STADA
INTERIM REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER OF 2018

STADA

STADA KEY FIGURES

Key figures for the Group in € million	Q2/2018	Q2/2017	±%	H1/2018	H1/2017	±%
Group sales	579.4	576.9	0%	1,137.5	1,143.2	-1%
• Generics	345.5	348.5	-1%	672.4	674.4	0%
• Branded Products	233.9	228.4	+2%	465.1	468.8	-1%
Operating profit	102.5	63.0	+63%	190.4	139.4	+37%
• Generics	87.7	67.4	+30%	156.2	122.6	+27%
• Branded Products	37.4	31.9	+17%	85.1	72.8	+17%
EBITDA	142.1	112.4	+26%	260.6	220.9	+18%
• Generics	101.4	81.5	+24%	183.8	151.0	+22%
• Branded Products	57.0	64.5	-12%	120.2	121.5	-1%
Net income	108.6	41.1	>100%	165.3	90.3	+83%
Group sales adjusted for currency and portfolio effects	*598.1*	*562.5*	*+6%*	*1,171.6*	*1,114.5*	*+5%*
• Generics	*351.8*	*341.6*	*+3%*	*684.7*	*660.6*	*+4%*
• Branded Products	*246.3*	*220.9*	*+11%*	*486.9*	*453.9*	*+7%*
Operating profit, adjusted[1)2)]	*111.8*	*101.8*	*+10%*	*204.7*	*183.4*	*+12%*
• Generics	*88.8*	*68.1*	*+30%*	*158.6*	*124.4*	*+28%*
• Branded Products	*44.1*	*52.2*	*-15%*	*95.5*	*97.7*	*-2%*
EBITDA, adjusted[1)2)]	*143.3*	*129.2*	*+11%*	*261.7*	*237.7*	*+10%*
• Generics	*101.3*	*81.3*	*+25%*	*183.6*	*150.7*	*+22%*
• Branded Products	*56.9*	*64.4*	*-12%*	*120.0*	*121.4*	*-1%*
Net income, adjusted[1)2)]	*88.8*	*60.8*	*+46%*	*149.7*	*114.1*	*+31%*
Cash flow from operating activities	14.4	30.0	-52%	95.0	89.5	+6%
Investments	171.0	35.8	>100%	199.5	63.3	>100%
Depreciation and amortization (net of write-ups)	34.2	48.3	-29%	64.6	79.2	-18%
Employees (average number – based on full-time employees)[3)]	10,232	11,013	-7%	10,179	11,017	-8%
Employees (as of the reporting date – based on full-time employees)	10,232	11,013	-7%	10,232	11,013	-7%

Key share figures	Q2/2018	Q2/2017	±%	H1/2018	H1/2017	±%
Market capitalization (end of first six months) in € million	5,014.8	3,870.8	+30%	5,014.8	3,870.8	+30%
Closing price (XETRA®) (end of first six months) in €	80.44	62.09	+30%	80.44	62.09	+30%
Average number of shares (without treasury shares, Jan. 1 – June 30)	62,258,129	62,258,129	0%	62,258,129	62,257,972	0%
Earnings per share in €	1.75	0.66	>100%	2.66	1.45	+83%
Earnings per share in €, adjusted[1)2)]	*1.43*	*0.97*	*+46%*	*2.40*	*1.83*	*+31%*

1) The elimination of effects that impact the presentation of STADA's results of operations and the derived key figures is intended to improve the comparability of key figures from 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 to a limited extent with similarly named figures of other companies.

2) Whenever adjustments are identified in connection with key earnings figures in this Interim Report, they fundamentally relate to special items.
3) This average number includes changes in the scope of consolidation on a pro-rata time basis.

STADA INTERIM REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER OF 2018

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INTERIM GROUP MANAGEMENT REPORT

Overview

Business development in the first six months of 2018 was in line with STADA Group's expectations.

Reported Group sales decreased in the first six months of the current financial year by 1% to €1,137.5 million (1-6/2017: €1,143.2 million). After deducting effects on sales resulting from changes in the Group portfolio and from currency effects, adjusted Group sales increased by 5% to €1,171.6 million (1-6/2017: €1,114.5 million).

Reported EBITDA grew by 18% in the reporting period, to €260.6 million (1-6/2017: €220.9 million). Adjusted EBITDA increased by 10% to €261.7 million (1-6/2017: €237.7 million). Reported net income increased by 83% to €165.3 million (1-6/2017: €90.3 million). Adjusted net income rose by 31% to €149.7 million (1-6/2017: €114.1 million).

The asset and financial position of the STADA Group developed positively in the reporting period. As of the reporting date of June 30, 2018, the equity ratio improved to 34.3% (December 31, 2017: 31.4%). Net debt amounted to €1,165.5 million as of June 30, 2018 (December 31, 2017: €1,054.7 million). The figure includes a shareholders' loan of €884.1 million.

On April 12, 2018, Frankfurt Stock Exchange announced that – on application of STADA's Executive Board – the admission of the STADA shares to the sub-segment of the regulated market that has additional obligations arising from the admission (Prime Standard) will be withdrawn with effect by the end of July 12, 2018. The admission to the regulated market (General Standard) remains unaffected and thus the trading (listing) in the regulated market (General Standard) started on July 13, 2018. Since the withdrawal of admission to the Prime Standard meant that the fundamental condition for inclusion of STADA shares in the MDAX® was no longer met, Deutsche Börse AG decided on June 5, 2018, during its regular review of the index composition, to exclude STADA from the MDAX® effective June 18, 2018.

On April 16, 2018, STADA announced that the appointment of Dr. Barthold Piening as Chief Technical Officer had been mutually cancelled with immediate effect and that the Supervisory Board had appointed Miguel Pagan as a full member of the Management Board for Technical Operations with effect from July 1, 2018.[1)]

At the Annual General Meeting on June 6, 2018, STADA shareholders approved by a large majority all items on the agenda on which the administration required a vote. A total of 73.5% of the share capital with voting rights was represented.[2)]

As part of the strategic realignment, specialty pharmaceuticals subsidiary STADAPHARM GmbH acquired the distribution rights for APO-Go® in Germany from Grünenthal GmbH, starting from June 1, 2018.[3)] STADA Nordic ApS will assume responsibility for distributing this Parkinson's disease medication for the Scandinavian region comprising Sweden, Norway, Denmark and Finland, starting from October 1, 2018.

To further expand its OTC portfolio, STADA acquired the EMEA (Europe, Middle East, Africa) rights to Nizoral – a medical dandruff treatment shampoo – from Janssen Pharmaceutica NV in the second quarter of 2018.[4)] This acquisition enables STADA to further expand its OTC portfolio and to strengthen its expertise in hair and scalp products.

STADA Group sales development

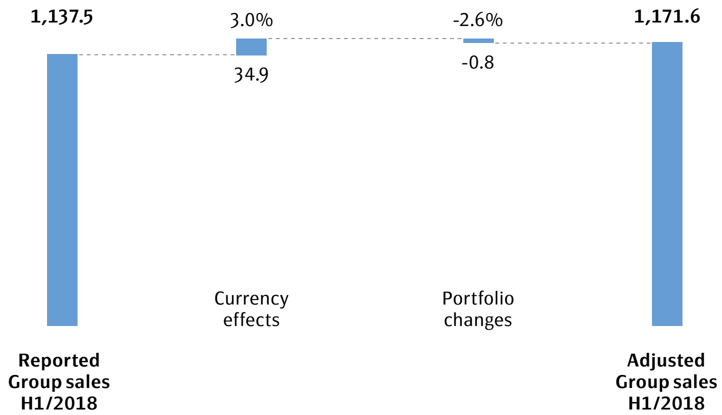
Reported Group sales decreased in the first six months of 2018 by 1% to €1,137.5 million (1-6/2017: €1,143.2 million). The figure no longer includes sales of STADA Vietnam J.V. Co. Ltd.

After deducting effects on sales resulting from changes in the **Group portfolio and from currency effects**, **adjusted Group sales** increased by 5% in the reporting period to €1,171.6 million (1-6/2017: €1,114.5 million).

1) See company investor news of April 16, 2018.
2) See company investor news of June 6, 2018.
3) See company press release of June 15, 2018.
4) See company press release of June 28, 2018.

The reconciliation of reported Group sales to Group sales adjusted for currency and portfolio effects was as follows:

Reconciliation of reported Group sales to adjusted Group sales in € million



In detail, effects on sales attributable to changes in the Group portfolio and currency effects were as follows:

Portfolio changes in the reporting period amounted to €0.8 million overall, relating to branded products in Argentina, and, looking backward, totaled €28.7 million as an adjustment for the corresponding period of the previous year overall – mainly as a result of the deconsolidation of STADA Vietnam J.V. Co. Ltd. This corresponds to 2.6%.

Applying the exchange rates of the first six months of 2018 compared with the first six months of 2017 for the translation of local sales contributions into the Group currency euros, STADA recorded a negative **currency effect** on Group sales of €34.9 million or 3.0 percentage points.

The development of the most important national currencies for STADA – the British pound, Russian ruble and Serbian dinar – in relation to the Group currency euros was as follows in the reporting period, compared with the corresponding period in the previous year:

Important currency relations in the national currency to 1 euro	Closing rate June 30 in local currency			Average rate for the reporting period		
	H1/2018	H1/2017	±%	H1/2018	H1/2017	±%
British pound	0.88605	0.87933	+1%	0.87973	0.86005	+2%
Russian ruble	73.15820	67.54490	+8%	71.98021	62.73488	+15%
Serbian dinar	118.06760	120.84860	-2%	118.29891	123.39322	-4%

In light of the fact that the currency relations in other countries important to STADA only have a limited impact on the translation of sales and earnings from the local currencies into the Group currency euros they are not represented in this report.

Insofar as adjusted sales figures are shown in this interim report, they are adjusted for portfolio and currency effects.

STADA Group earnings development

Reported operating profit increased in the first six months of 2018 by 37% to €190.4 million (1-6/2017: €139.4 million). **Adjusted operating profit** rose by 12% to €204.7 million (1-6/2017: €183.4 million). **Reported EBITDA** grew by 18% to €260.6 million (1-6/2017: €220.9 million). **Adjusted EBITDA** increased by 10% to €261.7 million (1-6/2017: €237.7 million). **Reported net income** rose by 83% to €165.3million (1-6/2017: €90.3 million). **Adjusted net income** grew by 31% to €149.7 million (1-6/2017: €114.1 million).

Special items added up to a relief on earnings of €9.2 million before taxes and a burden on earnings of €19.8 million after taxes in the **second quarter of 2018**. The following overview shows the reconciliation of the reported financial key performance indicators to those adjusted by special items and further important STADA Group key earnings figures:

in € million[1]	Q2/2018 reported	Impairment/ write-ups of non-current assets	Effects of purchase price allocations and product acquisitions[2]	Severance payments	Change of tax status of STADA Arzneimittel AG	Q2/2018 adjusted
Operating profit	**102.5**	**4.8**	**3.0**	**1.4**	**–**	***111.8***
Result from investments measured at equity	2.9	–	–	–	–	*2.9*
Investment income	2.5	–	–	–	–	*2.5*
Earnings before interest and taxes (EBIT)	**107.9**	**4.8**	**3.0**	**1.4**	**–**	***117.2***
Financial income and expenses	-9.7	–	–	–	–	*-9.7*
Earnings before taxes (EBT)	**98.2**	**4.8**	**3.0**	**1.4**	**–**	***107.5***
Income taxes	-11.7	-0.3	0.5	–	28.9	*17.5*
Result distributable to non-controlling shareholders	1.3	–	-0.1	–	–	*1.2*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**108.6**	**5.1**	**2.6**	**1.4**	**-28.9**	***88.8***
Earnings before interest and taxes (EBIT)	**107.9**	**4.8**	**3.0**	**1.4**	**–**	***117.2***
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	34.2	-4.8	-3.2	–	–	*26.1*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**142.1**	**–**	**-0.2**	**1.4**	**–**	***143.3***

1) Due to the presentation in € millions, there may be rounding differences in the tables.
2) Relates to additional depreciation/amortization and other valuation effects due to purchase price allocations and significant product acquisitions taking financial year 2013 as basis.

In the **second quarter of 2017**, STADA recorded a burden on earnings of €38.8 million before taxes or €19.7 million after taxes due to **special items**. The reconciliation of the reported financial key performance indicators to those adjusted for special items and further important STADA Group key earnings figures had the following effects:

in € million[1]	Q2/2017 reported	Impairment/ write-ups on non-current assets	Effects of purchase price allocations and product acquisitions[2]	Consultancy services associated with the takeover process	Reversal of tax provisions	*Q2/2017 adjusted*
Operating profit	63.0	17.5	4.2	17.1	–	*101.8*
Result from investments measured at equity	1.1	–	–	–	–	*1.1*
Investment income	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	64.0	17.5	4.2	17.1	–	*102.8*
Financial income and expenses	10.7	–	–	–	–	*10.7*
Earnings before taxes (EBT)	53.4	17.5	4.2	17.1	–	*92.2*
Income taxes	9.8	3.0	0.5	4.8	10.4	*28.5*
Result distributable to non-controlling shareholders	2.5	0.3	0.1	–	–	*2.9*
Result distributable to share-holders of STADA Arzneimittel AG (net income)	41.1	14.2	3.6	12.3	-10.4	*60.8*
Earnings before interest and taxes (EBIT)	64.0	17.5	4.2	17.1	–	*102.8*
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	48.4	-17.5	-4.4	–	–	*26.4*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	112.4	–	-0.2	17.1	–	*129.2*

1) Due to the presentation in € millions, there may be rounding differences in the tables.
2) Relates to additional depreciation/amortization and other valuation effects due to purchase price allocations and significant product acquisitions taking financial year 2013 as basis.

In the **first six months of 2018**, **special items** resulted in a relief on earnings of €14.2 million before taxes and a burden on earnings of €15.6 million after taxes. The following overview shows the reconciliation of the reported financial key performance indicators to those adjusted by special items and further important STADA Group key earnings figures:

in € million[1]	H1/2018 reported	Impairment/ write-ups of non-current assets	Effects of purchase price allocations and product acquisitions[2]	Severance payments	Change of tax status of STADA Arzneimittel AG	*H1/2018 adjusted*
Operating profit	**190.4**	**6.6**	**6.2**	**1.4**	**–**	***204.7***
Result from investments measured at equity	3.2	–	–	–	–	*3.2*
Investment income	2.5	–	–	–	–	*2.5*
Earnings before interest and taxes (EBIT)	**196.1**	**6.6**	**6.2**	**1.4**	**–**	***210.3***
Financial income and expenses	-17.8	–	–	–	–	*-17.8*
Earnings before taxes (EBT)	**178.3**	**6.6**	**6.2**	**1.4**	**–**	***192.6***
Income taxes	10.7	0.2	1.0	–	28.9	*40.8*
Result distributable to non-controlling shareholders	2.3	–	-0.3	–	–	*2.0*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**165.3**	**6.4**	**5.5**	**1.4**	**-28.9**	***149.7***
Earnings before interest and taxes (EBIT)	**196.1**	**6.6**	**6.2**	**1.4**	**–**	***210.3***
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	64.5	-6.6	-6.5	–	–	*51.4*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**260.6**	**–**	**-0.3**	**1.4**	**–**	***261.7***

1) Due to the presentation in € millions, there may be rounding differences in the tables.
2) Relates to additional depreciation/amortization and other valuation effects due to purchase price allocations and significant product acquisitions taking financial year 2013 as basis.

In the **first six months of 2017**, STADA recorded a burden on earnings of €44.0 million before taxes or €23.8 million after taxes due to **special items**. The following overview shows the reconciliation of the reported financial key performance indicators to those adjusted by special items and further important STADA Group key earnings figures:

in € million[1]	H1/2017 reported	Impairment/ write-ups on non-current assets	Effects of purchase price allocations and product acquisitions[2]	Consultancy services associated with the takeover process	Reversals of tax provisions	*H1/2017 adjusted*
Operating profit	139.4	18.2	8.7	17.1	–	*183.4*
Result from investments measured at equity	2.3	–	–	–	–	*2.3*
Investment income	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	141.7	18.2	8.7	17.1	–	*185.7*
Financial income and expenses	21.5	–	–	–	–	*21.5*
Earnings before taxes (EBT)	120.2	18.2	8.7	17.1	–	*164.2*
Income taxes	24.9	3.3	1.2	4.8	10.4	*44.6*
Result distributable to non-controlling shareholders	5.0	0.3	0.2	–	–	*5.5*
Result distributable to share-holders of STADA Arzneimittel AG (net income)	90.3	14.6	7.3	12.3	-10.4	*114.1*
Earnings before interest and taxes (EBIT)	141.7	18.2	8.7	17.1	–	*185.7*
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	79.2	-18.2	-9.0	–	–	*52.0*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	220.9	–	-0.3	17.1	–	*237.7*

1) Due to the presentation in € millions, there may be rounding differences in the tables.
2) Relates to additional depreciation/amortization and other valuation effects due to purchase price allocations and significant product acquisitions taking financial year 2013 as basis.

Further important Group key earnings figures and the resulting margins are shown in the following tables, both on a reported and adjusted basis for the first six months of 2018 and the second quarter of 2018, together with the corresponding periods of the previous year:

Development of reported STADA Group key earnings figures

in € million	Q2/2018	Q2/2017	±%	H1/2018	H1/2017	±%
Operating profit	102.5	63.0	+63%	190.4	139.4	+37%
• Generics	87.7	67.4	+30%	156.2	122.6	+27%
• Branded Products	37.4	31.9	+17%	85.1	72.8	+17%
Operating profit margin[1]	17.7%	10.9%		16.7%	12.2%	
• Generics	25.4%	19.3%		23.2%	18.2%	
• Branded Products	16.0%	14.0%		18.3%	15.5%	
EBITDA	142.1	112.4	+26%	260.6	220.9	+18%
• Generics	101.4	81.5	+24%	183.8	151.0	+22%
• Branded Products	57.0	64.5	-12%	120.2	121.5	-1%
EBITDA margin[1]	24.5%	19.5%		22.9%	19.3%	
• Generics	29.3%	23.4%		27.3%	22.4%	
• Branded Products	24.4%	28.3%		25.8%	25.9%	
EBIT	107.9	64.0	+68%	196.1	141.7	+38%
EBIT margin[1]	18.6%	11.1%		17.2%	12.4%	
EBT	98.2	53.4	+84%	178.3	120.2	+48%
EBT margin[1]	16.9%	9.2%		15.7%	10.5%	
Net income	108.6	41.1	>100%	165.3	90.3	+83%
Net income margin[1]	18.7%	7.1%		14.5%	7.9%	
Earnings per share in €	1.75	0.66	>100%	2.66	1.45	+83%

Development of adjusted[2] STADA Group key earnings figures

in € million	*Q2/2018*	*Q2/2017*	*±%*	*H1/2018*	*H1/2017*	*±%*
Adjusted operating profit	*111.8*	*101.8*	*+10%*	*204.7*	*183.4*	*+12%*
• Generics	*88.8*	*68.1*	*+30%*	*158.6*	*124.4*	*+28%*
• Branded Products	*44.1*	*52.2*	*-15%*	*95.5*	*97.7*	*-2%*
Adjusted operating profit margin[1]	*19.3%*	*17.6%*		*18.0%*	*16.0%*	
• Generics	*25.7%*	*19.5%*		*23.6%*	*18.4%*	
• Branded Products	*18.9%*	*22.9%*		*20.5%*	*20.8%*	
Adjusted EBITDA	*143.3*	*129.2*	*+11%*	*261.7*	*237.7*	*+10%*
• Generics	*101.3*	*81.3*	*+25%*	*183.6*	*150.7*	*+22%*
• Branded Products	*56.9*	*64.4*	*-12%*	*120.0*	*121.4*	*-1%*
Adjusted EBITDA margin[1]	*24.7%*	*22.4%*		*23.0%*	*20.8%*	
• Generics	*29.3%*	*23.3%*		*27.3%*	*22.3%*	
• Branded Products	*24.3%*	*28.2%*		*25.8%*	*25.9%*	
Adjusted EBIT	*117.2*	*102.8*	*+14%*	*210.3*	*185.7*	*+13%*
Adjusted EBIT margin[1]	*20.2%*	*17.8%*		*18.5%*	*16.2%*	
Adjusted EBT	*107.5*	*92.2*	*+17%*	*192.6*	*164.2*	*+17%*
Adjusted EBT margin[1]	*18.6%*	*16.0%*		*17.0%*	*14.4%*	
Adjusted net income	*88.8*	*60.8*	*+46%*	*149.7*	*114.1*	*+31%*
Adjusted net income margin[1]	*15.3%*	*10.5%*		*13.2%*	*10.0%*	
Adjusted earnings per share in €	*1.43*	*0.97*	*+46%*	*2.40*	*1.83*	*+31%*

1) Relating to relevant Group sales.

2) Adjusted for special effects.

Cost of sales decreased in the first six months of the current financial year – along with decreased sales – to €544.9 million (1-6/2017: €575.8 million). Compared to sales, the decrease in cost of sales was proportionately high. **Gross profit** increased to €592.6 million in the reporting period (1-6/2017: €567.4 million). Gross margin improved to 52.1% (1-6/2017: 49.6%).

In the first six months of 2018, **selling expenses** increased to €256.2 million (1-6/2017: €243.5 million).

General and administrative expenses decreased in the reporting period to €86.3 million (1-6/2017: €98.5 million). This development was mainly attributable to lower consulting expenses.

Other income rose in the reporting period to €25.6 million (1-6/2017: €11.7 million).

Other expenses decreased in the first six months of 2018 to €50.2 million (1-6/2017: €64.5 million).

Financial expenses decreased in the first six months of 2018 to €21.2 million (1-6/2017: €23.1 million) – mainly due to lower interest expenses.

Income tax expenses decreased in the reporting period to €10.7 million (1-6/2017: €24.9 million). The reported tax rate was 6.0% (1-6/2017: 20.7%). This development was mainly due to a changed tax status of STADA Arzneimittel AG.

Sales and earnings development of the Generics segment

Reported sales in the **Generics** segment totaled €672.4 million and were more or less on a par with the corresponding period of the previous year (1-6/2017: €674.4 million). The figure no longer includes generics sales of STADA Vietnam J.V. Co. Ltd. **Sales** in the **Generics** segment **adjusted by portfolio and currency effects** showed an increase of 4% to €684.7 million (1-6/2017: €660.6 million). Generics accounted for 59.1% of Group sales (1-6/2017: 59.0%).

Reported operating profit in the **Generics** segment increased in the first six months of 2018 by 27% to €156.2 million (1-6/2017: €122.6 million). **Reported EBITDA** in the **Generics** segment grew by 22% to €183.8 million (1-6/2017: €151.0 million). The **reported operating profit margin** in the **Generics** segment amounted to 23.2% (1-6/2017: 18.2%). The **reported EBITDA margin** in the **Generics** segment was 27.3% (1-6/2017: 22.4%).

Adjusted operating profit in the **Generics** segment increased by 28% in the reporting period to €158.6 million (1-6/2017: €124.4 million). **Adjusted EBITDA** in the **Generics** segment rose by 22% to €183.6 million (1-6/2017: €150.7 million). The **adjusted operating profit margin** in the **Generics** segment was 23.6% (1-6/2017: 18.4%). The **adjusted EBITDA margin** in the **Generics** segment amounted to 27.3% (1-6/2017: 22.3%).

Sales and earnings development of the Branded Products segment

Reported sales in the **Branded Products** segment decreased in the reporting period by 1% to €465.1 million (1-6/2017: €468.8 million). The figure no longer includes branded product sales of STADA Vietnam J.V. Co. Ltd. **Sales** in the **Branded Products** segment **adjusted by portfolio and currency effects** showed an increase of 7% to €486.9 million (1-6/2017: €453.9 million). Branded Products accounted for 40.9% of Group sales (1-6/2017: 41.0%).

Reported operating profit in the **Branded Products** segment increased in the first six months of 2018 by 17% to €85.1 million (1-6/2017: €72.8 million). **Reported EBITDA** in the **Branded Products** segment showed a decrease of 1% to €120.2 million (1-6/2017: €121.5 million). The **reported operating profit margin** in the **Branded Products** segment was 18.3% (1-6/2017: 15.5%). The **reported EBITDA margin** in the **Branded Products** segment was 25.8% (1-6/2017 25.9%).

Adjusted operating profit in the **Branded Products** segment decreased by 2% in the reporting period to €95.5 million (1-6/2017: €97.7 million). **Adjusted EBITDA** in the **Branded Products** segment showed a decrease of 1% to €120.0 million (1-6/2017: €121.4 million). The **adjusted operating profit margin** in the **Branded Products** segment amounted to 20.5% (1-6/2017: 20.8%). The **adjusted EBITDA margin** in the **Branded Products** segment was 25.8% (1-6/2017: 25.9%).

Development, production, procurement and supply chain

In the first six months of the current financial year, research and development expenses totaled €34.9 million (1-6/2017: €33.2 million). In addition, STADA capitalized development expenses for new products in the amount of €9.1 million (1-6/2017: €10.1 million).

STADA continually invests in the Group's own manufacturing facilities and test laboratories. In the first six months of 2018, €9.8 million were invested in the expansion and renovation of production facilities, manufacturing plants and test laboratories (1-6/2017: €21.2 million).

Asset position, financial position and cash flow

The asset and financial position of the STADA Group developed positively in the reporting period. As of the reporting date of June 30, 2018, the **equity ratio** improved to 34.3% (December 31, 2017: 31.4%). **Net debt** amounted to €1,165.5 million as of June 30, 2018 (December 31, 2017: €1,054.7 million). The figure includes a shareholders' loan of €884.1 million. For the total figures including Nidda, please refer to the Group Reporting for the half year of 2018 of Nidda German Topco GmbH (see: www.niddahealthcare-offer.com).

Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled to terminate bonds, promissory note loans, and bank loans prematurely under the financing conditions. In this context, a partial amount of €360.2 million became due prematurely in the first quarter of 2018. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH of €347.0 million and used its own cash. Furthermore, promissory note loans of €9.5 million were repaid from cash.

The remaining financing of nominal €1,413.9 million as of June 30, 2018 was comprised as follows:

Financial instruments following exercise of put rights and additional repayment in € million	Nominal Value	**Maturity**
Promissory note loans	86.5	January 23, 2019
Promissory note loans	18.5	November 7, 2019
Promissory note loans	70.5	April 26, 2021
Bond	289.7	April 8, 2022
Promissory note loans	19.0	April 26, 2023
	484.2	
Further bank loans	45.6	rolling
Total financial liabilities	529.8	
Loan from Nidda Healthcare Holding GmbH	884.1	
Total financing	1,413.9	

On June 8, 2018, STADA published its request to bondholders of the STADA bond 2015/2022 to vote without meeting on appointing a joint representative of the bondholders and on conducting changes of the bond terms and conditions of the STADA bond 2015/2022.[1] On June 29, 2018, STADA published an invitation to a bondholders' meeting for bondholders of the STADA bond 2015/2022. The meeting was necessary because the legally stipulated quorum was not reached in the first vote without meeting from June 26 to June 28, 2018.[2] In addition, STADA published a tender offer to bondholders of the STADA bond 2015/2022 together with the invitation.

In the fourth quarter of 2017, there was an increase in current financial liabilities due to the reclassification of the promissory note loans, bonds and financial liabilities of STADA Arzneimittel AG with credit institutions. After expiry of the exercise option and the associated early repayment of the amounts due in the first quarter of 2018, the financial liabilities for which the options were not exercised were reclassified accordingly from current to current and non-current liabilities in the period and therefore financing contracts that were not prematurely repaid were assigned to their original terms on the balance sheet (see discussion

1) See company investor news of June 8, 2018.
2) See company investor news of June 29, 2018.

of current and non-current liabilities). Given the tender offer to the bondholders, STADA assumes that it would be possible to repay the bond in the short term; for this reason, the financial liabilities were reclassified from non-current to current in connection with the STADA bond 2015/2022.

Since one of the two corporate bonds for €347.1 million (December 31, 2017: €350.0 million) with an interest rate of 2.25% p.a. matured on June 5, 2018, only one corporate bond for €289.7 million (December 31, 2017: €300 million) with an interest rate of 1.75% p.a. was left as of June 30, 2018, to refinance the Group. In order to refinance the repayment of the bond of €347.1 million, STADA obtained a loan from Nidda Healthcare Holding GmbH. In addition, as of June 30, 2018, the Group held promissory note loans with a nominal value of €194.5 million in total (December 31, 2017: €526.0 million).

Intangible assets increased to €1,597.2 million as of June 30, 2018 (December 31, 2017: €1,474.3 million). As of the same reporting date, intangible assets included €391.8 million of goodwill (December 31, 2017: €396.5 million).

Property, plant and equipment totaled €331.2 million as of June 30, 2018 (December 31, 2017: €332.7 million).

Inventories were valued at €500.1 million as of the reporting date (December 31, 2017: €499.0 million).

Trade accounts receivable decreased to €495.6 million as of June 30, 2018 (December 31, 2017: €520.4 million).

Income tax receivables increased to €28.0 million as of the reporting date (December 31, 2017: €14.3 million).

Current other assets increased by €24.3 million to €59.6 million as of June 30, 2018 (December 31, 2017: €35.3 million).

Retained earnings including net income comprise the net income of the first six months of 2018 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined pension benefit plans, recognized through other comprehensive income, after the consideration of deferred tax liabilities, are also shown in this position.

Other reserves include the results directly considered in **equity**. This concerns, inter alia, the foreign exchange gain and loss resulting from currency translation – with no effect on income – of the financial statements of the companies included in the Group, which are shown in the currency translation reserve in the statement of changes in equity. The decline in other reserves as of June 30, 2018 was attributable in particular to the devaluation of the Russian ruble since December 31, 2017 and to the resulting expenses recognized in equity from currency conversion for companies that report in this currency.

The Group's **current and non-current financial liabilities** of €420.2 million and €992.4 million as of June 30, 2018 (December 31, 2017: €1,257.1 million and €0.8 million) mainly comprise promissory note loans with a nominal value of €194.5 million (December 31, 2017: €526.0 million), and one bond with a nominal value of €289.7 million (December 31, 2017: one bond with a nominal value of €350.0 million and one with a nominal value of €300.0 million) as well as a company loan in the amount of €884.1 million (December 31, 2017: €0.0 million).

Trade accounts payable decreased to €276.8 million as of June 30, 2018 (December 31, 2017: €340.6 million).

Deferred tax liabilities decreased to €85.1 million as of June 30, 2018 (December 31, 2017: €116.5 million).

Income tax liabilities increased to €90.1 million as of the reporting date (December 31, 2017: €69.7 million).

Other current financial liabilities decreased to €148.5 million as of June 30, 2018 (December 31, 2017: €226.1 million). This development was mainly attributable to a reclassification to financial liabilities out of a loan granted by Nidda Healthcare Holding GmbH. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) had committed itself as part of the takeover offer, to make financing available to STADA for the financing amounts required in case that the STADA financing was repaid prematurely.

Cash flow from operating activities, which comprises positions not covered by investments, financing, currency differences from the translation of foreign transactions and transactions in foreign currencies or by changes in the scope of consolidation and evaluation, amounted to €95.0 million in the first six months of 2018 (1-6/2017: €89.5 million).

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€194.7 million in the first six months of the current financial year (1-6/2017: -€72.6 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, was -€99.6 million in the reporting period (1-6/2017: €16.9 million). The **free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to €61.6 million (1-6/2017: €43.5 million).

Cash flow from financing activities in the first six months of the current financial year amounted to €102.7 million (1-6/2017: -€44.8 million). The repayments and borrowings included in cash flow from financing activities relate, among others, to the following circumstances: Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled to terminate bonds, promissory note loans, and bank loans prematurely under the financing conditions. In this context, a partial amount of €360.2 million became due prematurely in the first quarter of 2018. In addition, a bond of €347.1 million was repaid in the second quarter of 2018, according to schedule. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH and used its own cash. Furthermore, promissory note loans of €9.5 million were repaid from cash.

Cash flow of the current period was €3.9 million in the first six months of 2018, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-6/2017: -€31.8 million).

Acquisitions and disposals

As part of the strategic realignment, specialty pharmaceuticals subsidiary STADAPHARM GmbH acquired the distribution rights of APO-Go® in Germany from Grünenthal GmbH, starting from June 1, 2018.[1] STADA Nordic ApS will assume responsibility for distributing this Parkinson's disease medication for the Scandinavian region comprising Sweden, Norway, Denmark and Finland, starting from October 1, 2018.

STADA acquired the EMEA (Europe, Middle East, Africa) rights to Nizoral – a medical dandruff treatment shampoo – from Janssen Pharmaceutica NV in the second quarter of 2018.[2] Product sales in this region totaled approximately €33 million in 2017. In addition to the umbrella brand, the acquisition includes the following local trademarks: Nizoril, Nizorelle, Terzolin, Fungarest, Ketoderm, Oronazol and Triatop. Nizoral occupies a market share in the EMEA region that is several times larger than that of its closest competitor. As such it is the clear leader in the market for medical dandruff treatment shampoos. Worldwide, ketoconazole is the most widely prescribed medical ingredient for treating dandruff. This acquisition enables STADA to further expand its OTC portfolio and to strengthen its expertise in hair and scalp products.

STADA share

In the first six months of 2018, the price of STADA shares dropped by 9% from €88.23 to €80.44. Accordingly, market capitalization as of the end of the first six months of 2018 totaled €5.0 billion compared to €5.5 billion as of year-end 2017.

As of June 30, 2018, the subscribed share capital of STADA Arzneimittel AG of €162,090,344.00 (December 31, 2017: €162,090,344.00) was divided into 62,342,440 registered shares with a calculated interest in the share capital of €2.60 per share (December 31, 2017: 62,342,440 registered shares).

Voting rights notices received by STADA are published on the website at www.stada.de or www.stada.com.

1) See company press release of June 15, 2018.
2) See company press release of June 28, 2018.

On April 12, 2018, Frankfurt Stock Exchange announced that – on application of STADA's Executive Board – the admission of the STADA shares to the sub-segment of the regulated market that has additional obligations arising from the admission (Prime Standard) will be withdrawn with effect by the end of July 12, 2018. The admission to the regulated market (General Standard) remains unaffected and thus the trading (listing) in the regulated market (General Standard) started on July 13, 2018. Since the withdrawal of admission to the Prime Standard meant that the fundamental condition for inclusion of STADA shares in the MDAX® was no longer met, Deutsche Börse AG decided on June 5, 2018, during its regular review of the index composition, to exclude STADA from the MDAX® effective June 18, 2018.

At the Annual General Meeting on June 6, 2018, STADA shareholders approved by a large majority all items on the agenda on which the administration required a vote. A total of 73.5% of the share capital with voting rights was represented.[1)]

Report on expected developments and associated material opportunities and risks

From today's perspective, the Executive Board expects to meet the growth targets for financial year 2018 as published in the 2017 Annual Report. Taken together with the additions and updates included in this interim report, in the opinion of the Executive Board, an up-to-date overall picture of the expected developments and of the opportunities and risks for the remaining financial year of the STADA Group emerges.

Thus, given the growth drivers in the healthcare and pharmaceutical industry generally and those specific to the generics market, as well as growth forecasts in the Branded Products segment, STADA's business model is geared towards markets with long-term growth potential.

There are, however, also associated operative risks and challenges that are mainly due to amended or additional government regulations (e.g. additional official requirements for clinical studies which could lead to extended development times for biosimilars) and/or intense competition. Overall, the Group will also face non-operational influence factors in future, such as negative Group-relevant currency relations and the effects of the ongoing conflict in the Ukraine and the associated sanctions against Russia. Furthermore, the potentially negative macroeconomic consequences in connection with the United Kingdom's decision to leave the EU will play a role.

The future sales and earnings development of the Group will therefore generally be characterized by growth-stimulating as well as challenging conditions.

In light of the ongoing transformation process – which includes numerous initiatives to increase efficiency – the realigned corporate strategy and culture as well as strategic success factors, the outlook is predominantly positive.

Dr. Claudio Albrecht Mark Keatley

1) See company investor news of June 6, 2018.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STADA INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS AND SECOND QUARTER OF 2018 (ABRIDGED)

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Consolidated Income Statement

Consolidated Income Statement in K €	Q2/2018	Q2/2017	H1/2018	H1/2017
Sales	579,354	576,923	1,137,460	1,143,236
Cost of sales	273,914	287,578	544,906	575,835
Gross profit	**305,440**	**289,345**	**592,554**	**567,401**
Selling expenses	131,329	119,964	256,234	243,546
General and administrative expenses	40,973	45,417	86,312	98,499
Research and development expenses	18,687	16,659	34,909	33,199
Other income	13,165	5,477	25,559	11,721
Other expenses	25,105	49,824	50,209	64,455
Operating profit	**102,511**	**62,958**	**190,449**	**139,423**
Result from investments measured at equity	2,923	1,074	3,183	2,311
Investment income	2,455	–	2,455	–
Financial income	2,134	719	3,477	1,557
Financial expenses	11,832	11,392	21,231	23,109
Financial result	**-4,320**	**-9,599**	**-12,116**	**-19,241**
Earnings before taxes	**98,191**	**53,359**	**178,333**	**120,182**
Income taxes	-11,715	9,772	10,722	24,925
Earnings after taxes	**109,906**	**43,587**	**167,611**	**95,257**
of which				
• distributable to shareholders of STADA Arzneimittel AG (net income)	108,600	41,080	165,314	90,275
• distributable to non-controlling shareholders	1,306	2,507	2,297	4,982
Earnings per share in € (basic)	1.75	0.66	2.66	1.45

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in K €	Q2/2018	Q2/2017	H1/2018	H1/2017
Earnings after taxes	**109,906**	**43,587**	**167,611**	**95,257**
Items to be recycled to the income statement in future:				
Currency translation gains and losses	**-11,455**	**-54,177**	**-16,607**	**-35,259**
of which				
• income taxes	89	885	157	-96
Gains and losses on financial assets (FVOCI)	**-17**	**–**	**-37**	**–**
of which				
• income taxes	-4	–	4	–
Items not to be recycled to the income statement in future:				
Revaluations of net debt from defined benefit plans	**–**	**–**	**–**	**–**
of which				
• income taxes	–	–	–	–
Other comprehensive income	**98,434**	**-54,177**	**-16,644**	**-35,259**
of which				
• attributable to disposal groups held for sale in accordance with IFRS 5	–	–	–	-180
Consolidated comprehensive income	**98,434**	**-10,590**	**150,967**	**59,998**
of which				
• distributable to shareholders of STADA Arzneimittel AG	95,774	-8,893	148,294	60,116
• distributable to non-controlling shareholders	2,660	-1,697	2,673	-118

Consolidated Balance Sheet

Consolidated Balance Sheet in K € Assets	June 30, 2018	Dec. 31, 2017
Non-current assets	**1,999,604**	**1,880,574**
Intangible assets	1,597,241	1,474,342
Property, plant and equipment	331,207	332,738
Financial assets	2,041	1,978
Investments measured at equity	43,427	41,528
Other financial assets	1,390	1,087
Other assets	1,562	1,330
Deferred tax assets	22,736	27,571
Current assets	**1,345,221**	**1,323,952**
Inventories	500,086	499,012
Trade accounts receivable	495,552	520,441
Contract assets	740	–
Income tax receivables	28,024	14,346
Other financial assets	13,320	9,809
Other assets	59,610	35,323
Cash and cash equivalents	247,082	243,194
Non-current assets and disposal groups held for sale	807	1,827
Total assets	**3,344,825**	**3,204,526**

Equity and liabilities	June 30, 2018	Dec. 31, 2017
Equity	**1,146,565**	**1,006,406**
Share capital	162,090	162,090
Capital reserve	514,206	514,206
Retained earnings including net income	874,093	717,364
Other reserves	-447,053	-430,013
Treasury shares	-1,405	-1,405
Equity attributable to shareholders of the parent	**1,101,931**	**962,242**
Shares held by non-controlling shareholders	44,634	44,164
Non-current borrowings	**1,117,195**	**157,572**
Other non-current provisions	35,054	35,293
Financial liabilities	992,383	816
Other financial liabilities	3,302	4,032
Other liabilities	1,403	950
Deferred tax liabilities	85,053	116,481
Current borrowings	**1,081,065**	**2,040,548**
Other provisions	21,143	23,507
Financial liabilities	420,164	1,257,105
Trade accounts payable	276,754	340,642
Contract liabilities	407	–
Income tax liabilities	90,132	69,663
Other financial liabilities	148,506	226,108
Other liabilities	123,959	123,523
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	–
Total equity and liabilities	**3,344,825**	**3,204,526**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in K €	H1/2018	H1/2017
Net income	167,611	95,257
Depreciation and amortization net of write-ups of non-current assets	64,556	79,194
Income taxes	10,722	24,925
Income tax paid	-29,941	-19,115
Interest income and expenses	17,755	21,582
Interest and dividends received	1,176	2,040
Interest paid	-24,317	-28,624
Result from investments measured at equity	-3,183	-2,311
Result from the disposal of non-current assets	312	25
Additions to / reversals of other non-current provisions	1,628	1,634
Currency translation income and expenses	-3,214	76
Other non-cash expenses and gains[1)]	166,704	200,398
Gross cash flow	**369,809**	**375,081**
Changes in inventories	-16,200	-47,695
Changes in trade accounts receivable	4,012	-15,930
Changes in trade accounts payable	-66,150	-3,658
Changes in other net assets, unless attributable to investing or financing activities[1)]	-196,426	-218,300
Cash flow from operating activities	**95,045**	**89,498**
Payments for investments in		
• intangible assets	-182,202	-42,203
• property, plant and equipment	-16,768	-27,936
• financial assets	-48	-1,574
• business combinations in accordance with IFRS 3	–	-2,854
Proceeds from the disposal of		
• intangible assets	714	563
• property, plant and equipment	564	1,420
• financial assets	–	–
• shares in consolidated companies	3,062	6
Cash flow from investing activities	**-194,678**	**-72,578**
Borrowing of funds	844,810	22,307
Settlement of financial liabilities	-731,667	-65,431
Settlement of finance lease liabilities	-855	-659
Dividend distribution	-8,944	-1,032
Capital increase from share options	–	–
Changes in non-controlling interests	-662	–
Changes in treasury shares	–	30
Cash flow from financing activities	**102,682**	**-44,785**
Changes in cash and cash equivalents	**3,049**	**-27,865**
Changes in cash and cash equivalents due to the scope of consolidation	–	1,367
Changes in cash and cash equivalents due to exchange rates	838	-5,327
Net change in cash and cash equivalents	**3,887**	**-31,825**
Balance at beginning of the period	**243,195**	**352,580**
Balance at end of the period	**247,082**	**320,755**

1) Non-cash additions to accruals for discounts to health insurance organizations in the first six months of 2018 in the amount of €126.0 million (1-6/2017: €146.8 million) are recognized in gross cash flow and are therefore not included in changes in other net assets.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity in K € 2018	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of June 30, 2018	**62,342,440**	**162,090**	**514,206**	**874,093**
Dividend distribution				-6,848
Capital increase from share options				
Changes in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Other comprehensive income				-18
Net income				165,314
Balance as of Jan. 1, 2018, adjusted	**62,342,440**	**162,090**	**514,206**	**715,645**
Adjustments under IFRS 15				446
Adjustments under IFRS 9				-2,165
Balance as of Jan. 1, 2018	**62,342,440**	**162,090**	**514,206**	**717,364**
Previous year				
Balance as of June 30, 2017	**62,342,440**	**162,090**	**514,206**	**763,608**
Dividend distribution				
Capital increase from share options				
Changes in treasury shares			17	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				-25
Other comprehensive income				105
Net income				90,275
Balance as of Jan. 1, 2017	**62,342,440**	**162,090**	**514,189**	**673,253**

Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-446,978	**-75**	**-1,405**	**1,101,931**	**44,634**	**1,146,565**
			-6,848	-3,530	-10,378
			–		–
			–		–
			–		–
			–	1,435	1,435
			–		–
-16,965	-37		-17,020	376	-16,644
			165,314	2,297	167,611
-430,013	**-38**	**-1,405**	**960,485**	**44,056**	**1,004,541**
			446		446
	-38		-2,203	-108	-2,311
-430,013	**–**	**-1,405**	**962,242**	**44,164**	**1,006,406**
-409,338		**-1,405**	**1,029,161**	**73,542**	**1,102,703**
			–	-4,009	-4,009
			–		–
		13	30		30
			–		–
			–	367	367
			-25	-763	-788
-30,264			-30,159	-5,100	-35,259
			90,275	4,982	95,257
-379,074		**-1,418**	**969,040**	**78,065**	**1,047,105**

Notes

1. General

1.1. Accounting policies

STADA's Interim Report meets the requirements of Section 115 of the German Securities Trading Act (WpHG) and comprises Interim Consolidated Financial Statements and an Interim Group Management Report pursuant to the provisions of Section 115 (3) of the German Securities Trading Act. The Interim Consolidated Financial Statements were prepared in consideration of International Financial Reporting Standards (IFRS) for the interim report as they are to be applied in the European Union (EU).

The Interim Group Management Report was prepared in observance of the applicable regulations of the German Securities Trading Act. The Interim Consolidated Financial Statements as of June 30, 2018 were prepared in observance of the regulations of International Accounting Standard (IAS) 34. In accordance with the regulations of IAS 34, an abridged scope of the report compared to the Consolidated Financial Statements as of December 31, 2017 was selected.

All IFRS adopted by the International Accounting Standards Board (IASB) and endorsed by the EU, which are required to be applied from January 1, 2018 onwards, were observed by STADA.

With the exception of the changes in accounting policies shown under point 1.2., the same accounting policies and calculation methods are used in these Interim Consolidated Financial Statements as in the Consolidated Financial Statements of the 2017 financial year. In this respect, with regard to the principles and methods applied in the Group financial reporting, reference is made in general to the Notes to the Consolidated Financial Statements in the Annual Report 2017.

1.2. Changes in accounting policies

In the first six months of 2018, STADA observed and, where relevant, applied, the announcements or modified announcements published by the IASB and endorsed by the EU with an initial application date of January 1, 2018. To the extent that these changes had any significant effects on the presentation of STADA's net assets, financial position and results of operations or cash flow, they are discussed in detail below.

In July 2014, the IASB published IFRS 9 "Financial Instruments". The standard replaces IAS 39 and introduces new guidelines on classifying, recognizing and valuing financial instruments. Furthermore, IFRS 9 includes regulations on accounting for hedging transactions. IFRS 9 must be applied to financial years starting on or after January 1, 2018. STADA applied the new standard for the first time on January 1, 2018. There will be no adjustment of the previous year's figures pursuant to the transitional provisions of IFRS 9. The accumulative effect from the first-time application of IFRS 9 as of January 1, 2018, was therefore recorded in equity with no effect on income.

IFRS 9 has introduced a new model for classification of financial assets. These assets are classified based on their contractual cash flow characteristics and the business model under which they are held. As a result, financial instruments are assigned to the category "recognized at amortized cost" (AC), the new category "recognized at fair value through other comprehensive income" (FVOCI) or the category "recognized at fair value through profit or loss" (FVPL).

First-time application of IFRS 9 has resulted in the following effects on the classification of financial assets and financial liabilities:

	IAS 39			Remeasurement		IFRS 9	
in K €	Category	Carrying amount as of Dec. 31, 2017	Reclassification	ECL	Other	Carrying amount as of Jan. 1, 2018	Category
Financial assets							
Cash and cash equivalents	LaR	243,195	–	–	–	243,195	AC
Trade accounts receivable	LaR	520,441	-14,140	-2,655	–	503,646	AC
to: Financial assets (FVOCI)		–	14,140	–	-50	14,090	FVOCI
Available-for-sale financial assets	AfS	1,978	-1,978	–	–	–	–
to: Financial assets (FVPL)		–	1,978	–	–	1,978	FVPL
Derivative financial assets with a hedging relationship	n/a	678	–	–	–	678	n/a
Derivative financial assets without a hedging relationship	FVPL	–	–	–	–	–	FVPL
Other financial assets	LaR	10,217	–	-2	–	10,215	AC
Non-financial assets							
Deferred tax assets	–	27,571	–	–	812	28,383	–
Total assets		**804,080**	**–**	**-2,657**	**762**	**802,185**	
Financial liabilities							
Trade accounts payable	AC	340,642	–	–	–	340,642	AC
Amounts due to banks	AC	84,823	–	–	–	84,823	AC
Promissory note loans	AC	525,112	–	–	–	525,112	AC
Bonds	AC	647,986	–	–	–	647,986	AC
Finance lease liabilities	n/a	3,419	–	–	–	3,419	n/a
Derivative financial liabilities with a hedging relationship	n/a	1,244	–	–	–	1,244	n/a
Derivative financial liabilities without a hedging relationship	FVPL	6	–	–	–	6	FVPL
Other financial liabilities	AC	225,471	–	–	–	225,471	AC
Non-financial liabilities							
Deferred tax liabilities	–	116,481	–	–	416	116,897	–
Total liabilities		**1,945,184**	**–**	**–**	**416**	**1,945,600**	

Under IFRS 9, a financial asset is recognized at fair value through other comprehensive income if the underlying business model consists of holding the assets to collect contractual cash flows and sell financial assets (business model condition). In addition, the cash flow condition must be met. This is the case when the contractual features of the financial assets at fixed times provide exclusively for interest and discharge payments toward the outstanding principal.

For receivables that can be factored, the new provisions for classifying financial assets lead to changes in their valuation and recognition due to the business model existing in this case. The same applies to the continuing involvement, which is recorded in the course of a partial elimination of sold receivables. These financial assets, which remain under trade accounts receivable, are no longer recognized at amortized cost, but at fair value through other comprehensive income. Changes in the fair value of these receivables are therefore recognized in equity through other comprehensive income in the FVOCI reserve. Meanwhile, financial assets that are recognized at fair value through other comprehensive income are fundamentally subject to the same impairment model as the financial assets recognized at amortized cost.

Equity instruments and derivatives are generally to be recognized under IFRS 9 at fair value through profit or loss. For equity instruments, IFRS 9 offers the choice to record changes in fair value under other comprehensive income. STADA does not make use of this choice and recognizes equity instruments which exist in the form of equity holdings in other companies at fair value through profit or loss.

Due to the new provisions on impairment, losses expected under IFRS 9 will in future be recognized as expenses at an earlier stage. While under IAS 39 the incurred-losses model was relevant for formation of a risk provision, under IFRS 9 it is based on the expected-credit-losses model. STADA applied the simplified approach for trade accounts receivable as well as assets. For the other financial assets, the general approach is applied on principle. Through the first-time application of the impairment regulations under IFRS 9 as of January 1, 2018, the total amount of impairments increased by €2.7 million. The reconciliation of the risk provision under IAS 39 to expected credit losses under IFRS 9 is described below:

in K €	Risk provision under IAS 39 as of Dec. 31, 2017	Remeasure-ment	ECL under IFRS 9 as of Jan. 1, 2018
Valuation allowance for trade accounts receivable (AC)	145,828	2,655	148,483
Valuation allowance for other financial assets (AC)	11,414	2	11,416
Total valuation allowances	**157,242**	**2,657**	**159,899**

Country-specific loss probabilities are applied to determine expected credit losses under IFRS 9.

The changes made under IFRS 9 resulted in adjustments as of January 1, 2018 to the FVOCI reserve and to the profit carried forward (not taking into account the amounts for shares relating to non-controlling shareholders), which are described below:

in K €	FVOCI reserve
As of Dec. 31, 2017	**–**
Financial assets recognized through other comprehensive income (FVOCI)	-50
Deferred taxes	12
As of Jan. 1, 2018, per IFRS 9	**-38**

in K €	Profit brought forward
As of Dec. 31, 2017	**717,364**
Recognition ECL per IFRS 9 for financial assets (AC)	-2,523
Deferred taxes	358
As of Jan. 1, 2018, per IFRS 9	**715,199**

In May 2014, the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. In a five-stage model, IFRS 15 governs revenue recognition for contracts with customers, in particular replacing the existing IAS 11 standards “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 must be applied to financial years starting on or after January 1, 2018. STADA applied the new standard on January 1, 2018 for the first time. In doing so, STADA made use of its right to choose simplified first-time application. Contracts that have not yet been completely fulfilled as of January 1, 2018 shall therefore be accounted for as if the new IFRS 15 standard had already been applied at the start of these contracts, meaning that the cumulative effect from conversion shall be recognized in equity with no effect on income. There shall be no adjustment of the comparison figures from the previous periods.

First-time application of IFRS 15 as of January 1, 2018, produced an augmenting cumulative effect of €0.4 million that was recognized in retained earnings. The effect mainly results from the contractual assets to be accounted for, which are to be recorded in future in the context of product return regulations, and from the deferred taxes to be recognized for them. Furthermore, application resulted in reclassification of €0.6 million of advance payments from trade accounts payable to contractual liabilities. The new standard on revenue recognition therefore has barely any effects on sales accounting as the significant part of sales in the consolidated financial statements are generated from routine transactions. There are no agreements in the Group governing multiple services in a contract or in several contracts (multi-element arrangements). There were also no changes made in the accounting for license agreements, as they amounted to less than 2% of total sales in the 2017 financial year. All STADA license agreements either have a connection with the sales generated by the licensee or further activities are required of STADA which enable the licensee to use his or her right. If this were not the case in the existing license agreements, then, as a result of the new IFRS 15, in future sales would be generated in the amount of the entire license fee when the licenses are granted and therefore no longer distributed over the term of the license (as is currently the case).

The effects of first-time application of the new IFRS 9 and IFRS 15 standards as of January 1, 2018 on STADA's consolidated balance sheet are described in condensed form below:

Consolidated balance sheet in K € Assets	Dec. 31, 2017 (reported)	Adjustments under IFRS 9	Adjustments under IFRS 15	Jan. 1, 2018 (adjusted)
Non-current assets	**1,880,574**	**812**	**–**	**1,881,386**
Intangible assets	1,474,342			1,474,342
Property, plant and equipment	332,738			332,738
Financial assets	1,978			1,978
Investments measured at equity	41,528			41,528
Other financial assets	1,087			1,087
Other assets	1,330			1,330
Deferred tax assets	27,571	812		28,383
Current assets	**1,323,952**	**-2,707**	**622**	**1,321,867**
Inventories	499,012			499,012
Trade accounts receivable	520,441	-2,705		517,736
Contractual assets	–		622	622
Income tax receivables	14,346			14,346
Other financial assets	9,809	-2		9,807
Other assets	35,323			35,323
Cash and cash equivalents	243,194			243,194
Non-current assets and disposal groups held for sale	1,827			1,827
Total assets	3,204,526	**-1,895**	**622**	3,203,253

Equity and liabilities	Dec. 31, 2017 (reported)	Adjustments under IFRS 9	Adjustments under IFRS 15	Jan. 1, 2018 (adjusted)
Equity	**1,006,406**	**-2,311**	**446**	**1,004,541**
Share capital	162,090			162,090
Capital reserve	514,206			514,206
Retained earnings including net income	717,364	-2,165	446	715,645
Other reserves	-430,013	-38		-430,051
Treasury shares	-1,405			-1,405
Equity attributable to shareholders of the parent company	**962,242**	**-2,203**	**446**	**960,485**
Shares relating to non-controlling shareholders	44,164	-108		44,056
Non-current borrowed capital	**157,572**	**416**	**176**	**158,164**
Pension provisions	35,293			35,293
Financial liabilities	816			816
Other financial liabilities	4,032			4,032
Other liabilities	950			950
Deferred tax liabilities	116,481	416	176	117,073
Current borrowed capital	**2,040,548**	**–**	**–**	**2,040,548**
Other provisions	23,507			23,507
Financial liabilities	1,257,105			1,257,105
Trade accounts payable	340,642		-563	340,079
Contractual liabilities	–		563	563
Income tax liabilities	69,663			69,663
Other financial liabilities	226,108			226,108
Other liabilities	123,523			123,523
Non-current liabilities and disposal groups held for sale	–			–
Total equity and liabilities	3,204,526	**-1,895**	**622**	3,203,253

The IASB has published the following IFRS standards that were not yet applied:

In January 2016, the IASB published a new standard, IFRS 16 "Leases", which generally prescribes that lessees recognize the contractual rights (assets) and responsibilities (liabilities) associated with leases in the balance sheet. Classification into finance leases or operating leases is consequently no longer required of the lessee. IFRS 16 must be applied to financial years starting on or after January 1, 2019. Early application is permitted. STADA will apply the new standard for the first time on January 1, 2019 and is expected to do so retrospectively in modified fashion, i.e. figures from the previous years will not be adjusted. Rights of use are therefore expected to be assimilated to leasing liabilities at the time of conversion.

Examination of the effects from the application of IFRS 16 on the consolidated financial statements has not yet been fully completed. Based on the prescribed accounting of assets and obligations in the lessee's balance sheet pursuant to IFRS 16, a considerable increase in total assets is expected at the time of the first application. Pursuant to the currently existing leases and examination results, STADA expects to recognize rights of use of approximately €40 million and leasing obligations of €40 million. Instead of leasing expenses, amortizations and interest expenses will in future be recorded in the income statement as a result of the changes of IFRS 16, with a corresponding positive effect on EBITDA. Based on where the examinations currently stand, STADA assumes amortization of the current leases will amount to approximately €40 million in future. Furthermore, STADA expects future interest expenses of approximately €10 million. Under the previous regulations of IAS 17, "Leases", these expenses had been fully recorded as lease expenses in operating profit and as a reduction of EBITDA. At STADA, the conversion effect mainly concerns leased properties, company vehicles and office and business equipment.

Furthermore, in May 2017 the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", which provided a clarification of the recognition and valuation requirements for uncertain income tax positions. In assessing the uncertainty, a company must therefore assess the likelihood of acceptance of the income tax treatment of business transactions in the relevant tax jurisdiction. The interpretation must be applied to financial years which begin on or before January 1, 2019, and early application is permitted. STADA is currently evaluating the effects of IFRIC 23 on the company's consolidated financial statements.

From the future application of additional standards and interpretations that have not yet been applied, from today's perspective no effects, or no significant effects, are expected on the consolidated financial statements.

1.3. Scope of consolidation

STADA's interim consolidated financial statements are prepared for STADA Arzneimittel AG as a parent company.

Under a contract concluded in the fourth quarter of 2017, the shares held by STADA in STADA Vietnam J.V. Co. Ltd. are to be sold as of December 31, 2019. In light of this fact, as of December 2017 this company is no longer accounted for as a subsidiary pursuant to IFRS 10, but as an associate pursuant to IAS 28, and from that time on the financial information of this company is no longer considered.

In the reporting quarter, the Russian subsidiary ZAO Makiz-Pharma was merged with the Russian subsidiary OOO Hemofarm on May 24, 2018, retaining the name OOO Hemofarm.

Thus, on the reporting date, June 30, 2018, the scope of consolidation included a total of 78 subsidiaries and five associates in STADA's Interim Consolidated Financial Statements.

1.4. Business combinations

No material business combinations as defined in IFRS 3 took place in the first six months of 2018.

2. Information on the Consolidated Income Statement

2.1. Sales

Reported Group sales decreased in the first six months of the current financial year by 1% to €1,137.5 million (1-6/2017: €1,143.2 million). After deducting effects on sales resulting from changes in the Group portfolio and from currency effects, adjusted Group sales increased by 5% to €1,171.6 million (1-6/2017: €1,114.5 million).

2.2. Cost of sales and gross profit

Cost of sales decreased in the first six months of the current financial year – along with decreased sales – to €544.9 million (1-6/2017: €575.8 million). Compared to sales, the decrease in cost of sales was proportionately high. Gross profit increased to €592.6 million in the reporting period (1-6/2017: €567.4 million). Gross margin improved to 52.1% (1-6/2017: 49.6%).

2.3. Selling expenses

In the first six months of 2018, selling expenses increased to €256.2 million (1-6/2017: €243.5 million).

2.4. General and administrative expenses

General and administrative expenses decreased in the reporting period to €86.3 million (1-6/2017: €98.5 million). This development was mainly attributable to lower consulting expenses.

2.5. Other income

Other income rose in the reporting period to €25.6 million (1-6/2017: €11.7 million).

2.6. Other expenses

Other expenses decreased in the first six months of 2018 to €50.2 million (1-6/2017: €64.5 million).

2.7. Financial expenses

Financial expenses decreased in the first six months of 2018 to €21.2 million (1-6/2017: €23.1 million) – mainly due to lower interest expenses.

2.8. Income taxes

Income tax expenses decreased in the reporting period to €10.7 million (1-6/2017: €24.9 million). The reported tax rate was 6.0% (1-6/2017: 20.7%). This development was mainly due to a changed tax status of STADA Arzneimittel AG.

2.9. Earnings per share

Earnings per share increased in the first six months of 2018 to €2.66 (1-6/2017: €1.45).

3. Information on the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets increased to €1,597.2 million as of June 30, 2018 (December 31, 2017: €1,474.3 million). As of the same reporting date, intangible assets included €391.8 million of goodwill (December 31, 2017: €396.5 million).

3.2. Property, plant and equipment

Property, plant and equipment totaled €331.2 million as of June 30, 2018 (December 31, 2017: €332.7 million).

3.3. Inventories

Inventories were valued at €500.1 million as of the reporting date (December 31, 2017: €499.0 million).

3.4. Trade accounts receivable

Trade accounts receivable decreased to €495.6 million as of June 30, 2018 (December 31, 2017: €520.4 million).

3.5. Income tax receivables

Income tax receivables increased to €28.0 million as of the reporting date (December 31, 2017: €14.3 million).

3.6. Other assets

Current other assets increased by €24.3 million to €59.6 million as of June 30, 2018 (December 31, 2017: €35.3 million).

3.7. Retained earnings and other reserves

Retained earnings including net income comprise the net income of the first six months of 2018 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined benefit plans, recognized through other comprehensive income after the consideration of deferred tax liabilities, were also shown in this position.

Other reserves include the results directly considered in equity. This concerns, inter alia, the foreign exchange gain and loss resulting from currency translation – with no effect on income – of the financial statements of the companies included in the Group, which are shown in the currency translation reserve in the statement of changes in equity. The decline in other reserves as of June 30, 2018 was attributable in particular to the devaluation of the Russian ruble since December 31, 2017 and to the resulting expenses recognized in equity from currency conversion for companies that report in this currency.

3.8. Financial liabilities

The Group's current and non-current financial liabilities of €420.2 million respectively €992.4 million as of June 30, 2018, (December 31, 2017: €1,257.1 million respectively €0.8 million) mainly comprise promissory note loans with a nominal value of €194.5 million (December 31, 2017: €526.0 million), and one bond with a nominal value of €289.7 million (December 31, 2017: one bond with a nominal value of €350.0 million and one bond with a nominal value of €300.0 million) as well as a company loan in the amount of €884.1 million (December 31, 2017: €0.0 million).

3.9. Trade accounts payable

Trade accounts payable decreased to €276.8 million as of June 30, 2018 (December 31, 2017: €340.6 million).

3.10. Deferred tax liabilities

Deferred tax liabilities decreased to €85.1 million as of the reporting date (December 31, 2017: €116.5 million).

3.11. Income tax liabilities

Income tax liabilities increased to €90.1 million as of the reporting date (December 31, 2017: €69.7 million).

3.12. Other financial liabilities

Other current financial liabilities decreased to €148.5 million as of June 30, 2018 (December 31, 2017: €226.1 million). This development was mainly attributable to a reclassification to financial liabilities out of a loan granted by Nidda Healthcare Holding GmbH. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) had committed itself, as part of the takeover offer, to make financing available to STADA for the financing amounts required in case that the STADA financing was repaid prematurely.

4. Information on the Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities, which comprises positions not covered by investments, financing, currency differences from the translation of foreign transactions and transactions in foreign currencies or by changes in the scope of consolidation and evaluation, amounted to €95.0 million in the first six months of 2018 (1-6/2017: €89.5 million).

4.2. Cash flow from investing activities

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€194.7 million in the first six months of the current financial year (1-6/2017: -€72.6 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets.

4.3. Cash flow from financing activities

Cash flow from financing activities in the first six months of the current financial year amounted to €102.7 million (1-6/2017: -€44.8 million). The repayments and borrowings included in cash flow from financing activities relate, among others, to the following circumstances: Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled to terminate bonds, promissory note loans, and bank loans prematurely under the financing conditions. In this context, a partial amount of €360.2 million became due prematurely in the first quarter of 2018. In addition, a bond of €347.1 million was repaid in the second quarter of 2018, according to schedule. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH and used its own cash. Furthermore, promissory note loans of €9.5 million were repaid from cash.

4.4. Cash flow of the current period

Cash flow of the current period was €3.9 million in the first six months of 2018, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-6/2017: -€31.8 million).

5. Segment reporting

5.1. General information

The assessment approaches for segment reporting comply with the accounting policies applied in the IFRS consolidated financial statements. Payments between segments are settled based on market prices.

The reported segment result corresponds to the operating profit in the income statement of the STADA Group under IFRS. The non-current assets per segment are not recognized, nor are segment liabilities, as this information is not used to manage the Group.

5.2. Information by operating segment

in K €		Q2/2018	Q2/2017	H1/2018	H1/2017
Generics	**External sales**	**345,498**	**348,542**	**672,345**	**674,426**
	Sales with other segments	98	312	121	1,012
	Total sales	345,596	348,854	672,466	675,438
	Operating profit	87,680	67,398	156,197	122,627
	Depreciation/amortization	12,008	13,213	24,158	26,373
	Impairment losses	2,180	1,361	3,904	2,440
	Reversals	501	536	501	536
	EBITDA	101,374	81,461	183,785	150,954
	Special items within EBITDA	-107	-132	-197	-257
	thereof				
	• effects from purchase price allocations and product acquisitions	-107	-132	-197	-257
	• severance payments	–	–	–	–
	• consulting services	–	–	–	–
	EBITDA adjusted	*101,267*	*81,329*	*183,588*	*150,697*
	Other significant non-cash items within operating result	-53,744	-73,798	-146,870	-154,229
Branded Products	**External sales**	**233,856**	**228,381**	**465,115**	**468,810**
	Sales with other segments	–	6	–	10
	Total sales	233,856	228,387	465,115	468,820
	Operating profit	37,413	31,929	85,125	72,831
	Depreciation/amortization	16,322	16,650	31,774	32,633
	Impairment losses	3,152	17,888	3,204	17,954
	Reversals	–	1,918	–	1,918
	EBITDA	56,999	64,549	120,215	121,500
	Special items within EBITDA	-99	-113	-188	-109
	thereof				
	• effects from purchase price allocations and product acquisitions	-99	-113	-188	-109
	• severance payments	–	–	–	–
	• consulting services	–	–	–	–
	EBITDA adjusted	*56,900*	*64,436*	*120,027*	*121,391*
	Other significant non-cash items within operating result	-2,768	-6,884	-12,327	-16,774

in K €		Q2/2018	Q2/2017	H1/2018	H1/2017
Reconciliation Group holdings/other and consolidation	**External sales**	–	–	–	–
	Sales with other segments	-98	-318	-121	-1,022
	Total sales	-98	-318	-121	-1,022
	Operating profit	-22,582	-36,369	-50,873	-56,035
	Depreciation/amortization	1,017	987	2,017	1,978
	Impairment losses	–	270	–	270
	Reversals	–	-407	–	–
	EBITDA	-16,306	-33,656	-43,357	-51,526
	Special items within EBITDA	1,436	17,139	1,436	17,139
	thereof				
	• effects from purchase price allocations and product acquisitions	–	–	–	–
	• severance payments	1,436	–	1,436	–
	• consulting services	–	17,139	–	17,139
	EBITDA adjusted	*-14,870*	*-16,517*	*-41,921*	*-34,387*
	Other significant non-cash items within operating result	4,562	-17,419	-4,310	-13,820
Group	**External sales**	**579,354**	**576,923**	**1,137,460**	**1,143,236**
	Sales with other segments	–	–	–	–
	Total sales	579,354	576,923	1,137,460	1,143,236
	Operating profit	102,511	62,958	190,449	139,423
	Depreciation/amortization	29,347	30,850	57,949	60,984
	Impairment losses	5,332	19,519	7,108	20,664
	Reversals	501	2,047	501	2,454
	EBITDA	142,067	112,354	260,643	220,928
	Special items within EBITDA	1,230	16,894	1,051	16,773
	thereof				
	• effects from purchase price allocations and product acquisitions	-206	-245	-385	-366
	• severance payments	1,436	–	1,436	–
	• consulting services	–	17,139	–	17,139
	EBITDA adjusted	*143,297*	*129,248*	*261,694*	*237,701*
	Other significant non-cash items within operating result	-51,950	-98,101	-163,507	-184,823

5.3. Reconciliation of segment results to net profit

in € k	Q2/2018	Q2/2017	H1/2018	H1/2017
Adjusted EBITDA for segments	158,167	145,765	303,615	272,088
Special effects within EBITDA	206	245	385	366
Reconciliation Group holdings/other and consolidation	-16,306	-33,656	-43,357	-51,526
Depreciation, amortization, impairment losses and reversals	34,178	48,322	64,556	79,194
Financial income	2,134	719	3,477	1,557
Financial expenses	11,832	11,392	21,231	23,109
Earnings before taxes, Group	**98,191**	**53,359**	**178,333**	**120,182**

6. Disclosures about fair value measurements and financial instruments

The table below provides information on how the valuations of assets and debts measured at fair value have been determined:

Fair values according to hierarchy level in K € on a recurring basis	Stage 1 Listed prices on active markets		Stage 2 Valuation methods with input parameters observable on the market		Stage 3 Valuation methods with input parameters not observable on the market	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Financial assets (FVOCI)						
• Factorable receivables	–	–	–	–	54,914	–
Financial assets (FVPL)						
• Currency forwards	–	–	40	2,592	–	–
Financial liabilities (FVPL)						
• Currency forwards	–	–	178	318	–	–
• Interest/currency swaps	–	–	–	–	–	2,741
Derivative financial liabilities with a hedging relationship						
• Fair value hedges	–	–	908	–	–	–

For receivables that can be factored, the new provisions for classifying financial assets under IFRS 9 lead to changes in their valuation and recognition due to the business model existing in this case. The same applies to the continuing involvement, which is recorded in the course of a partial elimination of sold receivables. These financial assets are no longer recognized at amortized cost, but at fair value through other comprehensive income, and are therefore included in the table above. Changes in the fair value of these receivables – which differs from the measurement at amortized cost to only a minor extent – are recognized through other comprehensive income in the FVOCI reserve.

In preparing the financial statements, STADA verifies the assignment to hierarchy levels based on the available information by determining the fair values. If a need for reclassification is found here, the reclassification will take place at the start of the reporting period.

The fair values are analyzed when preparing the financial statements. Market comparisons and change analyses are undertaken for this purpose.

Financial assets (FVPL) and financial liabilities measured at fair value through profit or loss (FVPL) include positive and negative market values of derivative financial instruments (currency swaps, and in the previous year both interest/cross-currency and currency swaps) which are not in a hedging relationship. The fair values of currency forwards were determined in the Group's own system according to standardized procedures and using customary financial mathematical methods based on current data such as spot prices and swap rates provided by a recognized information service. In the previous year, these fair values were determined on the basis of suitable measurement models by external third parties.

STADA designates currency forwards (EUR/RUB, EUR/DKK, EUR/CHF, EUR/USD and EUR/GBP) as fair value hedges that are used to hedge the currency risk associated with intercompany loans. Changes in the value of the underlyings – which result from changes in the respective currency exchange rates – are offset by the changes in value of the currency forwards. The purpose of the fair value hedges is therefore to hedge the currency risk of these financial liabilities. Credit risks are not reflected in the hedge. The effectiveness of the hedging relationship is reviewed prospectively and retrospectively on each closing date. As of this balance-sheet closing date, all designated hedging relationships were sufficiently effective.

The financial assets and liabilities assigned to hierarchy level 3 and measured at fair value developed in the first six months of 2018 as follows:

in K €	Financial assets measured at fair value	Financial liabilities measured at fair value
As of January 1, 2018	–	–
Adjustments per IFRS 9	14,090	–
Reclassification from level 2	–	–
Currency changes	15	–
Comprehensive income	–	–
• through profit or loss	–	–
• with no effect on profit or loss	-41	–
Additions	54,990	–
Implementations	-14,140	–
Reclassification to level 2	–	–
As of June 30, 2018	54,914	–
Results recognized through profit or loss	–	–
Other income/other expenses	–	–
of which		
• attributable to assets/liabilities held as of the reporting date	–	–
Financial result	–	–
of which		
• attributable to assets/liabilities held as of the reporting date	–	–

The financial assets and liabilities assigned to hierarchy level 3 and measured at fair value developed in the first six months of 2017 as follows:

in K €	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance as of Jan. 1, 2017	**9,910**	**-3,362**
Reclassification from level 2	–	–
Currency changes	–	–
Comprehensive income	-268	621
• through profit or loss	-268	621
• with no effect on profit or loss	–	–
Additions	–	–
Implementations	-9,642	–
Reclassification to level 2	–	–
Balance at June 30, 2017	**–**	**-2,741**
Results recognized through profit or loss	**-268**	**621**
Other income/other expenses	-151	472
of which		
• attributable to assets/liabilities held as of the reporting date	–	472
Financial result	-117	149
of which		
• attributable to assets/liabilities held as of the reporting date	–	149

For financial assets and liabilities whose fair value deviates from the carrying amount, the following information as of June 30, 2018 was provided:

in K €	Carrying amount June 30, 2018	Fair value June 30, 2018	Carrying amount Dec. 31, 2017	Fair value Dec. 31, 2017
Amounts due to banks	45,898	45,940	84,823	84,772
Amounts due to shareholders	884,109	1,093,054	–	–
Promissory note loans	194,256	200,570	525,112	526,000
Bonds	288,284	292,565	647,986	655,656
Financial liabilities	**1,412,547**	**1,632,129**	**1,257,921**	**1,266,428**

The financial liabilities presented in the table are assigned to the measurement category "Financial liabilities measured at amortized cost" pursuant to IFRS 9. The assignment of financial assets and liabilities to valuation categories with effect from January 1, 2018, pursuant to IFRS 9 compared to December 31, 2017, pursuant to IAS 39 is explained in detail in Note 1.2. Otherwise, no changes to the classification occurred in the first six months of 2018.

For all other financial assets and liabilities except those shown in the table above, the carrying amount – approximately or based on measurement methods by taking listed prices on active markets or input parameters observable on the market as a basis – corresponds to the relevant fair value of the individual financial assets and liabilities.

7. Contingent liabilities and other financial obligations

Contingent liabilities describe possible obligations towards third parties as a result of past events and which, in future, could lead to outflows of resources depending on certain events. On the reporting date, they were considered unlikely and therefore not accounted for.

In addition to the contingent liabilities discussed in the Annual Report 2017, new material contingent liabilities of €4.3 million arose in the first six months of 2018 on grounds of potential obligations relating to patent risks. On the other side, potential obligations of €2.0 million relating to a ban on business activities between Russia and Ukraine were eliminated.

In addition to contingent liabilities, there are other future financial obligations, which can be divided as follows:

in K €	June 30, 2018	Dec. 31, 2017
Obligations from operating leases	52,552	121,317
Other financial obligations	86,781	69,085
Total	139,333	**190,402**

Other financial obligations as of June 30, 2018 mainly concern a guarantee of €25.0 million to Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associate BIOCEUTICALS Arzneimittel AG accounted for according to the equity method.

As the guarantor, STADA recognized this guarantee in the reporting period as a financial guarantee at its fair value pursuant to IAS 39 of only €0.3 million (December 31, 2017: €0.3 million), as STADA does not currently assume that this granted guarantee will be used.

Furthermore, further guarantees assumed by the STADA Group are included, among other things, in other financial obligations.

8. Related party transactions

As part of ordinary business activity, there are business relationships with related persons and companies between STADA Arzneimittel AG and/or their consolidated companies. Directly or indirectly managed associates and joint ventures, which are not consolidated subsidiaries for reasons of materiality, and persons in key positions and their relatives are understood as "related" in terms of IAS 24. Generally, all transactions with related companies and persons are settled at conditions in line with the market.

Compared to the relationships with related companies shown in the Annual Report 2017, there were the following significant changes in the first six months of 2018:

On February 2, 2018, an extraordinary general meeting of STADA Arzneimittel AG took place which, with a majority of 99%, approved the conclusion of the domination and profit and loss transfer agreement (DPLTA) of December 19, 2017 between Nidda Healthcare GmbH as controlling entity and STADA Arzneimittel AG as dependent company. The agreement came into effect on March 20, 2018 with its entry into the commercial register.

9. Significant events after the closing date

On June 8, 2018, STADA published its request to bondholders of the STADA bond 2015/2022 to vote without meeting on appointing a joint representative of the bondholders and on conducting changes to the bond terms and conditions of the STADA bond 2015/2022.[1)] On June 29, 2018, STADA had published an invitation to a bondholders' meeting for bondholders of the STADA bond 2015/2022. The meeting was necessary because the legally stipulated quorum was not reached in the first vote without

1) See company investor news of June 8, 2018.

meeting from June 26 to June 28, 2018.[1] On July 17, 2018 STADA announced the voting results of the bondholders' meeting on July 17, 2018.[2] According to the resolution proposal under agenda item III as amended at the bondholders' meeting, the bondholders decided to appoint One Square Advisory Services GmbH as joint representative. The agenda items IV and V had been adjourned to September 18, 2018 as proposed by the chairman of the meeting and STADA.

1) See company investor news of June 29, 2018.
2) See company press release of July 17, 2018.

Publishing Information

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Forward-looking statements: This STADA Arzneimittel AG (hereinafter "STADA") Interim Report contains certain forward-looking statements that are based on present expectations, assessments and forecasts by STADA management and other currently available information. They include various known and unknown risks and uncertainties that may lead to actual results, net assets, financial position and results of operations or performance deviating significantly from the assessments expressed or implied in these forward-looking statements. Forward-looking statements are characterized by the use of words like "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. Where necessary, STADA will also make forward-looking statements in other reports, presentations, documents sent to shareholders, and press releases. Moreover, from time to time our representatives may make verbal forward-looking statements. However, although STADA believes that the expectations reflected in forward-looking statements are appropriate, it cannot guarantee that these expectations will actually be met. Risk factors in particular include: the influence of the regulation of the pharmaceutical industry, the difficulty in making advance statements on approvals from regulatory authorities and other supervisory authorities, the approval environment and other changes in health care policy and health care in different countries, acceptance of and demand for new pharmaceuticals and therapies, the results of clinical studies, the influence of the competition's products and prices, the availability and costs of ingredients used in the manufacturing of pharmaceutical products, uncertainty regarding market acceptance of innovative products that are newly introduced, currently sold or in development, the effect of changes in customer structure, the dependence on strategic alliances, variations in foreign exchange rates and interest rates, operating profit and additional factors which are explained in annual reports and in other explanations by the company. STADA does not assume any responsibility for updating forward-looking statements.

Rounding: The presentations of STADA key figures are generally shown in millions of euro in this Interim Report, while the corresponding figures in the conclusive tables are indicated with greater accuracy in thousands of euro. Differences between individual values may result from rounding and are naturally are not of a significant nature.

This Interim Report is published in German (original version) and English (non-binding translation) and is solely subject to German law.

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1) Employee representative.

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