STADA INTERIM REPORT ON THE FIRST NINE MONTHS OF 2018

STADA

STADA KEY FIGURES

Key figures for the Group in € million	9M/2018	9M/2017	±%
Group sales	1,708.3	1,709.3	0%
• Generics	1,009.9	1,001.0	+1%
• Branded Products	698.4	708.3	-1%
Operating profit	279.7	187.6	+49%
• Generics	240.7	170.1	+41%
• Branded Products	117.6	117.1	+0%
EBITDA	387.5	315.7	+23%
• Generics	280.8	218.1	+29%
• Branded Products	178.6	189.8	-6%
Net income	225.6	94.6	>100%
Group sales adjusted for currency and portfolio effects	*1,750.4*	*1,665.8*	*+5%*
• Generics	*1,026.2*	*980.4*	*+5%*
• Branded Products	*724.2*	*685.4*	*+6%*
Operating profit, adjusted[1)2)]	*307.7*	*276.0*	*+11%*
• Generics	*243.4*	*180.9*	*+35%*
• Branded Products	*141.4*	*155.6*	*-9%*
EBITDA, adjusted[1)2)]	*388.2*	*359.1*	*+8%*
• Generics	*280.4*	*220.9*	*+27%*
• Branded Products	*178.3*	*191.6*	*-7%*
Net income, adjusted[1)2)]	*220.4*	*152.0*	*+45%*
Cash flow from operating activities	246.5	211.4	+17%
Investments	295.9	89.3	>100%
Depreciation and amortization (net of write-ups)	104.1	123.8	-16%
Employees (average number – based on full-time employees)[3)]	10,190	11,050	-8%
Employees (as of the reporting date – based on full-time employees)	10,213	11,117	-8%

Key share figures	9M/2018	9M/2017	±%
Market capitalization (end of first nine months) in € million	5,057.2	5,133.3	-1%
Closing price (XETRA®) (end of first nine months) in €	81.12	82.34	-1%
Average number of shares (without treasury shares, Jan. 1 – Sept. 30)	62,258,134	62,258,025	0%
Earnings per share in €	3.62	1.52	>100%
Earnings per share in €, adjusted[1)2)]	*3.54*	*2.44*	*+45%*

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 NINE MONTHS OF 2018

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INTERIM GROUP MANAGEMENT REPORT

Overview

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

Reported Group sales for the first nine months of the current financial year totaled €1,708.3 million and were more or less on a par with the corresponding period of the previous year (1-9/2017: €1,709.3 million). After deducting effects on sales resulting from changes in the Group portfolio and from currency effects, adjusted Group sales rose by 5% to €1,750.4 million (1-9/2017: €1,665.8 million).

Reported EBITDA increased by 23% in the reporting period to €387.5 million (1-9/2017: €315.7 million). Adjusted EBITDA grew by 8% to €388.2 million (1-9/2017: €359.1 million). Reported net income increased by 138% to €225.6 million (1-9/2017: €94.6 million). Adjusted net income rose by 45% to €220.4 million (1-9/2017: €152.0 million).

The asset and financial position of the STADA Group developed positively in the reporting period. As of the reporting date of September 30, 2018, the equity ratio improved to 34.8% (December 31, 2017: 31.4%). Net debt amounted to €1,073.5 million as of September 30, 2018 (December 31, 2017: €1,054.7 million). The figure includes a shareholders' loan of €982.4 million.

On February 2, 2018, an extraordinary general meeting of STADA Arzneimittel AG took place which, with a majority of more than 99%, approved the entry into 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.[1] The agreement came into effect on March 20, 2018 with its entry in the commercial register. In the agreement, Nidda Healthcare GmbH is offering to acquire the shares of the outside STADA Shareholders in return for cash compensation pursuant to section 305 AktG in the amount of €74.40 per share. Pending each shareholder's acceptance of such offer, the DPLTA provides for an annually recurring compensation payment to each such outside shareholder pursuant to section 304 AktG in the amount of €3.82 gross (€3.53 net at current tax rates) per share. Certain STADA shareholders brought an appraisal action against Nidda Healthcare GmbH seeking an adjustment of the cash purchase price and the annually recurring compensation payable under the DPLTA, which is customary for domination and profit and loss transfer agreements governed by German law. The ensuing appraisal proceedings (Spruchverfahren) are in their early stages.

In early February 2018, the Supervisory Board of STADA Arzneimittel AG appointed Peter Goldschmidt as the new Chairman of the Executive Board with effect as of September 1, 2018.[2] With his start at this date he succeeded Dr. Claudio Albrecht, who hold the office of Chairman of the Executive Board since September 27, 2017.[3]

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 October 1, 2018 Nidda Healthcare GmbH, the controlling shareholder of STADA, announced its intention to launch a public delisting tender offer for all shares of STADA Arzneimittel AG not already held by Nidda Healthcare GmbH.[4] On October 11, 2018 Nidda Healthcare GmbH published the offer document for the public delisting tender offer for all shares of STADA Arzneimittel AG following the approval of the publication of the offer document by the German Federal Financial Supervisory Authority (BaFin).[5]

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 Fernandez as a full member of the Management Board for Technical Operations with effect from July 1, 2018.[6]

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.[7]

1) See company investor news of February 2, 2018.
2) See company ad hoc release of February 1, 2018.
3) See company press release of September 3, 2018.
4) See press release of Bain Capital Private Equity and Cinven Partners of October 1, 2018.
5) See press release of Bain Capital Private Equity and Cinven Partners of October 11, 2018.
6) See company investor news of April 16, 2018.
7) See company investor news of June 6, 2018.

On January 12, 2018, STADA reached an agreement with Sanofi on the early termination of the license agreement for its Hedrin® products in Belgium, Spain and Portugal to advance the internationalization of its OTC brand business.[1)]

As part of the strategic realignment, speciality pharmaceuticals subsidiary STADAPHARM GmbH acquired the distribution rights for APO-go® in Germany from Grünenthal GmbH, starting from June 1, 2018.[2)] 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.[3)] This acquisition enables STADA to further expand its OTC portfolio and to strengthen its expertise in hair and scalp products.

On July 12, 2018 Xbrane Biopharma AB and STADA entered into a co-development agreement for Xlucane, a Lucentis (ranibizumab) biosimilar.[4)] While Xbrane will be responsible for the development of the product, STADA will be responsible for sales and marketing of the product across all territories included in the agreement.

On July 18, 2018 STADA and Ladival GmbH & Co KG agreed to transfer the trademark rights for the sunscreen Ladival™ with respect to the EU back to STADA with immediate effect.[5)]

On August 6, 2018, STADA anounced that the company becomes majority shareholder of BIOCEUTICALS Arzneimittel AG.[6)] Following the approval of the antitrust authorities, STADA acquired an additional 35.48% of the shares from its co-shareholders, which – combined with the shares already held – means that it now has a 51.34% stake in BIOCEUTICALS Arzneimittel AG.

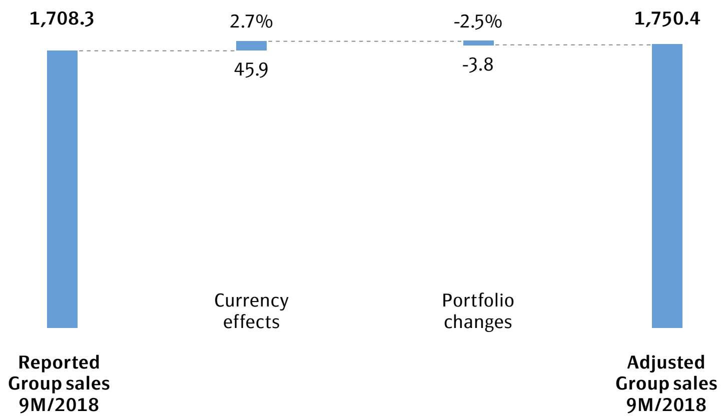
STADA Group sales development

Reported Group sales for the first nine months of 2018 totaled €1,708.3 million and were more or less on a par with the corresponding period of the previous year (1-9/2017: €1,709.3 million). The 2018 sales figures no longer include 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** rose by 5% in the reporting period to €1,750.4 million (1-9/2017: €1,665.8 million).

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



1) See company press release of January 18, 2018.
2) See company press release of June 15, 2018.
3) See company press release of June 28, 2018.
4) See company press release of July 12, 2018.
5) See company press release of July 18, 2018.
6) See company press release of August 6, 2018.

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 a total of €3.8 million, relating to branded products in Argentina as well as the Nizoral product portfolio, and, looking backward, totaled €43.5 million as an adjustment for the corresponding period of the previous year – mainly as a result of the deconsolidation of STADA Vietnam J.V. Co. Ltd. This corresponds to -2.5%.

Applying the exchange rates of the first nine months of 2018 compared with the first nine months of 2017 for the translation of local sales contributions into the Group currency euro, STADA recorded a negative **currency effect** on Group sales of €45.9 million or 2.7 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 euro was as follows in the reporting period compared with the corresponding period in the previous year:

	Closing rate September 30 in local currency			Average rate for the reporting period		
Important currency relations in the national currency to 1 euro	**9M/2018**	**9M/2017**	**±%**	**9M/2018**	**9M/2017**	**±%**
British pound	0.88730	0.88178	+1%	0.88392	0.87249	+1%
Russian ruble	76.14220	68.25190	+12%	73.42439	64.90765	+13%
Serbian dinar	118.41790	119.36590	-1%	118.24705	122.18304	-3%

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 euro they are not represented in this report.

To the extent that adjusted sales figures are reported in this interim report, these refer to sales adjusted for portfolio and currency effects.

STADA Group earnings development

Reported operating profit increased in the first nine months of 2018 by 49% to €279.7 million (1-9/2017: €187.6 million). **Adjusted operating profit** rose by 11% to €307.7 million (1-9/2017: €276.0 million). **Reported EBITDA** grew by 23% to €387.5million (1-9/2017: €315.7 million). **Adjusted EBITDA** increased by 8% to €388.2 million (1-9/2017: €359.1 million). **Reported net income** rose by 138% to €225.6million (1-9/2017: €94.6 million). **Adjusted net income** grew by 45% to €220.4 million (1-9/2017: €152.0 million).

In the **first nine months of 2018**, **special items** resulted in a burden on earnings of €27.9 million before taxes and a relief on earnings of €5.2 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]	9M/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	*9M/2018 adjusted*
Operating profit	**279.7**	**15.3**	**11.2**	**1.4**	**–**	***307.7***
Result from investments measured at equity	3.7	–	–	–	–	*3.7*
Investment income	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**283.4**	**15.3**	**11.2**	**1.4**	**–**	***311.3***
Financial income and expenses	-27.7	–	–	–	–	*-27.7*
Earnings before taxes (EBT)	**255.7**	**15.3**	**11.2**	**1.4**	**–**	***283.7***
Income taxes	26.6	3.8	0.8	–	28.9	*60.2*
Result distributable to non-controlling shareholders	3.5	–	-0,4	–	–	*3.1*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**225.6**	**11.5**	**10.8**	**1.4**	**-28.9**	***220.4***
Earnings before interest and taxes (EBIT)	**283.4**	**15.3**	**11.2**	**1.4**	**–**	***311.3***
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	104.1	-15.3	-11.9	–	–	*76.9*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**387.5**	**–**	**-0.7**	**1.4**	**–**	***388.2***

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 nine months of 2017**, STADA recorded a burden on earnings of €88.4 million before taxes or €57.4 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]	9M/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	Other[3]	*9M/2017 adjusted*
Operating profit	**187.6**	**32.3**	**12.0**	**27.8**	**16.3**	***276.0***
Result from investments measured at equity	4.3	–	–	–	–	*4.3*
Investment income	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**191.8**	**32.3**	**12.0**	**27.8**	**16.3**	***280.2***
Financial income and expenses	-31.8	–	–	–	–	*-31.8*
Earnings before taxes (EBT)	**160.0**	**32.3**	**12.0**	**27.8**	**16.3**	***248.4***
Income taxes	58.5	6.4	1.5	7.8	14.6	*88.8*
Result distributable to non-controlling shareholders	6.9	0.3	0.4	–	–	*7.6*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**94.6**	**25.6**	**10.1**	**20.0**	**1.7**	***152.0***
Earnings before interest and taxes (EBIT)	**191.8**	**32.3**	**12.0**	**27.8**	**16.3**	***280.2***
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	123.9	-32.3	-12.7	–	–	*78.9*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**315.7**	**–**	**-0.7**	**27.8**	**16.3**	***359.1***

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.
3) Other includes for i.e. redundancies for former board members and restructuring measurements, provisions for jubilee as well as tax accruals within P&L.

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 nine months of 2018, together with the corresponding periods of the previous year:

Development of reported STADA Group key earnings figures

in € million	9M/2018	9M/2017	±%
Operating profit	279.7	187.6	+49%
• Generics	240.7	170.1	+41%
• Branded Products	117.6	117.1	+0%
Operating profit margin[1]	16.4%	11.0%	
• Generics	23.8%	17.0%	
• Branded Products	16.8%	16.5%	
EBITDA	387.5	315.7	+23%
• Generics	280.8	218.1	+29%
• Branded Products	178.6	189.8	-6%
EBITDA margin[1]	22.7%	18.5%	
• Generics	27.8%	21.8%	
• Branded Products	25.6%	26.8%	
EBIT	283.4	191.8	+48%
EBIT margin[1]	16.6%	11.2%	
EBT	255.7	160.0	+60%
EBT margin[1]	15.0%	9.4%	
Net income	225.6	94.6	>100%
Net income margin[1]	13.2%	5.5%	
Earnings per share in €	3.62	1.52	>100%

Development of adjusted[2] STADA Group key earnings figures

in € million	*9M/2018*	*9M/2017*	*±%*
Adjusted operating profit	*307.7*	*276.0*	*+11%*
• Generics	*243.4*	*180.9*	*+35%*
• Branded Products	*141.4*	*155.6*	*-9%*
Adjusted operating profit margin[1]	*18.0%*	*16.1%*	
• Generics	*24.1%*	*18.1%*	
• Branded Products	*20.2%*	*22.0%*	
Adjusted EBITDA	*388.2*	*359.1*	*+8%*
• Generics	*280.4*	*220.9*	*+27%*
• Branded Products	*178.3*	*191.6*	*-7%*
Adjusted EBITDA margin[1]	*22.7%*	*21.0%*	
• Generics	*27.8%*	*22.1%*	
• Branded Products	*25.5%*	*27.1%*	
Adjusted EBIT	*311.3*	*280.2*	*+11%*
Adjusted EBIT margin[1]	*18.2%*	*16.4%*	
Adjusted EBT	*283.7*	*248.4*	*+14%*
Adjusted EBT margin[1]	*16.6%*	*14.5%*	
Adjusted net income	*220.4*	*152.0*	*+45%*
Adjusted net income margin[1]	*12.9%*	*8.9%*	
Adjusted earnings per share in €	*3.54*	*2.44*	*+45%*

1) Relating to relevant Group sales.

2) Adjusted for special effects.

Cost of sales decreased in the first nine months of 2018 by 3.3% to €830.1 million (1-9/2017: €858.1 million) as a result of a favorable product mix, exchange rates, portfolio changes and cost saving activities. **Gross profit** increased to €878.2 million in the reporting period (1-9/2017: €851.2 million). Gross margin improved to 51.4% (1-9/2017: 49.8%) primarily due to a positive development in Belgium resulting from reduced discount rates and positive volume effects.

In the first nine months of 2018, **selling expenses** increased to €383.1 million (1-9/2017: €360.0 million) as a result of higher marketing activities for product launches, especially in Italy, Russia and Germany.

General and administrative expenses decreased in the reporting period to €130.9 million (1-9/2017: €150.5 million). This development was mainly attributable to cost saving activities and lower consulting expenses.

Other income rose in the reporting period to €41.2 million (1-9/2017: €15.0 million) mainly as a result of the appreciation of intangible assets and due to insurance compensations received for a shortfall in payments by one customer.

Other expenses decreased in the first nine months of 2018 to €71.9 million (1-9/2017: €117.3 million). This development was mainly attributable to lower severance expenses, lower impairments on trade accounts receivable and reduced impairments on intangible assets.

Financial expenses showed a decrease in the first nine months of 2018 to €32.5 million (1-9/2017: €34.0 million) mainly due to lower interest expenses.

Income tax expenses decreased in the reporting period to €26.6 million (1-9/2017: €58.5 million). The reported tax rate was 10.4% (1-9/2017: 36.5%). This development was mainly due to a change in tax status of STADA Arzneimittel AG. STADA Arzneimittel AG formed a German tax group of Nidda Healtcare GmbH which is liable for tax payments of this tax group. Therefore all deferred taxes of the former German tax group have been transferred to the new German tax group at the level of Nidda Healthcare Gmbh while STADA Arzneimittel AG remains liable for the taxation of recurring compensation payments.

Sales development of the Generics and Branded Products segment

Reported sales in the **Generics** segment for the reporting period totaled €1,009.9 million and were more or less on a par with the corresponding period of the previous year (1-9/2017: €1,001.0 million). **Sales** in the **Generics** segment **adjusted by portfolio and currency effects** increased by 5% to €1,026.2 million (1-9/2017: €980.4 million). This development was mainly influenced by strong sales in Belgium, Italy and Serbia. Contrary developments occurred in Russia and France. The figure no longer includes generics sales of STADA Vietnam J.V. Co. Ltd. Generics accounted for 59.1% of Group sales (1-9/2017: 58.6%).

Within the Generics segment, development of the eight largest countries by sales was as follows in the reporting period:

Sales generated with generics in **Germany** increased by 2% to €224.1 million (1-9/2017: €218.8 million). This development was based on a positive development of ALIUD PHARMA and STADAPHARM. Whereas the positive development of ALIUD PHARMA was driven by lower discount rates, STADAPHARM benefited from new product launches. Sales generated in the German market with generics had a share of 61% in the overall sales achieved in the German market (1-9/2017: 61%).

Sales generated with generics in **Italy** recorded growth of 14% to €143.7 million (1-9/2017: €125.6 million), primarily due to new product launches and positive volume effects. Generics contributed 87% to sales in the Italian market (1-9/2017: 79%).

Sales achieved in **Belgium** with generics recorded an increase of 30% to €115.1 million (1-9/2017: €88.7 million). This development resulted particularly from positive volume effects and reduced discount rates. Generics contributed 88% to sales in the Belgian market (1-9/2017: 91%).

Sales generated with generics in **Spain** increased by 2% to €81.7 million (1-9/2017: €79.9 million), primarily due to positive volume effects and new product launches. Generics had a share of 84% in local sales (1-9/2017: 85%).

In **Serbia**, sales with generics achieved an increase of 12%, applying the exchange rates of the previous year. This development particularly resulted from positive volume effects. In euro, sales rose by 16% to €73.1 million due to a positive currency effect of the Serbian dinar (1-9/2017: €63.2 million). The share of sales generated with generics in the Serbian market was 80% (1-9/2017: 81%).

Sales generated in **Russia** with generics decreased by 4%, applying the exchange rates of the previous year. This development was primarily influenced by lower volume effects due to the overall reduced growth of the Russian market. As a result of a very negative currency effect of the Russian ruble, sales in euro decreased by 16% to €68.8 million (1-9/2017: €81.4 million). Generics contributed 31% to local sales (1-9/2017: 33%).

Sales generated with generics in **Switzerland** remained stable, applying the exchange rates of the previous year. As a result of a negative currency effect of the Swiss franc, sales in euro recorded a decline of 6% to €38.2 million (1-9/2017: €40.6 million). The development was primarily attributable to successful product launches which were offset by negative currency effects. Generics contributed 76% to sales generated in Switzerland (1-9/2017: 77%)

Sales generated with generics in **France** declined by 34% to €37.0 million (1-9/2017: €56.3 million), particularly due to continued strong price and discount competition. Generics contributed 92% to sales in the French market (1-9/2017: 94%).

Reported sales in the **Branded Products** segment decreased in the reporting period by 1% to €698.4 million (1-9/2017: €708.3 million). **Sales** in the **Branded Products** segment **adjusted by portfolio and currency effects** showed an increase of 6% to €724.2 million (1-9/2017: €685.4 million). This development was mainly attributable to decreased sales in Russia and Italy although segment sales in Germany and the United Kingdom increased. The figure no longer includes branded product sales of STADA Vietnam J.V. Co. Ltd. Branded Products accounted for 40.9% of Group sales (1-9/2017: 41.4%).

Within the Branded Products segment, development of the eight largest countries by sales was as follows in the reporting period:

Sales generated with branded products in **Russia** recorded growth of 4%, applying the exchange rates of the previous year. This sales increase was primarily attributable to growth in volume, particularly for some of the key brands, and positive price effects. As a result of a very negative currency effect of the Russian ruble, sales in euro recorded a decline of 8% to €154.3 million (1-9/2017: €168.3 million). The share of branded products in sales generated in the Russian market was 69% (1-9/2017: 67%).

Sales achieved with branded products in **Germany** increased by 4% to €146.1 million (1-9/2017: €140.0 million). This development was mainly attributable to the relaunch of Ladival™ and positive price effects of top branded products. Branded products contributed 39% to sales achieved in the German market (1-9/2016: 39%).

In the **United Kingdom**, sales of branded products recorded an increase of 10%, applying the exchange rates of the previous year. This development was mainly attributable to higher volumes for RX products. As a result of a slightly negative currency effect sales in euro increased by 9% to €127.7 million (1-9/2017: €117.1 million). Branded products had a share in sales of 91% in the British market (1-9/2016: 88%).

Sales generated in the **USA** are exclusively attributable to the branded product APO-go®. Sales generated with this product increased by 8% applying the exchange rates of the previous year. As a result of a negative currency effect, sales in euro recorded an increase of 7% to €29.2 million (1-9/2017: €27.4 million). Branded products had a share of 100% in sales generated in the USA (1-9/2017: 100%).

Sales generated with branded products in **Italy** decreased by 33% to €21.8 million, primarily due to a product optimization and the disposal of low profitable products (1-9/2017: €32.5 million). Branded products contributed 13% to sales in Italy (1-9/2017: 21%).

Earnings development of the Generics and Branded Products segment

Reported operating profit in the **Generics** segment grew in the first nine months of 2018 by 41% to €240.7 million (1-9/2017: €170.1 million). **Reported EBITDA** in the **Generics** segment rose by 29% to €280.8 million (1-9/2017: €218.1 million). The **reported operating profit margin** in the **Generics** segment amounted to 23.8% (1-9/2017: 17.0%). The **reported EBITDA margin** in the **Generics** segment was 27.8% (1-9/2017: 21.8%).

Adjusted operating profit in the **Generics** segment increased in the reporting period by 35% to €243.4 million (1-9/2017: €180.9 million). **Adjusted EBITDA** in the **Generics** segment rose by 27% to €280.4 million (1-9/2017: €220.9 million). The **adjusted operating profit margin** in the **Generics** segment was 24.1% (1-9/2017: 18.1%) primarily due to reduced discounts and an improved product mix. The **adjusted EBITDA margin** in the **Generics** segment amounted to 27.8% (1-9/2017: 22.1%).

Reported operating profit in the **Branded Products** segment for the first nine months of 2018 totaled €117.6 million and were more or less on a par with the corresponding period of the previous year (1-9/2017: €117.1 million). **Reported EBITDA** in the **Branded Products** segment decreased by 6% to €178.6 million (1-9/2017: €189.8 million). The **reported operating profit margin** in the **Branded Products** segment amounted to 16.8% (1-9/2017: 16.5%). The **reported EBITDA margin** in the **Branded Products** segment was 25.6% (1-9/2017 26.8%).

Adjusted operating profit in the **Branded Products** segment decreased in the reporting period by 9% to €141.4 million (1-9/2017: €155.6 million). **Adjusted EBITDA** in the **Branded Products** segment decreased by 7% to €178.3 million (1-9/2017: €191.6 million). The **adjusted operating profit margin** in the **Branded Products** segment amounted to 20.2% (1-9/2017: 22.0%) primarily due to higher marketing expenses and adverse currency expenses in Russia. The **adjusted EBITDA margin** in the **Branded Products** segment was 25.5% (1-9/2017: 27.1%).

Development, production, procurement and supply chain

In the first nine months of the current financial year, research and development expenses totaled €53.7 million (1-9/2017: €50.7 million). In addition, STADA capitalized development expenses for new products in the amount of €15.3 million (1-9/2017: €15.9 million).

STADA continually invests in the Group's own manufacturing facilities and test laboratories. In the reporting period, €16.1 million were invested in the expansion and renovation of production facilities, manufacturing plants and test laboratories (1-9/2017: €27.1 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 September 30, 2018, the **equity ratio** improved to 32.6% (December 31, 2017: 31.4%). **Net debt** amounted to €1,073.5 million as of September 30, 2018 (December 31, 2017: €1,054.7 million). The figure includes a shareholders' loan of €982.4 million. For the total figures including Nidda, please refer to the Group Reporting for the first nine months 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 €1,490.1 million as of September 30, 2018 was comprised as follows:

Financial instruments following exercise of put rights and additional repayment in € million	Nominal Value	Maturity
Promissory note loans	14.5	November 07, 2018
Promissory note loans	84.5	January 23, 2019
Promissory note loans	41.0	April 26, 2019
Promissory note loans	4.0	November 7, 2019
Promissory note loans	41.5	April 26, 2021
Bond	274.1	April 8, 2022
Promissory note loans	7.0	April 26, 2023
	466.6	
Further bank loans	41.1	rolling
Total financial liabilities	507.7	
Loan from Nidda Healthcare Holding GmbH	982.4	
Total financing	1,490.1	

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.[2)] 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. In addition, STADA published a tender offer to bondholders of the STADA bond 2015/2022 together with the invitation. On July 11, 2018 STADA announced the results of the tender offer.[3)] On July 17, 2018 STADA announced the voting results of the bondholders' meeting held at the same date.[4)] 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. On August 24, 2018 STADA published the invitation to the adjourned bondholders' meeting. On September 18, 2018 STADA announced the voting results of the bondholders' meeting held at the same date.[5)] Since the bondholders meeting did not reach the quorum required for the resolutions on the agenda items, no resolutions could be passed.

In accordance with the requirements set out in the Term Loan and the SSN bond, STADA and certain of its subsidiaries in Germany, Belgium, England and Wales, the Netherlands, Northern Ireland, the Republic of Ireland and Spain acceded as guarantors to the Term Loan and/or the SSN bond on July 18, 2018.

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 of current and non-current liabilities). In light of the tender offer to the bondholders for the STADA bond 2015/2022, STADA assumed that it would be possible to repay the bond in the short term. For this reason, the financial liabilities in connection with the STADA bond 2015/2022 (nominal value: €289.7 million) were reclassified from non-current to current in the second quarter of 2018. After the tender offer had expired on July 10, 2018 and STADA had accepted all such notes validly tendered for repurchase, the financial liabilities in connection with the STADA bond 2015/2022 that were not repurchased were reclassified accordingly from current to non-current as of the reporting date September 30, 2018.

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 €274.1million (December 31, 2017: €300 million) with an interest rate of 1.75% p.a. was left as of September 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 September 30, 2018, the Group held promissory note loans with a nominal value of €192.5 million in total (December 31, 2017: €526.0 million).

Intangible assets increased to €1,643,5 million as of September 30, 2018 (December 31, 2017: €1,474.3 million). This development was mainly attributable to the acquisition of Nizoral and the repurchase of the trademark rights for Ladival™ with respect to the EU in the aggregate amount of approximately €200 million. As of the reporting date, intangible assets included €400.6 million of goodwill (December 31, 2017: €396.5 million). This includes an amount of €9.9 million resulting from the acquisition of the majority of shares in Bioceutical Arzneimittel AG in 2018.

Property, plant and equipment totaled €343.7 million as of September 30, 2018 (December 31, 2017: €332.7 million).

Inventories were valued at €500.6 million as of the reporting date (December 31, 2017: €499.0 million).

Trade accounts receivable decreased to €506.2 million as of September 30, 2018 (December 31, 2017: €520.4 million). This development was mainly attributable to an increase in factoring volume and lower trade account receivables in Russia and Serbia and despite an increase resulting from the status change of BIOCEUTICALS Arzneimittel AG which is accounted for as a subsidiary as of September 30, 2018.

Income tax receivables increased to €19.8 million as of the reporting date (December 31, 2017: €14.3 million).

Current other assets increased by €30,5 million to €65.9 million as of September 30, 2018 (December 31, 2017: €35.3 million) as a consequence of increased tax receivables in the United Kingdom and France.

1) See company investor news of June 8, 2018.
2) See company investor news of June 29, 2018.
3) See company investor news of July 11, 2018.
4) See company press release of July 17, 2018.
5) See company press release of September 18, 2018.

Retained earnings including net income comprise the net income of the first nine 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. Furthermore the profit share to which Nidda Healthcare GmbH is entitled in event of profit transfer in accordance with the German Commercial Code is included 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 September 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 €181.0 million and €1,308.0 million as of September 30, 2018 (December 31, 2017: €1,257.1 million and €0.8 million) mainly comprise promissory note loans with a nominal value of €192.5 million (December 31, 2017: €526.0 million), and one bond with a nominal value of €274.1 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 €982,4 million (December 31, 2017: €0.0 million).

Trade accounts payable decreased to €289.9 million as of September 30, 2018 (December 31, 2017: €340.6 million) mainly as a consequence of payments for consultancy services with regard to the takeover process that occurred in 2017.

Deferred tax liabilities showed a decrease to €82.6 million as of September 30, 2018 (December 31, 2017: €116.5 million). This development was mainly attributable to the change in tax status of STADA Arzneimittel AG.

Income tax liabilities increased to €90.3 million as of the reporting date (December 31, 2017: €69.7 million) as the tax expenses exceed the prepayments for taxes.

Other current financial liabilities decreased to €162.3 million as of September 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.

Other current liabilities increased to €232.0 million as of September 30, 2018 (December 31, 2017:€123.5 million) mainly as a result of liabilities to Nidda Healthcare GmbH relating to the profit share to which Nidda Healthcare GmbH is entitled in event of profit transfer in accordance with the German Commercial Code.

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 €246.5 million in the first nine months of 2018 (1-9/2017: €211.4 million). This increase was primarily due to significantly lower cash outflows related to inventories. In addition, there have been cash inflows related to trade receivables, mainly driven by a significant increase in factoring volume in the first nine months of 2018 while there was a decrease in the first nine months of 2017. These drivers were partly offset by higher cash outflows in respect of trade accounts payable.

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€252.8 million in the first nine months of the current financial year (1-9/2017: -€98.7 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets, mainly due to the acquisition of the EMEA (Europe, Middle East, Africa) rights to Nizoral and the repurchase of the trademark rights for Ladival™ with respect to the EU in the aggregate amount of approximately €200 million. In addition, there were payments for business combinations relating to the acquisition of the majority of shares in BIOCEUTICALS Arzneimittel AG in 2018. As the cash position of BIOCEUTICALS Arzneimittel AG at the acquisition date exceeds the purchase price, positive payments are disclosed in the cash flow statement.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, was -€6.3 million in the reporting period (1-9/2017: €112.7 million). The **free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to €193.9 million (1-9/2017: €145.8 million).

Cash flow from financing activities in the first nine months of the current financial year amounted to €178.7 million (1-9/2017: -€89.5 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. Furthermore, in connection with the tender offer for the STADA bond 2015/2022 notes in the amount of €15.7 million were repurchased. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH and used its own cash.

Cash flow of the current period was €172.2 million in the first nine 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 (1-9/2017: €16.2 million).

Acquisitions and disposals

On January 12, 2018, STADA reached an agreement with Sanofi on the early termination of the license agreement for its Hedrin® products in Belgium, Spain and Portugal to advance the internationalization of its OTC brand business.[1)] The STADA companies Eurogenerics (Belgium), Ciclum Farma (Portugal) and Laboratorio STADA (Spain) have taken over the commercialization of the head lice and nits products as from January 17, 2018.

As part of the strategic realignment, speciality pharmaceuticals subsidiary STADAPHARM GmbH acquired the distribution rights of APO-go® in Germany from Grünenthal GmbH, starting from June 1, 2018.[2)] 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.[3)] 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.

On July 12, 2018 Xbrane Biopharma AB and STADA entered into a co-development agreement for Xlucane, a Lucentis (ranibizumab) biosimilar.[4)] Co-development means that both parties will equally contribute to development expenses and share profits from commercialization in a 50/50 split. In close consultation and agreement with STADA, Xbrane will be responsible for the development of the product until completion of the marketing authorization applications to EMA (European Medicines Agency) and FDA (US Food and Drug Administration), as well as for supply of the finished pharmaceutical product. STADA will hold the marketing authorizations and will be responsible for sales and marketing of the product across all territories included in the agreement. The co-development agreement covers Europe, the US and a variety of MENA and APAC markets.

On July 18, 2018 STADA and Ladival GmbH & Co KG agreed to transfer the trademark rights for the sunscreen Ladival™ with respect to the EU back to STADA with immediate effect.[5)] STADA sold the rights in 2013, with the former company distributing the product to German pharmacies as the licensee ever since. Following negotiations the parties agreed that STADA would repurchase the trademark rights for Ladival™ with immediate effect and not at the end of 2021 as originally contractually agreed. Ladival™ is one of STADA's best-known brands. Since its successful relaunch at the beginning of 2018, Ladival™ has regained its leading position in German pharmacies.

On August 6, 2018, STADA anounced that the company becomes majority shareholder of BIOCEUTICALS Arzneimittel AG.[6)] Following the approval of the antitrust authorities, STADA acquired an additional 35.48% of the shares from its co-shareholders, which – combined with the shares already held – means that it now has a 51.34% stake in BIOCEUTICALS Arzneimittel AG. The company manufactures the active ingredient and finished product erythropoietin and markets both to third party customers and to STADA sales companies.

1) See company press release of Janurary 18, 2018.
2) See company press release of June 15, 2018.
3) See company press release of June 28, 2018.
4) See company press release of July 12, 2018.
5) See company press release of July 18, 2018.
6) See company press release of August 6, 2018.

STADA share

In the first nine months of 2018, the price of STADA shares dropped by 8% from €88.23 to €81.12. Accordingly, market capitalization as of the end of the first nine months of 2018 totaled €5.1 billion compared to €5.5 billion as of year-end 2017.

As of September 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).

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On February 2, 2018, an extraordinary general meeting of STADA Arzneimittel AG took place which, with a majority of more than 99%, approved the entry into 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.[1)] The agreement came into effect on March 20, 2018 with its entry in the commercial register. In the agreement, Nidda Healthcare GmbH is offering to acquire the shares of the outside STADA Shareholders in return for cash compensation pursuant to section 305 AktG in the amount of €74.40 per share. Pending each shareholder's acceptance of such offer, the DPLTA provides for an annually recurring compensation payment to each such outside shareholder pursuant to section 304 AktG in the amount of €3.82 gross (€3.53 net at current tax rates) per share. Certain STADA shareholders brought an appraisal action against Nidda Healthcare GmbH seeking an adjustment of the cash purchase price and the annually recurring compensation payable under the DPLTA, which is customary for domination and profit and loss transfer agreements governed by German law. The ensuing appraisal proceedings (Spruchverfahren) are in their early stages.

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 October 1, 2018 Nidda Healthcare GmbH, the controlling shareholder of STADA, announced its intention to launch a public delisting tender offer for all shares of STADA Arzneimittel AG not already held by Nidda Healthcare GmbH.[2)] On October 11, 2018 Nidda Healthcare GmbH published the offer document for the public delisting tender offer for all shares of STADA Arzneimittel AG following the approval of the publication of the offer document by the German Federal Financial Supervisory Authority (BaFin).[3)]

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.[4)]

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 is presented.

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 may have an effect.

1) See company investor news of February 2, 2018.
2) See press release of Bain Capital Private Equity and Cinven Partners of October 1, 2018.
3) See press release of Bain Capital Private Equity and Cinven Partners of October 11, 2018.
4) See company investor news of June 6, 2018.

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

Peter Goldschmidt Mark Keatley Miguel Pagan Fernandez

STADA INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2018 (ABRIDGED)

Consolidated Income Statement

Consolidated Income Statement in K €	**9M/2018**	**9M/2017**
Sales	1,708,260	1,709,332
Cost of sales	830,100	858,133
Gross profit	**878,160**	**851,199**
Selling expenses	383,131	360,030
General and administrative expenses	130,932	150,530
Research and development expenses	53,681	50,709
Other income	41,226	14,981
Other expenses	71,915	117,343
Operating profit	**279,727**	**187,568**
Result from investments measured at equity	3,654	4,280
Investment income	–	–
Financial income	4,867	2,208
Financial expenses	32,528	34,030
Financial result	**-24,007**	**-27,542**
Earnings before taxes	**255,720**	**160,026**
Income taxes	26,602	58,476
Earnings after taxes	**229,118**	**101,550**
of which		
• distributable to shareholders of STADA Arzneimittel AG (net income)	225,649	94,633
• distributable to non-controlling shareholders	3,469	6,917
Profit share to which Nidda Healthcare GmbH is entitled in event of profit transfer based on profit in accordance with the German Commercial Code	79,303	–
Earnings per share in € (basic)	3.62	1.52

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in K €	9M/2018	9M/2017
Earnings after taxes	**229,118**	**101,550**
Items to be recycled to the income statement in future:		
Currency translation gains and losses	**-29,999**	**-45,355**
of which		
• income taxes	279	-194
Gains and losses on financial assets (FVOCI)	**4**	**–**
of which		
• income taxes	-4	–
Items not to be recycled to the income statement in future:		
Revaluations of net debt from defined benefit plans	**–**	**2,219**
of which		
• income taxes	–	-527
Other comprehensive income	**-29,995**	**-43,316**
of which		
• attributable to disposal groups held for sale in accordance with IFRS 5	–	-180
Consolidated comprehensive income	**199,123**	**58,234**
of which		
• distributable to shareholders of STADA Arzneimittel AG	195,466	58,543
• distributable to non-controlling shareholders	3,657	-309

Consolidated Balance Sheet

Consolidated Balance Sheet in K € Assets	Sept. 30, 2018	Dec. 31, 2017
Non-current assets	**2,048,162**	**1,880,574**
Intangible assets	1,643,542	1,474,342
Property, plant and equipment	343,724	332,738
Financial assets	1,997	1,978
Investments measured at equity	25,694	41,528
Other financial assets	1,396	1,087
Other assets	1,143	1,330
Deferred tax assets	30,666	27,571
Current assets	**1,524,161**	**1,323,952**
Inventories	500,598	499,012
Trade accounts receivable	506,158	520,441
Contract assets	727	–
Income tax receivables	19,825	14,346
Other financial assets	15,507	9,809
Other assets	65,871	35,323
Cash and cash equivalents	415,425	243,194
Non-current assets and disposal groups held for sale	50	1,827
Total assets	**3,572,323**	**3,204,526**

Equity and liabilities	Sept. 30, 2018	Dec. 31, 2017
Equity	**1,163,590**	**1,006,406**
Share capital	162,090	162,090
Capital reserve	514,206	514,206
Retained earnings including net income	855,111	717,364
Other reserves	-460,202	-430,013
Treasury shares	-1,403	-1,405
Equity attributable to shareholders of the parent	1,069,802	**962,242**
Shares held by non-controlling shareholders	93,788	44,164
Non-current borrowings	**1,429,623**	**157,572**
Other non-current provisions	34,477	35,293
Financial liabilities	1,307,979	816
Other financial liabilities	3,539	4,032
Other liabilities	1,057	950
Deferred tax liabilities	82,571	116,481
Current borrowings	**979,110**	**2,040,548**
Other provisions	22,925	23,507
Financial liabilities	180,993	1,257,105
Trade accounts payable	289,868	340,642
Contract liabilities	717	–
Income tax liabilities	90,344	69,663
Other financial liabilities	162,265	226,108
Other liabilities	231,998	123,523
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	–
Total equity and liabilities	**3,572,323**	**3,204,526**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in K €	9M/2018	9M/2017
Net income	229,118	101,550
Depreciation and amortization net of write-ups of non-current assets	104,122	123,808
Income taxes	26,603	58,476
Income tax paid	-36,323	-28,448
Interest income and expenses	27,661	31,941
Interest and dividends received	3,934	2,420
Interest paid	-35,423	-33,114
Result from investments measured at equity	-3,654	-4,280
Result from the disposal of non-current assets	209	627
Additions to / reversals of other non-current provisions	2,443	7,617
Currency translation income and expenses	929	2,316
Other non-cash expenses and gains[1)]	184,237	256,862
Gross cash flow	**503,856**	**519,775**
Changes in inventories	-18,219	-65,448
Changes in trade accounts receivable	12,199	-29,788
Changes in trade accounts payable	-70,506	-1,062
Changes in other net assets, unless attributable to investing or financing activities[1)]	-180,859	-212,106
Cash flow from operating activities	**246,471**	**211,371**
Payments for investments in		
• intangible assets	-246,121	-57,967
• property, plant and equipment	-31,854	-40,806
• financial assets	-85	-270
• business combinations in accordance with IFRS 3	18,503	-2,854
Proceeds from the disposal of		
• intangible assets	990	1,504
• property, plant and equipment	1,148	1,703
• financial assets	–	–
• shares in consolidated companies	4,593	6
Cash flow from investing activities	**-252,826**	**-98,684**
Borrowing of funds	943,420	28,801
Settlement of financial liabilities	-753,897	-69,636
Settlement of finance lease liabilities	-1,224	-1,121
Dividend distribution	-8,944	-46,048
Capital increase from share options	–	–
Changes in non-controlling interests	-662	-1,504
Changes in treasury shares	2	30
Cash flow from financing activities	**178,695**	**-89,478**
Changes in cash and cash equivalents	**172,340**	**23,209**
Changes in cash and cash equivalents due to the scope of consolidation	153	1,366
Changes in cash and cash equivalents due to exchange rates	-263	-8,379
Net change in cash and cash equivalents	**172,230**	**16,196**
Balance at beginning of the period	**243,195**	**352,580**
Balance at end of the period	**415,425**	**368,776**

1) Non-cash additions to accruals for discounts to health insurance organizations in the first nine months of 2018 in the amount of €143.9 million (1-9/2017: €163.7 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 Sept. 30, 2018	**62,342,440**	**162,090**	**514,206**	**855,111**
Miscellaneous changes[1]				-79,303
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				-32
Net income				225,649
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 Sept. 30, 2017	**62,342,440**	**162,090**	**514,206**	**725,441**
Dividend distribution				-44,826
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				6
Other comprehensive income				2,375
Net income				94,633
Balance as of Jan. 1, 2017	**62,342,440**	**162,090**	**514,189**	**673,253**

1) The miscellaneous changes relate to the profit share to which Nidda Healthcare GmbH, Bad Vilbel, is entitled in event of profit transfer in accordance with the German Commercial Code.

Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-460,168	**-34**	**-1,403**	**1,069,802**	**93,788**	**1,163,590**
			-79,303		-79,303
			-6,848	-3,530	-10,378
			–		–
		2	2		2
			–		–
			–	49,605	49,605
			–		–
-30,155	4		-30,183	188	-29,995
			225,649	3,469	229,118
-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**
-417,539		**-1,405**	982,793	75,730	1,058,523
			-44,826	-4,009	-48,835
			–		–
		13	30		30
			–		–
			–	2,746	2,746
			6	-763	-757
-38,465			-36,090	-7,226	-43,316
			94,633	6,917	101,550
-379,074		**-1,418**	**969,040**	**78,065**	1,047,105

Notes

1. General

1.1. Accounting policies

In accordance with the regulations of Section 53 (6) of the Rules and Regulations for the Frankfurt Stock Exchange in connection with Section 115 of the German Securities Trading Act (WpHG), this Interim Report of STADA includes consolidated interim financial statements. The Consolidated Interim Financial Statements have been prepared under consideration of the International Financial Reporting Standards (IFRS) for interim reporting as applicable in the European Union (EU).

The Interim Consolidated Financial Statements as of September 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 nine 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. 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, an 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 period, the Russian subsidiary ZAO Makiz-Pharma was merged with the Russian subsidiary OOO Hemofarm on May 24, 2018, retaining the name OOO Hemofarm.

Furthermore, a new company was founded in Hungary named STADA Hungary LLC effective as of March 26, 2018. STADA consolidated this subsidiary for the first time per September 30, 2018.

Moreover STADA consolidated its former associated company BIOCEUTICALS Arzneimittel AG after a successful increase of shares as consolidated subsidiary together with their subsidiary NorBiTec GmbH as at September 30, 2018.

Thus, on the reporting date, September 30, 2018, the scope of consolidation included a total of 81 subsidiaries and four associates in STADA's Interim Consolidated Financial Statements.

1.4. Business combinations

In the first nine months of 2018, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocations are described in more detail below. The purchase price allocation is preliminary on all financial line items due to the short time period between the closing of the transaction and the reporting period.

Since September 27, 2018, STADA has controlled the German pharmaceutical company BIOCEUTICALS Arzneimittel AG, Bad Vilbel. The company manufactures the active ingredient and finished product erythropoietin and markets both to third party customers and to STADA sales companies. BIOCEUTICALS Arzneimittel AG, which was previously treated as an associated company, and their subsidiary NorBiTec GmbH have been consolidated in the STADA Group as a subsidiary since September 30, 2018, taking into account minority interests. The control has been achieved by acquiring an additional 35.48% of the shares from its co-shareholders, which – combined with the shares already held – means that STADA Arzneimittel AG now has a 51.34% stake in BIOCEUTICALS Arzneimittel AG and became majority shareholder. The purchase price for the acquisition of €35.0 million has already been fully paid in cash or cash equivalents. The acquisition was completed on September 27, 2018 after the competition authorities approved the purchase contract signed in August 2018. In the context of the provisional purchase price allocation, goodwill in the amount of €9.9 million resulted from the business combination and is broken down as follows:

in € million	
Purchase price for 35.48% of the shares in BIOCEUTICALS Arzneimittel AG	35.0
Fair value of shares recognized according to the equity method at the acquisition date	15.6
Proportionate fair values of the assets and liabilities acquired approx.	40.7
Goodwill	**9.9**

An amount of €0.6 million, which was reported in other income, resulted from the revaluation of shares recognized up to the acquisition date according to the equity method at the time control was achieved based on it's fair value of €15.6 million.

Goodwill here results primarily from a strengthened presence in the market for biosimilars. The partial goodwill method was used for the recognition of this goodwill in the balance sheet.

The share of non-controlling interests in the acquired company in the context of the purchase price allocation determined at the acquisition date is €48.2 million.

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

Fair values in € million	
Intangible assets	5.3
Tangible assets	6.8
Deferred tax assets	8.4
Inventories	12.6
Trade accounts receivable	23.4
Income tax receivables	5.7
Other current assets	1.5
Cash and cash equivalents	53.5
Assets	**117.2**
Trade accounts payable	3.7
Income tax liabilities	2.8
Other liabilities	21.9
Liabilities	**28.4**
Fair value of acquired assets and liabilities	88.9
Shares relating to non-controlling shareholders prior to business combination	9.6
Fair value of the acquired assets and liabilities minus shares relating to non-controlling shareholders prior to business combination	79.3
Pro rata fair value of acquired assets and liabilities, approximately	**40.7**

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

STADA had business relations to BIOCEUTICALS Arzneimittel AG already prior to the increase of shares through its subsidiary STADAPHARM, which already marketed the active ingredient erythropoietin by using a sales license.

As the acquisition took place at September 27, 2018, no sales or operating profit are included for the first nine months 2018.

2. Information on the Consolidated Income Statement

2.1. Sales

Reported Group sales for the first nine months of the current financial year totaled €1,708.3 million and were more or less on a par with the corresponding period of the previous year (1-9/2017: €1,709.3 million). After deducting effects on sales resulting from changes in the Group portfolio and from currency effects, adjusted Group sales increased by 5% to €1,750.4 million (1-9/2017: €1,665.8 million). This effect was mainly attributable to a sales increase in the Generics segment in Belgium, Italy and Serbia as well as a strong sales performance in the Branded Products segment in Germany and the United Kingdom.

2.2. Cost of sales and gross profit

Cost of sales decreased in the first nine months of 2018 year by 3.3% to €830.1 million (1-9/2017: €858.1 million) as a result of a favorable product mix, exchange rates, portfolio changes and cost saving activities. Gross profit increased to €878.2 million in the reporting period (1-9/2017: €851.2 million). Gross margin improved to 51.4% (1-9/2017: 49.8%) primarily due to a positive development in Belgium with reduced discount rates and positive volume effects.

2.3. Selling expenses

In the first nine months of 2018, selling expenses increased to €383.1million (1-9/2017: €360.0 million) as a result of higher marketing activities for product launches, especially in Italy, Russia and Germany.

2.4. General and administrative expenses

General and administrative expenses decreased in the reporting period to €130.9 million (1-9/2017: €150.5 million). This development was mainly attributable to cost saving activities and lower consulting expenses.

2.5. Other income

Other income rose in the reporting period to €41.2 million (1-9/2017: €15.0 million) mainly as a result of the appreciation of intangible assets and due to insurance compensations received for a shortfall in payments by one customer.

2.6. Other expenses

Other expenses decreased in the first nine months of 2018 to €71.9 million (1-9/2017: €117.3 million). This development was mainly attributable to lower severance expenses, lower impairments on trade accounts receivable and reduced impairments on intangible assets.

2.7. Financial expenses

Financial expenses decreased in the first nine months of 2018 to €32.5 million (1-9/2017: €34.0 million) mainly due to lower interest expenses.

2.8. Income taxes

Income tax expenses decreased in the reporting period to €26.6 million (1-9/2017: €58.5 million). The reported tax rate was 10.4% (1-9/2017: 36.5%). This development was mainly due to a change in tax status of STADA Arzneimittel AG. STADA Arzneimittel AG formed a German tax group of Nidda Healtcare GmbH which is liable for tax payments of this tax group. Therefore all deferred taxes of the former German tax group have been transferred to the new German tax group at the level of Nidda Healthcare Gmbh while STADA Arzneimittel AG remains liable for the taxation of recurring compensation payments.

2.9. Earnings per share

Earnings per share increased in the first nine months of 2018 to €3.62 (1-9/2017: €1.52).

3. Information on the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets increased to €1,643.5 million as of September 30, 2018 (December 31, 2017: €1,474.3 million). This development was mainly attributable to the acquisition of Nizoral and the repurchase of the trademark rights for Ladival™ with respect to the EU in the aggregate amount of approximately €200 million. As of the reporting date, intangible assets included €400.6 million of goodwill (December 31, 2017: €396.5 million). This includes an amount of €9.9 million resulting from the acquisition of the majority of shares in BIOCEUTICALS Arzneimittel AG in 2018.

3.2. Property, plant and equipment

Property, plant and equipment totaled €343.7 million as of September 30, 2018 (December 31, 2017: €332.7 million).

3.3. Inventories

Inventories were valued at €500.6 million as of the reporting date (December 31, 2017: €499.0 million).

3.4. Trade accounts receivable

Trade accounts receivable decreased to €506.2 million as of September 30, 2018 (December 31, 2017: €520.4 million).This development was mainly attributable to an increase in factoring volume and lower trade account receivables in Russia and Serbia and despite an increase resulting from the status change of BIOCEUTICALS Arzneimittel AG which is accounted for a subsidiary as of September 30, 2018.

3.5. Income tax receivables

Income tax receivables increased to €19.8 million as of the reporting date (December 31, 2017: €14.3 million).

3.6. Other assets

Current other assets increased by €30.6 million to €65.9 million as of September 30, 2018 (December 31, 2017: €35.3 million) as a consequence of increased tax receivables in United Kingdom and France.

3.7. Retained earnings and other reserves

Retained earnings including net income comprise the net income of the first nine 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. Furthermore the profit share to which Nidda Healthcare GmbH is entitled in event of profit transfer in accordance with the German Commercial Code is included 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 September 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 of €181.0 million and €1,308.0 million as of September 30, 2018 (December 31, 2017: €1,257.1 million and €0.8 million) mainly comprise promissory note loans with a nominal value of €192.5 million (December 31, 2017: €526.0 million), and one bond with a nominal value of €274.1 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 €982,4 million (December 31, 2017: €0.0 million).

3.9. Trade accounts payable

Trade accounts payable decreased to €289.9 million as of September 30, 2018 (December 31, 2017: €340.6 million) mainly as a consequence of payments for consultancy services with regard to the takeover process that occurred in 2017.

3.10. Deferred tax liabilities

Deferred tax liabilities showed a decrease to €82.6 million as of September 30, 2018 (December 31, 2017: €116.5 million). This development was mainly attributable to the change in tax status of STADA Arzneimittel AG.

3.11. Income tax liabilities

Income tax liabilities increased to €90.3 million as of the reporting date (December 31, 2017: €69.7 million) as the tax expenses exceed the prepayments for taxes.

3.12. Other financial liabilities

Other current financial liabilities decreased to €162.3 million as of September 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.

3.13. Other liabilities

Other current liabilities increased to €232.0 million as of September 30, 2018 (December 31, 2017:€123.5 million) mainly as a result of liabilities to Nidda Healthcare GmbH relating to the profit share to which Nidda Healthcare GmbH is entitled in event of profit transfer in accordance with the German Commercial Code.

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 €246.5 million in the first nine months of 2018 (1-9/2017: €211.4 million). This increase was primarily due to significantly lower cash outflows related to inventories. In addition, there have been cash inflows related to trade receivables, mainly driven by a significant increase in factoring volume in the first nine months of 2018 while there was a decrease in the first nine months of 2017. These drivers were partly offset by higher cash outflows in respect of trade accounts payable.

4.2. Cash flow from investing activities

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€252.8 million in the first nine months of the current financial year (1-9/2017: -€98.7 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets, mainly due to the acquisition of the EMEA (Europe, Middle East, Africa) rights to Nizoral and the repurchase of the trademark rights for Ladival™ with respect to the EU in the aggregate amount of approximately €200 million. In addition, there were payments for business combinations relating to the acquisition of the majority of shares in BIOCEUTICALS Arzneimittel AG in 2018. As the cash position of BIOCEUTICALS Arzneimittel AG at the acquisition date exceeds the purchase price, positive payments are disclosed in the cash flow statement.

4.3. Cash flow from financing activities

Cash flow from financing activities in the first nine months of the current financial year amounted to €178.7 million (1-9/2017: -€89.5 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. Furthermore, in connection with the tender offer for the STADA bond 2015/2022 notes in the amount of €15.7 million were repurchased. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH and used its own cash.

4.4. Cash flow of the current period

Cash flow of the current period was €172.2 million in the first nine 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 (1-9/2017: €16.2 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 adjusted EBITDA 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 €		9M/2018	9M/2017
Generics	**External sales**	**1,009,861**	**1,000,984**
	Sales with other segments	199	1,852
	Total sales	1,010,060	1,002,836
	Operating profit	240,656	170,148
	Depreciation/amortization	35,781	40,027
	Impairment losses	5,118	8,411
	Reversals	765	536
	EBITDA	280,848	218,125
	Special items within EBITDA	-410	2,781
	thereof		
	• effects from purchase price allocations and product acquisitions	-410	-470
	• severance payments	–	3,012
	• consulting services	–	–
	• other	–	239
	EBITDA adjusted	*280,438*	*220,906*
	Other significant non-cash items within operating result	-169,741	-198,709
Branded Products	**External sales**	**698,399**	**708,348**
	Sales with other segments	–	18
	Total sales	698,399	708,366
	Operating profit	117,634	117,112
	Depreciation/amortization	49,945	48,582
	Impairment losses	20,402	26,093
	Reversals	9,448	2,003
	EBITDA	178,614	189,783
	Special items within EBITDA	-327	1,855
	thereof		
	• effects from purchase price allocations and product acquisitions	-327	-250
	• severance payments	–	1,844
	• consulting services	–	–
	• other	–	261
	EBITDA adjusted	*178,287*	*191,638*
	Other significant non-cash items within operating result	-17,578	-30,105

in K €		9M/2018	9M/2017
Reconciliation Group holdings/other and consolidation	**External sales**	–	–
	Sales with other segments	-199	-1,870
	Total sales	-199	-1,870
	Operating profit	-78,563	-99,692
	Depreciation/amortization	3,089	2,964
	Impairment losses	–	270
	Reversals	–	–
	EBITDA	-71,959	-92,252
	Special items within EBITDA	1,438	38,821
	thereof		
	• effects from purchase price allocations and product acquisitions	–	–
	• severance payments	1,438	8,131
	• consulting services	–	27,848
	• other	–	2,842
	EBITDA adjusted	*-70,521*	*-53,431*
	Other significant non-cash items within operating result	-99	-30,656
Group	**External sales**	**1,708,260**	**1,709,332**
	Sales with other segments	–	–
	Total sales	1,708,260	1,709,332
	Operating profit	279,727	187,568
	Depreciation/amortization	88,815	91,573
	Impairment losses	25,520	34,774
	Reversals	10,213	2,539
	EBITDA	387,503	315,656
	Special items within EBITDA	701	43,457
	thereof		
	• effects from purchase price allocations and product acquisitions	-737	-720
	• severance payments	1,438	12,987
	• consulting services	–	27,848
	• other	–	3,342
	EBITDA adjusted	*388,204*	*359,113*
	Other significant non-cash items within operating result	-187,418	-259,470

5.3. Reconciliation of segment results to net profit

in € k	9M/2018	9M/2017
Adjusted EBITDA for segments	458,725	412,544
Special effects within EBITDA	701	43,457
Reconciliation Group holdings/other and consolidation	-70,521	-53,431
Depreciation, amortization, impairment losses and reversals	104,122	123,808
Financial income	4,867	2,208
Financial expenses	32,528	34,030
Earnings before taxes, Group	**255,720**	**160,026**

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:

	Stage 1		Stage 2		Stage 3	
	Listed prices on active markets		Valuation methods with input parameters observable on the market		Valuation methods with input parameters not observable on the market	
Fair values according to hierarchy level in K € on a recurring basis	**Sept. 30, 2018**	**Sept. 30, 2017**	**Sept. 30, 2018**	**Sept. 30, 2017**	**Sept. 30, 2018**	**Sept. 30, 2017**
Financial assets (FVOCI)						
• Factorable receivables	–	–	–	–	22,794	–
Financial assets (FVPL)						
• Currency forwards	–	–	35	2,221	–	–
Financial liabilities (FVPL)						
• Currency forwards	–	–	120	2,978	–	–
• Interest/currency swaps	–	–	–	–	–	1,433
Derivative financial liabilities with a hedging relationship						
• Fair value hedges	–	–	3,101	–	–	–

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. 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 nine months of 2018 as follows:

in K €	Financial assets measured at fair value	Financial liabilities measured at fair value
As of Jan. 1, 2018	**–**	**–**
Adjustments per IFRS 9	14,090	–
Reclassification from level 2	–	–
Currency changes	–	–
Comprehensive income	8	–
• through profit or loss	–	–
• with no effect on profit or loss	8	–
Additions	22,836	–
Implementations	14,140	–
Reclassification to level 2	–	–
As of Sept. 30, 2018	**22,794**	**–**
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 nine 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	1,929
• through profit or loss	-268	1,929
• with no effect on profit or loss	–	–
Additions	–	–
Implementations	-9,642	–
Reclassification to level 2	–	–
Balance at Sept. 30, 2017	**–**	**-1,433**
Results recognized through profit or loss	**-268**	**1,929**
Other income/other expenses	-151	1,693
of which		
• attributable to assets/liabilities held as of the reporting date	–	–
Financial result	-117	236
of which		
• attributable to assets/liabilities held as of the reporting date	–	–

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

in K €	Carrying amount Sept. 30, 2018	Fair value Sept. 30, 2018	Carrying amount Dec. 31, 2017	Fair value Dec. 31, 2017
Amounts due to banks	41,415	41,384	84,823	84,772
Amounts due to shareholders	982,439	982,439	–	–
Promissory note loans	192,322	193,718	525,112	526,000
Bonds	272,796	279,551	647,986	655,656
Financial liabilities	**1,488,972**	**1,712,366**	**1,257,921**	**1,266,428**

The difference of the Fair value of financial liabilities due to shareholders to the respective carrying amount is not material.

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 nine 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, material contingent liabilities increased by a total of €16.3 million in the first nine 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 €	Sept. 30, 2018	Dec. 31, 2017
Obligations from operating leases	43,283	54,861
Other financial obligations	113,645	135,541
Total	**156,928**	**190,402**

Other financial obligations as of September 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 subsidiary BIOCEUTICALS Arzneimittel AG and the contract with DHL regarding the outsourcing of logistic activities. The reduction in other financial obligations is mainly related to the buy-back of Ladival™.

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.

On July 18, 2018, STADA and its subsidiaries Eurogenerics SA, Internis Pharmaceuticals Limited, Thornton & Ross Limited, Clonmel Healthcare Limited, Centrafarm B.V. and Crosspharma Limited (together the "Post-Control Date Guarantors") granted guarantees in favor of any outstanding obligations under the Senior Facilities Agreement, the Senior Secured Notes Indenture and the Senior Notes Indenture. German statutory capital maintenance rules limit the enforceability of STADA's guarantees, and the guarantees itself include customary limitation language to that effect. As a result, STADA currently considers it unlikely that any enforcement of its guarantees would result in a material liability. Consequently, no liability has been recognized in accordance with IFRS 9.

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 nine 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.

On April 16, 2018, STADA announced that the appointment of Dr. Barthold Piening as Chief Technical Officer had been mutually cancelled with immediate effect. In connection with this severance expenses of €1.4 million occurred. Furthermore the Supervisory Board had appointed Miguel Pagan Fernandez as a full member of the Management Board for Technical Operations with effect from July 1, 2018. Miguel Pagan Fernandez receives a base salary. Additionally a performance related incentive is granted divided into a short-term and a long-term incentive.

In early February 2018, the Supervisory Board of STADA Arzneimittel AG appointed Peter Goldschmidt as the new Chairman of the Executive Board with effect as of September 1, 2018. With his start at this date he succeeded Dr. Claudio Albrecht, who hold the office of Chairman of the Executive Board since September 27, 2017. Peter Goldschmidt receives a base salary and additionally a sign on bonus. Furthermore a bonus incentive for 2018 is fixed on a pro-rata basis. From 2019 on a performance related incentive is granted divided into a short-term and a long-term incentive.

During 2018 STADA Arzneimittel AG received shareholder loans in the total amount of €982.4 million (notional) at conditions which mirror the third-party-financing of the lender.

9. Significant events after the closing date

The STADA shares are currently listed and admitted to trading on the regulated markets of the Frankfurt Stock Exchange and the Düsseldorf Stock Exchange. Additionally, the Group is aware that the STADA shares are traded on several other exchange-regulated markets in Germany. On October 1, 2018, Nidda Healthcare GmbH issued a binding instruction to STADA's Executive Board requesting, among other things, that STADA apply for the delisting (the ''Delisting'') of the STADA shares from all regulated and exchange-regulated markets in accordance with article 39 paragraph 2 sentence 1 of the German Securities Exchange Act ("BörsG"). The Delisting would enable STADA to reduce its legal and compliance costs and release the management time associated with STADA's listings. Pursuant to article 39 paragraph 2 sentence 3 No. 1 BörsG the Delisting required Nidda Healthcare GmbH to make an all-cash voluntary public tender offer for any and all outstanding STADA shares not directly held by Nidda Healthcare GmbH. Nidda Healthcare GmbH launched such an offer (the "Delisting Offer") on October 11, 2018, offering cash consideration of €81.73 per share. Following the Delisting Offer's expiration, it was established on November 12, 2018, that non-controlling shareholders representing approximately 28.2941% of STADA's issued share capital had accepted and tendered their STADA shares in the Delisting Offer. STADA's Executive Board submitted the several delisting applications on November 6, 2018.

In addition, STADA Arzneimittel AG (STADA) was informed by its majority shareholder Nidda Healthcare GmbH that Nidda Healthcare GmbH intends to instruct STADA to proceed with the granting of certain in rem security. The in rem security shall be granted by STADA and certain of its substantial affiliates in order to secure certain capital markets indebtedness and other debt financing which is borrowed and/or guaranteed by Nidda Healthcare GmbH and its affiliates (including STADA). The granting of such in rem security will give the right for holders of the €300,000.00 1.750% fixed rates notes with maturity in 2022 (ISIN XS1213831362) (the "2022 Notes") to demand repayment of their principal and accrued interest on such 2022 Notes. Nidda has further informed STADA that Nidda Healthcare GmbH will also instruct STADA to offer to the holders of the 2022 Notes to repurchase, subject to certain conditions to be announced, their 2022 Notes at a price of par plus accrued interest in order to allow any holders of 2022 Notes who wish to redeem such instruments a further opportunity to do so. Prior to the intended grant of said security, STADA made continued efforts to offer to redeem the 2022 Notes and to make amendments to the 2022 Notes to grant equal and rateable security to the holders of those 2022 Notes. STADA has however not received sufficient responses from the holders of the 2022 Notes wishing either to be repaid or to accept such security.

Publishing Information

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Supervisory Board: Dr. Günter von Au (Chairman), Jens Steegers[1] (Vice Chairman), Dr. Eric Cornut, Halil Duru[1], Jan-Nicolas Garbe, Benjamin Kunstler, Dr. Ute Pantke[1], Bruno Schick, Dr. Michael Siefke.

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 solely subject to German law.

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1) Employee representative.