Ross, which was substantially higher than the repayment of financial liabilities in the amount of € 148.1 million.

As a result of the cash flows described, cash and cash equivalents decreased from € 11.3 million to € 7.2 million.

The primary goal of financial management is to ensure liquidity at all times and to limit the risks associated with financing. The mid to long-term borrowed capital financing is capital market-oriented and primarily relates to two corporate bonds in Euro which mature in 2015 and 2018 and promissory notes with maturities until 2017. The goal is to maintain a balanced maturity dates profile with a diversified investor basis and optimized financing conditions. The average interest rate of the interest-bearing financial liabilities of STADA AG is approx. 3.05% as of December 31, 2013.

General statements on the business development

Overall in financial year 2013, STADA AG recorded business development that substantially exceeded the outlook published at the beginning of the year in terms sales and net profit.

On the one hand, both the operating profit and financial result were burdened by the stricter conditions for generics in Germany and several European markets that are important for STADA. On the other hand, there was an increase in the delivery of goods within the Group as well as in earnings from the sale of intangible assets with subsequent back-licensing for further utilization in sales with the result that overall sales increased substantially by 11% to € 412.9 million.

Additionally in financial year 2013, the STADA Group pursued the implementation of a tax optimization program to reduce the negative effects of the interest barrier in Germany, which has already shown initial positive effects on sales as well as, in particular, on other operating income of STADA AG. Furthermore, substantial sales growth in the market region CIS/Eastern Europe led to considerable income from investments, thereby supporting the finance result.

Consequently, the result of ordinary business activities increased by € 30.5 million to € 225.0 million. Earnings from the disposal of investments for the optimization of the tax structure was also largely tax-free, with the effect that net profit of € 224.7 million (previous year: € 30.0 million) increased nearly proportionately to the result of ordinary business activities.

The result achieved by STADA AG in financial year 2013 is, on the whole, based on an increased focusing of the business model on branded products with long-term growth potential and limited governmental regulation as well as continuous structural improvements. STADA AG indirectly benefits from investment income from associates who focus on market regions that also have long-term growth potential.

REMUNERATION REPORT

This Remuneration Report explains, in accordance with the legal requirements and the recommendations of the German Corporate Governance Code in the version of May 13, 2013, the principles of the remuneration system for the Executive Board, Supervisory Board and Advisory Board of STADA Arzneimittel AG as of the balance sheet date and includes disclosures on the remuneration of individual Executive Board and Supervisory Board members.

Remuneration of the Executive Board

The full Supervisory Board determines the Executive Board remuneration system and the remuneration of individual Executive Board members upon the proposal of the Human Resources Committee and reviews these regularly.

Executive Board remuneration system

The goal of the Executive Board remuneration system approved by the STADA Annual General Meeting on June 16, 2011 is to allow the members of the Executive Board to participate appropriately in the sustainable development of the Company according to their personal tasks and performance, the overall performance of the Executive Board as well as successes in the alignment of the economic and financial situation of the Company under consideration of the competitive environment.

Overall, the remuneration of the Executive Board in the framework of this remuneration system is performance oriented and assessed in a way that is competitive in domestic and international comparison and offers incentives for committed and successful performance in a dynamic environment.

The remuneration of the Executive Board in the framework of this remuneration system is made up of remuneration not related to performance and a performance related remuneration. Stock option plans and other comparable components with a long-term incentive effect do not exist.

The **non-performance related remuneration** consists of an agreed basic salary paid out in twelve equal monthly installments. This annual fixed salary is determined in accordance with the requirements of stock company law under consideration of usual market remuneration. The members of the Executive Board receive other remuneration only in the form of fringe benefits which consist for the most part only of the private use of a company car, contributions to health and nursing care insurance and other insurance services (accident insurance, among other things).

In the framework of the remuneration structure, individual contractual commitments are still fundamentally possible for individual Executive Board members, in accordance with the German Act on the Apropriateness of Executive Board Remuneration (VorstAG), regarding additional non-performance related remuneration components, e.g. pension commitments or commitments in case of termination of activity.

In the remuneration structure, the performance related remuneration is, in principle, similarly structured for all Executive Board members; it can, however, differentiate in the individual arrangement and amount for individual Executive Board members due to individual contractual agreements.

The **performance related remuneration** is made up of the following components for each Executive Board member in the applicable remuneration structure:

- the variable annual bonus, which consists of an earnings related and an objectives related bonus component and for which a cap has been agreed upon. While the earnings related bonus component of this variable annual bonus is oriented on the Group's adjusted EBITDA of the respective financial year, the objectives related bonus component of the variable annual bonus remunerates for the achievement of specific pre-determined goals, which are individually agreed upon in writing with individual Executive Board members for the respective financial year (personal goal agreement).

- the variable long-term special remuneration, for which defined annual progress payments are to be rendered by the Company upon the reaching of annual interim goals set out in individual contracts and which target the Group's overall business success in a defined target year. The long-term goal thereby taken as a basis in individual contracts, as well as the annual interim goals, are geared to a challenging adjusted Group EBITDA under the assumed framework conditions for the period under consideration; the target year for the variable long-term special remuneration should, at the earliest, generally be the third whole financial year after the beginning of the contract of the respective Executive Board contract. If the long-term goal agreed upon for the variable special long-term remuneration is not reached in consideration of the agreed corridor of a degree of goal attainment, the Company is entitled to the repayment of rendered progress payments in the case that the interim goals of the agreed corridor are not reached. A cap for the variable special long-term remuneration must also be agreed upon.

The current Executive Board contracts of acting Executive Board members reflect this remuneration system.

Within the concrete arrangement of the Executive Board contracts of current Executive Board members, both the long-term goal for the variable long-term special remuneration, as well as the respective interim goals for all three Executive Board members, orient on the Group's long-term targets for adjusted EBITDA in financial year 2014 as published in financial year 2010.

Executive Board remuneration for financial year 2013

The remuneration of the individual members of the Executive Board who were active for the Company in financial year 2013 is as follows:

- Hartmut Retzlaff: € 2,437,479.73 (thereof € 2,029,929.73 non-performance related including € 29,929.73 other remuneration and € 407,550.00 performance related[1)]) (previous year: € 2,382,155.10, thereof € 2,034,200.77 non-performance related including € 34,200.77 other remuneration and € 347,954.33 performance related[1)])

- Helmut Kraft: € 1,170,504.04 (thereof € 784,179.04 non-performance related including € 34,179.04 other remuneration and € 386,325.00 performance related[1)]) (previous year: € 1,161,954.33, thereof € 811,295.15 non-performance related including € 61,295.15 other remuneration and € 350,659.18 performance related[1)])

- Dr. Axel Müller[2)]: € 685,867.01 (thereof € 461,894.41 non-performance related including € 13,949.20 other remuneration and € 223,972.60 performance related[1)]) (previous year: € 1,128,525.03, thereof € 777,865.85 non-performance related including € 27,865.85 other remuneration and € 350,659.18 performance related[1)])

- Dr. Matthias Wiedenfels[3)]: € 766,159.73 (thereof € 516,159.73 non-performance related including € 21,594.51 other remuneration and € 250,000.00 performance related[1)])

1) Excluding the contractually agreed performance related progress payments of long-term special remuneration upon achieving the respective interim goals, which are reported as advances below.
2) In financial year 2013, the Chief Production and Development Officer, Dr. Axel Müller, left the Executive Board (see the Company's ad hoc release from August 7, 2013).
3) For the period since joining the Company on May 3, 2013 to December 31, 2013.

In addition to the above-listed remuneration, the Executive Board received performance related **advances**[1] in the total amount of € 1,206,250.00 (previous year: € 1,306,250.00) in financial year 2013; thereof € 806,250.00 was attributable to Hartmut Retzlaff (previous year: € 806,250.00), € 300,000.00 to Helmut Kraft (previous year: € 250,000.00), and € 0.00 to Dr. Axel Müller (previous year: € 250,000.00) and € 100,000.00 to Dr. Matthias Wiedenfels (previous year: € 0.00).

Due to his contract of service still valid in the reporting year, Dr. Axel Müller, the Executive Board member that stepped down in the reporting year, received remuneration in the amount of € 461,333.41 (thereof € 310,306.01 non-performance related including € 8,251.22 other remuneration and € 151,027.40 performance related).

The percentage ratio between non-performance related and performance related[2] remuneration of members of the Executive Board ranges in the area of approx. 53% to approx. 67% non-performance related and approx. 33% to approx. 47% performance related[2] remuneration.

Commitments to members of the Executive Board

Commitments to members of the Executive Board in case of premature or regular termination of their activity and any associated benefits

The Executive Board contract of the Chairman of the Executive Board includes an annual pension set at a fixed annual amount, whereby after the provision commences, the monthly pension payment is adjusted on July 1 of every year by the percentage of the increase in the current level of pension in the German statutory pension scheme in comparison to the previous year. Payments from the pension commitments generally begin on request as pension payments after completion of the Executive Board contract, valid from September 1, 2011 to August 31, 2016, to the extent that it is not renewed or as disability pension if employment ends before this due to an occupational disability. The service cost in accordance with HGB for the creation of provisions for benefit claims earned in financial year 2012 was € 1,143,469.00. The present value of the pension commitments, in accordance with HGB, is € 27,811,456.00.

The Executive Board contract of the Chairman of the Executive Board also contains a severance pay regulation for a closely defined change of control, which, in accordance to the German Corporate Governance Code, is not higher than the remaining term of the Executive Board contract, and is limited in amount to a maximum of three years' remuneration.

In the context of the departure of Executive Board member Dr. Axel Müller in the reporting year, continued payment of planned remuneration until the end of the employment contract was agreed. These remuneration expenses until the end of the contract of service amounted to € 1,151,115.72 (thereof € 753,615.72 non-performance related including € 3,615.72 other remuneration and € 397,500.00 performance related) as well as € 1,140,083.33 performance related long-term special remuneration.

1) Contractually agreed performance related progress payments of long-term special remuneration upon achieving the respective interim goals.
2) Including the contractually agreed performance related progress payments of long-term special remuneration upon achieving the respective interim goals, which are reported as advances above.

Other commitments

The Executive Board contract of the Chairman of the Executive Board includes the proviso that, in the case of illness or accident, the Company will continue to pay the salary of the Chairman of the Executive Board, whereby the amount of the continued payment, in the first year after the occurrence of either case, corresponds to the fixed annual salary and the variable remuneration and, in the second or third year, to the fixed annual salary.

For both the Chief Financial Officer and the Chief Business Development and Central Services Officer, there exists accident insurance, which, in the case of inability to work due to illness, provides for monthly income for up to one year, up to a maximum period however until completion of the contract and taking third-party payments into account. In the case of inability to work for more than three months, the variable remuneration will be reduced on a pro-rata basis.

In the context of a group insurance for all three Executive Board members, there exists a so-called D&O insurance with a deductible for the Executive Board members within the legal framework.

Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the reporting year with regard to their position in the Executive Board

To the Company's knowledge, third parties outside the Group have neither promised nor granted benefits to Executive Board members in financial year 2013 with regard to their position in the Executive Board in the reporting year.

Remuneration of the Supervisory Board

Remuneration system for the Supervisory Board according to the Articles of Incorporation

Remuneration of the Supervisory Board is governed by Section 18 of STADA Arzneimittel AG's Articles of Incorporation. Section 18 of the Articles of Incorporation of February 4, 2013 applies for the reporting year, according to which, in addition to reimbursement of expenses in the past financial year; Supervisory Board members shall receive

- an annual fixed sum of € 25,000 and
- additional remuneration in the amount of 0.03% of Group earnings before taxes.

The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount.

In addition, Supervisory Board members receive an annual fixed remuneration of € 10,000 for their committee activities for the past financial year. The Chairman of a committee receives twice this amount in remuneration.

In addition, sales tax is payable on all of the Supervisory Board's remuneration.

On June 5, 2013, the Annual General Meeting approved the newly revised remuneration of the Supervisory Board and Section 18 of the Articles of Incorporation. According to this, the members of the Supervisory Board receive remuneration based on the long-term success of the Company, in addition to the annual fixed remuneration, starting from the beginning of financial year 2014.

Remuneration of the Supervisory Board in financial year 2013

The remuneration of the individual members of the Supervisory Board who were active for the Company in financial year 2013 are as follows:

- Dr. Martin Abend € 275,400.00 (thereof € 105,000.00 fixed and € 170,400.00 variable) (previous year: € 227,000.00, thereof € 105,000.00 non-performance related and € 122,000.00 performance related)
- Manfred Krüger € 173,600.00 (thereof € 60,000.00 non-performance related and € 113,600.00 performance related) (previous year: € 141,300.00, thereof € 60,000.00 non-performance related and € 81,300.00 performance related)
- Dr. Eckhard Brüggemann € 81,800.00 (thereof € 25,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 65,600.00, thereof € 25,000.00 non-performance related and € 40,600.00 performance related)
- Heike Ebert € 81,800.00 (thereof € 25,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 65,600.00, thereof € 25,000.00 non-performance related and € 40,600.00 performance related)
- Dr. K. F. Arnold Hertzsch € 81,800.00 (thereof € 25,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 65,600.00, thereof € 25,000.00 non-performance related and € 40,600.00 performance related)
- Dieter Koch € 91,800.00 (thereof € 35,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 75,600.00, thereof € 35,000.00 non-performance related and € 40,600.00 performance related)
- Constantin Meyer € 81,800.00 (thereof € 25,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 65,600.00, thereof € 25,000.00 non-performance related and € 40,600.00 performance related)
- Carl Ferdinand Oetker € 101,800.00 (thereof € 45,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 85,600.00, thereof € 45,000.00 non-performance related and € 40,600.00 performance related)
- Karin Schöpper € 91,800.00 (thereof € 35,000.00 non-performance related and € 56,800.00 performance related) (previous year: € 75,600.00, thereof € 35,000.00 non-performance related and € 40,600.00 performance related)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services in the context of their activities as Supervisory Board members; however, in the context of a Group insurance, there exists a so-called D&O insurance for all members of the Supervisory Board, which reflects the legal framework of the Executive Board members, with a deductible for the Supervisory Board members.

Remuneration of the Advisory Board

In accordance with Section 10 of the bylaws of the Advisory Board of STADA Arzneimittel AG, members of the Advisory Board receive a flat fee of € 600 per meeting plus expenses.

SUPPLEMENTARY REPORT

The following event occurred between the end of financial year 2013 and the date of the signing of the Management Report and the Financial Statements for 2013 and has an effect on the business, financial and earnings position of STADA Arzneimittel AG:

In the first quarter of 2014, STADA was able to secure promissory notes in the total amount of € 200 million with a term of five years. A fixed interest rate of 2.30% thereby applies for € 124 million. A variable interest rate of currently 1.51% applies for € 76 million.

OPPORTUNITIES AND RISK REPORT

Opportunities management

The continuous management of opportunities ensures the long-term success of the Company. The objective of opportunities management at STADA is the create things that are new and to secure and improve what already exists. STADA's strategic success factors create the basis for utilizing growth potentials that arise and thereby for securing sustainable success. They primarily include strong product development, an international sales structure, an active acquisitions policy including long-standing integration management, a functionally, centrally organized group that is organized by market region for sales and has short decision-making processes, efficient cost management and employees that are efficient and dedicated.

Important strategic success factors of STADA

The decentralized regional organizational and management structure in the sales related areas of STADA – supported by the execution of intensive observations of both the market and the competition as well as the close contact with institutions – leads to a situation in which trends and requirements in the often fragmented markets can be recognized and analyzed at an early stage. As a result, opportunities can be used in a targeted manner. The Company also has centrally organized processes for the identification of opportunities, such as a Group-wide portfolio management system for identifying potential new products.

Based on the product pipeline, which remains well-filled, STADA will continue to constantly expand the existing portfolio – particularly in the core segment Generics. In addition to sales and earnings achieved in the context of new product launches, the opportunity also exists to attain an improved margin mix as well as for economy of scale effects insofar as the new products can be launched with margins that are initially better than the Group average or that they can be launched within the scope of existing sales structures in the individual market regions. In the context of a "time and cheap to market" strategy, STADA generally pursues the goal of launching new products not only at the earliest point in time, but also at the best possible cost of sales.

The STADA Group's international sales structure with four market regions is designed to market the products from the Group portfolio in a way which is adapted to the different regulatory and competitive framework conditions in the individual national markets of the market regions. In consideration of being able to optimally utilize the respective growth opportunities in the individual market regions, STADA will continue to expand the global sales network in the future as well.

In the context of the active acquisitions policy, the Executive Board intends to further expand the STADA Group's business activities. This will focus on selected markets in the respective market regions, predominately high-growth emerging markets, as well as on the expansion and internationalization of both core segments Generics and Branded Products. Against the backdrop of increasing pressure to reduce costs, to which the individual national health care systems are exposed, the Executive Board particularly sees further growth opportunities in branded products as they are generally characterized by better margins and are subject to less regulatory intervention.

With a view to future growth, great importance will continue to be placed on functional reporting structures of subsidiaries with short decision-making channels and strong regional market presence at the same time. This particularly applies to sales activities, because the ability to react in the short-term to structural, regulatory or competition-related changes, plays an essential role in both exploiting opportunities and reducing risks. For this reason, STADA will continue to pursue an aggressive price policy in individual cases with, if necessary, a possible decrease of operating margins, in order to achieve a better market position or a higher market share. The goal for this approach, however, is that the business activities in the relevant market of a market region are profitable or become so within a foreseeable time.

In consideration of earnings, efficient cost management will continue to be of great importance. One focus in the context of continuous cost optimization will remain cost of sales and all the associated costs, as it clearly represents the Group's largest cost item. STADA therefore has opportunities to reduce cost of sales by increasing the participation of suppliers in the market risk and from the greater utilization of suppliers in low-cost countries.

In the past financial year, STADA concluded or commenced the remaining measures of the Group-wide cost efficiency program "STADA – build the future", scheduled for the period of 2010 to 2013, which aimed at strengthening mid and long-term earnings potential. Opportunities have resulted from the establishment of a culture of continuous cost optimization that came as a result of the implementation of the Group-wide cost-efficiency program.

Another substantial opportunity for STADA can be found in the employees who will continue in future to have a significant share in the ongoing success of the Company with their extensive expertise, their great experience and their strong commitment.

Risk management

The management of risks is a permanent task of entrepreneurial activities. For this reason, STADA's Executive Board implemented an ongoing risk management system that is integrated into the value-based management and existing organizational structure of the Group and that is based upon a globally recognized framework concept, the "Enterprise Risk Management – Integrated Framework" (2004) developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The risk management system is therefore an integral component of business processes and company decisions.

The risk strategy is based on STADA's business strategy. It aims to put the Executive Board in the position to recognize risks at an early stage so they can take control of them in due time. The risk strategy is practiced within all business segments of the STADA Group.

STADA's risk management system

As a stock corporation based in Germany, STADA is subject to German risk management legislation such as Section 91 (2) of the German Stock Corporation Act. The Executive Board has established a Group-wide risk management system to ensure compliance to the relevant legislation as well as to guarantee the effective management of risks. The risk management system aims to systematically and regularly identify risks that are significant for STADA and that may jeopardize its continued existence, to assess their effects on the Group and determine possible measures that can be initiated in due time if necessary. At the same time, the risk management system is intended to guarantee sufficient security to ensure that STADA's goals, particularly financial, operational and strategic goals, can be reached according to plan. STADA's risk management system represents an essential element in the entrepreneurial decision-making process and has therefore been implemented as an integral component of business processes throughout the STADA Group. The company-wide standard and integrated approach to the management of risks is intended to ensure the effectiveness of Group-wide risk management and make it possible to aggregate risks and provide transparent reporting.

The fundamental components of the Group-wide risk management system are:

1. The Risk Management department, which is vertically and horizontally integrated in the Company and is responsible for planning and further development of the risk management system (including the Group-wide establishment of the risk management software R2C – Risk to Chance), as well as the methods and procedures used to identify and assess risks and supporting the local risk confidants.

2. The local risk confidants who identify and assess risks (including measures) and document and update them in the risk management system (bottom-up communication); they are integrated in all corporate units and subsidiaries throughout the Group.

3. Written and oral queries (top-down communication) sent to the responsible risk confidants by the Risk Management department on current topics and the risk situation in the individual areas of the Group.

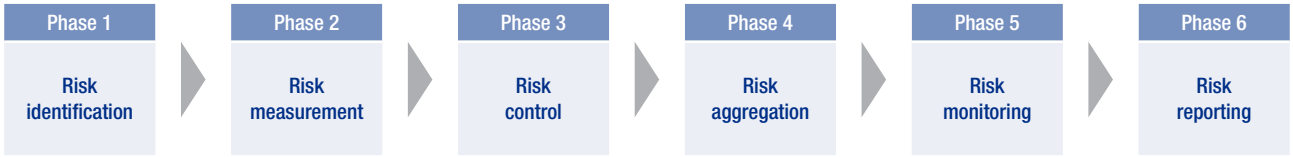
4. The company specific risk management guide, which defines the risk management process and the risk management system.

5. Risk reporting at Group and individual-company level.

STADA's Group-wide risk management covers STADA Arzneimittel AG and companies in which STADA holds a stake of at least 50% even if they are not consolidated. Insofar as recognizable risks to the Group arise at subsidiaries in which STADA holds a stake of less than 50%, these risks are also recorded in the Group's risk management system. The risk management system only records risks, not opportunities.

Risk management process

The risk management process at STADA comprises the phases of risk identification, risk measurement, risk control, risk aggregation, risk monitoring and risk reporting.



Phase 1: Risk identification

Within the "risk identification" phase, all corporate units and subsidiaries systematically record all events that could have substantial impact on STADA's business model or change STADA's risk profile in the future. Once recorded, these events are allocated to a category in the company-specific risk atlas. Risks are identified, on the one hand, via self-assessment of the risk confidants (bottom-up) and, on the other hand, via written and verbal inquiry of the Risk Management department (top-down). Close cooperation between the Risk Management department and the risk confidants in the individual business areas and locations worldwide is meant to ensure the risks are defined uniformly and that the conditions are present that make thorough risk management possible throughout all departments and countries.

Phase 2: Risk measurement

In the "risk measurement" phase, the respective risk confidant analyzes the cause and effect structure and then, individually or in cooperation with the Risk Management department, an evaluation is prepared for every identified risk. The quantitative evaluation of risks is based on probability and impact; the evaluation should take consideration of potential direct damage as well as indirect results caused by risks when they arise. In an additional step, each evaluated risk is subjected to a plausibility test by the Risk Management department. Any inconsistencies uncovered by the plausibility test are resolved by the Risk Management department and the responsible risk confidant in cooperation.

Phase 3: Risk control

In the "risk control" phase, the risk confidants, individually or in cooperation with the Risk Management department, identify potential measures of risk avoidance, reduction, transfer and/or compensation. The measures identified can relate to the Executive Board measures that address the cause (preventative) as well as the effect (reactive). In some cases, the acceptance of a risk can be approved as a measure.

In an additional step, each identified measure is subjected to a plausibility test by the Risk Management department. Any inconsistencies uncovered by the plausibility test are resolved by the Risk Management department and the responsible risk confidant in cooperation.

Phase 4: Risk aggregation

In the "risk aggregation" phase, risks with identical causes are aggregated for the sake of increased transparency by the Risk Management department following their analysis of risk causes. The risk descriptions and probability of risks grouped into one aggregate item are analyzed and mutual compatibility ensured.

Phase 5: Risk monitoring

In the "risk monitoring phase", the development of risks, as well as the implementation and effectiveness of the identified measures, is continuously monitored by the risk confidants, who are supported by the respective risk managers. For individual, potentially high-risk business processes, the Group's risk management accompanies the operational implementation, also in an observational role.

Phase 6: Risk reporting

In the "risk reporting phase", the Risk Management department prepares quarterly, recipient-oriented risk reports based on the risks identified, where separate reports are prepared for the Executive Board, the Vice Presidents and the managing directors. The risk report for the Executive Board is passed on to the Supervisory Board unchanged. Essential risks indicated in the recipient-oriented report are jointly discussed by the Executive Board and the Supervisory Board and if required, measures to counter risks are addressed. Any new significant risks that appear between reports within the scope of the risk management system are immediately provided via ad-hoc reporting to the Executive Board and, if necessary, the Supervisory Board.

The risk management system run by STADA is regularly reviewed and evaluated by STADA's auditor and Internal Auditing. The auditor has confirmed that STADA's risk management system conforms to the legal requirements.

Main Features of the Internal Control and Risk Management System with Regard to the Financial Reporting Process (Section 289 (5) of the German Commercial Code [HGB])

The **internal control risk management system with regard to the financial reporting process (ICRMS)** is a component of STADA's comprehensive Group-wide risk management system. It follows the objective of ensuring the accuracy and reliability of financial reporting (bookkeeping, separate and consolidated financial statements and management reports) by implementing appropriate and effective procedures and controls, in accordance with relevant accounting standards and in compliance with internal guidelines. This involves the combination of central system organization and control as well as local responsibility for individual sub-processes.

Responsibility for the introduction as well as the functionality of the ICRMS rests with the Executive Board of STADA Arzneimittel AG. The appropriateness and effectiveness of the ICRMS is assessed by the Executive Board at the end of each financial year at a minimum.

The Annual Financial Statements are prepared on the basis of uniform accounting guidelines laid down by the accounting department and a uniform accounting plan. Changes in the area of accounting standards are monitored on an ongoing basis. Insofar as these are relevant for STADA, the accounting guidelines and the chart of accounts are adjusted accordingly.

The primary control functions for the significant accounting processes are carried out by the respective plausibility tests integrated in the programs. The software systems used are protected against unauthorized external access by appropriate IT systems. In addition, authorization procedures ensure that internally, only the relevant individuals in each case have access to the individual systems.

In addition to the software-supported systems, manual plausibility tests and verification of the completeness and accuracy of data and calculations are carried out at all company levels.

In the context of internal auditing activities as an additional component of the internal control system, the appropriateness and effectiveness of the ICRMS is subjected to regular audits, thus ensuring the reliability and functionality of the control mechanisms as well as the appropriateness and effectiveness of the risk management system and compliance with internal guidelines.

As a controlling body by way of its Audit Committee, the Supervisory Board also regularly monitors the reporting process and the effectiveness of the control system, the risk management system, the internal auditing system and the audit of the financial statements.

The extent and focus of the established ICRMS is thus fully in line with STADA's company-specific requirements. In the view of the Executive Board, STADA has an appropriate and adequate monitoring system, which includes the necessary components of ICRMS for the Group. In the context of a cost benefit analysis of each ICRMS however, limitations in relation to its effectiveness must be tolerated. In addition – even in the case of existing control mechanisms considered as effective – the possibility of errors or an incorrect assessment of risks cannot be completely excluded.

Period of assessment

The period of assessment for this Risk Report is generally 24 months to the extent that no other period is stated in individual cases. It can, however, on principle not be ruled out that further, also essential risks will arise in the development of business during the risk assessment period, which can add to the risks stated in the following.

Evaluation of risk categories

From the STADA Executive Board's current perspective, relevant anticipated risks to the Group's business activities include the risks summarized according to risk categories below. By grouping together similar risks, the risks are aggregated to a greater extent than they are for the purpose of internal controlling with the help of risk-management software. Unless otherwise indicated, all risks described affect all company segments (generics, branded products and commercial business) to varying extents.

In order to determine which risk categories are most likely to endanger the continued existence of STADA, risks are classified according to their estimated probability and impact in relation to STADA's business, financial and earnings situation. The scales used for the measurement of these two indicators are presented in the charts below:

Probability			Level
0% <	Probability	≤ 1%	insignificant
1% <	Probability	≤ 2%	very low
2% <	Probability	≤ 10%	low
10% <	Probability	≤ 30%	noticeable
30% <	Probability	≤ 50%	moderate
50% <	Probability	≤ 70%	likely
70% <	Probability		high

Impact			Level
0 € ≤	Impact	≤ 500,000 €	noticeable
500,000 €	Impact	≤ 1,500,000 €	moderate
1,500,000 €	Impact	≤ 3,300,000 €	significant
3,300,000 €	Impact		substantial

STADA only quantitatively evaluates and reports individual risks on the basis of probability and the risk's potential impact, regardless of the risk categorization. For this reason, internal controlling only takes place at the individual risk level and not the level of aggregated risk categories. For presentation purposes within this risk report, the individually evaluated risks are summarized by aggregated risk category and weighted by classification "high", "moderate" and "low".

The following risks are generally presented as net risks, that is, risks including the steps taken to counteract them.

Environmental and industry risks

STADA is active in the health care and pharmaceuticals market in market regions and market segments which are characterized, among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. Of primary importance to STADA are risks related to changes in market conditions on the basis of intense competition or related to changes to structures and mechanisms outside of STADA's influence in the individual national markets of the respective market regions or market segments. Particular attention in this regard is paid to the STADA core segments of Generics and Branded Products.

Some competitors, as a result of their financial or organizational resources, production capabilities, sales strength, and/or market power can influence market conditions in a negative manner for STADA. This relates in particular to such activities of competitors that influence, pricing

(for example in tenders and discount agreements), product range and scope of service and/or delivery and discount conditions, in order to secure or improve their own competitive position. In addition, market conditions can also be influenced by the appearance of new competitors.

At the same time, a change in market conditions is also possible as a result of increased purchasing power of individual customers or customer groups (such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies), which could intensify competition regarding price, service, and condition terms as well as result in more unfavorable framework conditions of tenders and discount agreements.

STADA may therefore be faced with the choice of either selling at non cost covering prices in individual national markets of the respective market regions or foregoing substantial sales and accepting value adjustment and destruction of inventories that are no longer required. The loss of these sales may lead to a further deterioration of the earnings situation for existing sales, for example due to a lower utilization of existing capacities or a worsened quantity scale in the case of external procurement.

To make use of opportunities, STADA is principally willing to accept, if necessary, losses in individual markets of respective market regions and/or for selected products or product groups, for example in market regions with major growth potential for sales and/or earnings or with strategic and/or operating necessity to maintain or expand its own market position. These losses may also be higher than anticipated as a result of competition, customer behavior or government regulation.

STADA operates active risk minimization by comprehensively monitoring the market activity of all market participants and on the basis of the observations indicating courses of action.

STADA places this in the “moderate” risk category.

Corporate strategy risks

STADA’s corporate strategy is mainly focused on growth and internationalization in the health care and pharmaceutical market in the core segments Generics and Branded Products. With regard to costs and risks, STADA generally does not conduct any own research on, or marketing of new active pharmaceutical ingredients, but rather focuses on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents.

STADA’s growth strategy is linked to the risk that STADA might encounter difficulties in connection with certain operational and/or financial requirements, which cannot, or not to a sufficient extent, operatively be met. In the event that the facilities, human resources, internal structures, management tools, or financial resources cannot keep pace with the growth strategy, STADA may be affected in a materially adverse manner.

New companies and products acquired in the past or in the future or acquired or self-created other assets may not be integrated into the Group as planned, or only at higher costs than originally expected, and/or intended synergy effects may not be achieved, or not achieved in the intended amount. Furthermore, acquired companies and/or products may not generate the results anticipated in the market. Furthermore, there could be unexpected difficulties in introducing acquired products into new markets or in maintaining their existing market positions. Any of the above-mentioned issues can particularly lead to the impairment of assets.

The implementation of a fundamentally growth-oriented corporate strategy requires significant outside financing. In financing ongoing business activities and, in particular, the intended future expansion, there is an inherent risk that STADA may only be able to obtain capital or loans under disadvantageous conditions, or not at all.

In principle, internationally active companies, such as STADA, face the risk of having to react differently and possibly with substantial effort to legal and fiscal conditions that vary from region to region or country to country and are subject to change, to the relevant specific market environment, as well as outside of the euro area to the different currency.

It may be difficult for STADA to enforce its own claims under the law of a country where STADA or a subsidiary undertakes business at affordable costs and without any materially adverse effects on business in this country. If, contrary to expectations, it turns out that this is not the case in a country where STADA undertakes business, this can have materially adverse effects for the business activity in this country, but also for the Group as a whole in the case of internationally linked business processes.

As STADA transfers and provides goods and services within the Group, there is a risk that tax authorities in individual countries assess the relevant transfer prices differently and address retroactive tax claims against a company in the STADA Group, which can have materially adverse effects on STADA as a result of the negative effect on the investment's earnings.

Moreover, there is the risk that conditions which are relevant for the international operating activities – especially the conditions of fiscal laws – may be changed by national or supranational regulations in a way that affects STADA in a materially adverse manner. In addition, in connection with the internationalization, there is the risk that the political conditions in individual countries generally and for STADA or the Group's business activity specifically are changed in a materially adverse manner due, for example, to international tensions or internal political developments in individual countries where STADA does business. Furthermore, parts of STADA's business activities, especially in the areas of product development, sales, procurement and production are related to the USA and are there, in the Company's view, subject to elevated legal risks as compared to other countries, particularly in the areas of liability and patent litigation. This may be associated there with substantial additional costs, in particular for legal counsel. The same applies to disputes in the USA resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Furthermore, a fundamental corporate strategic risk, thus also relating to STADA, is the fact that markets, market regions and market segments on which a company strategically focuses develop differently to expectations. Even if STADA undertakes all efforts to carefully analyze these expectations in advance, relying thereby also partly on external data and evaluations, assessment errors by STADA, due, for example, to insufficient data available, unexpected regulatory or competitive influences, new technological developments or changed social and macro and/or micro economic trends cannot be ruled out, which may be associated with substantial, primarily adverse effects for the Group or individual Group companies.

STADA places this in the "low" risk category.

Regulatory risks

The health care and pharmaceuticals market is characterized by a large number of regulations. Changes to or the removal of existing regulations or the passing of new regulations (in particular, regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products for example as a result of court decisions or legislative changes) can have significant economic and strategic effects on STADA's business success.

Of primary importance for STADA are regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products.

For this reason, the risk exists for STADA's business model that investments that rely on the continuation of existing market structures may prove of no value after regulatory intervention or existing market positions may even be jeopardized. This relates for example to STADA's individual national sales structures, which are geared to the different national regulatory conditions with regard to the marketing, as well as the sale and trade of pharmaceutical products, but also changes in the direct or indirect purchasing power of individual customers or customer groups or changed purchasing behavior.

In many markets of respective market regions, the prices of pharmaceutical products are subject to state supervision and regulation; in some markets, governments exert a direct influence on pricing. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms and/or requirements concerning discounts, the creation of framework conditions stimulating more intense competition) or influenced by supranational regulations. Pricing pressure as a result of state reimbursement systems can reduce the profitability of individual products and in individual cases make the market introduction of a new product unprofitable. STADA assumes that the extent of price regulation and pricing pressure will continue or even increase.

Fundamentally, the risk exists for all products in the health care market, but for pharmaceutical products in particular, of exclusion or reduction of cost reimbursement as a result of regulatory intervention under the respective national social security systems. This can result in the profitability of individual products being reduced and in individual cases, the market introduction of a new product becoming unprofitable.

Moreover, the risk exists for pharmaceutical products that framework conditions in pharmaceutical legislation or provisions concerning commercial property rights or other provisions that are relevant for the expansion of the product portfolio can be changed through national or supranational regulations in a way that affects STADA in a materially adverse manner. Similar risks exist also for other partially regulated product categories in the health care market such as, for example, medicinal products.

Exact predictions concerning the introduction and scope of potential changes in national or supranational regulations as well as their effects on the market structures and/or business processes which are of relevance for STADA are not possible since the introduction and scope of such regulations depend on the political process of the country in question or on court decisions and after such regulations have become effective, the consequences are also influenced to a large degree by the reactions of the market participants affected. Changes in the regulatory environment in STADA's main markets by sales volume are continuously analyzed. Depending on the extent of state regulation, it could become necessary to adjust the business model.

STADA places this in the "moderate" risk category.

Product portfolio risks

The continuous expansion of the product portfolio plays an essential role for the competitive position and business success at STADA. Associated with this is the risk that due to unexpected events and/or the faulty implementation of activities preparing market entry – such as product development and approval – products to be added to STADA's product portfolio are, contrary to plans, not or belatedly or only at higher development and/or production costs than originally assumed launched on the market.

Reasons for this can include additional requirements of approval authorities, direct government price controls or additional approvals for reimbursement via the relevant national social security system. The risks of development and approval processes for new products are continuously identified and evaluated.

In addition, meticulous observance of relevant legislation is extremely important for the development and approval of every individual product. For generics, this also particularly applies to a great extent to the observance of commercial property rights (such as patents, SPCs and "data exclusivity"). If individual legislative requirements are violated, the result may be a delay or even prevention of the launch of a new product due to legal steps taken by competitors or rejection by the approval authorities. To the extent that STADA has offered products by assuming legal clearance and in the course of court decisions it turns out that this assumption was wrong, there is the risk that STADA has to take launched products at significant costs off the market, adjust the value of and destroy inventories which had existed already and those taken back as well as meet significant damage claim payments if, for example, commercial property rights were infringed.

Despite intensive testing, it is possible that potential side effects or initially hidden defects of existing products are only uncovered after approval or during marketing or that new scientific findings or evaluations could lead to an unfavorable risk/benefit analysis which would result in the necessity to remove the product from the market either completely or in part. Such a sales stop can be voluntary act of responsibility or due to legal or government steps. Additionally, legal proceedings and associated damage claims as a result of possible side effects or initially hidden defects could significantly burden earnings.

STADA places this in the "low" risk category.

Legal risks

STADA's business activities are subject to risks resulting from existing or potential future legal disputes. Risks that occur in relation to legal disputes are identified, evaluated and communicated on a continuous basis.

STADA's business activity, in particular in the core segment Generics, is associated with an elevated risk of legal disputes regarding commercial property rights (especially patents and SPCs) as well as allegations of violations of company or trade confidentiality and such disputes may be initiated by third parties with respect to STADA or by STADA with respect to third parties. Such events could result in considerable costs, in particular when such proceedings occur in the USA. Moreover, they could result in significant damage claims and/or a temporary or permanent ban on the marketing of particular products.

If there is a serious risk of future claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims, which amounted to total net profit of € 1.2 million as of December 31, 2013 (December 31, 2012: € 1.0 million). In principle, STADA cannot guarantee that the provisions made will be sufficient for individual instances or in total.

STADA's business activities engender risks associated with liability claims. Should specific Group products prove to be defective and/or to cause undesirable side effects or should individual services or activities of the Group be carried out in a faulty way, this could result in substantial damage claim liabilities and in the restriction or withdrawal of the product approvals concerned or in the withdrawal of the service approvals. There is, in principle, no assurance that the insurance policies maintained by the Group, depending on type and scope, will offer sufficient protection against all possible damage claims or losses.

In addition, STADA is subject to a jurisdiction risk which can turn out to be considerably more adverse than initially expected by STADA. This risk relates to both those trials in which STADA itself is a participant as well as third-party trials in which judgments could have an indirect, materially adverse impact on STADA and/or the market environment that is relevant for STADA. This applies in particular to decisions relating to competition law, patent law and to the implementation of individual regulatory requirements in the provision of health care at a national and/or supranational level.

STADA places this in the "moderate" risk category.

Performance-related risks

STADA's own production facilities are subject to the risk of defective or inefficient planning and production processes as well as to production faults and breakdowns as a result of this or external influence. This could have a materially adverse effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with clients.

Although STADA undertakes all efforts to carry out exclusively safe business processes – particularly in the areas of product development, production and logistics – it can, in principle, not be ruled out that unexpected disruptions occur in the context of such processes, possibly endangering the health of employees from STADA or third parties and/or resulting in environmental damage, since STADA regularly works with hazardous substances in the development, production and examination of products from the Group portfolio, especially in case of drugs. It cannot be ruled out that the preventive measures and insurances taken do not provide sufficient coverage in the case of a damaging event.

In the core segment Generics, individual national markets are increasingly characterized by very large volume fluctuation that regularly arises in the context of tenders by governmental institutions or public health insurance organizations. Even though STADA undertakes every effort to avoid delivery bottlenecks and/or an unintentional increase in inventories (e.g. via scenario calculations and a specific operational positioning of the respective supply chain), such events cannot generally be ruled out in consideration of the comprehensive portfolio.

External suppliers, contract manufacturers, sales licensees and other contractors have been integrated into STADA's business processes to a considerable extent, particularly in the areas of development, procurement, production, and packaging, logistics as well as sales, though also to an increasing extent in other areas. Furthermore, STADA is taking increasing advantage of the opportunity of having essential Group services performed by third parties, with whom cooperations are entered into. In addition, STADA had specifically licensed German pharmacies to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to two branded products. When third parties are incorporated into the Company's business processes, the risk arises that individual business or cooperation partners may not comply properly or at all with their obligations or that they may terminate their agreements with the Company, resulting in material adverse effects for STADA. Moreover, STADA could become liable for infringements on the part of business or cooperation partners.

STADA is dependent on global developments with respect to purchase prices for active ingredients or auxiliary materials required as well as on the prices negotiated with contract manufacturers in the case of products produced by these companies; these prices may fluctuate significantly, also depending on the product. To limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments towards suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example. However, it cannot be ruled out that procurement cost increases and/or supply shortages in the case of individual products will have materially adverse effects on the sales and/or profit margins.

Numerous contracts at STADA include – especially in the areas of product development and production as well as for distribution rights – so-called "Change of Control" clauses, which usually provide both contracting parties, as is usual in the industry, with reciprocal extraordinary termination rights for agreements concluded by the parties in the case that one of the contracting partners becomes subject to a so-called change of control (change of majority shareholder) e.g. after a successful takeover offer. A change of control could result in material adverse effects for STADA if contracting parties make use of such extraordinary termination rights, in particular if the extent of these terminations is beyond individual cases.

STADA places this in the "moderate" risk category.

Human resources risks

STADA depends to a large extent on the commitment, motivation and abilities of its employees. The loss of specialists and managers in key positions could have significant adverse effects on the development of the Group. The Group's continued success also depends on its ability, in competition with other companies, to attract and keep qualified employees in the future.

It is STADA's expressed goal that all business processes and activities be carried out exclusively within the framework of respective laws in force. To this end, within the scope of the compliance management system established at STADA, all employees are regularly, and to an extent adjusted to the scale of their individual areas of responsibility, trained and instructed. It can, however, not be completely ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act negligently or intentionally in breach of legal regulations and that such breaches affect the business activities of the Group and/or individual subsidiaries or the business, financial and earnings situation of STADA in a materially adverse manner, e.g. following the discovery of such legal breaches through the imposition of damages and/or the payment of fines, exclusion from tenders or damage to reputation.

STADA places this in the "low" risk category.

Risks in relation to information technology

The strategic objectives of STADA cannot be achieved without the support of IT. Therefore, the Company has to make continuous investments to appropriately adapt these complex and high-performing systems to changing business processes. In the event that information technology processes are nonetheless insufficient and/or inefficient, this could have materially adverse effects on business processes at STADA.

Furthermore, it cannot be ruled out that electronic data could become subject to unauthorized access, misuse or loss despite extensive backup and security measures. Were this to occur, it would also have substantial adverse effects on the Group.

Currently, the gradual conversion of various information technology systems (IT systems) to an integrated SAP system is being carried out at STADA. Generally, when introducing new or converting existing IT systems, there is an elevated risk that unanticipated events occur which, during the initial phase and also during the integration and expansion phase, can have materially adverse effects on the course of business processes and thus could influence business activities of STADA in a materially adverse manner.

STADA places this in the "low" risk category.

Economic risks

STADA's business success is also generally dependent on economic influences because an economic downturn can regularly intensify the already prevalent cost pressure in national health care systems and thereby potentially significantly increase the speed and extent of regional regulatory measures to contain costs. As a result, there are for STADA adverse characteristics such as state-required price reductions, particularly for prescription drugs, which account for a major part of the portfolio, cannot be ruled out.

Moreover, sales volume and sales of Group products or product lines are particularly sensitive to changes in the economic environment, for which the consumer is not reimbursed as part of the individual national health insurance system but must bear a major part or all of the costs. In the scope of STADA's product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character as well as for services offered and for prescription drugs in market regions containing countries without a comprehensive state health care system, such as Russia in the market region CIS / Eastern Europe.

Another material risk for STADA lies in the area of corporate finance. Parameters in this area significantly influencing Group success such as financing possibilities, interest rates, inflation rate, currency ratios and client liquidity can be subject to distinct economic influences and thereby also have a material adverse effect on STADA's business success in case of an economic downturn. Furthermore, a liquid financial market for refinancing is an important precondition for STADA's acquisition policy. In case of disruptions of the financial market – no matter whether globally or regionally in market regions that are important for STADA – materially adverse effects for the Group cannot be ruled out.

In addition, STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous debtors. Thus, the fundamental, partly also cyclical commercial risk of debtor default is associated with this. STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, loan insurances or the transfer of assets. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and therefore burdens from one-time special effects, arise to a significant extent. In addition, there is the risk that in a difficult economic environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

Another risk lies in the value of the assets in the consolidated balance sheet, in particular intangible assets (predominantly drug approvals and brands) as well as financial assets (predominately shares in and loans to associates). They are subject to thorough and detailed reviews. In the case of specific indications, they are subject to a case-related impairment tests. Generally, it can not be ruled out here that in the impairment tests or in the case-related impairment tests carried out over the course of the year that, for example, as a result of new findings in approvals or changes to the market conditions in individual market regions or individual countries of a market region, a relevant write-down may occur.

In the case of a global financial and economic crisis, the economic-related cyclical risks indicated above can increase considerably.

STADA places this in the "low" risk category.

Financial risks

To the extent that it is possible, STADA counters financial risks with finance policy methods and a specific risk management.

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates and interest rates. It is the objective of financial risk management to limit these market risks of ongoing operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used. However, on principle only financial risks are hedged which have significant consequences on the Group's cash flow.

Liquidity risks result if STADA does not hold sufficient liquidity. They may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of STADA's liquidity management is to ensure solvency all times as well as the financial flexibility of the STADA Group by way of maintaining a sufficient supply of liquidity reserves and having free credit lines. STADA finances itself with short-term and long-term borrowings from banks, promissory notes, bonds and factoring. Furthermore, STADA has solid operating cash flow as well as further bilateral credit contracts with various banks (credit lines), which can be utilized as needed.

STADA's balance sheet currency is the euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

STADA counters risks from currency related cash flow fluctuations with derivative financial instruments, which are exclusively used to hedge currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In addition to natural hedges, STADA generally employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year 2013, STADA made particular use of foreign-exchange futures contracts and interest/currency swaps among other things. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. These contracts are currently valid for up to five years.

It cannot be ruled out, however, that hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal.

STADA is subject to interest risks from financial assets as well as financial debts, primarily in the Euro zone.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro with hedging transactions. STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity.

In financial year 2013, to hedge the interest rate risk, there were cash flow hedges in the form of interest-rate swaps as well as interest rate swaps not part of a hedging relationship.

Derivative financial instruments are neither held nor issued for speculation purposes.

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations.

To avoid default risks in financing activities respective credit management processes are in place and such transactions are generally only concluded with counterparties of impeccable financial standing.

Risks of default exist as a result of the supply of goods and services. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, letters of credit, credit insurance or the transfer of assets. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and therefore burdens from one-time special effects, arise to a significant extent. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments.

In the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA only recognizes available-for-sale financial assets, whose fair values are determined based on market prices, to a minor extent.

STADA takes advantage of an international network and carries out strategic Group functions centrally through STADA Arzneimittel AG. Thus an overarching tax transfer pricing model for the billing of the corresponding intercompany services is of increasing importance. Possible risks of non-recognition of these transfer prices for tax purposes are limited by the introduction of appropriate communication methods and an overarching definition of transfer pricing in the form of a Group guideline.

In general, however, it cannot be ruled out that the financial policy methods and the specific financial risk management implemented by STADA and described above, prove insufficient to avoid all financial risks and the materially adverse effects for STADA that are potentially associated with them.

STADA places this in the “moderate” risk category.

Other risks

STADA is in possession of a number of trade and business secrets that must be treated with confidentiality. STADA makes use of confidentiality agreements with employees, external alliance partners, and service providers as well as with certain other contractual partners in order to safeguard these. However, there is no guarantee that these agreements and other protective measures taken to ensure business and trade secrecy actually represent effective protection or that they will not be violated. In addition, there is no assurance that business and trade secrets will not become known to competitors by other means. This may have adverse material effects on the Group.

Like any company, STADA as a Group and the STADA subsidiaries in their market regions or markets are subject to additional general business risks such as unexpected disruptions in infrastructure, strikes, accidents, natural disasters, sabotage, criminal activities, terrorism, war and other unforeseeable materially adverse influences. STADA protects itself against such risks to the extent possible and financially reasonable through appropriate insurance policies. However, it cannot be ruled out that these insurances are insufficient.

STADA places this in the "low" risk category.

Summary evaluation of risks

Risk category	Risk classification by STADA
Environmental and industry risks	moderate
Corporate strategy risks	low
Regulatory risks	moderate
Product portfolio risks	low
Legal risks	moderate
Performance-related risks	moderate
Human resources risks	low
Risks in relation to information technology	low
Economic risks	low
Financial risks	moderate
Other risks	low

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have materially adverse effects on STADA's business activities. In particular, respectively material adverse effects on STADA's business, financial and earnings situation could be associated with this.

In the reporting year, the risk environment of STADA did not change substantially as compared to the previous year. The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks on the basis of the applied risk management. From today's perspective no risks are discernible which, individually or as a whole, could jeopardize the continuance of STADA.

PROGNOSIS REPORT

Overall economic outlook

A substantial recovery in world economic growth is generally expected for 2014. The necessity to balance budgets, however, will dampen growth prospects particularly in the Euro zone, even if a return to positive growth is expected over the course of the year. Support will predominately come from the emerging markets where the share of self-pay patients is comparatively high.

For the year 2014, external estimates[1)] anticipate the following conditions:

- Global economic growth at 3.7% in 2014 and thus higher than the previous year (3.0%), primarily driven by improvements in the developed countries (+2.2% as compared to 1.2% in 2013); moving out of the recession with growth in the Euro zone, although at a relatively low level and with continued low levels of domestic demand (+1.0%)

- Growth in emerging markets only slightly improved (+5.1%), primarily supported by improved external demand; CIS and ASEAN-5 regions moderately above previous year (+2.6% and +5.1% respectively)

Industry specific outlook

Growth of health care markets is generally supported by population growth, the demographic development and medical progress. The expected growth in emerging markets is anticipated to further increase the purchasing power of patients and therefore the demand for branded products as well. In addition, the growth opportunities for the generics sector will continue to be based on specific drivers such as continuously expiring patents and – in the context of the pressure to reduce costs in the health care system – incentives and laws to increase prescriptions of low-cost generics. This has led to significant growth in sales volume in countries with a relatively low penetration. However, STADA assumes that further regulatory measures to reduce costs in the health care system – particularly against the backdrop of efforts to balance budgets in the Euro zone – will burden the sales development in individual national markets as a result of price pressure. The increasing number of tenders in the generics sector will also hinder the development of sales. Overall, market research institutes such as IMS anticipate annual growth in sales for the global generics market of up to 10% till 2018.

The resulting opportunities and risks are described in the corresponding chapter.

Basis of the prognosis

The following assumptions were primarily made for the prognosis:

- Largely unchanged regulatory market conditions
- Optimization of procurement prices for primary materials
- The continued possibility to immediately launch products upon patent expiration
- Further reduction in the weighted average interest rate with pending long-term refinancing
- Largely unchanged tax situation in the countries where STADA AG investments are located or operate
- As opposed to financial year 2013, no further substantial earnings from intragroup sales of associated companies in the context of the tax optimization program are expected

1) International Monetary Fund (World Economic Outlook – Update of January 23, 2013).

Summarizing outlook

For 2014, the Executive Board expects a substantial decrease in sales as compared to the previous year.

As a result of the significant share that the German generics business has in the overall business, there is a general factor of uncertainty in the outlook as this business is significantly dependent upon the results of ongoing new tenders for discount agreements with health insurance organizations, which can result in high volatility. Overall for Generics, the Executive Board expects decreased sales due to the portfolio contracts that completely expired as of April 2013 as well as the partial renouncement of sales from discount agreements in favor of operating profitability. Constant margin pressure must be countered by new cost efficiency measures. These measures include, among other things, foregoing the use of external IT consultants and the establishment of an own IT service center in Serbia, from which total cost savings of € 5 million p.a. are expected from 2015.

By contrast, the Branded Products segment can generally expect more stable sales developments and more stable margins due to more favorable framework conditions. The realignment of the German branded products business, however, will result in sales revenue being transferred to the finance result.

A slight decrease in the delivery of goods within the Group is also expected.

On the other hand, the earnings situation of STADA AG will in future be more noticeably characterized by the transfer of investment income into operating profit as a result of the implemented tax optimization program as means to reduce the negative effect of the interest barrier in Germany. The Executive Board expects that the income resulting from the adjustment of the transfer pricing guidelines in the context of the tax optimization program as of July 1, 2013 will have a positive effect on the sales development in financial year 2014, even though the expected overall declining development of Generics, Branded Products and the delivery of goods within the Group will not be compensated thereby.

On the whole, the Executive Board expects a substantial decrease in net profit as compared to the previous year for financial year 2014.

DECLARATION OF CORPORATE GOVERNANCE PURSUANT TO SECTION 289A HGB

Declaration of Corporate Governance pursuant to section 289a HGB (Corporate Governance Report, Declaration of Compliance) is published on the website of STADA Arzneimittel AG at http://www.stada.com/investor-relations/corporate-governance.html.

TAKEOVER-RELEVANT INFORMATION IN ACCORDANCE WITH SECTION 289 (4) HGB

Composition of share capital, rights and obligations/restrictions associated with shares, which affect the transfer of shares

As of December 31, 2013, share capital consisted of 60,442,500 ordinary shares, each with an arithmetical share of share capital of € 2.60 per share.

These ordinary shares of STADA Arzneimittel AG are exclusively registered shares with restricted transferability, which, under the Articles of Association, can only be entered into the share registry with the approval of the Company and which, in accordance with the Articles of Association, 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.

Shares acquired by employees within the scope of the employee stock option program are subjected to a three-year lockup period.

Appointment and dismissal of Executive Board members / Amendments to the Articles of Association

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations.

The Articles of Association do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

The Articles of Association may generally be amended through a resolution of the Annual General Meeting.

The amendment takes effect with the entry of the amendment to the Articles of Association into the commercial register. Amendments to Articles of Association require, according to Section 179 (1) of the German Stock Corporation Act (AktG), a resolution of the Annual General Meeting, provided no other majority is foreseen, a majority of three-fourths of the share capital represented in the vote pursuant to Section 179 (2) AktG. Insofar as a change to the purpose of the company is affected, the Articles of Association may call for a large majority. The Articles of Association exercises in Section 23 (1) AktG the possibility of a deviation pursuant to Section 179 (2) AktG shall be passed by a simple majority of the votes cast and, insofar as a majority of the share capital is represented at the time the resolution is passed, with a simple majority of the capital present insofar as this is legally permissible. In case of a tie, a motion shall be deemed denied.

Furthermore, the Supervisory Board is authorized in accordance with Section 32 of the Articles of Association to resolve on amendments and additions to the Articles of Association which relate only to their wording.

Authorizations of the Executive Board to issue or buy back shares

The Executive Board was authorized by the Annual Shareholders' Meeting on June 5, 2013 to raise new authorized capital. The resolution authorizes the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by June 4, 2018, by up to € 77,134,304.00 through the issue of up to 29,667,040 registered shares with restricted transferability against contributions in cash and/or in kind. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the content of the share rights, the individual details of the capital increase as well as the conditions of the share issue in particular the issue price. The Executive Board has not made use of this authorization to date.

On June 5, 2013, furthermore, the Annual General Meeting authorized the Executive Board, on one or more occasions until June 4, 2018, to issue bearer and/or registered bonds with warrants and/or convertible bonds, participation rights and/or participating bonds (or a combination of these instruments) (collectively "bonds") in an aggregate nominal amount of up to € 1,000,000,000.00 with or without limiting the term, and to grant the holders or creditors of the bonds with warrants and/or convertible bonds a proportionate amount of the share capital of up to € 69,188,340.00 for a total of up to 26,610,900 of the Company's registered shares with restricted transferability in accordance with the more detailed provisions of the terms of the bonds. For the purposes of servicing these bonds, the Annual General Meeting on June 5, 2013 conditionally increased the share capital by up to € 69,188,340.00 by issuing up to 26,610,900 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The Executive Board, with approval of the Supervisory Board, is authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2013). The Executive Board has not made use of this authorization to date.

The share capital of the Company was conditionally increased as of December 31, 2013 by up to € 5,064,072.00 by issuing up to 1,947,720 registered shares with restricted transferability (Conditional Capital 2004/I). The conditional capital increase will be effected only insofar as the holders of warrants exercise their option rights.

Following the resolution adopted at the Annual General Meeting on June 5, 2013, in accordance with Section 71 (1) no. 8 AktG, the Company was authorized from June 6, 2013 until June 5, 2018 to acquire own shares of up to 10% of the share capital. The Executive Board has not made use of this authorization to date.

The Company's agreement with members of the Executive Board for the case of a change of control

For the agreement of the company with members of the Executive Board in the case of a change of control, please refer to the Remuneration Report in this report.

AUDITOR'S REPORT

We have audited the financial statements - comprising balance sheet, income statement and notes - in view of the accounting and the management report prepared by STADA Arzneimittel AG, Bad Vilbel for the financial year from January 1 to December 31, 2013. Accounting and the preparation of the financial statements and the management report in accordance with German commercial law are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these financial statements in view of accounting and on the management report based on our audit.

We conducted our audit of the financial statements in accordance with section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the financial statements in accordance with generally accepted accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in accounting, financial statements and management report are examined primarily on a test basis within the framework of the audit.

The audit comprises assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the financial statements comply with the legal requirements and, in accordance with generally accepted accounting standards, give a true and fair view of the net assets, financial position and results of operations of the company. The management report is in accordance with the financial statements and provides on the whole a suitable understanding of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 24, 2014

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Roman Brinskelle
German Public Accountant

Santosh Varughese
German Public Accountant

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In financial year 2013, the Supervisory Board of STADA Arzneimittel AG carefully executed the duties imposed on it in accordance with the law and the Articles of Incorporation. The Supervisory Board monitored the management of the Company and advised the Executive Board regularly in the management of the Group. In all decisions of fundamental importance for the Company, the Executive Board involved the Supervisory Board regularly, directly and in a timely manner. Within the scope of its supervisory and consultative duties, the Supervisory Board had the Executive Board inform it promptly and comprehensively through monthly oral and written reports on business development, the strategy and corporate planning including financial, investment and personnel planning as related to the Company and the STADA Group. At all times, the members of the Supervisory Board had the opportunity in the committees and in the plenum to critically examine the reports and proposed resolutions submitted by the Executive Board and to present input of their own. In particular, the Supervisory Board intensively discussed all business transactions of importance for the Company and reviewed them for their plausibility on the basis of the Executive Board reports. The Executive Board briefed the Supervisory Board – also between the regular meetings – regarding all questions of strategy, planning, business development, the risk situation, risk management and compliance. The Executive Board also briefed the Chairman of the Supervisory Board on the progress of business including the sales development and profitability, important business events and issues of particular importance. In addition, the Supervisory Board monitored the accounting process and the measures taken by the Executive Board for risk management, the internal control system, the internal auditing system as well as the compliance measures taken. The Executive Board explained in detail to the members of the Supervisory Board eventual deviations in the business development from the plans and objectives.

All issues which, in accordance with the Articles of Incorporation and rules of procedure, require the approval of the Supervisory Board were submitted to the Supervisory Board. The Supervisory Board treated and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, the risks and effects of the respective procedure.

Meetings of the Supervisory Board and focus of activities

The Supervisory Board convened for a total of six meetings in financial year 2013 (on March 19, May 3, June 4, July 2, August 7 and November 12).

These meetings focused on the following themes:

- the Company strategy and its operative implementation,
- the acquisition policy,
- the economic situation of the Group, its segments and subsidiaries and, in particular, their respective sales, sales volume, costs and earnings development, the development of working capital, the cash flow, inventories, the balances and terms of receivables as well as the effects of the global financial and economic crisis,
- the market structures, development of demand, the competitive situation and the price, conditions and discount development in the individual market regions and in particular the development of market shares of the Group and the relevant competitors,
- the assets situation of the Group and its finance and liquidity situation considering especially the investment plans in the Group, the financing structures and refinancing strategies as well as the development of the debt-to-equity ratio,

- the risk and opportunities management and the significant risks for the Group that were revealed as a result as well as the internal control and auditing systems, contemplated, planned and executed acquisitions, disposals and cooperations of the Group as well as the integration of acquired companies and products in the Group, in particular that of Thornton & Ross, United Kingdom, and the Aqualor branded product portfolio, Russia, as well as the achieving of control over the Vietnamese companies Pymepharco and STADA Vietnam,
- the effects of regulatory state interventions on the Group and/or on the individual subsidiaries and the necessary reactions to these, especially in the German home market with regard to discount agreements with health insurance organizations,
- all significant aspects in the context of the implementation of the "STADA – build the future" Group project carried out in financial year 2013, in particular measures taken to improve internal efficiency in the areas of production, procurement and supply chain, development, quality management as well as marketing and sales,
- the evaluation of cost-optimized process allocations, process and control optimizations and improvements including IT optimization through intercompany outsourcing.
- the product development and product portfolio of the Group,
- the realignment of the German sales organization,
- STADA's capital market position,
- Executive Board personnel issues, compensation questions and questions relating to company pension plans,
- questions on the composition and the efficiency of the Supervisory Board (including the execution of an efficiency review),
- issues of corporate governance and compliance,
- the filling of positions on the Advisory Board and
- the Annual Report and the interim reports of the Group prior to their respective publication.

Composition of the Executive Board and the Supervisory Board

The Executive Board consists of Hartmut Retzlaff (Chairman), Helmut Kraft (Chief Financial Officer) and Dr. Matthias Wiedenfels (Chief Business Development & Central Services Officer).

The following changes were made in the composition of the Executive Board in financial year 2013:

The Supervisory Board appointed Dr. Matthias Wiedenfels as Chief Business Development & Central Services Officer on May 3, 2013.

Dr. Axel Müller, Chief Production and Development Officer, resigned his position with effect from August 7, 2013.

In financial year 2013, regular elections of the Supervisory Board members representing the shareholders took place. The Annual General Meeting elected the Supervisory Board members Dr. Martin Abend, Dr. Eckhard Brüggemann, Dr. K. F. Arnold Hertzsch, Dieter Koch, Constantin Meyer and Carl Ferdinand Oetker to new terms in office on June 5, 2013. The employee representatives in the Supervisory Board remain Manfred Krüger, Heike Ebert and Karin Schöpper.

Work of the committees

The committees established by the Supervisory Board, the Audit Committee and the Human Resources Committee, supported the Supervisory Board in its duties in the reporting year.

The Audit Committee convened for four meetings in financial year 2013 (on March 18, May 2, August 6 and November 11). Within the framework of these meetings, it dealt primarily with the results, key figures, accounting, Group financing principles, internal risk management, internal audit and compliance in the Group. Furthermore, the auditor reported to the Supervisory Board in a meeting on the audit of the condensed interim consolidated financial statements and the interim Group Management Report of June 30, 2013.

The Human Resources Committee convened for seven meetings in financial year 2013 (January 25, February 15, April 30, July 1, August 5, August 6 and October 15). At these meetings the committee dealt with Executive Board personnel issues, compensation questions and issues relating to company pension plans.

Due to the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board believes that a Nomination Committee as recommended by the German Corporate Governance Code in the version of May 13, 2013 is structurally superfluous. The Supervisory Board, however, created a Nomination Panel consisting of the Chairmen of the Human Resources Committee and the Audit Committee.

The Chairmen of the committees informed the Supervisory Board Plenum at its ordinary meetings regularly and thoroughly on their work.

Corporate governance

In financial year 2013, too, the Supervisory Board and Executive Board dealt in detail with the further development of corporate governance in the Company while taking the current version of the German Corporate Governance Code into account. The new joint Declaration of Compliance pursuant to Article 161 of the German Stock Corporation Act issued by the Executive Board and the Supervisory Board on November 12, 2013 on the basis of the German Corporate Governance Code as amended on May 13, 2013 is printed in this Annual Report in the chapter "Corporate Governance Report" and is publicly available on the Company's website at www.stada.de or www.stada.com.

No conflicts of interest arose in the reporting year which had to be disclosed to the Supervisory Board and about which the Annual General Meeting must be informed.

Annual and consolidated financial statements, audit

The Supervisory Board satisfied itself that the Company is being properly managed. The annual financial statements of STADA Arzneimittel AG and the consolidated financial statements as well as the Company's Management Report for financial year 2013 were audited by PKF Deutschland GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg, and issued with an unqualified audit opinion. The Supervisory Board had no doubts with regard to the independence of the auditor. The auditor submitted the Statement of Independence as required by the Code. The main areas of the audit were established by the Supervisory Board within the scope of the commissioning of the auditor. The Audit Committee reviewed the annual financial statements and consolidated financial statements as well as the Management Report and the Group Management Report as well as the proposal for the appropriation of profits and also included the reports of the auditor on the audit of the financial statements in its review. The auditor reported on significant results of the audit in a meeting of the Audit Committee and was available for questions to the members of the Committee. The members of the Audit Committee dealt extensively with the submissions from the Executive Board and the audit reports and discussed these with the auditor. The Audit Committee raised no objections and recommended to the Supervisory Board to approve the financial statements and the Management Report as well as the Group Management Report and assent to the Executive Board's proposal for the appropriation of profits.

On the basis of the preparation by the Audit Committee, the Supervisory Board examined the annual financial statements and the consolidated financial statements prepared by the Executive Board, the Management Report and the Group Management Report of the Executive Board on the financial year 2013 as well as the Executive Board's proposal for the appropriation of profits. The Chairman of the Audit Committee reported to the Supervisory Board on the work and the audit results of the Audit Committee. The auditor reported to the Supervisory Board on significant results of the audit and was available for questions from members of the Supervisory Board. The Supervisory Board discussed the submissions mentioned above and the conclusions of the auditor in detail with the auditor and the Executive Board. Also following the final results of the Supervisory Board's own examination, the Supervisory Board had no objections to the annual financial statements, the Management Report, the consolidated financial statements and the Group Management Report on the financial year 2013 and concurred with the outcome of the audit. The auditor also determined that the Executive Board had implemented an appropriate information and monitoring system which, in its concept and use, is suitable for the early recognition of any developments that could threaten the continuation of the Company.

The Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Executive Board. The annual financial statements are thus adopted. The Supervisory Board concurred with the individual assessments of the business situation and the outlook as given in the Management Report of the Executive Board and with the proposal of the Executive Board for the appropriation of profits that provides for a dividend of € 0.66 per STADA common share.

The Supervisory Board wishes to express its gratitude to all of the Group's employees, the Executive Board and management for their tremendous commitment to their work and the good result in financial year 2013.

Bad Vilbel, March 26, 2014

Dr. Martin Abend
Chairman of the Supervisory Board

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable financial reporting principles, the Annual Financial Statements give a true and fair view of the business, financial position and results of operations and profit or loss of STADA Arzneimittel AG, and the Management Report includes a fair review of the development and performance of the business and the position of STADA Arzneimittel AG, together with a description of the principal opportunities and risks associated with STADA Arzneimittel AG's expected development.

Bad Vilbel, March 24, 2014

H. Retzlaff
Chairman
of the Executive Board

H. Kraft
Chief
Financial Officer

Dr. M. Wiedenfels
Chief Business Development
& Central Services Officer

RESOLUTION ON THE DISTRIBUTION OF PROFITS

Appropriation of profits of financial year 2013

Pending approval of the Supervisory Board, the Executive Board of STADA Arzneimittel AG, Bad Vilbel, Germany, made the following unanimous resolution via written circulation:

The Executive Board and the Supervisory Board will recommend to the Annual General Meeting of June 04, 2014 the following appropriation of profits for financial year 2013:

in €	
Dividend distribution of € 0.66 per share entitled to a dividend (at 60,351,317 shares entitled to a dividend)	39,831,869.22
Balance carried forward to new account	76,746,387.92
Balance sheet profit	**116,578,257.14**

Bad Vilbel, March 24, 2014

H. Retzlaff
Chairman
of the Executive Board

H. Kraft
Chief
Financial Officer

Dr. M. Wiedenfels
Chief Business Development
& Central Services Officer

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Forward-looking-statements

The STADA Arzneimittel AG Annual Report 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

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

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