INTERIM REPORT ON THE FIRST HALF OF 2021

STADA

Caring for People's Health

STADA KEY FIGURES

Key figures for the Group, adjusted for currency effects in € million	**H1/2021**	**H1/2020**	**±**
Group sales	1,506.8	1,435.7	+5%
Generics	816.6	824.0	-1%
Branded Products	690.2	611.7	+13%
EBITDA	309.5	340.8	-9%
EBITDA margin	20.5%	23.7%	-3.2pp

Adjusted for special items[1] and currency effects[2]

Reported key figures for the Group in € million	**H1/2021**	**H1/2020**	**±**
Group sales	1,506.8	1,465.3	+3%
Generics	816.6	833.4	-2%
Branded Products	690.2	631.9	+9%
EBITDA	330.3	270.6	+22%
EBITDA margin	21.9%	18.5%	+3.4pp
Gross profit from sales	703.1	733.0	-4%
Gross margin	46.7%	50.0%	-3.4pp
Cash flow from operating activities	194.8	200.8	-3%
Investments	85.0	1,111.1	-92%
thereof organic	85.0	87.3	-3%
thereof acquisitions	0.0	1,023.8	-100%
Employees (average number – based on full-time emloyees)	12,471	12,209	+2%

Non-financial key figures for the Group	**H1/2021**	**H1/2020**	
Sustainalytics ESG Risk Rating Score[3]	Medium Risk	High Risk	
Women in management levels	53%	n.a.[4]	

1) Effects that influence the presentation of the results of operations and the resulting key figures in terms of their comparability.
2) Adjusted for distorting effects from the use of differing exchange rates in the comparative period and realized and unrealized exchange rate gains and losses.
3) Source: Sustainalytics. Score: 26.1 (June 15, 2021)/39.3 (August 1, 2020). Copyright ©2021 Sustainalytics. All rights reserved. See also imprint.
4) No disclosure due to the absence of a survey.

STADA INTERIM REPORT ON THE FIRST HALF OF 2021

INTERIM GROUP MANAGEMENT REPORT OF THE EXECUTIVE BOARD

Overview

In the first half of 2021, STADA's development was better than that of its direct competitors in a declining OTC market and a stagnating generics market. The company was able to gain market share for important branded products in several European countries.

In light of the continuing Covid-19 pandemic, the entire pharmaceutical industry faced major challenges in the first half of 2021. As was the case already in financial year 2020, the STADA Group continued to show a high level of resilience and strength in all areas of the business in this situation, so that not only the corporate purpose "Caring for People's Health as a Trusted Partner" in the form of the supply of drugs could be ensured at all times, but also STADA's sustainable growth course was successfully maintained.

The first quarter of 2021 was preceded by an exceptionally high basis for comparison, as the first quarter of 2020 was characterized by the onset of the Corona crisis in Europe. This resulted in strong forward-buying effects on the part of wholesalers, pharmacies and patients/consumers. Due to lockdowns as well as strict social distancing and hygiene regulations, demand for cough & cold medicines was very low in the first quarter of 2021. In addition, due to the ongoing infection situation, there were fewer patient visits to hospitals, physicians and pharmacies with lower demand for chronic disease medications as well. By contrast, despite pandemic restrictions, the second quarter of 2021 was significantly stronger also due to the purchasing restraint in the area of prescription generics as well as for branded products, especially in the self-payer markets in the previous year.

In the first 6 months of the current financial year, reported Group sales increased by 3% to €1,506.8 million. Adjusted for positive currency effects from the previous year, growth was even higher at 5%.

The Group is generally very broadly diversified. Overall, the top 5 products accounted for less than 11% of Group sales in the first half of 2021.

Reported EBITDA showed an increase of 22% to €330.3 million, shaped by positive special items, particularly currency effects from the financing of acquisitions and reduced provisions for warranties. EBITDA adjusted for special items and currency effects recorded a decline of 9% to €309.5 million, impacted by temporary additional costs in connection with the Covid-19 pandemic.

Cash flow from operating activities declined only slightly by €6.0 million or 3% to €194.8 million in the reporting period. The strong development of operating cash flow despite the Covid-19 pandemic is primarily attributable to an active operating liquidity management particularly in working capital and for investments, thus demonstrating the high degree of resilience of STADA's business model.

In addition to the traditional generics business, the Group is increasingly expanding its consumer healthcare and specialty businesses. The Group made further acquisitions in the reporting period in order to strengthen its activities in the three strategic business areas. The strategic development of the STADA business model toward a leading supplier of generics, consumer healthcare and specialties thus also proceeded proceeded according to plan.

For the expansion of its business activities, the Group is relying on both organic and inorganic growth. By strengthening the existing portfolio, the recent acquisitions supported the sustainable development that took place in the first half of 2021. STADA was able to successfully integrate the Walmark and Takeda acquisitions as well as the acquired product portfolio from GlaxoSmithKline, together valued at more than one billion euros, into its existing business activities. The results exceeded expectations. In addition, important products were launched in new markets, including Martians in Vietnam, Croatia, Slovenia and Ukraine as well as Prostenal in Vietnam and Croatia.

In the first quarter of 2021, STADA announced that it would launch a new triple combination product for the treatment of advanced Parkinson's disease in Germany and Austria.[1)] With the new therapy option, the Group is strengthening its fast-growing specialty pharmaceuticals business.

In addition, the Group published in the first quarter of 2021 that it would further expand its specialty therapeutics portfolio in oncology with the launch of a bevacizumab biosimilar.[2)] The cancer drug has since been available to oncologists and their patients initially in Germany, the Netherlands and Austria.

In the second quarter of 2021, STADA announced that it would significantly strengthen its European Consumer Healthcare portfolio through the acquisition of numerous well-established local consumer healthcare brands from Sanofi.[3)] The transaction covers 16 brands, predominantly in European countries including France, Germany, Italy, Poland and Spain. The acquisition further strengthens the Group's position as a top-five player in the European consumer healthcare market and supports its growth strategy.

The positive economic development of the company was also reflected in a further 2% increase in the number of employees to an average of 12,471. The company's strategic progress is also supported by further development in its corporate culture toward greater diversity and sustainability. Each individual employee contributes to STADA's success story with their experience, personality, professional background and skills. With regard to equal opportunities for women and men, STADA emphasizes a balanced representation of both genders when making staffing decisions. Overall, the share of women employed in the Group in management positions was approximately 53% in the first half of 2021. In addition, Simone Berger, Head of Global Human Resources, was appointed to STADA's Executive Board in the second quarter of the current financial year, making her the first woman to hold this position.[4)]

STADA Group sales development

Reported Group sales and **Group sales adjusted for special items** increased by 3% to €1,506.8 million in the first half of 2021 (1-6/2020: €1,465.3 million). This development was due in particular to sales increases in the Italian and French Generics segment, the Russian and Polish Branded Products segment and the acquisitions made.

Applying the exchange rates of the first 6 months of 2021 compared to those of the first 6 months of 2020 for the translation of local sales contributions into the Group currency euro, STADA recorded a negative **currency effect** on Group sales in the amount of €29.6 million or -2.2 percentage points. **Group sales adjusted for special items and currency effects** increased by 5% to €1,506.8 million (1-6/2020: €1,435.7 million). Currency developments thus had only a marginal impact on the operating business.

1) See the Company's press release of February 15, 2021.
2) See the Company's press release of March 30, 2021.
3) See the Company's press release of June 28, 2021.
4) See the Company's press release of March 31, 2021.

Development of national currencies of greatest relevance to STADA, the British pound, the Russian ruble and the Serbian dinar in relation to the Group currency euro, was as follows in the reporting period compared to the corresponding period of the previous year:

	Closing rate June 30 in local currency			Average rate for the reporting period		
Important currency relations in the national currency to 1 euro	**H1/2021**	**H1/2020**	**±%**	**H1/2021**	**H1/2020**	**±%**
Pound sterling	0.85805	0.91243	+6%	0.86844	0.87432	+1%
Russian ruble	86.7725	79.63	-9%	89.60534	76.68252	-17%
Serbian dinar	117.566	117.576	0%	117.57616	117.57406	0%

In the table, percentage changes compared with the previous year show a depreciation of the respective national currency with a minus symbol and an appreciation with a plus symbol.

As a result, the Russian ruble depreciated as of the reporting date on June 30, 2021.

Since the currency relations in other countries of primary importance to STADA had only a limited impact on the translation of sales and earnings from the local currencies into the Group currency euro, they are not presented in this report.

Earnings development of the STADA Group

Reported operating profit (EBIT) showed an increase of 34% to €200.1 million in the first 6 months of 2021 (1-6/2020: €149.8 million). **Operating profit adjusted for special items and currency effects** decreased by 11% to €251.7 million (1-6/2020: €284.1 million). The contrasting developments between reported and operating profit adjusted for special items and currency effects were due in particular to significantly higher special items in the prior-year period. In the first half of 2020, this was mainly attributable to provisions for damages and exchange rate expenses in connection with the granting of a loan for the acquisition of the Takeda product portfolio. The decline in operating profit adjusted for special items and currency effects was mainly due to lower gross profit as a result of the unfavorable product and country mix and higher selling expenses.

Reported EBITDA rose by 22% to €330.3 million in the reporting period (1-6/2020: €270.6 million). **EBITDA adjusted for special items and currency effects** declined by 9% to €309.5 million (1-6/2020: €340.8 million). The respective developments resulted in particular from the reasons already described for reported operating profit and operating profit adjusted for special items and currency effects.

In the **first half of 2021**, the Group recorded an income burden of €67.3 million before taxes due to **special items**. The overview below shows the reconciliation of the reported financial performance indicators and other significant earnings figures of the STADA Group to those adjusted for special items as well as for special and currency effects:

in € million[1]	H1/2021 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Exchange rate expenses[3]	Provisions for damages	H1/2021 adjusted for special items	Currency effects	H1/2021 adjusted for special items and currency effects
Operating profit	**200.1**	**15.9**	**56.8**	**-9.6**	**-6.7**	**256.4**	**-4.7**	**251.7**
Result from investments measured at equity	0.1	–	–	–	–	0.1	–	0.1
Investment income	0.0	–	–	–	–	0.0	–	0.0
Earnings before interest and taxes (EBIT)	**200.2**	**15.9**	**56.8**	**-9.6**	**-6.7**	**256.6**	**-4.7**	**251.9**
Financial income and expenses	-65.2	–	10.9	–	–	-54.2		-54.2
Earnings before taxes (EBT)	**135.0**	**15.9**	**67.7**	**-9.6**	**-6.7**	**202.3**	**-4.7**	**197.6**
Earnings before interest and taxes (EBIT)	**200.2**	**15.9**	**56.8**	**-9.6**	**-6.7**	**256.6**	**-4.7**	**251.9**
Balance from depreciation/ amortization and impairments/ write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	130.1	15.9	56.5	–	–	57.7	–	57.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**330.3**	**0.0**	**0.3**	**-9.6**	**-6.7**	**314.2**	**-4.7**	**309.5**

1) As a result of the presentation in € million, deviations due to rounding may occur in the tables.
2) In the past, the additional depreciation adjusted as special items and other measurement effects due to purchase price allocations as well as significant product acquisitions were adjusted taking financial year 2013 as a basis. In 2020, a change was made to the effect that all additional depreciation, amortization and valuation effects with an impact on the financial year are adjusted, which is why the corresponding prior-year comparative figures were also adjusted. This applies to all adjusted key figures for the first half of 2021 and the first half of 2020 in this interim report.
3) Exchange rate expenses in connection with a loan for the acquisition of the Takeda product portfolio.

In the **first half of 2020**, **special items** added up to a burden on earnings of €129.6 million before taxes. The following overview shows the reconciliation of the reported financial performance indicators and other significant earnings figures of the STADA Group to those adjusted for special items as well as special and currency effects:

in € million[1]	H1/2020 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Effects from deconsolidation[3]	Exchange rate expenses[4]	Provisions for damages/ other	H1/2020 adjusted for special items	Currency effects	H1/2020 adjusted for special items and currency effects
Operating profit	**149.8**	**22.2**	**44.9**	**12.0**	**27.3**	**23.2**	**279.4**	**4.7**	**284.1**
Result from investments measured at equity	0.0	—	—	—	—	—	0.0	—	0.0
Investment income	0.0	—	—	—	—	—	0.0	—	0.0
Earnings before interest and taxes (EBIT)	**149.8**	**22.2**	**44.9**	**12.0**	**27.3**	**23.2**	**279.4**	**4.7**	**284.1**
Financial income and expenses	-42.4	—	—	—	—	—	-42.4		-42.4
Earnings before taxes (EBT)	**107.4**	**22.2**	**44.9**	**12.0**	**27.3**	**23.2**	**237.0**	**4.7**	**241.7**
Earnings before interest and taxes (EBIT)	**149.8**	**22.2**	**44.9**	**12.0**	**27.3**	**23.2**	**279.4**	**4.7**	**284.1**
Balance from depreciation/ amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	120.8	22.2	40.7	—	—	—	57.9	1.2	56.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**270.6**	**0.0**	**4.2**	**12.0**	**27.3**	**23.2**	**337.3**	**3.5**	**340.8**

1) As a result of the presentation in € million, deviations due to rounding may occur in the tables.
2) In the past, the additional depreciation adjusted as special items and other measurement effects due to purchase price allocations as well as significant product acquisitions were adjusted taking financial year 2013 as a basis. In 2020, a change was made to the effect that all additional depreciation, amortization and valuation effects with an impact on the financial year are adjusted, which is why the corresponding prior-year comparative figures were also adjusted. This applies to all adjusted key figures for financial years 2021 and 2020 in this interim report.
3) Effects from the deconsolidation of the British Slam companies and the Argentinian Laboratorio Vannier due to their sale.
4) Exchange rate expenses in connection with a loan for the acquisition of the Takeda product portfolio.

The following tables show further key earnings figures for the Group and the resulting margins on both a reported and adjusted basis for the first half of 2021 and the corresponding prior-year period:

Development of the STADA Group's earnings figures (reported)

in € million	H1/2021	H1/2020	±%
Operating profit	200.1	149.8	+34%
Generics	170.6	169.5	+1%
Branded Products	77.4	89.2	-13%
Operating profit margin[1)]	13.3%	10.2%	
Generics	20.9%	20.3%	
Branded Products	11.2%	14.1%	
EBITDA	330.3	270.6	+22%
Generics	206.5	222.9	-7%
Branded Products	166.2	151.1	+10%
EBITDA margin[1)]	21.9%	18.5%	
Generics	25.3%	26.7%	
Branded Products	24.1%	23.9%	

Development of the STADA Group's key earnings figures (adjusted for special items[2)] and currency effects[3)])

in € million	H1/2021	H1/2020	±%
Operating profit	251.7	284.1	-11%
Generics	171.4	200.1	-14%
Branded Products	138.3	153.8	-10%
Operating profit margin[4)]	16.7%	19.8%	
Generics	21.0%	24.3%	
Branded Products	20.0%	25.1%	
EBITDA	309.5	340.8	-9%
Generics	200.2	227.8	-12%
Branded Products	161.8	177.4	-9%
EBITDA margin[4)]	20.5%	23.7%	
Generics	24.5%	27.6%	
Branded Products	23.4%	29.0%	

1) Based on relevant reported Group sales.
2) The elimination of effects which have an impact on the presentation of STADA's results of operations and the derived key figures improves 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. Since other companies may not calculate the pro-forma figures presented by STADA in the same way, STADA's pro-forma figures are comparable only to a limited extent with similarly designated disclosures by other companies.
3) Adjustments for currency effects are shown exclusively as an adjustment of the corresponding prior-year period. The currency adjustment for the first 6 months of 2020 was carried out using the exchange rates for the reporting period. In addition, the earnings figures are adjusted for realized and unrealized exchange rate effects in both the reporting period and the corresponding prior-year period.
4) Based on relevant Group sales adjusted for special items and currency effects.

Income statement and cost development

Cost of sales increased to €803.7 million in the reporting period (1-6/2020: €732.3 million). **Gross profit** fell to €703.1 million (1-6/2020: €733.0 million). The gross margin decreased to 46.7% (1-6/2020: 50.0%) – mainly due to an adverse product and country mix.

Selling expenses showed an increase to €340.0 million in the first half of 2021 (1-6/2020: €317.3 million).

General and administrative expenses decreased to €112.2 million in the first 6 months of the current financial year (1-6/2020: €115.9 million). The decrease resulted, among other things, from lower transformation and travel expenses.

Other income rose to €20.5 million in the reporting period (1-6/2020: €10.6 million). The increase was mainly attributable to increased net exchange rate income (first half of 2020: net exchange rate expenses).

Other expenses declined to €27.5 million in the reporting period (1-6/2020: €120.1 million). The relatively high other expenses in the first half of the previous year were impacted in particular by net exchange rate expenses, significant expenses in connection with legal disputes, write-downs on intangible assets and deconsolidation expenses.

Financial income rose to €1.1 million in the first half of 2021 (1-6/2020: €0.4 million).

Financial expenses increased to €66.3 million in the reporting period (1-6/2020: €42.9 million), in particular due to increased financial liabilities from acquisitions made in 2020.

Income tax expenses increased to €23.6 million in the first half of 2021 (1-6/2020: €17.7 million) as a result of increased earnings before taxes. The reported tax rate was 17.5% (1-6/2020: 16.5%).

Sales and Earnings Development of the Generics Segment

Reported sales and sales adjusted for special items of the **Generics** segment decreased by 2% to €816.6 million in the first half of 2021 (1-6/2020: €833.4 million). **Sales** of the **Generics** segment **adjusted for special items and currency effects** showed a decrease of 1% to €816.6 million (1-6/2020: €824.0 million). The respective developments were based in particular on sales decreases in Germany and Belgium. Sales in Italy and France, on the other hand, increased. Generics contributed 54.2% to Group sales (1-6/2020: 56.9%).

Reported operating profit for **Generics** increased by 1% to €170.6 million in the first 6 months of 2021 (1-6/2020: €169.5 million). **Reported EBITDA** for **Generics** fell by 7% to €206.5 million (1-6/2020: €222.9 million). The negative development of reported EBITDA of Generics resulted from reduced sales. There was also a negative product and country mix, which is why gross profit declined as compared to the previous year. Other expenses in the previous year were burdened by significantly higher write-downs on intangible assets, which is why, in contrast to reported EBITDA, reported operating profit for Generics increased slightly in a year-on-year comparison. The reported operating profit margin for Generics was 20.9% (1-6/2020: 20.3%). The reported EBITDA margin for Generics amounted to 25.3% (1-6/2020: 26.7%).

Operating profit adjusted for special items and currency effects for **Generics** showed a decrease of 14% to €171.4 million in the reporting period (1-6/2020: €200.1 million). **EBITDA** for **Generics adjusted for special items and currency effects** was down by 12% to €200.2 million (1-6/2020: €227.8 million). The respective developments were due in particular to the reasons previously mentioned in the reported figures and to significantly higher special items in the prior-year period. The operating profit margin adjusted for special items and currency effects for Generics was 21.0% (1-6/2020: 24.3%). The EBITDA margin adjusted for special items and currency effects for Generics was 24.5% (1-6/2020: 27.6%).

Within the Generics segment, Europe, Germany and CIS had the greatest significance in terms of sales in the reporting period.

Sales and Earnings Development of the Branded Products Segment

Reported sales and sales adjusted for special effects of the **Branded Products** segment increased by 9% to €690.2 million in the first 6 months of 2021 (1-6/2020: €631.9 million). **Sales** of the **Branded Products** segment **adjusted for special items and currency effects** showed an increase of 13% to €690.2 million (1-6/2020: €611.7 million). In addition to the acquisitions, growth in reported sales resulted primarily from increases in Russia and Poland. Branded Products contributed 45.8% to Group sales (1-6/2020: 43.1%).

Reported operating profit for **Branded Products** decreased by 13% to €77.4 million in the first half of 2021 (1-6/2020: €89.2 million). **Reported EBITDA** for **Branded Products** increased by 10% to €166.2 million (1-6/2020: €151.1 million). The opposing developments of both key figures was mainly attributable to scheduled depreciation on the investments made in the previous year as well as increased write-downs on intangible assets. In addition selling expenses in particular increased as a result of the new acquisitions and targeted investments in branded products. The reported operating profit margin for Branded Products was 11.2% (1-6/2020: 14.1%). The reported EBITDA margin for Branded Products amounted to 24.1% (1-6/2020: 23.9%).

Operating profit adjusted for special items and currency effects for **Branded Products** increased by 10% to €138.3 million in the first half of the current financial year (1-6/2020: €153.8 million). **EBITDA adjusted for special items and currency effects** for **Branded Products** recorded a decrease of 9% to €161.8 million (1-6/2020: €177.4 million). In the first half of 2020, this included higher expenses for special items, especially from provisions for damage payments and expenses from deconsolidations. The operating profit margin adjusted for special items for Branded Products was 20.0% (1-6/2020: 25.1%). The EBITDA margin adjusted for special items for Branded Products was 23.4% (1-6/2020: 29.0%).

Within the Branded Products segment, CIS, Europe, the United Kingdom and Germany had the greatest sales significance in the reporting period.

Development, production, procurement and supply chain

Research and development expenses amounted to €43.9 million in the first half of 2021 (1-6/2020: €40.5 million). In addition, STADA capitalized development expenses for new products in the amount of €11.2 million (1-6/2020: €8.6 million).

STADA continually invests in the Group's own production facilities and test laboratories. Investments made in the first 6 months of 2021 for the expansion and renewal of production facilities, manufacturing plants and testing laboratories amounted to €15.9 million (1-6/2020: €15.6 million).

As a matter of principle, STADA has a resilient supply chain, so that it was possible to maintain the exceptionally high delivery capability during the Covid-19 pandemic without any supply bottlenecks.

Net assets, financial position and cash flow

As of June 30, 2021, the **equity ratio** was 21.5% (December 31, 2020: 19.3%). **Net debt** amounted to €2,599.1 million as of the balance sheet date (December 31, 2020: €2,463.0 million).

Financing in the nominal amount of €2,789.6 million was composed as follows as of June 30, 2021:

Financial instruments following exercising of put-rights and additional repayment in € million	Nominal value	Maturity
Bond	267.4	April 8, 2022
Promissory note loans	7.0	April 26, 2023
	274.4	
Further bank loans	299.8	rolling
Total financial liabilities	**574.2**	
Loan from Nidda Healthcare Holding GmbH	2,215.4	between August 2024 and June 2025
Total financing	**2,789.6**	

For the refinancing of the Group, there was a corporate bond as of June 30, 2021 with a nominal value of €267.4 million (December 31, 2020: €267.4 million) and an interest rate of 1.75% p.a. In addition, as of the balance sheet date, the Group held promissory note loans with a total nominal value of €7.0 million (December 31, 2020: €48.5 million) and further bank loans in the amount of €299.8 million (December 31, 2020: €286.0 million).

Intangible assets amounted to €2,764.8 million as of June 30, 2021 (December 31, 2020: €2,767.0 million). As of this reporting date, intangible assets included €425.7 million in goodwill (December 31, 2020: €419.9 million).

Property, plant and equipment increased to €502.6 million as of the balance sheet date (December 31, 2020: €491.9 million).

Financial assets increased to €24.9 million as of June 30, 2021 (December 31, 2020: €14.1 million).

Investments accounted for using the equity method amounted to €2.9 million as of the balance sheet date (December 31, 2020: €2.7 million).

Inventories showed an increase to €848.6 million as of June 30, 2021 (December 31, 2020: €830.1 million).

Trade receivables recorded a decrease to €667.0 million as of the balance sheet date (December 31, 2020: €694.8 million).

Income tax receivables increased to €30.9 million as of June 30, 2021 (December 31, 2020: €8.7 million).

Other financial assets decreased to a total of €30.6 million as of the balance sheet date (December 31, 2020: €46.8 million).

Retained earnings including net income comprise net income for the first half of 2021 as well as the earnings achieved in previous periods, provided these were not distributed, including the amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

Other reserves include results recognized directly in **equity**. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The increase in other reserves as of June 30, 2021 was due in particular to the appreciation of the Russian ruble and the British pound since December 31, 2020 and the resulting income from the currency translation of the companies reporting in this currency.

As of the balance sheet date, the Group's **current and non-current financial liabilities** of €317.6 million and €2,467.3 million (December 31, 2020: €148.0 million and €2,581.0 million) included in particular shareholder loans of €2,212.4 million (December 31, 2020: €2,128.9 million), promissory note loans with a nominal value of €7.0 million (December 31, 2020: €48.5 million) and a bond with a nominal value of €267.4 million (December 31, 2020: €267.4 million). The increase in current financial liabilities resulted mainly from the reclassification of the bond from non-current to current.

Trade accounts payable decreased to €460.1 million as of June 30, 2021 (December 31, 2020: €529.6 million).

Deferred tax liabilities increased to €141.6 million as of the balance sheet date (December 31, 2020: €139.5 million).

Other financial liabilities declined to a total of €415.6 million as of June 30, 2021 (December 31, 2020: €504.5 million). This development was mainly based on the payment of the liability to the shareholder under the domination and profit and loss transfer agreement for financial year 2020.

Other liabilities declined to €151.8 million as of the balance sheet date (December 31, 2020: €178.3 million).

Cash flow from operating activities, which consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement, amounted to €194.8 million in the reporting period (1-6/2020: €200.8 million). This development resulted from opposing trends: There was a reduction in EBITDA adjusted for material non-cash effects compared with the corresponding prior-year period and thus a significant reduction in gross cash flow. There was also an increase in payments for health insurance discounts in Germany. These effects were, however, offset to a large extent by the significantly lower overall cash outflows from net working capital. The strong development of operating cash flow despite the Covid-19 pandemic is primarily attributable to an active operating liquidity management particularly in working capital and for investments, thus demonstrating the high degree of resilience of STADA's business model.

Cash flow from investing activities, which comprises cash outflows for investments less cash inflows from disposals, amounted to -€71.1 million in the first 6 months of the current financial year (1-6/2020: -€1,104.0 million). Cash flow from investing activities in the reporting period was mainly influenced by investments in intangible assets. In the first 6 months of the previous year, on the other hand, there were significant cash outflows for business combinations arising from the acquisition of pharmaceutical products from the Takeda Group together with associated processes and the acquisition of the Czech Walmark Group as well as for intangible assets from the acquisition of consumer healthcare products from GlaxoSmithKline.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, amounted to €123.6 million in the first half of 2021 (1-6/2020: -€903.2 million). **Free cash flow adjusted** for cash outflows for significant investments/ acquisitions and cash inflows from significant disposals amounted to €154.3 million (1-6/2020: €166.6 million).

Cash flow from financing activities amounted to -€207.9 million in the reporting period (1-6/2020: €1,138.3 million) and was characterized in particular by the payment of the liabilities existing for financial year 2020 under the domination and profit and loss transfer agreement with Nidda Healthcare GmbH. There were also payments for the repayment of financial liabilities, of which €41.5 million was attributable to the scheduled repayment of promissory note loans. Opposing cash inflows resulted from the raising of financial liabilities including new loans granted by Nidda Healthcare Holding GmbH.

Cash flow for the current financial year net of all inflows and outflows from cash flow from operating activities, cash flows from investing and financing activities as well as changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation amounted to -€80.2 million in the first 6 months of 2021 (1-6/2020: €230.0 million).

In total, STADA invested €85.0 million in the first half of 2021 (1-6/2020: €1,111.1 million). Of that amount, €0.0 million (1-6/2020: €1,023.8 million) was attributable to acquisitions. In the previous year, these related to the Walmark Group, the Takeda product portfolio, the FERN-C product portfolio, the consumer healthcare product portfolio from GlaxoSmithKline and the product portfolio from Opti Pharm AG. Organic investments amounted to €85.0 million (1-6/2020: €87.3 million).

Acquisitions, cooperations and licensings

In order to boost organic growth through external growth drivers, the Group is pursuing an active acquisition policy.

In the second quarter of 2021, STADA announced that it would significantly strengthen its European consumer healthcare portfolio through the acquisition of numerous well-established local consumer healthcare brands from Sanofi.[1)] The transaction covers 16 brands, predominantly in European countries including France, Germany, Italy, Poland and Spain. The acquisition, which includes rights to the 16 brands, their rights of use as well as their approvals, is expected to be completed in the third quarter of 2021 – subject to the approval of the responsible supervisory authorities and the usual closing conditions. The acquisition further strengthens the Group's position as a top-five player in the European Consumer Healthcare market and supports its growth strategy. In addition, the acquisition demonstrates that STADA, as a broad-based player with a strong presence in different markets, is increasingly a go-to partner in the generics, specialty pharmaceuticals and consumer healthcare sectors.

In addition to acquisitions, STADA relies on targeted **cooperations** and **in-licensings** to expand the existing product portfolio. The Group achieved further successes in the first half of 2021 with 33 in-licensing deals for future product launches.

In the first quarter of 2021, STADA announced that it would launch a new triple combination product for the treatment of advanced Parkinson's disease in Germany and Austria.[2)] With the new therapy option, the Group is strengthening its fast-growing specialty pharmaceuticals business. STADA was also able to launch the product in Denmark, Finland, Norway and Sweden in the second quarter of 2021. The launch in other European markets will follow.

Also in the first quarter of 2021, the Group announced that it would further expand its specialty therapeutics portfolio in oncology with the launch of a bevacizumab biosimilar.[3)] The cancer drug has since been available to oncologists and their patients in Germany, the Netherlands and Austria. The launch in other European countries will take place shortly, depending in part on the respective national pricing and reimbursement approval.

1) See the Company's press release of June 28, 2021.
2) See the Company's press release of February 15, 2021.
3) See the Company's press release of March 30, 2021.

Sustainability at STADA

The seriousness of the topic of sustainability is reflected at STADA in the recently signed global “Sustainability Policy”. The recently signed UN Global Compact letter also underscores the Group’s commitment to sustainable and responsible corporate governance and to supporting the UN Sustainable Development Goals.

In the first half of 2021, STADA was also able to make further progress in the area of sustainability by significantly improving its Sustainalytics rating. Here, the Group is now classified in the “Medium Risk” category from previously “High Risk”. STADA is thus ranked among the top 12% of pharmaceutical companies.

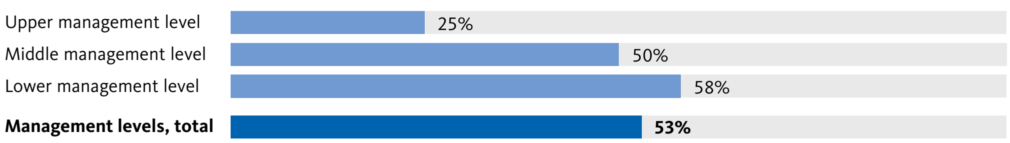
“Caring for People’s Health as a Trusted Partner” – this is the promise STADA makes to its customers, partners and employees throughout the world. STADA’s mission, however, goes well beyond this to include society as well as the environment. Sustainable action is an essential requirement for all Group-wide activities. Given this requirement, there are clear goals and established processes in place to ensure compliance with legal requirements, among other things.

For more than 125 years, STADA has been making a significant contribution to society by providing access to affordable health care through its generics and specialties portfolios, thereby reducing cost pressures on healthcare systems. At the same time, with its branded products portfolio, the Group contributes not only to health care in general, but also to preventive health care.

Diversity in every respect plays an important role at STADA. Each individual employee contributes to STADA’s success story with their individual experience, personality, personal and professional background and skills. Furthermore, gender, ethnicity and sexual identity are beneficial factors when it comes to daily cooperation.

With regard to equal opportunities for women and men, STADA emphasizes a balanced representation of both genders when making staffing decisions. The Executive Board also considers the appropriate promotion of women in the context of succession planning for executives. When it comes to filling management positions, however, professional and personal qualifications, and not gender, are always at the forefront. This notwithstanding, the share of women employed in the Group in management positions was around 53% in the first half of 2021. In addition, Simone Berger was appointed to STADA’s Executive Board in the second quarter of the current financial year, making her the first woman to hold this position.

Gender diversity Share of women in the first 6 months of 2021 in %



Report on expected development and associated material opportunities and risks

The outlook for financial year 2021 published in the Annual Report 2020 considers the Covid-19 pandemic to be one of the greatest challenges. This will particularly impact overall economic growth, including the development of the healthcare market, with effects on both the generics and OTC business. For this reason, the Executive Board assumes, from today's perspective, that the 2021 financial year will continue to be significantly affected by the pandemic. This notwithstanding, the Executive Board – in view of the numerous initiatives to increase efficiency, the corporate strategy geared to further growth and the comprehensive opportunity management – is aiming for above-market growth. Group sales and EBITDA, each adjusted for special items and currency effects, should increase slightly.

Peter Goldschmidt   Dr. Wolfgang Ollig   Miguel Pagan Fernandez   Simone Berger

STADA INTERIM CONSOLIDATED FINANCIAL STATEMENTS ON THE FIRST HALF OF 2021

(ABRIDGED)

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement in k €	**H1/2021**	**H1/2020**
Sales	1,506,759	1,465,259
Cost of sales	803,667	732,280
Gross profit from sales	**703,091**	**732,979**
Selling expenses	339,971	317,266
General and administrative expenses	112,222	115,878
Research and development expenses	43,871	40,459
Other income	20,530	10,592
Other expenses	27,475	120,145
Operating profit	**200,083**	**149,823**
Results from investments measured at equity	108	9
Investment income	—	—
Financial income	1,114	448
Financial expenses	66,266	42,856
Financial result	**-65,044**	**-42,399**
Earnings before taxes	**135,039**	**107,424**
Income taxes	23,628	17,724
Earnings after taxes	**111,410**	**89,699**
thereof		
distributable to shareholder of STADA Arzneimittel AG (net income)	104,187	81,945
distributable to non-controlling shareholders	7,223	7,754
Transfer of profits to Nidda Healthcare GmbH	41,672	81,236

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in k €	**H1/2021**	**H1/2020**
Earnings after taxes	**111,410**	**89,699**
Items to be recycled in the income statement in future:		
Currency translation gains and losses	**42,984**	**-76,713**
thereof		
income taxes	-144	341
Gains and losses on financial assets (FVOCI)	**-15**	**-42**
thereof		
income taxes	-5	16
Items not to be recycled in the income statement in future:		
Gains and losses on financial assets (FVOCI)	**10,763**	**5,221**
Revaluation of net debt from defined benefit plans	**3,348**	**529**
thereof		
income taxes	-600	-177
Other comprehensive income	**57,079**	**-71,005**
Consolidated comprehensive income	**168,489**	**18,694**
thereof		
distributable to shareholder of STADA Arzneimittel AG (net income)	161,168	11,030
distributable to non-controlling shareholders	7,322	7,664

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet in k €	**June 30, 2021**	**Dec. 31, 2020**
ASSETS		
Non-current assets	**3,345,801**	**3,322,851**
Intangible assets	2,764,781	2,767,035
Property, plant and equipment	502,615	491,867
Financial assets	24,904	14,113
Investments measured at equity	2,884	2,710
Other financial assets	900	657
Other assets	3,142	2,271
Deferred tax assets	46,575	44,198
Current assets	**1,865,210**	**1,935,346**
Inventories	848,591	830,132
Trade accounts receivable	667,012	694,782
Return assets	597	838
Income tax receivables	30,873	8,747
Other financial assets	29,702	46,149
Other assets	102,620	88,697
Cash and cash equivalents	185,808	266,001
Non-current assets and disposal groups held for sale	8	—
Total assets	**5,211,011**	**5,258,197**
EQUITY AND LIABILITIES		
Equity	**1,118,538**	**1,017,351**
Share capital	162,090	162,090
Capital reserve	514,206	514,206
Retained earnings including net income	840,724	776,985
Other reserves	-468,304	-522,172
Treasury shares	-1,403	-1,403
Equity attributable to shareholder of the parent company	**1,047,313**	**929,706**
Shares relating to non-controlling shareholders	71,225	87,645
Non-current borrowings	**2,807,035**	**2,930,891**
Other non-current provisions	35,577	41,726
Financial liabilities	2,467,281	2,580,996
Other financial liabilities	157,653	157,780
Other liabilities	4,942	10,862
Deferred tax liabilities	141,581	139,527
Current borrowings	**1,285,439**	**1,309,955**
Other provisions	36,080	61,951
Financial liabilities	317,614	148,009
Trade accounts payable	460,057	529,571
Contract liabilities	449	591
Income tax liabilities	66,409	55,645
Other financial liabilities	257,949	346,702
Other liabilities	146,880	167,486
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	—	—
Total equity and liabilities	**5,211,011**	**5,258,197**

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in k €	**H1/2021**	**H1/2020**
Earnings after taxes	111,410	89,699
Depreciation and amortization net of write-ups of non-current assets	130,060	120,800
Income taxes	23,628	17,724
Income tax paid	-37,472	-38,400
Interest income and expenses	65,152	42,408
Interest and dividends received	1,009	295
Result from investments measured at equity	-108	-9
Result from the disposal of non-current assets	-652	11,870
Additions to/reversals of other non-current provisions	1,175	1,655
Currency translation income and expenses	-14,319	36,137
Other non-cash expenses and gains	182,066	225,036
Gross cash flow	**461,949**	**507,215**
Changes in inventories	-41,340	-134,298
Changes in trade accounts receivable	41,561	-3,198
Changes in trade accounts payable	-57,431	7,094
Changes in other net assets, unless attributable to investing or financing activities	-209,977	-176,034
Cash flow from operating activities	**194,762**	**200,779**
Payments for investments in		
intangible assets	-49,535	-368,898
property, plant and equipment	-23,260	-23,320
financial assets	-1,000	-1,133
business combinations in accordance with IFRS 3	-288	-643,224
business combinations in accordance with IFRS 3 (VAT)	2,094	-71,853
Proceeds from the disposal of		
intangible assets	-125	739
property, plant and equipment	971	3,900
financial assets	—	0
shares in consolidated companies	—	—
non-current assets held for sale (IFRS 5)	—	-231
Cash flow from investing activities	**-71,143**	**-1,104,020**
Borrowing of funds	136,906	2,141,546
Settlement of financial liabilities	-95,108	-584,383
Settlement of finance lease liabilities	-12,591	-17,263
Interest paid	-58,535	-35,240
Dividend distribution and profit transfer	-175,630	-366,335
Changes in non-controlling interests	-2,953	—
Cash flow from financing activities	**-207,911**	**1,138,325**
Changes in cash and cash equivalents	**-84,292**	**235,084**
Changes in cash and cash equivalents due to the scope of consolidation	940	16
Changes in cash and cash equivalents due to exchange rates	3,159	-5,140
Net change in cash and cash equivalents	**-80,192**	**229,960**
Balance at beginning of the period	**266,001**	**206,039**
Balance at end of the period	**185,808**	**435,999**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity in k € **2021**	**Number of shares**	**Share capital**	**Capital reserve**	**Retained earnings including net income**
Balance as of June 30, 2021	**62,342,440**	**162,090**	**514,206**	**840,724**
Profit transfer to Nidda Healthcare GmbH				-41,672
Dividend distribution				
Change in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				-1,836
Changes in the scope of consolidation				-86
Other comprehensive income				3,146
Net income				104,187
Balance as of Jan. 1, 2021	**62,342,440**	**162,090**	**514,206**	**776,985**
Previous year				
Balance as of June 30, 2020	**62,342,440**	**162,090**	**514,206**	**807,628**
Profit transfer to Nidda Healthcare GmbH				-81,236
Dividend distribution				
Change in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				-37
Other comprehensive income				678
Net income				81,945
Balance as of Jan. 1, 2020	**62,342,440**	**162,090**	**514,206**	**806,278**

	Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholder of the parent	Shares held by non-controlling shareholders	Group equity
	-484,975	**16,671**	**-1,403**	**1,047,313**	**71,225**	**1,118,538**
				-41,672		-41,672
				—	-22,625	-22,625
				—		—
				—		—
				-1,836	-1,117	-2,953
	34			-52		-52
	43,087	10,747		56,981	99	57,079
				104,187	7,223	111,410
	-528,096	**5,924**	**-1,403**	**929,706**	**87,645**	**1,017,351**
	-477,710	**5,288**	**-1,403**	**1,010,099**	**105,817**	**1,115,916**
				-81,236		-81,236
				—	-16,973	-16,973
				—		—
				—		—
				—		—
				-37		-37
	-76,772	5,180		-70,915	-90	-71,005
				81,945	7,754	89,699
	-400,937	**108**	**-1,403**	**1,080,342**	**115,126**	**1,195,468**

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, in accordance with the provisions of Section 115 (3) WpHG, includes interim consolidated financial statements and an interim Group management report. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as applicable in the European Union (EU).

The abridged Interim Consolidated Financial Statements and the abridged Interim Group Management Report have not been reviewed by an auditor nor have they been audited in accordance with Section 317 HGB.

The Consolidated Interim Management Report has been prepared in accordance with the applicable WpHG regulations. The Interim Consolidated Financial Statements as of June 30, 2021 have been prepared in accordance with the provisions of International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting has been selected compared with the Consolidated Financial Statements as of December 31, 2020.

All IFRS' adopted by the International Accounting Standards Board (IASB) and endorsed in the EU which are mandatory for financial years beginning on or after January 1, 2021, have been observed by STADA.

In these Consolidated Interim Financial Statements, the same accounting policies and methods of calculation have been applied as in the Consolidated Financial Statements for financial year 2020, with the exception of the changes in accounting policies presented in Note 1.2. In this respect, reference is generally made to the Notes to the Consolidated Financial Statements in the Annual Report 2020 with regard to the principles and methods applied in the context of Group financial reporting.

1.2. Changes in accounting policies

In the first half of 2021, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2021. These changes had no material effects on the presentation of STADA's financial position, financial performance or cash flows.

From today's perspective, no or no significant effects on the Consolidated Financial Statements are expected from the future application of the further standards and interpretations not yet applied.

1.3. Scope of consolidation

The Consolidated Interim Financial Statements have been prepared for STADA Arzneimittel AG as parent company.

In the first 6 months of 2021, the following significant changes occurred in STADA's scope of consolidation:

In the first quarter of 2021, the share in the Vietnamese subsidiary Pymepharco Joint Stock Company increased from 98.22% to 99.53% due to the acquisition of additional shares.

The Slovakian subsidiary Valosun SK Spol. s.r.o. and the Polish subsidiary Valosun-PL Sp. z o.o. were liquidated in the first quarter of 2021.

In addition, the Polish subsidiary WALMARK Sp. z o.o. was renamed STADA PHARM Sp. z o.o. in the first quarter of 2021.

In the second quarter of 2021, the previously unconsolidated Chinese subsidiary STADA (Shanghai) Trading Co. Ltd. (formerly STADA [Shanghai] Company) was included in the scope of consolidation.

As of the balance sheet date June 30, 2021, a total of 88 companies were included in STADA's Consolidated Interim Financial Statements as subsidiaries (December 31, 2020: 89 companies) and four companies were included as associates (December 31, 2020: four companies).

The share in the Vietnamese participation Phu Yen Export Import decreased from 20% to 14%. The share in SAS SANTRALIA increased from 25% to 26.57% in the course of finalizing the merger.

1.4. Business combinations

In the first 6 months of 2021, no material business combinations in accordance with IFRS 3 occurred:

As of financial year 2020, various business combinations were finalized, which were reported as preliminary in the interim report as of June 30, 2020. This resulted in the following adjustments compared to the income statement published in the half-year 2020:

Consolidated Income Statement in k €	**H1/2020**	**Adjustments according to final purchase price allocations**	**H1/2020 after adjustments**
Sales	1,465,259		1,465,259
Cost of sales	723,263	9,017	732,280
Gross profit from sales	**741,996**	**-9,017**	**732,979**
Selling expenses	317,266		317,266
General and administrative expenses	115,878		115,878
Research and development expenses	40,459		40,459
Other income	9,569	1,023	10,592
Other expenses	120,145		120,145
Operating profit	**157,817**	**-7,994**	**149,823**
Results from investments measured at equity	9		9
Investment income	—		—
Financial income	447		448
Financial expenses	42,856		42,856
Financial result	**-42,400**	**—**	**-42,399**
Earnings before taxes	**115,417**	**-7,994**	**107,424**
Income taxes	18,979	-1,255	17,724
Earnings after taxes	**96,438**	**-6,739**	**89,699**
thereof			
distributable to shareholder of STADA Arzneimittel AG (net income)	88,684	-6,739	81,945
distributable to non-controlling shareholders	7,754	—	7,754
Transfer of profits to Nidda Healthcare GmbH	81,236		81,236

The prior-year figures in the interim report 2021 will thus be presented as adapted in accordance with the final purchase price allocation.

1.5. General information on the Covid-19 pandemic

In the first half of 2021, STADA developed better than its direct competitors in a declining OTC market and a stagnating generics market and was able to gain market share for important branded products in several European countries.

In light of the continuing Covid-19 pandemic, the entire pharmaceutical industry faced major challenges in the first half of 2021. As was the case already in financial year 2020, the STADA Group continued to show a high level of resilience and strength in all areas of the business in this situation, so that not only the corporate purpose "Caring for People's Health as a Trusted Partner" in the form of the supply of drugs could be ensured at all times, but also STADA's sustainable growth course was successfully maintained.

The first quarter of 2021 was preceded by an exceptionally high basis for comparison, as the first quarter of 2020 was characterized by the onset of the Corona crisis in Europe. This resulted in strong forward-buying effects on the part of wholesalers, pharmacies and patients/consumers. Due to lockdowns as well as strict social distancing and hygiene regulations, demand for cough & cold medicines was very low in the first quarter of 2021. In addition, due to the ongoing infection situation, there were fewer patient visits to hospitals, physicians and pharmacies with lower demand for chronic disease medications as well. By contrast, despite pandemic restrictions, the second quarter of 2021 was significantly stronger also due to the purchasing restraint in the area of prescription generics as well as for branded products, especially in the self-payer markets that occurred in the previous year.

2. Notes to the Consolidated Income Statement

2.1. Sales

Reported Group sales and Group sales adjusted for special items increased by 3% to €1,506.8 million in the first half of 2021 (1-6/2020: €1,465.3 million). Group sales adjusted for special items and currency effects increased by 5% to €1,506.8 million (1-6/2020: €1,435.7 million).

2.2. Cost of sales and gross profit

Cost of sales increased to €803.7 million in the reporting period (1-6/2020: €732.3 million). Gross profit decreased to €703.1 million (1-6/2020: €733.0 million). The gross margin decreased to 46.7% (1-6/2020: 50.0%) – mainly due to an adverse product and country mix.

2.3. Selling expenses

Selling expenses showed an increase to €340.0 million in the first half of 2021 (1-6/2020: €317.3 million).

2.4. Administration costs

General and administrative expenses decreased to €112.2 million in the first 6 months of the current financial year (1-6/2020: €115.9 million). The reduction resulted, among other things, from lower transformation and travel costs.

2.5. Other income

Other income rose to €20.5 million in the reporting period (1-6/2020: €10.6 million). The rise was mainly attributable to net exchange rate income (first half of 2020: net exchange rate expenses).

2.6. Other expenses

Other expenses declined to €27.5 million in the reporting period (1-6/2020: €120.1 million). The relatively high other expenses in the first half of the previous year were impacted in particular by net exchange rate expenses, significant expenses in connection with legal disputes, write-downs on intangible assets and deconsolidation expenses.

2.7. Financial income

Financial income increased to €1.1 million in the first half of 2021 (1-6/2020: €0.4 million).

2.8. Financial expenses

Financial expenses increased to €66.3 million in the reporting period (1-6/2020: €42.9 million), in particular due to higher financial liabilities from the acquisitions made in 2020.

2.9. Income taxes

Income tax expenses increased to €23.6 million in the first half of 2021 (1-6/2020: €17.7 million) as a result of increased earnings before taxes. The reported tax rate was 17.5% (1-6/2020: 16.5%).

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets amounted to €2,764.8 million as of June 30, 2021 (December 31, 2020: €2,767.0 million). As of this reporting date, intangible assets included €425.7 million in goodwill (December 31, 2020: € 419.9 million).

3.2. Property, plant and equipment

Property, plant and equipment increased to €502.6 million as of the balance sheet date (December 31, 2020: €491.9 million).

3.3. Financial assets

Financial assets increased to €24.9 million as of June 30, 2021 (December 31, 2020: €14.1 million).

3.4. Investments measured at equity

Investments measured at equity amounted to €2.9 million as of the balance sheet date (December 31, 2020: €2.7 million).

3.5. Inventories

Inventories showed an increase to €848.6 million as of June 30, 2021 (December 31, 2020: €830.1 million).

3.6. Trade accounts receivable

Trade accounts receivable recorded a decrease to €667.0 million as of the balance sheet date (December 31, 2020: €694.8 million).

3.7. Income tax receivables

Income tax receivables increased to €30.9 million as of June 30, 2021 (December 31, 2020: €8.7 million).

3.8. Other financial assets

Other financial assets decreased to a total of €30.6 million as of the balance sheet date (December 31, 2020: €46.8 million).

3.9. Retained earnings and other reserves

Retained earnings including net income comprise net income for the first half of 2021 as well as the earnings achieved in previous periods, provided these were not distributed, including the amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

Other reserves include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The increase in other reserves as of June 30, 2021 was due in particular to the appreciation of the Russian ruble and the British pound since December 31, 2020 and the resulting income from currency translation of the companies reporting in this currency.

3.10. Financial liabilities

As of the balance sheet date, the Group's current and non-current financial liabilities of €317.6 million and €2,467.3 million (December 31, 2020: €148.0 million and €2,581.0 million) included in particular shareholder loans of €2,212.4 million (December 31, 2020: €2,128.9 million), promissory note loans with a nominal value of €7.0 million (December 31, 2020: €48.5 million) and a bond with a nominal value of €267.4 million (December 31, 2020: €267.4 million). The increase in current financial liabilities resulted mainly from the reclassification of the bond from non-current to current.

3.11. Trade accounts payable

Trade accounts payable fell to €460.1 million as of June 30, 2021 (December 31, 2020: €529.6 million).

3.12. Deferred tax liabilities

Deferred tax liabilities increased to €141.6 million as of the balance sheet date (December 31, 2020: €139.5 million).

3.13. Other financial liabilities

Other financial liabilities rose to a total of €415.6 million as of June 30, 2021 (December 31, 2020: €504.5 million). This development was mainly based on the payment of the liability to the shareholder under the domination and profit and loss transfer agreement for financial year 2020.

3.14. Other liabilities

Other liabilities declined to €151.8 million as of the balance sheet date (December 31, 2020: €178.3 million).

4. Notes to the consolidated cash flow statement

4.1. Cash flow from operating activities

Cash flow from operating activities, which consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement, amounted to €194.8 million in the reporting period (1-6/2020: €200.8 million). This development resulted from opposing trends: There was a reduction in EBITDA adjusted for material non-cash effects compared with the corresponding prior-year period and thus a significant reduction in gross cash flow. There was also an increase in payments for health insurance discounts in Germany. These effects were, however, offset to a large extent by the significantly lower overall cash outflows from net working capital.

4.2. Cash flow from investing activities

Cash flow from investing activities, which comprises cash outflows for investments less cash inflows from disposals, amounted to -€71.1 million in the first 6 months of the current financial year (1-6/2020: -€1,104.0 million). Cash flow from investing activities in the reporting period was mainly influenced by investments in intangible assets. In the first 6 months of the previous year, on the other hand, there were significant cash outflows for business combinations arising from the acquisition of pharmaceutical products from the Takeda Group together with associated processes and the acquisition of the Czech Walmark Group as well as for intangible assets from the acquisition of consumer healthcare products from GlaxoSmithKline.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to -€207.9 million in the reporting period (1-6/2020: €1,138.3 million) and was characterized in particular by the payment of the liabilities existing for financial year 2020 under the domination and profit and loss transfer agreement with Nidda Healthcare GmbH. There were also payments for the repayment of financial liabilities, of which €41.5 million was attributable to the scheduled repayment of promissory note loans. Opposing cash inflows resulted from the raising of financial liabilities including new loans granted by Nidda Healthcare Holding GmbH.

4.4. Net cash flow of the current period

Cash flow for the current financial year net of all inflows and outflows from cash flow from operating activities, cash flows from investing and financing activities as well as changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation amounted to -€80.2 million in the first 6 months of 2021 (1-6/2020: €230.0 million).

5. Segment reporting

5.1. General information

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

The reported segment result corresponds to the operating profit of the STADA Group's income statement in accordance with IFRS. Reporting on the respective non-current assets per segment and the segment liabilities is waived, as this information is not used for Group monitoring.

5.2. Information by operating segment

in k €	H1/2021	H1/2020
Generics		
External sales	**816,616**	**833,357**
Sales with other segments	215	512
Total sales	816,831	833,869
Operating profit	170,559	169,529
Depreciation/amortization	34,521	34,148
Impairment losses	1,301	19,199
Reversals	—	—
EBITDA	206,486	222,886
Special items within EBITDA	-6,689	6,320
thereof:		
effects from purchase price allocation including product acquisitions[1]	—	129
effects from deconsolidations	—	6,407
exchange rate expenses	—	-216
expenses for damages	-6,689	—
EBITDA adjusted	199,797	229,206
Other significant non-cash expenses (+)/income (-) within the operating result	160,745	173,326
Branded Products		
External sales	**690,143**	**631,902**
Sales with other segments	—	—
Total sales	690,143	631,902
Operating profit	77,415	89,157
Depreciation/amortization	74,165	58,926
Impairment losses	14,759	2,989
Reversals	140	—
EBITDA	166,201	151,071
Special items within EBITDA	246	32,149
thereof:		
effects from purchase price allocation including product acquisitions[1]	273	4,001
effects from deconsolidations	—	5,593
exchange rate expenses	—	-667
expenses for damages	-27	23,222
EBITDA adjusted	166,447	183,220
Other significant non-cash expenses (+)/income (-) within the operating result	17,646	40,644

1) Relates to additional depreciation and amortization and other valuation effects due to purchase price allocations and significant product acquisitions. Unlike half year 2020, these were no longer made only in relation to the basis year 2013, which is why the corresponding comparative figures for the previous year have also been adjusted. See also explanations in the Chapter "Effect of special items on earnings" in the Economic Report.

in k €	H1/2021	H1/2020
Reconciliation Group holdings/other and consolidation		
External sales	**0**	**0**
Sales with other segments	-215	-512
Total sales	-215	-512
Operating profit	-47,890	-108,863
Depreciation/amortization	5,454	5,539
Impairment losses	—	—
Reversals	—	—
EBITDA	-42,436	-103,325
Special items within EBITDA	-9,627	28,209
thereof:		
effects from purchase price allocation including product acquisitions[1)]	14	—
effects from deconsolidations	—	—
exchange rate expenses	-9,641	28,204
expenses for damages	—	—
severance payments	—	5
EBITDA adjusted	-52,063	-75,116
Other significant non-cash expenses (+)/income (-) within the operating result	-11,099	47,105
Group		
External sales	**1,506,759**	**1,465,259**
Sales with other segments	0	0
Total sales	1,506,759	1,465,259
Operating profit	200,083	149,823
Depreciation/amortization	114,140	15,528
Impairment losses	16,060	22,188
Reversals	140	—
EBITDA	330,251	270,632
Special items within EBITDA	-16,070	66,678
thereof:		
effects from purchase price allocation including product acquisitions[1)]	287	4,130
effects from deconsolidations	—	12,000
exchange rate expenses	-9,641	27,321
expenses for damages	-6,716	23,222
severance payments	—	5
EBITDA adjusted	314,180	337,310
Other significant non-cash expenses (+)/income (-) within the operating result	167,292	261,075

1) Relates to additional depreciation and amortization and other valuation effects due to purchase price allocations and significant product acquisitions. Unlike half year 2020, these were no longer made only in relation to the basis year 2013, which is why the corresponding comparative figures for the previous year have also been adjusted. See also explanations in the Chapter "Effect of special items on earnings" in the Economic Report.

5.3. Reconciliation of segment results to net profit

in k €	H1/2021	H1/2020
Adjusted EBITDA for segments[1)]	366,244	412,426
Special items within EBITDA[1)]	-6,443	38,469
Reconciliation Group holdings/other and consolidation	-42,436	-103,325
Depreciation, amortization, impairment losses and reversals	130,060	120,800
Financial income	1,114	448
Financial expenses	66,266	42,856
Earnings before taxes, Group	**135,039**	**107,424**

6. Disclosures on fair value measurements and financial instruments

The chart below shows how the valuation rates of financial instruments measured at fair value were determined for the respective valuation categories of financial instruments:

	Level 1		Level 2		Level 3	
	Listed prices in active markets		Valuation methods with input parameters observable in the market		Valuation methods with input parameters not observable in the market	
Fair values by levels of hierarchy on a recurring basis in k €	**June 30, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Financial assets (FVOCI)						
Financial assets	22,933	10,568	–	–	–	–
Factorable receivables	–	–	31,582	23,330	–	–
Financial assets (FVPL)						
Currency forwards	–	–	–	51	–	–
Derivative financial assets with a hedging relationship						
Fair value hedges	–	–	1	2,382	–	–
Financial liabilities (FVPL)						
Currency forwards	–	–	–	219	–	–
Interest/currency swaps	–	–	–	–	–	–
Derivative financial liabilities with a hedging relationship						
Fair value hedges	–	–	2,128	499	–	–

Financial assets recognized at fair value through other comprehensive income (FVOCI) include factorable receivables. These financial assets, which are included in trade accounts receivable, are recognized 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. This category also includes the shares in the Swedish company Xbrane. Because the company's shares are traded on the stock exchange, they have been classified in Stage 1.

1) Relates to additional depreciation and amortization and other valuation effects due to purchase price allocations and significant product acquisitions. Unlike half year 2020, these were no longer made only in relation to the basis year 2013, which is why the corresponding comparative figures for the previous year have also been adjusted. See also explanations in the Chapter "Effect of special items on earnings" in the Economic Report.

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels on the basis of information available on the determination of the fair values. If a 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 comparisons and change analyses are carried out.

Derivative financial assets (FVPL) and derivative financial liabilities (FVPL) include positive or negative market values of derivative financial instruments (currency forwards and currency swaps) not part of a hedging relationship. The fair values of currency forwards are determined using financial mathematics based on current market data provided by a reputable information service, such as spot exchange rates or swap rates, in one system according to standardized procedures.

STADA designates forward exchange contracts as fair value hedges, which are concluded to hedge the currency risk of intercompany loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates are offset by the changes in value of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these intercompany loans. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective.

The following disclosures are made for financial assets and liabilities whose fair value differs from the carrying amount as of June 30, 2021:

in k €	Carrying amount June 30, 2021	Fair value June 30, 2021	Carrying amount June 30, 2020	Fair value June 30, 2020
Liabilities to banks	298,393	308,877	327,429	359,183
Liabilities to shareholders	2,212,387	2,274,286	2,248,048	2,316,976
Promissory note loans	6,994	7,254	48,468	49,427
Bonds	267,121	268,244	266,769	267,030
Financial liabilities	**2,784,895**	**2,858,661**	**2,890,714**	**2,992,616**

As in the previous year, the financial liabilities presented in the table are assigned to the measurement category “liabilities measured at amortized cost” (AC) in accordance with IFRS 9.

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

7. Contingent liabilities and other financial obligations

Contingent liabilities describe possible obligations to third parties arising from past events that may lead to outflows of resources in the future depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not accounted for.

Compared with contingent liabilities of €14.2 million at the end of 2020, significant potential obligations increased by €14.5 million in the first 6 months of 2021 to €28.7 million as of June 30, 2021. This development was mainly due to additional potential obligations from patent risks for active pharmaceutical ingredients.

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

in k €	June 30, 2021	Dec. 31, 2020
Obligations from leases	3,498	5,432
Other financial obligations	89,006	94,876
Total	**92,504**	**100,308**

The information on future obligations from leases includes obligations from short-term leases and leases of low-value assets.

Other financial obligations include long-term obligations for logistics and accounting services.

In addition, contingent liabilities and further guarantees assumed by the STADA Group are included in other financial obligations.

8. Related party transactions

In the scope of the ordinary course of business STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, “Related Parties” refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades were settled with related companies and natural persons at market-rate conditions.

There were no significant changes in the first half of 2021 compared with the related party transactions made in the Annual Report 2020.

9. Expansion of the product portfolio

In the second quarter of 2021, STADA announced that it would significantly strengthen its European Consumer Healthcare portfolio through the acquisition of a number of established local consumer healthcare brands from Sanofi.[1)] The transaction includes 16 brands, particularly in European countries such as France, Germany, Italy, Poland and Spain. The acquisition, which includes the rights to the 16 brands, their rights of use and approvals, is expected to close in the third quarter of 2021, subject to regulatory approvals and the usual closing conditions. The agreed purchase price is slightly above €100 million.

10. Significant events after the closing date

In the third quarter of 2021, STADA and Sanofi concluded a distribution agreement according to which STADA will distribute and market a portfolio of approximately 50 established consumer healthcare brands in 20 European countries from November 2021.[2)] These include Allegra, Bisolvon, Dulcolax and Essentiale Forte N.

In addition, STADA acquired US-based Friska, LLC in the third quarter of 2021. The company sells branded products in the area of vitamins, minerals and nutritional supplements. The purchase price is in the mid single-digit million euro range and can increase if certain purchase price conditions are met.

1) See the Company’s press release of June 28, 2021.
2) See the Company’s press release of July 27, 2021.

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and 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, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.

Bad Vilbel, August 25, 2021

Peter Goldschmidt | Dr. Wolfgang Ollig | Miguel Pagan Fernandez | Simone Berger

PUBLISHING INFORMATION

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Forward-looking statements: This Interim Report of STADA Arzneimittel AG (hereinafter referred to as “STADA”) contains certain statements regarding future events that are based on current expectations, estimates and forecasts of STADA’s company management and on other information which is currently available. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the net assets, financial position and results of operations, growth or performance being 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. 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. 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 healthcare policy and in the healthcare systems of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; 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 does not assume any obligation to update these forward-looking statements.

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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. Differences between individual values may result from rounding and are naturally 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.

Caring for People's Health

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