STADA Interim Report on the First Six Months of 2014

STADA
Arzneimittel

STADA KEY FIGURES

Key figures for the Group in € million	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30[1]	± %
Group sales	1,002.8	966.8	+4%
• Generics (core segment)	598.7	613.3	-2%
• Branded Products (core segment)	381.6	333.6	+14%
Operating profit	121.2	129.5	-6%
Operating profit, adjusted[2)3)]	*152.2*	*135.4*	*+12%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	192.1	183.4	+5%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[2)3)]	*208.3*	*189.1*	*+10%*
EBIT (Earnings before interest and taxes)	122.0	132.0	-8%
EBIT (Earnings before interest and taxes), adjusted[2)3)]	*153.0*	*138.0*	*+11%*
EBT (Earnings before taxes)	90.8	102.0	-11%
EBT (Earnings before taxes), adjusted[2)4)]	*120.1*	*106.7*	*+13%*
Net income	66.8	66.6	0%
Net income, adjusted[2)4)]	*90.1*	*70.1*	*+29%*
Cash flow from operating activities	61.8	41.6	+49%
Capital expenditure	196.5	47.5	>100%
Depreciation and amortization (net of write-ups)	70.1	51.4	+36%
Employees (average number calculated on the basis of full-time employees Jan. 1 – June 30)[5]	10,084	8,463	+19%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	10,113	8,489	+19%

Key share figures	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30	± %
Market capitalization in € million (as of June 30 / June 28)	2,103.6	1,968.0	+7%
Closing price (XETRA®) in € (as of June 30 / June 28)	34.79	33.07	+5%
Average number of shares (without treasury shares, Jan. 1 – June 30)	60,355,226	59,280,328	+2%
Earnings per share in €	1.11	1.12	-1%
Earnings per share in €, adjusted[2)4)]	*1.49*	*1.18*	*+26%*
Diluted earnings per share in €	1.09	1.10	-1%
Diluted earnings per share in €, adjusted[2)4)]	*1.47*	*1.16*	*+27%*

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous years. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with IFRS. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.
3) Within the context of this interim report, adjustments in connection with the operating profit, EBITDA and EBIT generally relate to one-time special effects.
4) Within the context of this interim report, adjustments in connection with EBT, net income, earnings per share and diluted earnings per share generally relate to one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses.
5) This average number includes changes in the scope of consolidation on a pro-rata basis.

CONSOLIDATED INTERIM MANAGEMENT REPORT

Overview

In the first half of 2014, the business development of the STADA Group was characterized by difficult framework conditions in two of four market regions. The Group was also burdened by one-time special effects in connection with currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as further significant currencies of the market region CIS / Eastern Europe in the amount of € 12.6 million before or € 10.5 million after taxes. Nevertheless, Group sales increased by 4% to € 1,002.8 million (1-6/2013[1)]: € 966.8 million). Reported EBITDA increased by 5% to € 192.1 million (1-6/2013[1)]: € 183.4 million). Reported net income was – despite the high one-time special effects – approximately at the same level of the corresponding period of the previous year with € 66.8 million (1-6/2013: € 66.6 million). Adjusted EBITDA increased by 10% to € 208.3 million (1-6/2013[1)]: € 189.1 million). Adjusted net income recorded substantial growth of 29% to € 90.1 million (1-6/2013: € 70.1 million). Overall, the development of the Group in the first six months of 2014 was within the scope of expectations.

The financial position of the STADA Group remained stable in the half year under review. Net debt was at € 1,455.3 million as of June 30, 2014 (December 31, 2013: € 1,306.8 million). The net debt to adjusted EBITDA ratio was at 3.5 (1-6/2013[1)]: 3.2).

With a view to the development in the first half of 2014, the Executive Board confirms its outlook for financial year 2014, according to which slight growth in Group sales, adjusted EBITDA and adjusted net income should be achieved.

Sales development of the STADA Group

Group sales in the first six months of 2014 – with varying development in the individual market regions – recorded growth of 4% to € 1,002.8 million (1-6/2013[1)]: € 966.8 million).

When effects on sales based on changes in the Group portfolio and currency effects are deducted, Group sales decreased slightly by 1% to € 959.8 million in the reporting period.

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

- Portfolio changes had a total share of € 80.6 million or 8.3 percentage points of the sales increase in the reporting period.
- As a result of applying the foreign exchange rates from the first half of 2014 compared with the first six months of 2013 for the translation of local sales contributions into the Group currency euro, STADA recorded a negative currency effect for Group sales in the amount of € 37.8 million or -3.9 percentage points because the development of two of the three most important national currencies for STADA was weaker as compared to the Group currency euro. In this context, the development of the Russian ruble was significantly weaker and the Serbian dinar was weaker. However, the Group's third most important national currency, the pound sterling, had a positive currency effect in the reporting period. The currency relationships in other countries relevant for STADA – apart from the weakening of exchange rates in STADA's CIS region – only had a small influence on the translation of sales and earnings in local currencies into the Group currency euro.

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

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Earnings development of the STADA Group

Earnings development in the first six months of the current financial year was characterized by an increase in operating performance as shown by growth in all of the Group's adjusted key earnings figures.

Reported operating profit decreased in the reporting period by 6% to € 121.2 million (1-6/2013[1]: € 129.5 million). **Reported EBITDA** increased by 5% to € 192.1 million (1-6/2013[1]: € 183.4 million). **Reported net income** was – despite the high one-time special effects – approximately at the same level of the corresponding period of the previous year with € 66.8 million (1-6/2013: € 66.6 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** increased by 12% in the first half of 2014 to € 152.2 million (1-6/2013[1]: € 135.4 million). **Adjusted EBITDA** increased by 10% to € 208.3 million (1-6/2013[1]: € 189.1 million). **Net income, adjusted** for one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses, increased substantially by 29% to € 90.1 million (1-6/2013: € 70.1 million).

The significant increase in adjusted net income can primarily be attributed to a substantial reduction of the effective tax rate as of the first quarter of 2014. This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the "STADA – build the future" project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods.

Against this background, the adjusted effective tax rate for the first six months of 2014 decreased to 22.5% in comparison to the corresponding period of the previous year (1-6/2013[1]: 33.6%). The reported tax rate decreased by almost 10 percentage points in comparison to the corresponding period of the previous year to 24.0% (1-6/2013[1]: 33.9%).

One-time special effects amounted to a net burden on earnings of € 30.9 million before or € 24.8 million after taxes in the first half of 2014 (1-6/2013: net burden on earnings due to one-time special effects in the amount of € 6.0 million before or € 4.3 million after taxes).

In the second quarter of the current financial year, there was a net burden on earnings in the amount of € 6.4 million before or € 5.3 million after taxes (second quarter of 2013: net burden on earnings in the amount of € 4.1 million before or € 2.8 million after taxes). In detail, it comprised the following:

- a burden in the amount of € 4.6 million before or € 4.1 million after taxes resulting from additional impairments and other measurement effects due to purchase price allocations as well as significant product acquisitions taking a base level of financial year 2013
- a burden in the amount of € 2.9 million before or € 1.9 million after taxes for value adjustments netted of write-ups on intangible assets after impairment tests
- a burden in the amount of € 2.2 million before or € 1.8 million after taxes for several extraordinary expenses among other things provisions for damage claims in connection with a lost patent litigation in the market region Central Europe
- a relief in the amount of € 3.3 million before or € 2.5 million after taxes in connection with currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the market region CIS / Eastern Europe

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Effects from the measurement of derivative financial instruments under financial income and expenses amounted, in the first half of 2014, to a net relief on earnings of € 1.6 million before or € 1.5 million after taxes (1-6/2013: net relief on earnings from effects from the measurement of derivative financial instruments under financial income and expenses of € 1.3 million before or € 0.9 million after taxes).

In the charts below, further essential key earnings figures of the STADA Group as well as the resulting margins are presented both as reported figures as well as adjusted for aforementioned one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses for the first half of 2014 with the corresponding period of the previous year to allow for comparison.

Development of the STADA Group's reported key earnings figures

in € million	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30[1]	± %	Margin[2] 6 months 2014 Jan. 1 – June 30	Margin[2] 6 months 2013 Jan. 1 – June 30[1]
Operating profit	121.2	129.5	-6%	12.1%	13.4%
• Operating segment result Generics	84.7	79.1	+7%	14.1%	12.9%
• Operating segment result Branded Products	74.0	85.3	-13%	19.4%	25.6%
EBITDA[3]	192.1	183.4	+5%	19.2%	19.0%
EBIT[4]	122.0	132.0	-8%	12.2%	13.7%
EBT[5]	90.8	102.0	-11%	9.1%	10.6%
Net income	66.8	66.6	0%	6.7%	6.9%
Earnings per share in €	1.11	1.12	-1%		
Diluted earnings per share in €	1.09	1.10	-1%		

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

in € million	*6 months 2014 Jan. 1 – June 30*	*6 months 2013 Jan. 1 – June 30[1]*	*± %*	*Margin[2] 6 months 2014 Jan. 1 – June 30*	*Margin[2] 6 months 2013 Jan. 1 – June 30[1]*
Operating profit, adjusted	*152.2*	*135.4*	*+12%*	*15.2%*	*14.0%*
• Operating segment result Generics, adjusted	*93.0*	*79.3*	*+17%*	*15.5%*	*12.9%*
• Operating segment result Branded Products, adjusted	*95.6*	*86.3*	*+11%*	*25.0%*	*25.9%*
EBITDA[3], adjusted	*208.3*	*189.1*	*+10%*	*20.8%*	*19.6%*
• EBITDA Generics, adjusted	*118.4*	*103.2*	*+15%*	*19.8%*	*16.8%*
• EBITDA Branded Products, adjusted	*120.1*	*110.5*	*+9%*	*31.5%*	*33.1%*
EBIT[4], adjusted	*153.0*	*138.0*	*+11%*	*15.3%*	*14.3%*
EBT[5], adjusted	*120.1*	*106.7*	*+13%*	*12.0%*	*11.0%*
Net income, adjusted	*90.1*	*70.1*	*+29%*	*9.0%*	*7.2%*
Earnings per share in €, adjusted	*1.49*	*1.18*	*+26%*		
Diluted earnings per share in €, adjusted	*1.47*	*1.16*	*+27%*		

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) Related to relevant Group sales.
3) Earnings before interest, taxes, depreciation and amortization.
4) Earnings before interest and taxes.
5) Earnings before taxes.
6) Adjusted for one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses.

In the first six months of 2014, **other income** decreased compared to the corresponding period of the previous year to € 8.5 million (1-6/2013[1)]: € 11.5 million). The decline in other income results from the fact that in the previous year this item included income from the preliminary revaluation of the shares in Pymepharco Joint Stock Company – which had been accounted for using the equity method until the acquisition date – that amounted to € 3.6 million.

Other expenses increased as compared to the corresponding period of the previous year to € 33.2 million in the first six months of 2014 (1-6/2013[1)]: € 18.1 million). This development is particularly attributable to the strong devaluation of the significant currencies in the market region CIS / Eastern Europe and the resulting currency translation expenses. In addition, increased impairments of intangible assets that are reported as one-time special effects resulted in a corresponding increase of other expenses.

The decrease to € 0.6 million in the **result from investments measured at equity** as compared to the corresponding period of the previous year (1-6/2013[1)]: € 2.3 million) is due to the retrospective accounting for the company STADA Vietnam according to the equity method in the previous year pursuant to the new standard IFRS 11. In the context of achieving control over STADA Vietnam, the company has been consolidated as a subsidiary since the fourth quarter of 2013.

In the first six months of 2014, **financial expenses** increased as compared to the corresponding period of the previous year by € 2.0 million to € 35.0 million (1-6/2013[1)]: € 33.0 million). The increase primarily results from the local financing of the purchase of the branded product portfolio Aqualor®, which was carried out at an interest rate above Group average.

Income tax expense decreased as compared to the corresponding period of the previous year to € 21.8 million in the first six months of 2014 (1-6/2013[1)]: € 34.6 million). This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the “STADA – build the future” project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods.

Development of segments

Sales of the two **core segments** Generics and Branded Products recorded growth of 4% in the first six months of 2014. They contributed a total of 97.8% to Group sales (1-6/2013[1)]: 97.9%). Adjusted for portfolio effects and currency influences, sales of the two core segments was at the same level of the corresponding period of the previous year.

Sales of the core segment **Generics** decreased by 2% to € 598.7 million in the reporting period (1-6/2013[1)]: € 613.3 million). This reduction is primarily attributable to the development in the markets of Germany and Russia. Generics contributed 59.7% to Group sales (1-6/2013[1)]: 63.4%). Adjusted, Generics sales in the Group decreased by 3%.

Sales of the core segment **Branded Products** recorded substantial growth of 14% to € 381.6 million in the first half of 2014 (1-6/2013[1)]: € 333.6 million). Branded Products thereby contributed 38.1% to Group sales (1-6/2013[1)]: 34.5%). Adjusted sales of Branded Products in the Group recorded a plus of 5%.

In the **Commercial Business** segment, which is not part of the core segments, sales grew to € 22.5 million in the half year under review (1-6/2013[1)]: € 19.6 million). This development is based for the most part on the purchase of a pharmaceutical wholesale and commercial business in Switzerland that has been consolidated since March 1, 2013.

1) The previous year’s figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

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

Development of the market regions

The following depicts the business development of STADA's four market regions Germany, Central Europe, CIS / Eastern Europe and Asia & Pacific. The development of the most important countries according to sales within the respective market region is also explained under the individual market regions.

Market region Germany

In **market region Germany**, sales in the first half of 2014 decreased by 5% to € 227.0 million (1-6/2013: € 238.6 million). This development is primarily attributable to the still decreasing generics sales in this market region due to the continuing difficult local framework conditions, which could not be compensated through a positive branded products business as well as an increase in export activities. Overall, the market region contributed 22.6% to Group sales (1-6/2013[1]: 24.7%). Of the sales generated by market region Germany, € 27.3 million was attributable to export sales (1-6/2013: € 16.3 million). Adjusted sales in this market region went down by 5%.

Sales generated in **Germany**, i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany, decreased by 10% to € 199.7 million in the first six months of the current financial year (1-6/2013: € 222.3 million).

The sales development reported in the German market was still attributable to the difficult local framework conditions for generics, which stem from the intensive competition in tenders for discount agreements from public health insurance organizations. As a result, sales in the German Generics segment in the half year under review decreased by 15% to € 131.2 million (1-6/2013: € 154.7 million). Sales generated in Germany with generics had a share of 66% in the overall sales achieved in the German market (1-6/2013: 70%). The market share of generics sold in German pharmacies in the first half of 2014 was approximately at the level of corresponding period of the previous year by volume with approx. 13.7%[2] (1-6/2013: approx. 13.3%[2]). Despite the development of the German generics segment in the first six months of 2014, the STADA Group remains the clear number three[2] in the German generics market.

Sales of generics in Germany are generated with various sales companies. Sales achieved by the largest German sales company, ALIUD PHARMA GmbH, decreased by 12% to € 75.0 million in the reporting period (1-6/2013: € 85.6 million). Sales achieved by German generics sales company STADApharm GmbH declined by 28% to € 39.1 million (1-6/2013: € 54.3 million). Sales of the generics sales company cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, a special supplier for the indication areas oncology and nephrology, decreased by 6% to € 16.3 million (1-6/2013: € 17.3 million).

Sales generated with branded products in Germany – primarily with the two sales companies STADA GmbH and STADAvita GmbH – recorded growth of 2% to € 68.4 million in the first half of 2014 (1-6/2013: € 67.3 million).

In the first six months of the current financial year, branded products contributed a total of 34% to the total sales achieved in the German market (1-6/2013: 30%).

For financial year 2014, the Executive Board expects sales in the market region Germany to be below the level of the previous year with operating profitability under Group average.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) Data from IMS Health based on pharmacy sales to customers (source: IMS/Pharmascope national).

Market region Central Europe

Sales in the **market region Central Europe** recorded strong growth – despite the high basis of comparison in the corresponding period of the previous year and in consideration of the acquisition of the British OTC supplier Thornton & Ross Ltd. completed in the second half of 2013 – of 15% to € 467.4 million in the half year under review (1-6/2013: € 407.3 million). Sales generated in this market region thus contributed a share of 46.6% to Group sales (1-6/2013[1)]: 42.1%). Of the sales generated by the market region Central Europe, € 13.2 million was attributable to export sales (1-6/2013: € 10.4 million). Adjusted sales in this market region increased by 3%.

For financial year 2014, the Executive Board expects substantial growth in sales with operating profitability at Group average for the market region Central Europe.

The countries of market region Central Europe saw varying developments in the first half of 2014. The business development in the five largest markets according to sales within this market region is described below.

In **Italy**, sales generated in the first six months of the current financial year grew by 8% to € 93.8 million (1-6/2013: € 87.2 million), which still was attributable to positive regulatory framework conditions. The generics and branded products segments both recorded positive developments.

Sales generated in the Italian market with generics increased by 6% to € 78.4 million despite the high level of the corresponding period of the previous year (1-6/2013: € 74.2 million). Generics contributed 84% to local sales (1-6/2013: 85%).

Sales achieved in Italy with branded products increased by 18% to € 15.4 million (1-6/2013: € 13.0 million). The share of branded products in the sales in Italy was at 16% (1-6/2013: 15%).

In **Belgium**, sales increased by 3% to € 73.6 million in the first half of 2014 (1-6/2013: € 71.3 million).

Sales with generics in the Belgian market increased by 3% to € 69.3 million (1-6/2013: € 67.6 million). This development was primarily based on a strong volume growth. Generics contributed 94% to local sales (1-6/2013: 95%).

Sales recorded in Belgium with branded products rose, notwithstanding the price decreases imposed by the government, by 14% to € 4.3 million (1-6/2013: € 3.8 million). Branded products contributed 6% to sales in Belgium (1-6/2013: 5%).

In the **United Kingdom**, sales generated in the reporting period increased by a significant 130% applying the exchange rates of the previous year. In euro, sales rose even more substantially by 134% to € 60.8 million due to a positive currency effect of the pound sterling (1-6/2013: € 26.0 million). This positive development was primarily attributable to the consolidation of the British OTC supplier Thornton & Ross.

Sales generated with branded products increased by a strong 142% to € 52.5 million (1-6/2013: € 21.7 million). Branded products thereby contributed 86% to sales achieved in the United Kingdom (1-6/2013: 84%).

Sales of generics, where STADA continues to be a niche provider of selected generics in the United Kingdom with only a few active pharmaceutical ingredients, increased regardless of strong competition by 96% to € 8.3 million (1-6/2013: € 4.2 million). Generics contributed 14% to local sales (1-6/2013: 16%).

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

In **Spain**, sales recorded a rise – despite continued high price competition – of 9% to € 57.3 million in the first six months of the current financial year (1-6/2013: € 52.5 million). This was still a result of the strong volume growth both in the generics and the branded products segments.

Sales generated with generics in the Spanish market rose by 8% to € 50.6 million (1-6/2013: € 46.8 million). The share of generics in Spanish sales was at 88% (1-6/2013: 89%).

Sales achieved with branded products recorded a substantial rise of 20% to € 6.8 million (1-6/2013: € 5.7 million). Branded products contributed 12% to local sales (1-6/2013: 11%).

In **France**, sales decreased by 2% to € 45.6 million in the half year under review (1-6/2013: € 46.4 million).

Sales generated with generics declined by 7% to € 38.0 million (1-6/2013: € 40.9 million). This development is attributable to high price competition in addition to the high comparable basis of the corresponding period of the previous year. In order to stabilize the market share, the French STADA subsidiary initiated appropriate countermeasures. Generics contributed 83% to local sales (1-6/2013: 88%).

Sales achieved with branded products in France increased substantially by 40% to € 7.6 million (1-6/2013: € 5.5 million). This pleasing development is based on, among other things, the introduction of new products, though this high growth rate as compared to the previous year is not expected to continue over the remainder of the year. Branded products contributed 17% to sales in France (1-6/2013: 12%).

Market region CIS / Eastern Europe

In **market region CIS / Eastern Europe**[1)], sales in the first six months of the current financial year grew by 4% applying the exchange rates of the previous year. In euro, sales recorded a decline of 9% to € 265.6 million as a result of negative currency effects (1-6/2013: € 292.5 million). Sales achieved in this market region thereby contributed 26.5% to Group sales (1-6/2013[2)]: 30.3%). Of the sales generated by the market region CIS / Eastern Europe, € 5.6 million was achieved with export sales (1-6/2013: € 5.4 million). Sales adjusted for portfolio and currency effects in this market region decreased slightly by 1%.

For financial year 2014, the Executive Board expects growth in sales in the market region CIS / Eastern Europe applying the exchange rates of the previous year also taking consideration of the acquisition of the Russian branded product portfolio Aqualor® and the consolidation of the resulting sales as from March 1, 2014. Operating profitability adjusted for negative currency effects is expected to be above Group average.

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

In **Russia**, sales decreased by 2% in the first half of 2014 applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales decreased in euro by 16% to € 163.5 million (1-6/2013: € 194.2 million). On the one hand, a strong decrease in demand from wholesalers contributed to this development in addition to the substantially weaker exchange rate as compared to the corresponding period of the previous year. On the other hand, a significant reluctance to buy on the part of end consumers was particularly of note as they have a strong effect in the Russian market which is highly characterized by self-pay patients through whom approx. 92% of Russian sales are generated. Observing the local sales development, from today's perspective it is still open as to whether it will be possible to implement price increases in the future that were usual in the past in consideration of the decline in demand. In the half year under review, approx. 6% of Russian sales were recorded in the context of the state program for the reimbursement of selected

1) So-called CEE countries (Central and Eastern Europe) including Russia.
2) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

medicines for individual population groups (DLO Program). In addition, approx. 2% of sales were generated directly or indirectly with other state clients, in particular via tenders. In the context of tenders, the decreased demand for medicines to treat HIV illnesses also contributed to the sales decrease.

Sales recorded in the Russian market with generics reduced by 27% to € 55.6 million (1-6/2013: € 76.7 million). The share of generics in sales generated in Russia was at 34% (1-6/2013: 39%).

Sales of branded products declined by 8% to € 107.9 million (1-6/2013: € 117.5 million). Branded products contributed 66% to local sales (1-6/2013: 61%).

For the outlook of Russian business activities, STADA expects demand in the Russian market to pick up once again. From today's perspective, however, it cannot be estimated when this will happen. Currently, it can also not yet be forseen to what extent in the future it will also be possible to implement the price increases which were usual in the past in Russia.

Sales generated in **Serbia** grew substantially by 15% in the reporting period applying the exchange rates of the previous year. In euro, sales increased by 11% to € 44.8 million regardless of a negative currency effect of the Serbian dinar (1-6/2013: € 40.3 million).The sales mix in the Serbian market generally shows a shift to a stronger increase in the branded products segment.

Sales generated in Serbia with generics increased by 8% to € 36.5 million (1-6/2013: € 33.8 million). Since the beginning of financial year 2014, the development in the Serbian generics market has been characterized by regulatory changes in reimbursement amounts and reimbursement lists as well as by increasing national tenders to supply hospitals and government pharmacies. A reluctance to place orders has also been observed for some time among wholesalers as a result of pending price reductions. Generics contributed 81% to sales in Serbia (1-6/2013: 84%).

Sales recorded in the Serbian market with branded products rose considerably by 28% to € 8.3 million (1-6/2013: € 6.5 million). Branded products contributed 19% to local sales (1-6/2013: 16%).

In the first quarter of 2014, the insolvency administrator of Velefarm Holding and Velefarm VFB took legal action in Belgrade's commercial court against Hemofarm A.D., a subsidiary of STADA Arzneimittel AG, and Velefarm Prolek, a company of the Velefarm group.[1] Hemofarm and STADA believe that the lawsuit is unfounded.

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

Market region Asia & Pacific

Sales in **market region Asia & Pacific** recorded a significant rise of 50% to € 42.8 million for the reporting period (1-6/2013[2]: € 28.4 million). The sales contribution of this market region to Group sales was at 4.3% (1-6/2013[2]: 2.9%). The growth in market region Asia & Pacific

1) See the Company's ad hoc release of February 14, 2014.
2) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

was primarily a result of the sales rise following the consolidation of STADA Vietnam J.V. Co., Ltd., Vietnam, and STADA Pharmaceuticals Beijing Ltd., China, as subsidiaries. Adjusted sales in this market region decreased by 14%.

In financial year 2014, the Executive Board expects a substantial sales increase in the market region Asia & Pacific with operating profitability above Group average.

Development, production and procurement

Research and development costs were at € 29.3 million in the first half the current financial year (1-6/2013[1)]: € 27.4 million). Since STADA is not active in research for new active pharmaceutical ingredients in view of its business model, it is only a matter of development costs. Furthermore, the Group capitalized development costs for new products in the amount of € 10.2 million in the first six months of 2014 (1-6/2013: € 6.9 million).

Worldwide, STADA launched a total of 301 individual products in the individual national markets in the first half of 2014 (1-6/2013[1)]: 343 product launches).

In consideration of the well-filled product pipeline, the Executive Board expects to be able to continuously introduce new products to the individual national markets of the respective market regions in future as well. The focus here remains on generics in the EU countries.

As a general rule, STADA makes appropriate investments to ensure that all Group-owned production facilities and test laboratories are maintained at the level required by legal stipulations and technical production considerations. Investments in the expansion and renewal of production facilities and plants, as well as test laboratories, amounted to € 7.8 million in the first half of 2014 (1-6/2013[1)]: € 8.7 million).

Financial position and cash flow

The financial position of the STADA Group remains stable. As of the reporting date June 30, 2014, the equity-to-assets ratio was 29.2% (December 31, 2013: 29.6%) and thereby satisfactory in the opinion of the Executive Board.

Net debt amounted to € 1,455.3 million as of June 30, 2014 (December 31, 2013: € 1,306.8 million). The **net debt to adjusted EBITDA ratio** was at 3.5 (1-6/2013[1)]: 3.2).

The long-term refinancing of the Group as of June 30, 2014 was provided for by a five-year corporate bond that was placed in 2010 in the amount of € 350 million with an interest rate of 4.00% p.a. as well as a bond placed in the second quarter of 2013 in the amount of € 350 million and term of five years with an interest rate of 2.25% p.a. As of the balance sheet date, furthermore, there were promissory notes with maturities in the area of 2014–2019 in the total amount of € 656.5 million, of which STADA renewed a total of € 200 million with a term of five years in the first quarter of 2014. A fixed interest rate of 2.30% thereby applies for € 124 million. A variable interest rate of currently 1.51% applies for € 76 million. As of April 1, 2014, STADA secured further promissory notes in the amount of € 20 million with a maturity until 2019 and a variable interest rate of currently 1.56%.

Intangible assets included € 456.3 million goodwill as of June 30, 2014 (December 31, 2013: € 458.0 million). There were additions to other intangible assets from the acquisition of the Russian branded product portfolio Aqualor® – without consideration of impairment in the reporting period – in the amount of € 138.9 million.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Financial assets declined as of the balance sheet date of June 30, 2014 by € 6.8 million to € 2.2 million (December 31, 2013: € 9.0 million). This development primarily resulted from the inclusion of the Chinese subsidiary STADA Pharmaceuticals Beijing Ltd. in the scope of consolidation of STADA Arzneimittel AG and the liquidation of the Swedish investment STADApharm AB.

Non-current other financial assets declined as of the balance sheet date of June 30, 2014 by € 12.7 million to € 15.1 million (December 31, 2013: € 27.8 million). In opposition, **current other financial assets** increased to € 73.0 million as of June 30, 2014 (December 31, 2013: € 50.1 million). This is mainly attributable to the reclassification of the loan to the associated company BIOCEUTICALS Arzneimittel AG in the amount of € 10.5 million from the non-current to the current area in accordance with its maturity.

As of the reporting date June 30, 2014, **trade accounts receivable** decreased by € 38.6 million to € 553.1 million (December 31, 2013: € 591.7 million). This resulted, among other things, from reporting date effects as well as translation effects in the context of converting financial statements of foreign subsidiaries with a reporting currency other than the Group currency euro.

The increase of **income tax receivables** as of the balance sheet date of June 30, 2014 to € 34.3 million (December 31, 2013: € 24.8 million) is primarily due to high advance income tax payments in the market region CIS / Eastern Europe.

The increase of **current other assets** by € 14.1 million to € 48.6 million as of the balance sheet date of June 30, 2014 (December 31, 2013: € 34.5 million) was mainly based on reporting date effects which led to increased input tax receivables particularly in the market regions CIS / Eastern Europe and Germany.

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, effects from remeasurements of the net defined benefit liability that are recognized in other comprehensive income are reported under this item taking deferred taxes into account. In the context of measuring the significant defined benefit obligations as of June 30, 2014, an expense in the amount of € 5.1 million after deferred taxes recognized in other comprehensive income resulted from the remeasurement in the first half of 2014. It resulted from a substantial reduction of the discount rate underlying the measurement as of June 30, 2014 in comparison to December 31, 2013. In the corresponding period of the previous year there was only a minor change in the discount rate, so that remeasurement was waived as of June 30, 2013.

Other provisions include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation recognized in other comprehensive income of financial statements of companies included in the Group, which are recognized in the statement of changes in shareholders' equity under provisions for currency translation. In the first half of 2014, an expense of € 0.8 million recognized in other comprehensive income arose, which is primarily composed of the following opposing effects: On the one hand, income recognized directly in equity from the currency translation of financial statements of companies reporting in pound sterling has been recorded due to the substantial appreciation of the pound sterling since December 31, 2013. On the other hand, there were higher expenses recognized directly in equity primarily from the currency translation of financial statements of companies reporting in Russian ruble and Serbian dinar due to the weakening of the Russian ruble and Serbian dinar since December 31, 2013.

As of June 30, 2014, the Group's current and non-current **financial liabilities** in the amount of € 512.0 million and € 1,078.1 million (December 31, 2013: € 292.5 million and € 1,140.6 million) include, in particular, promissory notes which have a nominal value in the amount of € 656.5 million (December 31, 2013: € 436.5 million) and two bonds with a nominal value in the amount of € 350.0 million each (December 31, 2013: two bonds of € 350.0 million each). The increase in financial liabilities primarily resulted from securing promissory notes in the first half of 2014 in the total amount of € 220 million and obtaining a loan in the amount of approx. € 129 million for the financing of the purchase of the branded product portfolio Aqualor®. In opposition, financial liabilities were repaid in the current financial year.

Non-current other financial liabilities decreased to € 6.7 million as of the balance sheet date (December 31, 2013: € 13.0 million). This is mainly due to reclassifications from the non-current to the current area in accordance with maturities. **Current other financial liabilities** went down by a total of € 14.8 million to € 246.3 million (December 31, 2013: € 261.1 million). This decrease is mainly attributable to lower liabilities from discount agreements of German STADA companies as of the balance sheet date. In opposition, the still outstanding partial amount of the purchase price liability for the purchase of the branded product portfolio Aqualor® is recorded in other financial liabilities.

Trade accounts payable decreased as of the balance sheet date of June 30, 2014 by € 17.0 million to € 314.7 million (December 31, 2013: € 331.7 million). This development was primarily based on temporary results of balance sheet date effects.

Current other liabilities decreased to € 79.2 million (December 31, 2013: € 111.4 million). This mainly resulted from a decrease in the area of personnel and tax liabilities in the market regions CIS / Eastern Europe and Germany.

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to Group composition or exchange rates – amounted to € 61.8 million in the first six months of 2014 (1-6/2013[1)]: € 41.6 million). The increase of € 20.2 million primarily resulted from a substantial cash-effective decrease in trade accounts receivable, whereas a substantial cash-effective increase was recorded in the corresponding period of the previous year. In opposition, there was a substantial cash-effective decrease of trade accounts payable as compared to a cash-effective increase in the corresponding period of the previous year, which partly compensated for the positive effect from the development of trade accounts receivable.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -165.9 million in the period under review (1-6/2013[1)]: € -43.2 million). In the first half of 2014, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets as well as for business combinations. These primarily related to the purchase of the Russian branded product portfolio Aqualor® as well as the acquisition of the branded product portfolio Flexitol®. Proceeds from the disposal of property, plant and equipment mainly resulted from the sale of a building in the United Kingdom.

Free cash flow in the reporting period amounted to € -104.1 million (1-6/2013[1)]: € -1.6 million). **Free cash flow adjusted** for payments for significant acquisitions and proceeds from significant disposals amounted to € 28.3 million in the half year under review (1-6/2013[1)]: € 12.0 million).

Cash flow from financing activities amounted to € 114.5 million in the first six months of the current financial year (1-6/2013[1)]: € 219.3 million). This development primarily resulted from securing promissory notes in the first half of 2014 in the total amount of € 220 million and obtaining a loan in the amount of approx. € 129 million for the financing of the purchase of the branded product portfolio Aqualor®, while higher proceeds from taking up financial liabilities, in particular due to the bond placed in the second quarter of 2013, were recorded in the corresponding period of the previous year. In opposition, more financial liabilities were repaid in the current financial year than in the corresponding period of the previous year. In the second quarter of 2014, furthermore, the dividend for financial year 2013 was distributed. In this context, the distribution volume increased significantly compared to the dividend for financial year 2012.

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 8.6 million in the first half of 2014 (1-6/2013[1)]: € 217.5 million).

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

Acquisitions and disposals

STADA pursues an active acquisition policy to further accelerate the Group's organic growth with external growth impulses. In this context, the Group concentrates, on the one hand, on regional expansion of business activities with a focus on high-growth emerging markets. On the other hand, a top focus is the expansion and internationalization of the core segments, in particular branded products as they are generally characterized by better margins and less regulatory interventions than generics.

Regardless of this active purchasing policy, profitability and the purchase price must strike a good balance in the view of the Executive Board. For larger acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

In the first half of the current financial year, the Group carried out additional acquisitions, of which only those made in the second quarter of 2014 will be discussed below.

STADA acquired Claire Fisher, a line of natural cosmetics, in the second quarter of 2014.[1)] The seller is OMEGA Pharma N.V. headquartered in Nazareth, Belgium. The acquired products will be sold by the German STADA subsidiary STADAvita.

In addition, the British STADA subsidiary Thornton & Ross acquired the production and distribution rights for the branded product portfolio Flexitol®[2)] for the United Kingdom and Ireland in the second quarter of 2014. The purchase price amounted to GBP 10 million (according to the exchange rate at the date of acquisition approx. € 12.49 million) subject to adjustments for inventory. The seller is the LaCorium group of companies based in Sydney. In 2013, net sales generated with Flexitol® in the United Kingdom and Ireland amounted to approx. GBP 3.3 million (according to the exchange rate at the date of acquisition approx. € 4.1 million). Product sales have been consolidated in the STADA Group since June 16, 2014.

STADA share

In the first half of 2014, the STADA share price recorded a decrease in the amount of 3%. Whereas the STADA share price closed 2013 at € 35.93, it amounted to € 31.07 at the end of the first quarter. The STADA closing price was € 34.79 at the end of the second quarter. At the end of the first half of 2014, STADA's market capitalization amounted to € 2.104 billion. At the end of 2013, this figure was € 2.172 billion.

As of June 30 2014, the subscribed share capital of STADA Arzneimittel AG amounted to € 157,210,612.00 (December 31, 2013: € 157,150,500.00) consisting of 60,465,620 registered shares with restricted transferability[3)], each with an arithmetical share in share capital of € 2.60 (December 31, 2013: 60,442,500 registered shares). Changes in the first half of 2014 resulted from the exercising of 1,156 warrants 2000/2015[4)]. As of June 30, 2014, 96,230 warrants 2000/2015 for the subscription of 1,924,600 STADA registered shares were thus still outstanding.

On June 4, 2014[5)], the STADA Annual General Meeting resolved a dividend of € 0.66 per common share that was significantly higher than the previous year by 32%. The total dividend payments of € 39.8 million (previous year: € 29.6 million) thus represent a distribution ratio of approx. 33% (previous year: approx. 34%) of reported net income. In addition, the Annual General Meeting confirmed the Executive Board and the Supervisory Board with a high level of approval. The Annual General Meeting furthermore approved the adjustment of existing control and profit transfer agreements of STADA Arzneimittel AG with some of its subsidiaries in order to adapt to a change in legislation. In addition, there were – as a result of a regular new election in May this year – changes in the employee representatives[6)] on STADA's Supervisory Board.

1) See STADAvita GmbH's press release of June 3, 2014.
2) Dermatological range in the area of hand and foot care.
3) Under the Company's Articles of Incorporation, STADA's registered shares with restricted transferability can only be entered into the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.
4) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.
5) The voting results of the decisions taken at the Annual General Meeting of June 4, 2014 are published on the Company's website at www.stada.de and www.stada.com at least until the end of the current financial year.
6) New employee representatives: Dr. Ute Pantke, Halil Duru and Jens Steegers.

In the first half of 2014, the Group published all of the received voting rights notices according to Section 26 of the German Securities Trading Act (WpHG). These 18 received voting rights notices, as well as any received later, can be viewed on the website at www.stada.de or www.stada.com.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the outlook for financial year 2014 and the opportunities and risk report published for the Group in the Management Report of STADA's Annual Report 2013. Together with the supplements and updates listed in this interim report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the STADA Group.

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

In addition, the Group will continue to have to deal with non-operational influence factors in future. Relevant Group currency relations, in particular of the Russian ruble, the Serbian dinar and the pound sterling to the euro, will also affect the Group's future development in financial year 2014. Furthermore, STADA will have to deal with residual effects of the global financial and economic crisis as well as the effects of the CIS crisis. Against this backdrop, the Group certainly continues to prepare itself, within the realm of possibility, for specific potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or strong volatility in interest rate levels and currency relations that are relevant for the Group. In view of the residual effects of the global financial and economic crisis as well as the effects of the CIS crisis, resulting burdens such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences, in particular regarding the devaluation of the Russian ruble and the Ukrainian hryvnia, can not be ruled out. However, with regard to the recently resolved stricter sanctions against Russia, STADA does not currently see any significant direct effects on the Group's business.

On the whole, the sales and earnings development of the Group will continue in future to be characterized both by growth-stimulating and challenging framework conditions in the individual markets of the respective STADA market regions. In the overall assessment of opposing influence factors, however, the positive prospects are expected to prevail.

With a view to the development in the first half of 2014, the Executive Board confirms its outlook for financial year 2014, according to which slight growth in Group sales, adjusted EBITDA and adjusted net income should be achieved. The core segment Generics is expected to generate slight growth in sales as compared to financial year 2013. Substantial sales growth is expected for the core segment Branded Products. The core segment Generics is expected to generate an adjusted EBITDA slightly above that of financial year 2013. The adjusted EBITDA of the core segment Branded Products is expected to grow significantly. The Executive Board aims for a net debt to adjusted EBITDA ratio of 3 in 2014.

H. Retzlaff H. Kraft Dr. M. Wiedenfels

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS OF 2014 (ABRIDGED)

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to June 30 in € 000s	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30[1]	2nd quarter 2014 Apr. 1 – June 30	2nd quarter 2013 Apr. 1 – June 30[1]
Sales	1,002,792	966,810	495,369	493,594
Cost of sales	522,920	493,164	264,936	252,427
Gross profit	**479,872**	**473,646**	**230,433**	**241,167**
Selling expenses	219,310	224,556	110,055	115,123
General and administrative expenses	85,385	83,738	43,572	43,952
Research and development expenses	29,276	27,357	15,425	14,220
Other income	8,500	11,472	4,450	4,924
Other expenses	33,161	18,108	7,683	12,086
Expenses in connection with the “STADA – build the future” project	-	1,886	-	1,211
Operating profit	**121,240**	**129,473**	**58,148**	**59,499**
Result from investments measured at equity	632	2,332	355	1,479
Investment income	151	226	46	226
Financial income	3,777	2,970	-417	1,715
Financial expenses	35,019	32,955	18,175	16,452
Financial result	**-30,459**	**-27,427**	**-18,191**	**-13,032**
Earnings before taxes	**90,781**	**102,046**	**39,957**	**46,467**
Income taxes	21,810	34,590	6,800	14,247
Earnings after taxes	**68,971**	**67,456**	**33,157**	**32,220**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	66,751	66,643	31,768	31,719
• distributable to non-controlling shareholders	2,220	813	1,389	501
Earnings per share in € (basic)	1.11	1.12	0.53	0.53
Earnings per share in € (diluted)	1.09	1.10	0.52	0.52

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30	2nd quarter 2014 Apr. 1 – June 30	2nd quarter 2013 Apr. 1 – June 30
Earnings after taxes	68,971	67,456	33,157	32,220
Items to be recycled to the income statement in future:				
Currency translation gains and losses	-770	-31,789	24,016	-35,605
thereof				
• income taxes	50	-203	-186	-44
Gains and losses on available-for-sale financial assets	2	-10	4	-7
thereof				
• income taxes	-1	3	-1	2
Gains and losses on hedging instruments (cash flow hedges)	558	1,745	252	852
thereof				
• income taxes	-207	-647	-94	-316
Items not to be recycled to the income statement in future:				
Remeasurements of the net defined benefit liability	-5,069	0	-2,651	0
thereof				
• income taxes	1,878	0	982	0
Other comprehensive income	-5,279	-30,054	21,621	-34,760
Consolidated comprehensive income	63,692	37,402	54,778	-2,540
thereof				
• distributable to shareholders of STADA Arzneimittel AG	61,410	36,733	53,346	-2,204
• distributable to non-controlling shareholders	2,282	669	1,432	-336

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of June 30 in € 000s Assets	June 30, 2014	Dec. 31, 2013	Jan. 1, 2013[1)]
Non-current assets	**2,170,389**	**2,059,989**	**1,806,292**
Intangible assets	1,769,650	1,641,623	1,417,050
Property, plant and equipment	320,830	318,428	269,361
Financial assets	2,185	8,991	12,463
Investments measured at equity	9,606	8,974	44,042
Other financial assets	15,090	27,785	16,158
Other assets	3,506	3,570	1,165
Deferred tax assets	49,522	50,618	46,053
Current assets	**1,365,969**	**1,353,193**	**1,169,679**
Inventories	521,974	524,374	466,496
Trade accounts receivable	553,113	591,678	489,567
Income tax receivables	34,329	24,836	31,209
Other financial assets	72,951	50,096	36,919
Other assets	48,563	34,475	50,879
Non-current assets and disposal groups held for sale	317	1,571	2,076
Cash and cash equivalents	134,722	126,163	92,533
Total assets	**3,536,358**	**3,413,182**	**2,975,971**

Equity and liabilities	June 30, 2014	Dec. 31, 2013	Jan. 1, 2013[1)]
Equity	**1,031,648**	**1,010,099**	**910,317**
Share capital	157,211	157,151	154,264
Capital reserve	488,169	487,843	472,459
Retained earnings including net income	574,080	552,663	458,924
Other provisions	-241,717	-241,497	-184,467
Treasury shares	-1,527	-1,542	-1,572
Equity attributable to shareholders of the parent	**976,216**	**954,618**	**899,608**
Shares relating to non-controlling shareholders	55,432	55,481	10,709
Non-current borrowed capital	**1,306,697**	**1,358,414**	**1,102,404**
Other non-current provisions	58,897	51,478	50,486
Financial liabilities	1,078,135	1,140,571	941,572
Other financial liabilities	6,743	12,988	24,528
Other liabilities	3,054	2,937	3,054
Deferred tax liabilities	159,868	150,440	82,764
Current borrowed capital	**1,198,013**	**1,044,669**	**963,250**
Other provisions	20,897	17,536	10,538
Financial liabilities	511,977	292,484	326,183
Trade accounts payable	314,702	331,661	267,773
Income tax liabilities	24,855	30,569	25,633
Other financial liabilities	246,336	261,067	219,519
Other liabilities	79,246	111,352	113,604
Total equity and liabilities	**3,536,358**	**3,413,182**	**2,975,971**

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	June 30, 2014	June 30, 2013[1]
Net income	68,971	67,456
Depreciation and amortization net of write-ups of non-current assets	70,070	51,367
Income taxes	21,810	34,590
Interest income and expenses	32,843	31,221
Result from investments measured at equity	-632	-2,332
Result from the disposals of non-current assets	41	-360
Changes in other non-current provisions	-689	187
Currency translation income and expenses	14,215	7,334
Other non-cash expenses and gains	165,432	186,979
Gross cash flow	**372,061**	**376,442**
Changes in inventories	-22,564	-34,267
Changes in trade accounts receivable	28,298	-19,414
Changes in trade accounts payable	-28,376	1,270
Changes in other net assets, unless attributable to investing or financing activities	-224,377	-215,607
Interest and dividends received	2,768	3,239
Interest paid	-38,621	-34,149
Income tax paid	-27,355	-35,890
Cash flow from operating activities	**61,834**	**41,624**
Payments for investments in		
• intangible assets	-142,790	-24,410
• property, plant and equipment	-17,292	-15,162
• financial assets	-59	-20
• shares in consolidated companies	-	-
• business combinations according to IFRS 3	-10,317	-6,924
Proceeds from the disposal of		
• intangible assets	921	2,280
• property, plant and equipment	3,599	662
• financial assets	-	410
• shares in consolidated companies	-	-
Cash flow from investing activities	**-165,938**	**-43,164**
Borrowing of funds	501,277	562,968
Settlement of financial liabilities	-344,344	-315,715
Dividend distribution	-42,496	-30,899
Capital increase from share options	380	2,939
Changes in non-controlling interests	-348	-
Changes in treasury shares	21	8
Cash flow from financing activities	**114,490**	**219,301**
Changes in cash and cash equivalents	**10,386**	**217,761**
Changes in cash and cash equivalents due to Group composition	1,878	-
Changes in cash and cash equivalents due to exchange rates	-3,705	-269
Net change in cash and cash equivalents	**8,559**	**217,492**
Balance at beginning of the period	**126,163**	**92,533**
Balance at end of the period	**134,722**	**310,025**

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

2014	Number of shares	Share capital	Capital reserve
Balance as of June 30, 2014	60,465,620	157,211	488,169
Dividend distribution			
Capital increase from share options	23,120	60	320
Changes in treasury shares			6
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income			
Net income			
Balance as of Jan. 1, 2014	60,442,500	157,151	487,843
Previous year			
Balance as of June 30, 2013	59,510,940	154,728	474,933
Dividend distribution			
Capital increase from share options	178,680	464	2,475
Changes in treasury shares			-1
Changes in retained earnings			
Changes in non-controlling interests			
Changes in the scope of consolidation			
Other income			
Net income			
Balance as of Jan. 1, 2013	59,332,260	154,264	472,459

Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
574,080	-238,825	36	-2,928	-1,527	976,216	55,432	1,031,648
-39,832					-39,832	-2,664	-42,496
					380		380
				15	21		21
					-		-
					-	333	333
-381					-381		-381
-5,121	-779	1	558		-5,341	62	-5,279
66,751					66,751	2,220	68,971
552,663	-238,046	35	-3,486	-1,542	954,618	55,481	1,010,099

Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
495,958	-209,931	28	-4,090	-1,563	910,063	28,482	938,545
-29,620					-29,620	-1,279	-30,899
					2,939		2,939
				9	8		8
					-		-
					-	18,383	18,383
	395				395		395
11	-31,654	-12	1,745		-29,910	-144	-30,054
66,643					66,643	813	67,456
458,924	-178,672	40	-5,835	-1,572	899,608	10,709	910,317

NOTES

1. General

1.1. Accounting policies

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

The consolidated interim management report were prepared in consideration of the applicable WpHG regulations. The consolidated interim financial statements as of June 30, 2014 were prepared under consideration of the regulations outlined in International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the consolidated financial statements as of December 31, 2013 was selected.

All IFRS' published by the International Accounting Standards Board (IASB) and endorsed by the European Union which are mandatory for financial years starting as of January 1, 2014 have been observed by STADA.

In these consolidated interim financial statements – with the exception of the changed accounting policies listed in Note 1.2. –, the same accounting policies and methods of computation are applied as in the consolidated financial statements for financial year 2013. With regard to the principles and methods used in the context of Group Accounting we insofar generally refer to the Notes on the consolidated financial statements of the Annual Report 2013.

1.2. Changes in accounting policies

In the first six months of 2014, STADA observed and, if relevant, applied the following IASB pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2014, which had no or no significant effect on the presentation of STADA's business, financial, earnings situation or cash flow:

- **IAS 32 "Financial Instruments: Presentation":** The amendment clarifies requirements for the netting of financial assets and financial liabilities on the balance sheet. The right to netting on the balance sheet must exist as of the balance sheet date.
- **IAS 36 "Impairments of Assets":** The amendment contains a clarification that the reporting of a recoverable amount is only required of those cash-generating units for which an impairment loss or reversal has been recognized within the current reporting period.
- **IAS 39 "Financial Instruments: Recognition and Measurement":** In order to improve the transparency and regulatory supervision of OTC derivatives, companies are, in certain circumstances, required to clear derivatives to central counterparties. Despite novation, derivatives can remain designated as hedging instruments under certain conditions.
- **IFRIC 21 "Levies":** The standard concerns the question of the accounting of public levies which do not represent income tax in the sense of IAS 12 and clarifies when the obligation to pay such levies should be recognized as a liability in the financial statements.

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

For STADA, the initial application of the new standards has resulted in retroactively applicable changes in relation to the consolidation of joint ventures in accordance with IFRS 11. Up until the time of its change in status to subsidiary in the past financial year, STADA Vietnam, previously consolidated on a pro rata basis, was included in STADA's consolidated financial statements retroactively according to the equity method up until the time control was acquired by STADA in accordance with IFRS 11 in connection with IAS 8 and in connection with IAS 1. As a result of the consolidation of this company as a subsidiary in the context of the control achieved over STADA Vietnam as of the fourth quarter of 2013, there were no more joint ventures within the scope of consolidation of STADA as of December 31, 2013. As a result, there have been no effects for STADA in financial year 2014 as a result of this changed accounting policy.

In the context of the retrospective adjustments carried out in accordance with the new standard IFRS 11 in connection with IAS 8 as well as in connection with IAS 1, balance sheet items changed as of January 1, 2013 as follows:

Consolidated Balance Sheet (abridged) in € 000s	Jan. 1, 2013	Adjustments in accordance with new IFRS 11	Jan. 1, 2013 adjusted
Non-current assets	**1,802,176**	**4,116**	**1,806,292**
Intangible assets	1,417,083	-33	1,417,050
Property, plant and equipment	273,822	-4,461	269,361
Investments measured at equity	34,885	9,157	44,042
Other non-current assets	76,386	-547	75,839
Current assets	**1,180,645**	**-10,966**	**1,169,679**
Inventories	475,311	-8,815	466,496
Trade accounts receivable	492,143	-2,576	489,567
Other current assets	120,461	622	121,083
Cash and cash equivalents	92,730	-197	92,533
Total assets	**2,982,821**	**-6,850**	**2,975,971**
Equity and liabilities	**910,317**	**-**	**910,317**
Non-current borrowed capital	**1,102,911**	**-507**	**1,102,404**
Financial liabilities	941,572	-	941,572
Other non-current borrowed capital	161,339	-507	160,832
Current borrowed capital	**969,593**	**-6,343**	**963,250**
Financial liabilities	328,519	-2,336	326,183
Trade accounts payable	268,973	-1,200	267,773
Other current borrowed capital	372,101	-2,807	369,294
Total equity and liabilities	**2,982,821**	**-6,850**	**2,975,971**

Due to the retrospective adjustments, the following changes resulted for the income statement in the first six months of 2013:

Consolidated Income Statement in € 000s	6 months 2013 Jan. 1 – June 30	Adjustments in accordance with new IFRS 11	6 months 2013 Jan. 1 – June 30 adjusted
Sales	974,291	-7,481	966,810
Cost of sales	497,413	-4,249	493,164
Gross profit	**476,878**	**-3,232**	**473,646**
Selling expenses	224,906	-350	224,556
General and administrative expenses	84,055	-317	83,738
Research and development expenses	27,508	-151	27,357
Other income	11,399	73	11,472
Other expenses	18,243	-135	18,108
Expenses in connection with the "STADA – build the future" project	1,886	-	1,886
Operating profit	**131,679**	**-2,206**	**129,473**
Result from investments measured at equity	353	1,979	2,332
Investment income	226	-	226
Financial income	2,955	15	2,970
Financial expenses	33,069	-114	32,955
Financial result	**-29,535**	**2,108**	**-27,427**
Earnings before taxes	**102,144**	**-98**	**102,046**
Taxes on income	34,688	-98	34,590
Earnings after taxes	**67,456**	**-**	**67,456**
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	66,643	-	66,643
• distributable to non-controlling shareholders	813	-	813
Earnings per share in € (basic)	1.12	-	1.12
Earnings per share in € (diluted)	1.10	-	1.10

The other new or changed standards and interpretations adopted by the IASB in 2014, but not yet effective, are not expected to have any or any significant effects on STADA's consolidated financial statements in the future.

1.3. Scope of consolidation

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

In the first quarter of 2014, the contract for the purchase of the Russian branded product portfolio Aqualor® was completed as planned. The Aqualor® product sales have been consolidated in the STADA Group since March 1, 2014. In this context, STADA's Russian subsidiary OOO Aqualor has also been inluded in the scope of consolidation of STADA Arzneimittel AG.

In addition, the Chinese subsidiary STADA Pharmaceuticals Beijing Ltd., Beijing, China, has been included in the scope of consolidation of STADA Arzneimittel AG as of January 1, 2014.

In the second quarter of 2014 in Belgium, the consolidated subsidary S.A. Neocare N.V., Brussels, Belgium, was merged with S.A. Eurogenerics N.V., Brussels, Belgium, also a consolidated subsidiary.

In the consolidated interim financial statements of the STADA Group, 75 companies were thereby consolidated as subsidiaries and three companies as associates as of the balance sheet date on June 30, 2014.

1.4. Business combinations

In the first half of 2014, the following business combination as defined in IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

In the second quarter of 2014, STADA purchased the production and distribution rights for the branded product portfolio Flexitol® including the associated sales structures from the LaCorium group of companies. STADA achieved control upon conclusion of the contract on June 16, 2014.

The purchase price for the acquisition of the production and distribution rights including the associated sales structures totaled GBP 8.3 million (approx. € 10.3 million) including to adjustments for inventory in the amount of GBP 1.7 million (approx. € 2.2 million). The acquired product portfolio comprises 15 prescription-free (OTC) and prescribable (OTX) products in the area of hand and foot care.

In the context of the preliminary purchase price allocation, goodwill in the amount of approx. € 1 resulted from the business combination and is broken down as follows:

in € million	
Purchase price for 100% of the shares in the production and distribution rights approx.	10.3
Proportionate fair values of the assets and liabilities acquired incl. fair value of adjustments for inventory approx.	10.3
Goodwill	0.0

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

Fair values in € million	
Intangible assets	12.5
Inventories	0.8
Assets	**13.3**
Trade accounts payable	3.0
Liabilities	**3.0**

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

Sales generated in the market region Central Europe with the branded product portfolio Flexitol® since the acquisition date amounted to approx. € 0.2 million in financial year 2014. The adjusted operating profit of this business combination amounted to approx. € 0.1 million in financial year 2014. If STADA had already acquired the branded product portfolio Flexitol® by January 1, 2014, sales of approx. € 3 million and an adjusted operating profit of approx. € 1 million would have been achieved on linear extrapolation for the first half of 2014.

2. Notes to the Consolidated Income Statement

2.1. Sales

The increase in sales compared to the corresponding period of the previous year resulted primarily from the growth of the Branded Products core segment as well as from growth in the market regions Central Europe, particularly in the United Kingdom, and Asia & Pacific. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 4.4 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5.) and in additional information (see Note 6.).

2.2. Other income

In the first six months of 2014, other income decreased compared to the corresponding period of the previous year to € 8.5 million (1-6/2013[1)]: € 11.5 million). The decline in other income results from the fact that in the previous year this item included income from the preliminary revaluation of the shares in Pymepharco Joint Stock Company – which had been accounted for using the equity method until the acquisition date – that amounted to € 3.6 million.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

2.3. Other expenses

Other expenses increased as compared to the corresponding period of the previous year to € 33.2 million in the first six months of 2014 (1-6/2013[1)]: € 18.1 million). This development is particularly attributable to the strong devaluation of the significant currencies in the market region CIS / Eastern Europe and the resulting currency translation expenses. In addition, increased impairments of intangible assets that are reported as one-time special effects resulted in a corresponding increase of other expenses.

2.4. Result from investments measured at equity

The decrease to € 0.6 million in the result from investments measured at equity as compared to the corresponding period of the previous year (1-6/2013[1)]: € 2.3 million) is due to the retrospective accounting for the company STADA Vietnam according to the equity method in the previous year pursuant to the new standard IFRS 11. In the context of achieving control over STADA Vietnam, the company has been consolidated as a subsidiary since the fourth quarter of 2013.

2.5. Financial expenses

In the first six months of 2014, financial expenses increased as compared to the corresponding period of the previous year by € 2.0 million to € 35.0 million (1-6/2013[1)]: € 33.0 million). The increase primarily resulted from the local financing of the purchase of the branded product portfolio Aqualor®, which was carried out at an interest rate above Group average.

2.6. Taxes on income

Income tax expense decreased as compared to the corresponding period of the previous year to € 21.8 million in the first six months of 2014 (1-6/2013[1)]: € 34.6 million). This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the "STADA – build the future" project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets included € 456.3 million goodwill as of June 30, 2014 (December 31, 2013: € 458.0 million). There were additions to the other intangible assets from the acquisition of the Russian branded product portfolio Aqualor® – not considering amortization in the reporting period – in the amount of € 138.9 million.

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

3.2. Financial assets

Financial assets declined as of the balance sheet date of June 30, 2014 by € 6.8 million to € 2.2 million (December 31, 2013: € 9.0 million). This development primarily resulted from the inclusion of the Chinese subsidiary STADA Pharmaceuticals Beijing Ltd. in the scope of consolidation of STADA Arzneimittel AG and the liquidation of the Swedish investment STADApharm AB.

3.3. Other financial assets

Non-current other financial assets declined as of the balance sheet date of June 30, 2014 by € 12.7 million to € 15.1 million (December 31, 2013: € 27.8 million). In opposition, current other financial assets increased to € 73.0 million as of June 30, 2014 (December 31, 2013: € 50.1 million). This is mainly attributable to the reclassification of the loan to the associated company BIOCEUTICALS Arzneimittel AG in the amount of € 10.5 million from the non-current to the current area in accordance with its maturity.

3.4. Trade accounts receivable

As of the reporting date June 30, 2014, trade accounts receivable decreased by € 38.6 million to € 553.1 million (December 31, 2013: € 591.7 million). This resulted, among other things, from reporting date effects as well as translation effects in the context of converting financial statements of foreign subsidiaries with a reporting currency other than the Group currency euro.

3.5. Income tax receivables

The increase of income tax receivables as of the balance sheet date of June 30, 2014 to € 34.3 million (December 31, 2013: € 24.8 million) is primarily due to high advance income tax payments in the market region CIS / Eastern Europe.

3.6. Other assets

The increase of current other assets by € 14.1 million to € 48.6 million as of the balance sheet date of June 30, 2014 (December 31, 2013: € 34.5 million) was mainly based on reporting date effects which led to increased input tax receivables particularly in the market regions CIS / Eastern Europe and Germany.

3.7. Retained earnings including net income

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, effects from remeasurements of the net defined benefit liability that are recognized in other comprehensive income are reported under this item taking deferred taxes into account. In the context of measuring the significant defined benefit obligations as of June 30, 2014, an expense in the amount of € 5.1 million after deferred taxes recognized in other comprehensive income resulted from the remeasurement in the first half of 2014. It resulted from a substantial reduction of the discount rate underlying the measurement as of June 30, 2014 in comparison to December 31, 2013. In the corresponding period of the previous year there was only a minor change in the discount rate, so that remeasurement was waived as of June 30, 2013.

3.8. Other provisions

Other provisions include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation recognized in other comprehensive income of financial statements of companies included in the Group, which are recognized in the statement of changes in shareholders' equity under provisions for currency translation. In the first half of 2014, an expense of € 0.8 million recognized in other comprehensive income arose, which is primarily composed of the following opposing effects: On the one hand, income recognized directly in equity from the currency translation of financial statements of companies reporting in pound sterling has been recorded due to the substantial appreciation of the pound sterling since December 31, 2013. On the other hand, there were higher expenses recognized directly in equity primarily from the currency translation of financial statements of companies reporting in Russian ruble and Serbian dinar due to the weakening of the Russian ruble and Serbian dinar since December 31, 2013.

3.9. Financial liabilities

As of June 30, 2014, the Group's current and non-current financial liabilities in the amount of € 512.0 million and € 1,078.1 million respectively (December 31, 2013: € 292.5 million and € 1,140.6 million respectively) include, in particular, promissory notes which have a nominal value in the amount of € 656.5 million (December 31, 2013: € 436.5 million) and two bonds which have a nominal value in the amount of € 350.0 million each (December 31, 2013: two bonds of € 350.0 million each). The increase in financial liabilities primarily resulted from securing promissory notes in the first half of 2014 in the total amount of € 220 million and obtaining a loan in the amount of approx. € 129 million for the financing of the purchase of the branded product portfolio Aqualor®. In opposition, financial liabilities were repaid in the current financial year.

3.10. Other financial liabilities

Non-current other financial liabilities decreased to € 6.7 million as of the balance sheet date (December 31, 2013: € 13.0 million). This is mainly due to reclassifications from the non-current to the current area in accordance with maturities. Current other financial liabilities went down by a total of € 14.8 million to € 246.3 million (December 31, 2013: € 261.1 million). This decrease is mainly attributable to lower liabilities from discount agreements of German STADA companies as of the balance sheet date. In opposition, the still outstanding partial amount of the purchase price liability for the purchase of the branded product portfolio Aqualor® is recorded in other financial liabilities.

3.11. Trade accounts payable

Trade accounts payable decreased as of the balance sheet date of June 30, 2014 by € 17.0 million to € 314.7 million (December 31, 2013: € 331.7 million). This development was primarily based on temporary results of balance sheet date effects.

3.12. Other liabilities

Current other liabilities decreased to € 79.2 million (December 31, 2013: € 111.4 million). This mainly resulted from a decrease in the area of personnel and tax liabilities in the market regions CIS / Eastern Europe and Germany.

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to Group composition or exchange rates – amounted to € 61.8 million in the first six months of 2014 (1-6/2013[1)]: € 41.6 million). The increase of € 20.2 million primarily resulted from a substantial cash-effective decrease in trade accounts receivable, whereas a substantial cash-effective increase was recorded in the corresponding period of the previous year. In opposition, there was a substantial cash-effective decrease of trade accounts payable as compared to a cash-effective increase in the corresponding period of the previous year, which partly compensated for the positive effect from the development of trade accounts receivable.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -165.9 million in the period under review (1-6/2013[1)]: € -43.2 million). In the first half of 2014, cash flow from investing activities was particularly influenced by payments for investments in intangible assets as well as for business combinations. These primarily related to the purchase of the Russian branded product portfolio Aqualor® as well as the acquisition of the branded product portfolio Flexitol®. Proceeds from the disposal of property, plant and equipment mainly resulted from the sale of a building in the United Kingdom.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € 114.5 million in the first six months of the current financial year (1-6/2013[1)]: € 219.3 million). This development primarily resulted from securing promissory notes in the first half of 2014 in the total amount of € 220 million and obtaining a loan in the amount of approx. € 129 million for the financing of the purchase of the branded product portfolio Aqualor®, while higher proceeds from taking up financial liabilities, in particular due to the bond placed in the second quarter of 2013, were recorded in the corresponding period of the previous year. In opposition, more financial liabilities were repaid in the current financial year than in the corresponding period of the previous year. In the second quarter of 2014, furthermore, the dividend for financial year 2013 was distributed. In this context, the distribution volume increased significantly compared to the dividend for financial year 2012.

4.4. Net cash flow for the period

Net cash flow for the period is the balance of cash inflows and outflows from operating cash flow, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to Group composition and exchange rates and amounted to € 8.6 million in the first half of 2014 (1-6/2013[1)]: € 217.5 million).

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

5. Segment information

5.1. General information

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

Reported segment result corresponds to the operating profit of the income statement of the STADA Group in accordance with IFRS. Reporting of individual non-current assets according to segment as well as segment liabilities is waived, as this information is not used for Group monitoring.

5.2. Information by operating segment

in € 000s		6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30[1]
Generics	**External sales**	**598,708**	**613,349**
	Sales with other segments	339	427
	Total sales	599,047	613,776
	Operating profit	84,662	79,054
	Depreciation / amortization	24,646	22,502
	Impairment losses	2,015	292
	Reversals	-	-
	Significant non-cash items within operating result	-166,164	-190,907
Branded Products	**External sales**	**381,592**	**333,558**
	Sales with other segments	-	-
	Total sales	381,592	333,558
	Operating profit	74,018	85,312
	Depreciation / amortization	30,608	23,423
	Impairment losses	6,270	167
	Reversals	-	-
	Significant non-cash items within operating result	-14,103	-11,023
Commercial Business	**External sales**	**22,492**	**19,574**
	Sales with other segments	-	-
	Total sales	22,492	19,574
	Operating profit	677	102
	Depreciation / amortization	67	86
	Impairment losses	-	-
	Reversals	-	-
	Significant non-cash items within operating result	-44	-287
Reconciliation Group holdings / other and consolidation	**External sales**	**-**	**329**
	Sales with other segments	-339	-427
	Total sales	-339	-98
	Operating profit	-38,117	-34,995
	Depreciation / amortization	5,427	5,151
	Impairment losses	1,037	116
	Reversals	-	370
	Significant non-cash items within operating result	-648	-989
Group	**External sales**	**1,002,792**	**966,810**
	Sales with other segments	-	-
	Total sales	1,002,792	966,810
	Operating profit	121,240	129,473
	Depreciation / amortization	60,748	51,162
	Impairment losses	9,322	575
	Reversals	-	370
	Significant non-cash items within operating result	-180,959	-203,206

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

5.3. Reconciliation of segment results to net profit

in € 000s	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30[1)]
Operating segment profit	159,357	164,468
Reconciliation Group holdings / other and consolidation	-38,117	-34,995
Result from investments measured at equity	632	2,332
Investment income	151	226
Financial income	3,777	2,970
Financial expenses	35,019	32,955
Earnings before taxes, Group	90,781	102,046

5.4. Reconciliation of segment assets to Group assets

in € 000s	June 30, 2014	Dec. 31, 2013
Segment assets	2,015,167	1,890,259
Reconciliation Group holdings / other and consolidation	77,498	78,783
Other non-current assets	77,724	90,947
Current assets	1,365,969	1,353,193
Total assets, Group	3,536,358	3,413,182

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).

6. Additional information

6.1. Information by market region

Sales by market regions in € 000s	6 months 2014 Jan. 1 – June 30	6 months 2013 Jan. 1 – June 30[1]	±%[2]	±% adjusted[3]
Germany	**226,997**	**238,576**	**-5%**	***-5%***
• Germany	199,658	222,293	-10%	*-10%*
• Export sales of the market region Germany	27,339	16,283	+68%	*+68%*
Central Europe	**467,373**	**407,314**	**+15%**	***+3%***
• Italy	93,832	87,206	+8%	*+4%*
• Belgium	73,628	71,340	+3%	*+3%*
• United Kingdom	60,805	25,970	>100%	*0%*
• Spain	57,327	52,505	+9%	*+9%*
• France	45,638	46,403	-2%	*-4%*
• Switzerland	26,729	23,867	+12%	*-4%*
• The Netherlands	18,587	18,481	+1%	*0%*
• Denmark	11,840	10,817	+9%	*+8%*
• Poland	10,852	7,960	+36%	*+34%*
• Ireland	10,827	11,452	-5%	*-11%*
• Other / Rest of Central Europe	44,148	40,899	+8%	*+1%*
• Export sales of the market region Central Europe	13,160	10,414	+26%	*+10%*
CIS / Eastern Europe	**265,631**	**292,486**	**-9%**	***-1%***
• Russia	163,457	194,181	-16%	*-9%*
• Serbia	44,793	40,324	+11%	*+15%*
• Ukraine	13,886	16,965	-18%	*+14%*
• Kazakhstan	8,989	9,255	-3%	*+20%*
• Bosnia-Herzegovina	6,605	6,689	-1%	*-1%*
• Other / Rest of CIS / Eastern Europe	22,309	19,671	+13%	*+24%*
• Export sales of the market region CIS / Eastern Europe	5,592	5,401	+4%	*+7%*
Asia & Pacific	**42,791**	**28,434**	**+50%**	***-14%***
• Vietnam	31,727	23,554	+35%	*-19%*
• China	6,419	1,731	>100%	*-41%*
• The Philippines	1,961	1,118	+75%	*+94%*
• Thailand	1,100	1,345	-18%	*-7%*
• Other / Rest of Asia & Pacific	1,445	686	>100%	*+76%*
• Export sales of the market region Asia & Pacific	139	-	-	-

1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Note 1.2.).
2) Calculated on thousand euro basis.
3) Adjustments due to changes in the Group portfolio and currency effects.

7. Disclosures about fair value measurements and financial instruments

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

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Available-for-sale financial assets (AfS)						
• Securities	48	46	-	-	-	-
Financial assets held for trading (FAHfT)						
• Currency forwards	-	-	-	-	1	17
• Interest rate / currency swaps	-	-	-	-	12,658	10,503
Financial liabilities held for trading (FLHfT)						
• Currency forwards	-	-	-	-	102	405
• Interest rate / currency swaps	-	-	-	-	-	466
Derivative financial liabilities with a hedging relationship						
• Cash flow hedges	-	-	-	-	3,983	4,748

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market analyses and change analyses are carried out.

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

The subsequent chart shows how the valuation rates of assets measured at fair value on a non-recurring basis were determined:

Fair values by levels of hierarchy in € 000s on a non-recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Non-current assets and disposal groups held for sale	-	-	317	1,571	-	-

The assets held for sale comprise real estate held by a STADA subsidiary in Serbia. The non-recurring basis for the determination of fair value is based on an appraisal prepared by an independent expert and was largely determined based on input parameters observable in the market.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
as of Jan. 1, 2014	10,520	-5,619
Reclassification from level 2	-	-
Currency changes	-	-
Total result	1,609	566
• in the income statement	1,609	-199
• directly in equity	-	765
Additions	-	-
Realizations	530	968
Reclassification in level 2	-	-
Balance at June 30, 2014	12,659	-4,085
Income recognized in the income statement	1,609	-199
Other earnings / other expenses	474	-665
thereof		
• attributable to assets / liabilities held as of the balance sheet date	464	-102
Financial result	1,135	466
thereof		
• attributable to assets / liabilities held as of the balance sheet date	1,135	-

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of June 30, 2014:

in € 000s	Carrying amount June 30, 2014	Fair value June 30, 2014	Carrying amount Dec. 31, 2013	Fair Value Dec. 31, 2013
Amounts due to banks	239,028	240,693	301,991	305,168
Promissory notes	654,393	706,964	434,943	471,285
Bonds	696,691	718,270	696,121	714,042
Financial liabilities	1,590,112	1,665,927	1,433,055	1,490,495

Financial liabilities shown in the chart are allocated to the valuation category "Financial liabilities measured at amortized cost" in accordance with IAS 39. There have been no changes regarding the division of financial assets and financial liabilities into valuation categories in accordance with IAS 39 in the first half of 2014 as compared to the presentation in the Annual Report 2013.

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

8. Contingent liabilities

Contingent liabilities describe possible obligations with respect to third parties which result from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not recognized.

As compared to the contingent liabilities described in the Annual Report 2013, there were changes in contingent liabilities with regard to patent risks in the first half of 2014. On the one hand, in addition to the contingent liabilities for patent risks reported in the Annual Report 2013 there was another potential liability of € 5.0 million for a patent risk in the market region Central Europe. On the other hand, contingent liabilities for patent risks in the amount of € 0.6 million in the market region Central Europe no longer exist, as a provision has now been made for this issue due to a lost patent dispute.

In addition to the contingent liabilities, there were other future financial obligations, which can be broken down as follows:

in € 000s	June 30, 2014	Dec. 31, 2013
Operating lease liabilities	68,768	70,973
Other financial obligations	36,428	166,705
Total	105,196	237,678

As of December 31, 2013, other financial obligations consisted of an obligation of OAO Nizhpharm amounting to € 131.0 million toward Butterwood Holdings Limited, Cyprus, for the purchase of the Russian branded product portfolio Aqualor® [1], whereby the completion of the contract was still subject to comprehensive completion conditions as of December 31, 2013. As of June 30, 2014, this other financial obligation no longer exists, as the residual amount of the purchase price liability still outstanding as of June 30, 2014 of € 15.7 million has been recorded in the balance sheet under other financial liabilities.

Furthermore, other financial obligations primarily included as of June 30, 2014 a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized according to the equity method. STADA, as guarantor, recognized this guarantee as of June 30, 2014 as a financial guarantee in accordance with IAS 39 with its fair value in the amount of € 0.3 million (December 31, 2013: € 0.3 million). Furthermore, there was a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of June 30, 2014.

Liabilities from operating leases related particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings.

9. Related party transactions

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 10.5 million had been used as of June 30, 2014 (December 31, 2013: € 15.6 million).

In addition, there was a credit guarantee for BIOCEUTICALS Arzneimittel AG in the amount of € 5.0 million as of June 30, 2014.

Furthermore, no significant changes occurred with regard to related parties compared with the situation as described in the Annual Report 2013.

10. Significant events after the balance-sheet date

No material events have occurred since the reporting date that could have a significant effect on the Group's business, financial and earnings situation.

1) See the Company's ad hoc release of October 18, 2013 and ad hoc update of February 28, 2014.

RESPONSIBILITY STATEMENT

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

Bad Vilbel, August 6, 2014

H. Retzlaff H. Kraft Dr. M. Wiedenfels

REVIEW REPORT

To STADA Arzneimittel AG, Bad Vilbel

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, the income statement, statement of comprehensive income, condensed cash flow statement, condensed statement of changes in equity and selected explanatory notes, together with the interim group management report of the STADA Arzneimittel AG, Bad Vilbel, for the period from January 1 to June 30, 2014, that are part of the semi annual financial report pursuant to article 37w WpHG. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, August 6, 2014

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

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German Public Accountant

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

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

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

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