

Annual Report

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STADA KEY FIGURES

Key figures for the Group in € million	2018	2017	± %
Group sales	2,330.8	2,313.9	+1%
• Generics	1,382.8	1,361.7	+2%
• Branded Products	948.0	952.2	0%
Operating profit	378.1	192.3	+97%
• Generics	291.9	233.2	+25%
• Branded Products	165.0	99.3	+66%
EBITDA	530.6	363.8	+46%
• Generics	359.2	292.5	+23%
• Branded Products	242.5	204.9	+18%
Net income	306.9	85.3	+260%
<i>Group sales adjusted for currency and portfolio effects¹⁾</i>	<i>2,330.8</i>	<i>2,218.5</i>	<i>+5%</i>
• Generics	1,382.8	1,321.5	+5%
• Branded Products	948.0	897.0	+6%
<i>Operating profit, adjusted²⁾³⁾</i>	<i>392.7</i>	<i>322.3</i>	<i>+22%</i>
• Generics	307.9	248.8	+24%
• Branded Products	189.3	156.2	+21%
<i>EBITDA, adjusted²⁾³⁾</i>	<i>503.5</i>	<i>433.9</i>	<i>+16%</i>
• Generics	359.6	302.8	+19%
• Branded Products	240.6	207.4	+16%
<i>Net income, adjusted²⁾³⁾</i>	<i>284.0</i>	<i>195.6</i>	<i>+45%</i>
Cash flow from operating activities	320.3	262.9	+22%
Investments	422.2	113.6	+272%
Depreciation and amortization (net of write-ups)	148.8	169.2	-12%
Employees (average number – based on full-time employees) ⁴⁾	10,247	10,832	-5%
Employees (as of the reporting date – based on full-time employees)	10,416	10,176	+2%
Key share figures	2018	2017	± %
Market capitalization (year end) in € million	4,956.2	5,500.4	-10%
Year end closing price in €	79.50 ⁵⁾	88.23 ⁶⁾	-10%
Number of shares (year-end)	62,342,440	62,342,440	0%
Average number of shares (without treasury shares)	62,258,142	62,258,051	0%
Earnings per share in €	4.93	1.37	+260%
Dividend per share in €	– ⁷⁾	0.11	–
Total dividend payments in € million	– ⁷⁾	6.8	–
Distribution ratio as a percentage	– ⁷⁾	8	–
<i>Earnings per share in €, adjusted²⁾³⁾</i>	<i>4.56</i>	<i>3.14</i>	<i>+45%</i>

1) Adjustments for currency and portfolio effects are shown solely as an adjustment to previous year sales. Previous year sales were adjusted for currency effects by applying the exchange rates of the reporting year.

2) 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.

3) Whenever adjustments are identified in connection with key earnings figures in this Annual Report, they fundamentally relate to special items.

4) This average number includes changes in the scope of consolidation on a pro-rata time basis.

5) vwd group/EQS Group AG.

6) XETRA®.

7) Pursuant to the existing domination and profit and loss transfer agreement, STADA Arzneimittel AG will no longer distribute dividends as of financial year 2018. Instead, Nidda Healthcare GmbH has undertaken to pay to the external shareholders of STADA Arzneimittel AG a compensation payment of €3.82 gross or €3.53 net under current taxation per STADA share for the duration of the agreement and accordingly also for financial year 2018 (see Consolidated Financial Statements, item 54).

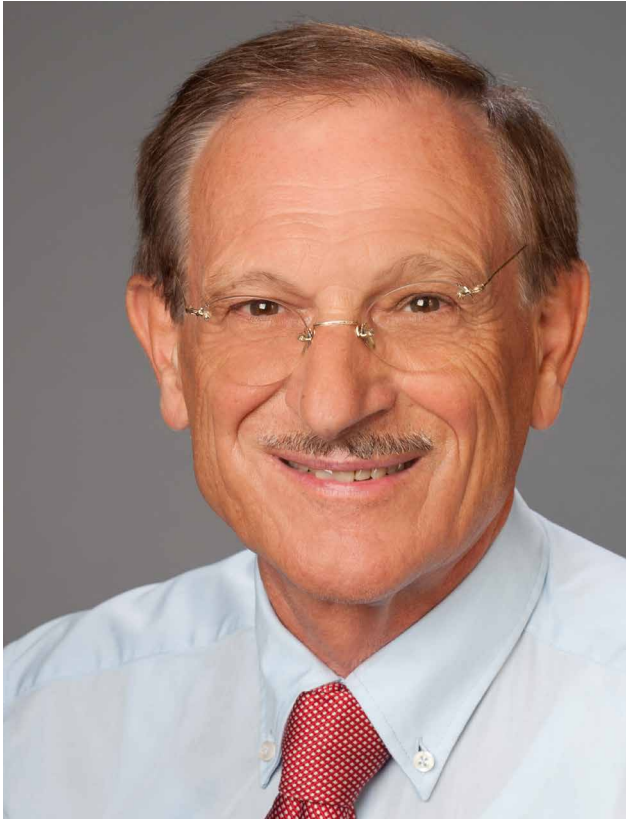
Contents

REPORT OF THE SUPERVISORY BOARD	06
THE STADA SHARE	12
COMBINED MANAGEMENT REPORT OF THE EXECUTIVE BOARD	14
<hr/>	
Fundamental Information about the Group	16
Group's Business Model	16
Product Development	17
Procurement, Production and Quality Management	18
Sales and Marketing	18
Employees	18
Objectives and Strategies	19
Internal Management System	19
Disclosures pursuant to Section 315b HGB	20
Economic Report	21
Macroeconomic and Sector-Specific Environment	21
Course of Business and Net Assets, Financial Position and Results of Operations	22
Development of 2018 Compared to Outlook	22
Development of Financial Performance Indicators	22
Results of Operations	23
– Sales Development of the Group	23
– Earnings Development of the Group	24
– Sales and Earnings Development of the Generics Segment	29
– Sales and Earnings Development of the Branded Products Segment	29
Financial Position	30
Net Assets	35
Results of Operations, Financial Position and Net Assets of STADA Arzneimittel AG	38
Introduction	38
Results of Operations	38
Financial Position	39
Net Assets	40
General Statements of the Executive Board on the Course of Business in 2018	40
Report on Post-Balance Sheet Date Events	41
Report on Expected Developments	42
Opportunities and Risk Report	45
Takeover-Related Disclosures	58
Remuneration Report	60
Corporate Governance Report including the Corporate Governance Declaration for STADA Arzneimittel AG and the Group	75

2018

COMBINED SEPARATE NON-FINANCIAL REPORT	91
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Business Model and Strategy	92
Product Safety and Quality	93
Contributions to Society	94
Responsible Corporate Governance and Compliance	95
Employee Matters	97
Environmental Protection and Ecological Sustainability	100
Observance of Human Rights	101
CONSOLIDATED FINANCIAL STATEMENTS	102
<hr/>	
Consolidated Income Statement	104
Consolidated Statement of Comprehensive Income	105
Consolidated Balance Sheet	106
Consolidated Cash Flow Statement	107
Consolidated Statement of Changes in Shareholders' Equity	108
Notes to the Consolidated Financial Statements	110
General Information	111
Notes to the Consolidated Income Statement	133
Notes to the Consolidated Balance Sheet	143
Other Disclosures	172
FURTHER INFORMATION	194
<hr/>	
Responsibility Statement	196
Independent Auditor's Report	197
Independent Assurance Report	204
Boards of the Company	206
The STADA Supervisory Board	206
The STADA Executive Board	207
The STADA Advisory Board	208
Glossary A-Z	209
Publishing Information	210
FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY	211

REPORT OF THE SUPERVISORY BOARD



Dr. Günter von Au,
Chairman of the Supervisory Board of STADA Arzneimittel AG

Dear Shareholders,

Especially due to the takeover in the previous year by the majority shareholder Nidda Healthcare GmbH, the acquisition company of Bain Capital and Cinven, financial year 2018 continued to be characterized by dynamic developments, which was also reflected in the work of the Supervisory Board at STADA Arzneimittel AG.

In the reporting year, the Supervisory Board carefully executed the duties incumbent upon it in accordance with the law and the Articles of Incorporation. It continuously monitored the management of the Company and regularly advised the Executive Board, particularly on the course of business and business policy, corporate planning including financial, investment and personnel planning, accounting and the position and strategy of the Company and the Group. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental importance for the Company. The Executive Board briefed the Supervisory Board regularly, in a timely manner and comprehensively – at times also between the regular meetings – regarding all questions related to strategy, planning, business development, the risk situation, risk management, the internal control system and compliance. The Supervisory Board dealt with the issues submitted to it and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, risks and effects of the matter in question.

Meetings of the Supervisory Board and focus of activities

In financial year 2018, the Supervisory Board convened for a total of twelve meetings. The members of the Supervisory Board generally participated in more than half of the meetings of the Plenum and of the committees to which they belong with the exception of Dr. Pantke, who took part in half of the meetings of the Supervisory Board. The average participation rate at the meetings of the Supervisory Board and its committees in financial year 2018 was about 95%. An individual presentation can be viewed in the corporate governance report under “Individualized disclosure of meeting participation” in this Annual Report.

With the exception of specific Supervisory Board issues, the members of the Executive Board regularly participated in the meetings of the Supervisory Board.

In the past financial year, the Supervisory Board dealt with the following topics in particular:

In an intensive exchange with the Executive Board, it examined the business development of the Company and the Group, the fundamental positioning of the corporate strategy, corporate planning of the Company and the Group as well as the position of the Company and the Group, especially the net assets and financial position. The Supervisory Board talked regularly to the Executive Board about the Group's financial and liquidity situation, considering especially the investment plans in the Group, the financing structures and refinancing strategies as well as the development of the debt-to-equity ratio.

The Supervisory Board had the Executive Board report to it regularly on the market structures, development of demand, the competitive situation and price, conditions and discount development, in particular the development of the Group's market share and that of its relevant competitors. An important role in this regard was played by the effects of regulatory state interventions on the Group and/or on the individual subsidiaries and the necessary reactions to these, especially in the German home market with regard to discount agreements with statutory health insurance organizations. In addition, the Supervisory Board regularly gained an overview of the product development and product portfolio of the Group. It discussed with the Executive Board the possibilities related to cost, tax and process optimizations.

The Supervisory Board also dealt intensively with risk and opportunities management in the Group, the internal control and auditing systems, the compliance management system, considered, planned and executed acquisitions, disposals and cooperations of the Group as well as with the integration of acquired companies and products into the Group. It was regularly informed by the Executive Board on current M&A projects.

In the reporting year, the Supervisory Board also dealt intensively with the Annual and Consolidated Financial Statements as of December 31, 2017 and with the ongoing financial reporting of financial year 2018. At its financial statements review meeting in March 2018, the Supervisory Board dealt in detail with the business situation and earnings development in the previous financial year 2017 as well as with the Annual and Consolidated Financial Statements as of December 31, 2017. Following a detailed review of the documentation for the financial statements and after discussions with the auditor, the Supervisory Board, based on the recommendation of the Audit Committee, adopted the Consolidated and Annual Financial Statements for financial year 2017. The auditor participated in the consultations and reported prior to the resolution on the significant results of the audit. The Supervisory Board also approved the Report of the Supervisory Board to the General Meeting for financial year 2017. Furthermore, the Supervisory Board, based on reporting from the Audit Committee as well as from the Executive Board, dealt with the results from the first quarter, first half year and second quarter as well as the first nine months and the third quarter of financial year 2018 and with the respective business development.

In the past financial year, the Supervisory Board continued to closely support the integration process with the majority shareholder. In meetings, working meetings, telephone conferences and when adopting resolutions in the written circulation procedure, the Supervisory Board also intensively worked in particular on the public de-listing tender offer of Nidda Healthcare GmbH in which Bain Capital and Cinven are indirect shareholders. In doing so, it was supported by external legal consultants. The Supervisory Board decided to submit a collective reasoned opinion of the Executive Board and Supervisory Board on the voluntary public de-listing tender offer pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG) and employed a committee founded on an ad-hoc basis for this purpose. Both boards supported the transaction because, in their view, it was in the best interests of STADA and its stakeholders.

The Supervisory Board also worked intensively, after detailed discussion with the Executive Board, with the Extraordinary General Meeting on February 2, 2018, on concluding the domination and profit and loss transfer agreement (DPLTA) with Nidda Healthcare GmbH, and with the Annual General Meeting of June 6, 2018, including questions regarding the agenda, and adopted all relevant related resolutions.

A subject of intensive discussions on the part of the Supervisory Board in the past financial year was also the review of issues in the past, particularly relating to former members of the Executive Board. The Supervisory Board, on November 8, 2017, established a Compliance Committee which, with the support of an external law firm, impartially undertook a neutral and final appraisal of the situations. This appraisal was advanced with great intensity and was completed in November 2018. As a result, there are no pending or expected legal disputes with former members of the Executive Board or employees in this context. Based on the results of the investigation, at the next Annual General Meeting, the Supervisory Board and the Executive Board

intend to recommend granting Dr. Matthias Wiedenfels and Helmut Kraft discharge from liability for the financial years 2016 and 2017. The discharge decision had been deferred by the Annual General Meetings in 2017 and 2018 for the relevant financial years because of the compliance investigation ongoing at the time.

In the reporting year, the Supervisory Board also dealt repeatedly and intensively with Executive Board issues as well as the search for new Executive Board members.

At the end of the reporting year, the Supervisory Board also dealt thoroughly with the Group budget for financial year 2019 presented by the Executive Board.

Composition of the Supervisory Board and Executive Board

In financial year 2018, on June 6, 2018, the following six Supervisory Board members representing the shareholders were newly elected by the Annual General Meeting of STADA Arzneimittel AG after their terms in office came to an end at the end of the 2018 Annual General Meeting: Dr. Günter von Au, Dr. Eric Cornut, Jan-Nicolas Garbe, Benjamin Kunstler, Bruno Schick, and Dr. Michael Siefke. In financial year 2018, there were therefore no changes in members of the Supervisory Board. As of December 31, 2018, employee representative Dr. Ute Pantke resigned from her seat on the Supervisory Board. As the employee representatives must be elected to the Supervisory Board according to schedule in spring 2019, this position remains unoccupied for the time being.

The following changes were made to the Executive Board of STADA Arzneimittel AG in financial year 2018: On July 1, 2018, Miguel Pagan Fernandez became a member of STADA's Executive Board and Chief Technical Officer. He was appointed at the meeting of April 16, 2018 by the Supervisory Board and succeeded the former Chief Technical Officer, Dr. Barthold Piening, who left the company on May 31, 2018. At its meeting on February 1, 2018, as part of the succession plan, the Supervisory Board appointed Peter Goldschmidt as the CEO of STADA Arzneimittel AG with effect as of September 1, 2018. He succeeds Dr. Claudio Albrecht, who was CEO at STADA since September 27, 2017. The Supervisory Board would like to thank the former Executive Board members who held office in financial year 2018 for their work during their respective times in office.

On the balance sheet date, the Executive Board included Peter Goldschmidt as Chairman of the Executive Board, Mark Keatley as Chief Financial Officer and Miguel Pagan Fernandez as Chief Technical Officer.

Work of the committees

The committees established by the Supervisory Board supported the Supervisory Board in its duties over the course of the reporting year.

The **Audit Committee** convened for five meetings in financial year 2018 – some of which also included participation of members of the Executive Board and the auditor. The Chairman of the Audit Committee and the Chairman of the Supervisory Board also maintained an exchange with the auditor between the meetings. The Chairman of the Audit Committee, Dr. Michael Siefke, possesses the particular knowledge and experience required by the German Stock Corporation Act (AktG) in the area of financial reporting and auditing.

The focus of the committee's work in financial year 2018 was, in particular, the review of the Annual and Consolidated Financial Statements from financial year 2017 together with the Combined Management Report for the AG and the Group for financial year 2017, the proposal for the appropriation of profits and the reports of the auditor as well as the preparation of the Supervisory Board resolutions on these items. In addition, the Audit Committee focused on the "Combined Separate Non-Financial Report" pursuant to Section 289 of the German Commercial Code (HGB) in connection with Section 315b HGB to be submitted by the Executive Board and examined by the Supervisory Board for the first time for financial year 2017, and the report to be submitted by the Executive Board and examined by the Supervisory Board on associated companies, known as the Dependency Report, pursuant to Section 314 (4) AktG, which was obligatory due to the takeover by the majority shareholder and the DPLTA at that point not yet being in effect. Furthermore, the condensed interim consolidated financial statements and the combined interim Group management report for the first six months and the second quarter of 2018 were discussed in detail. The interim reports on the first quarter of 2018, the first nine months of 2018 and the third quarter of 2018 were also subjects that were dealt with by the committee. In addition, the Audit Committee dealt primarily with the operating performance, key figures, accounting, Group financing principles, internal risk management and internal audit.

The Audit Committee dealt in detail with the planned focuses of the audit by the auditor and Group auditor for financial year 2018 as well as with the legal requirements for publication of the audit of the financial statements. Moreover, the Audit Committee, in preparation for the Supervisory Board Plenum, once more focused on the “Combined Separate Non-Financial Report” for financial year 2018 and the process of its preparation.

The **Chairman’s Committee** convened for four meetings in financial year 2018, one of which was a telephone conference. Additionally, discussions arranged at short notice took place. The topics of the meetings and the discussions outside of meetings were questions regarding the remuneration and employment agreements of the Executive Board, the composition of the Executive Board, general matters concerning the Executive Board and advice regarding the end of the term of the former Chairman of the Executive Board, Dr. Claudio Albrecht, and the Chief Technical Officer, Dr. Barthold Piening, including questions regarding replacement appointments. The Chairman’s Committee strove to find suitable candidates in work meetings and by conducting interviews and presented these candidates to the plenum. In 2018, Peter Goldschmidt was named successor to the position of Chairman of the Executive Board from September 1, 2018 onwards, and Miguel Pagan Fernandez was named successor to the position of Chief Technical Officer from July 1, 2018.

The **Nomination Committee**, in its only meeting in financial year 2018, after detailed discussion and in consideration of the competence profile and other aspects, discussed the Supervisory Board election of the shareholder representatives in the Annual General Meeting on June 6, 2018, prepared a list with suggested candidates, and then unanimously decided to submit an appropriate resolution proposal to the Supervisory Board Plenum.

The **DPLTA Committee** was established in 2017 as an ad-hoc committee when the DPLTA between STADA and Nidda Healthcare GmbH to support the process in an efficient and neutral manner was concluded. Upon entry of the DPLTA into the commercial register on March 20, 2018, the Committee had fulfilled its purpose and was dissolved with immediate effect. There was no Committee meeting in financial year 2018.

The **Compliance Committee** convened for eight meetings in the reporting year and exchanged information outside of the meetings in numerous telephone conferences. The Committee dealt intensively with the specific status of the handling of past issues relating in particular to former members of the Executive Board and was supported by an external law firm dealing with the neutral clarification. It prepared the decisions to be taken in these matters by the full Supervisory Board.

In the course of the voluntary public de-listing tender offer from Nidda Healthcare GmbH to the shareholders of STADA Arzneimittel AG in October 2018, the Supervisory Board established an **ad hoc committee** effective only for the day of October 24, 2018 **to pass a resolution on the “Joint Statement of the Executive Board and the Supervisory Board”** in accordance with Section 27 WpÜG. Potential conflicts of interest of individual members of the Supervisory Board could not be fully ruled out as a result of their activities for Bain Capital and Cinven, the indirect investors of Nidda Healthcare GmbH. For this reason, the members of the Supervisory Board decided to create a one-time ad hoc committee as a precautionary measure and solely for the purpose of passing the aforementioned resolution.

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

Corporate governance

In financial year 2018, the Supervisory Board and Executive Board also dealt with the further development of corporate governance in the Company while taking the German Corporate Governance Code in its current version of February 7, 2017 into account. The Supervisory Board, together with the Executive Board, submitted a new declaration of compliance in December 2018 pursuant to Section 161 AktG based on the German Corporate Governance Code in its version of February 7, 2017 (published in the Federal Gazette on April 24, 2017 and published in its corrected version on May 19, 2017). This Declaration of Compliance is printed in this Annual Report in the chapter “Corporate Governance Report including the Corporate Governance Declaration for STADA Arzneimittel AG and the Group” and is available to the public on the website of the Company at www.stada.com/de or www.stada.com under Investor Relations/Corporate Governance together with all previous Declarations of Compliance and updates.

No conflicts of interest arose in the reporting year which had to be disclosed to the Supervisory Board and about which the General Meeting must be informed. Because, however, the Supervisory Board could not entirely rule out a potential conflict of interest in relation to the domination and profit and loss transfer agreement (DPLTA), it established the DPLTA Committee as a

precaution in 2017, in order to ensure in any case a neutral resolution with regard to the conclusion of the DPLTA. Upon entry of the DPLTA into the commercial register on March 20, 2018, the Committee had fulfilled its purpose and was dissolved with immediate effect. In addition, on October 24, 2018, as part of the voluntary public de-listing tender offer of the majority shareholder to the shareholders of STADA Arzneimittel AG in October 2018, the Supervisory Board formed an ad-hoc committee for this day only to pass a resolution on the "Joint Statement of the Executive Board and Supervisory Board" pursuant to Section 27 WpÜG. This step was taken once as a precautionary measure in order to rule out potential conflicts of interest of the Supervisory Board members Jan-Nicolas Garbe, Benjamin Kunstler, Bruno Schick and Dr. Michael Siefke in the passing of resolutions, which could not have been fully ruled out as a result of their activities for Bain Capital and Cinven, the indirect investors in majority shareholder Nidda Healthcare GmbH.

Annual and Consolidated Financial Statements, audit, Non-Financial Report

The Annual Financial Statements of STADA Arzneimittel AG and the Consolidated Financial Statements as of December 31, 2018 as well as the Combined Management Report for the AG and the Group for financial year 2018 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion. The legal requirements and rotation obligations from Sections 319 and 319a of the German Commercial Code (HGB) are complied with. In addition to legal requirements, the Company also ensures that the responsible auditor is not active for more than five years. Dr. Bernd Roese of PricewaterhouseCoopers GmbH was once more the responsible auditor for the audit of the Annual and Consolidated Financial Statements for financial year 2018.

The Supervisory Board had no doubts with regard to the independence of the auditor. The auditor submitted the Statement of Independence as required by the German Corporate Governance Code. The main areas of the audit were established by the Supervisory Board within the scope of the commissioning of the auditor. The Audit Committee reviewed the Financial Statements and Consolidated Financial Statements as well as the Combined Management Report for the AG and the Group and also included the reports of the auditor on the audit of the Financial Statements in its review. The auditor reported on significant results of the audit in a meeting of the Audit Committee and was available for questions to the members of the Committee. The members of the Audit Committee dealt extensively with the submissions from the Executive Board and the audit reports and discussed these with the auditor. The Audit Committee raised no objections and recommended that the Supervisory Board approve the financial statements and the Combined Management Report for the AG and the Group. The previous obligation of the Executive Board to prepare a report on associated companies pursuant to Section 312 AktG no longer applies due to the conclusion of the DPLTA between STADA and Nidda Healthcare GmbH and its entry into the commercial register. Such a dependency report did not therefore need to be submitted for review by the Supervisory Board for financial year 2018. The Executive Board also did not need to submit a suggestion for the appropriation of profits for review by the Supervisory Board, because a resolution on their appropriation did not need to be passed due to the DPLTA in effect in financial year 2018.

On the basis of the preparation by the Audit Committee, the Supervisory Board examined the Financial Statements and the Consolidated Financial Statements prepared by the Executive Board, the Combined Management Report for the AG and the Group on financial year 2018. The Chairman of the Audit Committee reported to the Supervisory Board on the work and the audit results of the Audit Committee. The auditor reported to the Supervisory Board on significant results of the audit and was available for questions from members of the Supervisory Board. The Supervisory Board discussed the submissions mentioned above and the conclusions of the auditor in detail with the auditor and the Executive Board. In addition, following the final results of the Supervisory Board's own examination, the Supervisory Board had no objections to the Financial Statements, the Consolidated Financial Statements and Combined Management Report for the AG and the Group on financial year 2018 and concurred with the outcome of the audit. The auditor also determined that the Executive Board had implemented an appropriate information and monitoring system which, in its concept and use, is suitable for the early recognition of any developments that could threaten the continuation of the Company.

The Supervisory Board approved the Annual Financial Statements and the Consolidated Financial Statements prepared by the Executive Board. The Annual Financial Statements are thus adopted. The Supervisory Board agreed with the estimates given on the company's situation and its outlook in the Combined Management Report of the Executive Board for the AG and the Group.

Furthermore, the Audit Committee and the Supervisory Board dealt with the Combined Separate Non-Financial Report for STADA Arzneimittel AG and the Group prepared by the Executive Board for financial year 2018. Auditing firm PricewaterhouseCoopers GmbH conducted an audit to obtain limited assurance and issued an unqualified audit opinion. The documents were carefully reviewed by the Audit Committee and Supervisory Board at its balance sheet meetings in March 2019. The Executive Board explained the reports in detail at both meetings. Representatives of the auditor took part in both meetings in which they

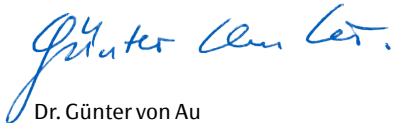
reported on the significant results of their audit and answered additional questions from the members of the Supervisory Board. Following their review, the Supervisory Board had no objections.

Conclusion

The Supervisory Board draws an overall positive conclusion for financial year 2018. In the reporting year, the company was able to further consolidate and even increase its profitable development. One important pre-requisite for this is the continuity of a strong composition of the Executive Board. The course has been set for a successful future in a challenging environment.

The Supervisory Board would like to thank the members of the Executive Board, management and all of the Group's employees across the globe for their hard work and constructive collaboration in the past eventful months.

Bad Vilbel, March 13, 2019



Dr. Günter von Au
Chairman of the Supervisory Board

THE STADA SHARE

STADA share price and de-listing of STADA Arzneimittel AG

At the end of 2018, the STADA share price was €79.50 (end of 2017: €88.23). Market capitalization amounted to €4.956 billion (end of 2017: €5.500 billion).

On April 12, 2018, the Frankfurt Stock Exchange announced that – at the request of STADA’s Executive Board – the admission of the STADA shares to the sub-segment of the regulated market with additional admission-based obligations (Prime Standard) would be withdrawn as of the end of July 12, 2018. Admission to the regulated market (General Standard) remained in place, so that the start of trading (launch) of the shares in the regulated market (General Standard) took place 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 excluded STADA Arzneimittel AG from the MDAX® effective June 18, 2018.

On October 1, 2018, Nidda Healthcare GmbH announced that it was putting forward a public de-listing tender offer for all the STADA shares it did not already hold. After the German Federal Financial Supervisory Authority (BaFin) issued the required consent, Nidda Healthcare GmbH published a public de-listing tender offer on October 11, 2018 for all outstanding STADA shares at a price of €81.73 per STADA share. On November 12, 2018, Nidda Healthcare GmbH announced that it held a total of 93.61% of STADA shares issued.¹⁾ Subsequent to the de-listing tender offer, Nidda Healthcare GmbH acquired additional shares, so that as of December 31, 2018 it held in total 93.68% of STADA shares.

On November 6, 2018, STADA submitted various applications to withdraw the admission of all issued shares from stock exchange trading. At that time, the STADA shares were admitted for trading on the Frankfurt Exchange and the Düsseldorf Exchange. In addition, the STADA shares were traded on several other free-market exchanges in Germany. On November 22, 2018, the Frankfurt Stock Exchange rendered a decision on the application, so that STADA shares were de-listed from this exchange as of the close of trading on November 27, 2018. In addition, free-market inclusion in the Baden-Württemberg Stock Exchange and the Stock Exchange Berlin ended with the close of trading on the same day. On December 3, 2018, the Düsseldorf Stock Exchange notified STADA that STADA shares would be de-listed from this exchange as of the close of trading on December 2, 2019. Complete de-listing makes it possible for STADA to save considerable expenses associated with maintaining the stock exchange listing, reduce regulatory burdens and free up management capacity taken up by the listing.

Capital structure

As of December 31, 2018, the subscribed share capital of STADA Arzneimittel AG amounted to €162,090,344.00 (December 31, 2017: €162,090,344.00) consisting of 62,342,440 registered shares (December 31, 2017: 62,342,440 registered shares), each with an arithmetical share in share capital of €2.60.

Primary results of the Extraordinary and Annual General Meetings

In the Extraordinary General Meeting held on February 2, 2018, a 99% majority of the subscribed capital present voted in favor of concluding the domination and profit and loss transfer agreement (DPLTA) of December 19, 2017 between Nidda Healthcare GmbH, as the controlling entity, and STADA Arzneimittel AG, as the dependent entity.²⁾ The DPLTA provides for an annual compensation payment for the external STADA shareholders of €3.82 gross or currently €3.53 net as well as a settlement in the amount of €74.40 per STADA share. The agreement took effect on March 20, 2018 with its entry into the commercial register. Several shareholders pursued a shareholder action under company law against the settlement and compensation payment, which is not uncommon with respect to a profit and loss transfer agreement. A final outcome in this matter has yet to be determined.

At the Annual General Meeting on June 6, 2018, STADA shareholders approved by a large majority all items on the agenda for which management required a vote. A total of 73.5% of the share capital with voting rights was represented.³⁾

1) See final notice pursuant to Section 23 (2) Page 1 No. 2 WpÜG from Nidda Healthcare GmbH on November 12, 2018.

2) See the Company’s investor news of February 2, 2018.

3) See the Company’s investor news of June 6, 2018.

STADA key share data

STADA key share data	2018	2017
Number of shares (year-end)	62,342,440	62,342,440
Number of treasury shares (year-end)	84,273	84,311
Average number of shares (without treasury shares)	62,258,142	62,258,051
Year-end closing price in €	79.50 ¹⁾	88.23 ²⁾
High in €	89.72 ¹⁾	88.23 ²⁾
Low in €	78.80 ¹⁾	46.69 ²⁾
Price-earnings ratio (PE) ³⁾ in %	17.4	28.1
Market capitalization in € million (year-end)	4,956.2 ¹⁾	5,500.4 ²⁾
Earnings per share in €	4.93	1.37
<i>Earnings per share adjusted⁴⁾ in €</i>	<i>4.56</i>	<i>3.14</i>
Dividend per share in €	– ⁵⁾	0.11
Dividend yield in %	– ⁵⁾	0.1
Dividend distribution in € million	– ⁵⁾	6.8
Distribution ratio in %	– ⁵⁾	8
<i>Free cash flow adjusted⁶⁾ per share in €</i>	<i>4.0</i>	<i>2.9</i>
<i>Ratio price⁷⁾ to adjusted⁸⁾ free cash flow</i>	<i>19.8</i>	<i>30.3</i>

Shareholder structure

As of December 31, 2018, approximately 3,980 shareholders held STADA Arzneimittel AG share capital. Nidda Healthcare GmbH held a total of 93.68% of STADA shares as of December 31, 2018.

As of December 31, 2018, STADA held 84,273 treasury shares (previous year: 84,311). As part of an employee share ownership program, STADA sold 38 treasury shares in the reporting year at an average price of € 80.92. The agreement between management and the works council of 1990 on the STADA employee share ownership model was terminated as of December 31, 2018.

The voting rights notices received by STADA can be viewed on the website at www.stada.com/de or www.stada.com.

Directors' dealings

The company received no notifications of directors' dealings in financial year 2018.

1) vwd group/EQS Group AG.

2) XETRA®.

3) Reference value is the year-end closing price and adjusted earnings per share.

4) Eliminating effects that impact the presentation of STADA's results of operations and the derived key figures is aimed at improving the comparability of key figures with those of previous years. To achieve this, STADA uses adjusted key figures, which, as so-called pro-forma figures, are not governed by the accounting requirements in accordance with IFRS. Since other companies may not calculate the pro-forma figures presented by STADA in the same way, STADA's pro-forma figures are comparable only to a limited extent with similarly designated disclosures by other companies.

5) Pursuant to the existing domination and profit and loss transfer agreement, STADA Arzneimittel AG will no longer distribute dividends as of financial year 2018. Instead, Nidda Healthcare GmbH has undertaken to pay to the external shareholders of STADA Arzneimittel AG a compensation payment of €3.82 gross or €3.53 net under current taxation per STADA share for the duration of the agreement and accordingly also for financial year 2018 (see Consolidated Financial Statements, item 54).

6) Adjusted by payments for significant investments and acquisitions and proceeds from significant disposals.

7) Reference value is the year-end closing price.

8) Adjusted for payments for significant investments and acquisitions and proceeds from significant disposals.

Management Report

2018

COMBINED MANAGEMENT REPORT OF THE EXECUTIVE BOARD	14
<hr/>	
Fundamental Information about the Group	16
Group's Business Model	16
Product Development	17
Procurement, Production and Quality Management	18
Sales and Marketing	18
Employees	18
Objectives and Strategies	19
Internal Management System	19
Disclosures pursuant to Section 315b HGB	20
Economic Report	21
Macroeconomic and Sector-Specific Environment	21
Course of Business and Net Assets, Financial Position and Results of Operations	22
Development of 2018 Compared to Outlook	22
Development of Financial Performance Indicators	22
Results of Operations	23
– Sales Development of the Group	23
– Earnings Development of the Group	24
– Sales and Earnings Development of the Generics Segment	29
– Sales and Earnings Development of the Branded Products Segment	29
Financial Position	30
Net Assets	35
Results of Operations, Financial Position and Net Assets of STADA Arzneimittel AG	38
Introduction	38
Results of Operations	38
Financial Position	39
Net Assets	40
General Statements of the Executive Board on the Course of Business in 2018	40
Report on Post-Balance Sheet Date Events	41
Report on Expected Developments	42
Opportunities and Risk Report	45
Takeover-Related Disclosures	58
Remuneration Report	60
Corporate Governance Report including the Corporate Governance Declaration for STADA Arzneimittel AG and the Group	75
COMBINED SEPARATE NON-FINANCIAL REPORT	91
<hr/>	
Business Model and Strategy	92
Product Safety and Quality	93
Contributions to Society	94
Responsible Corporate Governance and Compliance	95
Employee Matters	97
Environmental Protection and Ecological Sustainability	100
Observance of Human Rights	101

Fundamental Information about the Group

Group's Business Model

Focus on the high-growth health care market with emphasis on pharmaceuticals

STADA is an international health care company organized as a stock corporation. The pharmaceutical company focuses on the segments Generics and Branded Products. With respect to cost and risk factors, STADA does not concentrate on research and development of innovative active ingredients, but rather on the development and marketing of pharmaceutical products that are no longer covered by commercial property rights, in particular patents (so-called "generics"). In financial year 2018, Generics contributed approximately 59% and Branded Products approximately 41% to Group sales.

Generics show further growth potential, since they represent a more economical alternative to the often significantly more expensive original products and therefore make a significant contribution to the financial relief of health care systems.

The **Branded Products** segment at STADA includes, in particular, non-prescription (OTC), prescription (RX) and discretionary prescription (OTX) products. In this segment, STADA not only continuously pursues the expansion of its portfolio, it is also moving forward with the internationalization of successful brands.

While generics are marketed on the basis of low pricing, the sale of branded products focuses on product characteristics and, above all, on the brand name. In doing so, the Group pursues the concept of so-called "strong brands," where brand awareness plays a major role.

Top 5 generic active ingredients

Active ingredient	Indication group	2018 sales in € million	Change from previous year
Tilidin Naloxon	Pain	38.0	+4%
Epoetin zeta	Anemia	29.6	+20%
Atorvastatin	Elevated cholesterol level	26.3	+3%
Omeprazol	Gastric ulcer/reflux	21.2	+2%
Diclofenac	Pain/inflammation	20.6	-3%
Total		135.7	+6%

Top 5 branded products

Branded product	Indication group	2018 sales in € million	Change from previous year
APO-Go®	Parkinson's disease	71.3	+5%
Snup®	Rhinitis	42.9	+17%
Grippostad®	Cold	40.1	-7%
Aqualor®	Rhinitis/soars throat	34.7	-14%
Vitaprost®	Prostate disease	26.8	-18%
Total		215.8	-2%

Operative positioning

Given the Group’s operative positioning, the areas of product development, procurement, purchasing, production, quality management, finances, risk management, compliance and corporate governance as well as responsibility for sales and earnings are managed centrally.

Product Development

Strategic orientation of development activities

A focus area for Group-wide development activities is the development of generics. With regard to branded products, STADA has been continuously expanding its development activities in this area for several years. This includes development activities for innovative branded products, particularly non-prescription medications, nutritional supplements and cosmetics.

High level of competence in development and approval

In financial year 2018, the Group once again demonstrated its strength with respect to development and approval through the global introduction of 650 individual products (previous year: 670). STADA continues to have a well-stocked product pipeline. As of December 31, 2018, the Group was pursuing more than 1,200 approval procedures for over 160 active pharmaceutical ingredients and compounds in more than 50 countries – for all relevant generics and numerous branded products. In financial year 2018, the number of Marketing Authorization Applications (MAAs) totaled over 750 and the number of Marketing Authorizations (MAs) amounted to more than 700.

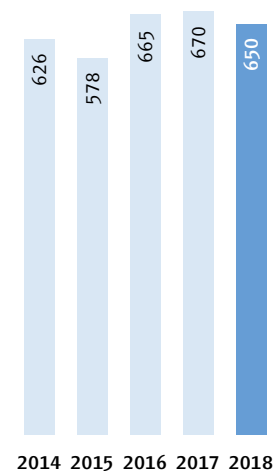
Consistent expansion of the Branded Product segment and ongoing internationalization of successful brands

In the Branded Products segment, STADA is focusing on both rapid expansion as well as increasing internationalization of successful branded products. As part of this, the Group is launching selected products in other markets that to date have been successful primarily at a regional level. In total over the reporting year, STADA was able to launch 32 branded products outside their previous markets.

Gradual expansion of the biosimilar portfolio

In view of the growth opportunities, the Group continuously expands its biosimilar portfolio. Currently, STADA has two biosimilars on the market: SILAPO®, an Erythropoietin biosimilar, and Grastofil®, a Filgrastim compound – meanwhile, Teriparatide has already received approval and is scheduled to be introduced to the market in the current financial year 2019. Furthermore, STADA has in-licensed four other biosimilars: Pegfilgrastim, Rituximab, Teriparatide and Bevacizumab – whereas the approval for Teriparatide has already been submitted and the marketing start is planned for the current financial year 2019. In financial year 2018, STADA and Xbrane Biopharma AB concluded an agreement on the joint development of Xlucane, a biosimilar of Lucentis® (Ranibizumab).¹⁾

**5-year development:
Number of
product launches**



1) See the Company’s press release of July 12, 2018.

Procurement, Production and Quality Management

Central planning

STADA has three supply-chain hubs managed through STADA Arzneimittel AG, in Bad Vilbel (Germany), Vrsac (Serbia), and Moscow (Russia), where centralized needs planning takes place for selected products in the Group.

STADA continually invests in the Group's own production facilities and test laboratories. Investments in the expansion and modernization of production sites and facilities, as well as test laboratories, amounted to €22.8 million in the reporting year (previous year: €36.3 million).

Sales and Marketing

International Group structure with national-level distributors

The STADA Group has an international sales structure made up of nationally focused sales companies. In accordance with the operative alignment, the subsidiaries that are active in sales are centrally organized but still have a high degree of market proximity and therefore extraordinary sales strength. Worldwide, including the export share, the Group markets its products in about 120 countries – thereof in about 30 countries through its own sales companies.

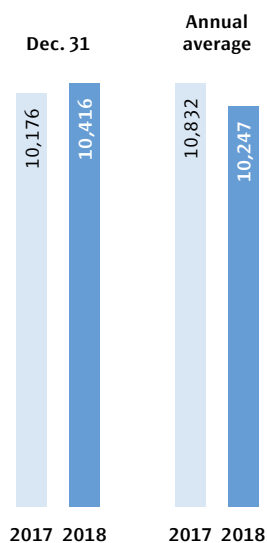
Employees

Increasing centralization

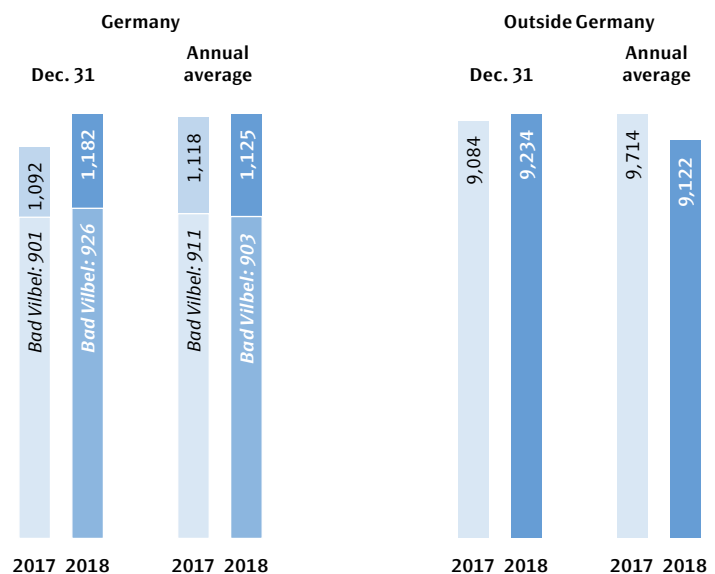
Currently, personnel management at STADA is largely organized decentrally. In terms of increasing centralization, Human Resources has already initiated a process of internationalization by, for example, establishing a Group-wide "cultural leadership development program" and by setting up a uniform HR IT system. Given existing structures, the measures listed below relate primarily to employees in Germany.

Development in the number of employees and personnel expenses

Development in the number of employees



Regional distribution of Group employees



In the reporting year the number of employees rose as of the reporting date of December 31, 2018 to 10,416 (previous year: 10,176). This increase was based largely on the consolidation of the German company NorBiTec GmbH as part of the majority acquisition of BIOCEUTICALS Arzneimittel AG and STADA Hungary LLC. In addition, the rise in the number of employees was also attributable to expansion in Marketing and Sales at the Spanish subsidiary Laboratorio STADA S.L. The average number of employees decreased in financial year 2018 to 10,247 (previous year: 10,832), mainly due to the deconsolidation of STADA Vietnam J.V. Co., Ltd. as of November 30, 2017.

The proportion of women employed in management positions at the Group in financial year 2018 amounted to approximately 52% (previous year: approximately 53%). Additional information on the statutorily mandated targets for the participation of women and men in management positions is included in the chapter on "Corporate Governance Report including the Corporate Governance Declaration for STADA Arzneimittel AG and the Group."

Objectives and Strategies

Sustained profitable growth and long-term value enhancement

With its business model, the Group aims to achieve sustained profitable growth and enhance company value over the long term.

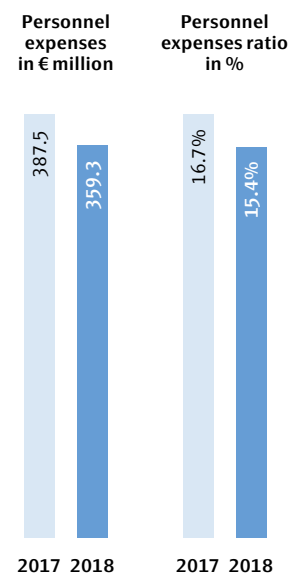
In order to achieve these goals, STADA continued to implement the transformation process in the reporting year, including numerous initiatives for increasing efficiency. Overall, this serves to increase competitiveness, enhance innovative strength and create greater value over the long term.

As part of Group strategy, the Group is investing more intensively in new technologies, in order to obtain more complex products that the Group has not had thus far. In terms of specialty pharmaceuticals, the focus is on expanding activities in selected markets, such as Germany, emerging markets, and the USA.

Internal Management System

In financial year 2018 the performance indicators for **adjusted Group sales** and **adjusted EBITDA** were applied to operational management of corporate divisions. In the 2018 financial year, the Group switched to controlling the relative change in adjusted Group sales. In the past, adjusted Group sales for the current financial year were adjusted for currency effects compared with the previous year and for portfolio effects from new acquisitions. Due to the inclusion of historical exchange rates and the disregard of the current portfolio, the Management Board is of the opinion that the future sales potential is not sufficiently reflected in this figure. Since financial year 2018, all portfolio and currency effects have therefore been allocated to the previous financial year in order to determine organic growth. In light of the acquisition by Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) in 2017, the **ratio of net debt to adjusted EBITDA** was no longer applied to operational management in the reporting year. In 2018, **adjusted net income** was no longer of significance due to the acquisition and domination and profit and loss transfer agreement concluded with Nidda Healthcare GmbH, as the income tax expenses for the German subsidiary companies are reflected in the new parent company Nidda BondCo GmbH. Management of the change of adjusted Group sales and adjusted EBITDA occurred at the segment level.

Development of personnel expenses



In order to ensure the company's sustained success, the relative change in **Group sales adjusted for currency and portfolio effects¹⁾** takes on considerable importance. Under **adjusted EBITDA²⁾** at STADA, EBITDA is adjusted for special items with the exception of those special items relating to impairments and write-ups in non-current assets. Using this indicator, STADA measures its operational performance and the results of the individual segments, adjusted for impacts from special items that distort year-on-year comparisons. This includes earnings from associated companies and income from investments. At STADA **adjusted net income²⁾**, which measures overall performance, involves net income adjusted for special items.

At the STADA Group, the financial performance indicators for Group sales adjusted for currency and portfolio effects, adjusted EBITDA and adjusted net income are derived as follows:

Financial performance indicators	Determination based on the consolidated income statement and the consolidated balance sheet in accordance with IFRS
Change in Group sales adjusted for currency and portfolio effects¹⁾	Group sales
	± Portfolio effects ¹⁾
	± Currency effects ¹⁾
	= Group sales adjusted for currency and portfolio effects¹⁾
EBITDA, adjusted²⁾	Earnings before interest and taxes (EBIT)
	± Balance from depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets
	= Earnings before interest, taxes, depreciation and amortization (EBITDA)
	± Special items within operating profit excluding one-time special items that relate to impairments and write-ups of fixed assets
	= Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA)
Net income, adjusted²⁾	Result distributable to shareholders of STADA Arzneimittel AG (net income)
	± Special items
	= Adjusted net income

Disclosures pursuant to Section 315b HGB

Pursuant to § 315(b)(1) of the German Commercial Code (HGB), STADA Arzneimittel AG is obligated to provide Group reporting on non-financial matters. In fulfillment of this obligation, STADA Arzneimittel AG prepares a separate summary report on non-financial matters in accordance with § 289(b) HGB in conjunction with § 315(b)(3) HGB.

1) Adjustments for currency and portfolio effects are shown solely as an adjustment to previous year sales. Previous year sales were adjusted for currency effects by applying the exchange rates of the reporting year.

2) The elimination of effects which have an impact on the presentation of STADA's results of operations and the derived key figures improves the comparability of key figures from previous years. To achieve this, STADA uses adjusted key figures, which, as so-called pro forma figures, are not governed by the accounting requirements in accordance with IFRS. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.

Economic Report

Macroeconomic and Sector-Specific Environment

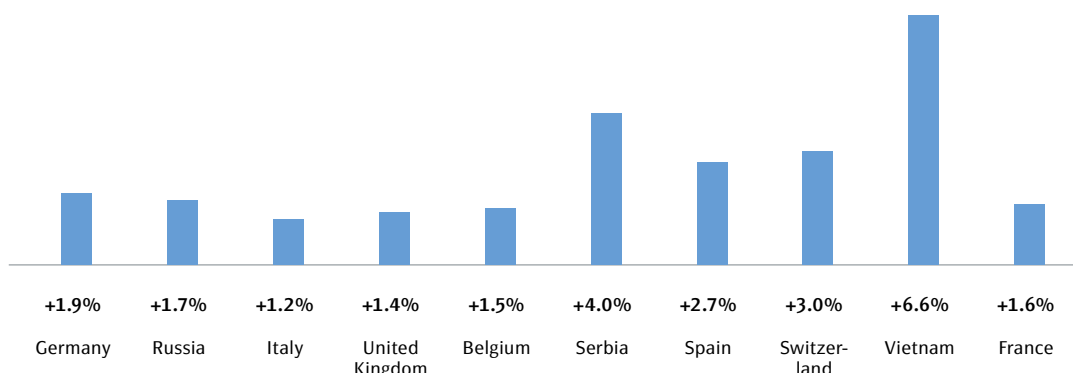
Macroeconomic development

According to information from the International Monetary Fund (IMF), growth rate of the world economy grew only slightly in 2018. While growth rate of global gross domestic product was 3.6% in 2017, the figure for 2018 was 3.7%.¹⁾

Overall, STADA is active in markets whose gross domestic product has grown for the most part – albeit less significantly than in the previous year.

The following chart shows economic development in those countries of primary importance to STADA. They are arranged in descending order by sales achieved by STADA in the reporting year.

Growth rates gross domestic product 2018¹⁾ in %



Sector-specific development

In financial year 2018, sales in the international generics market grew by approximately 2.7% compared to the previous year, to approximately €179.1 billion.¹⁾ The generics share of the global pharmaceuticals market thus amounted to approximately 16.9%.¹⁾

Sales in the global OTC market increased in 2018 as compared with the previous year by approximately 2.5% to approximately €66.9 billion.¹⁾ OTC products thus had a share of approximately 6.3%.¹⁾ in the global pharmaceutical market.

Effects of the macroeconomic and sector-specific environment

The STADA Group is active in the health care market and therefore operates in a sector relatively unaffected by cyclical factors. In light of that, STADA's performance is generally less affected by international economic conditions than it is by the regulatory environment in each respective health care system. In the reporting year there were no significant changes in the regulatory environment relating to health care in the countries in which STADA operates that would have had a substantive impact on Group performance.

Overall, the Group sees a greater impact from economic factors in those countries that belong to self-payer markets, because demand there also depends on the purchasing power of the respective population.

1) IQVIA Syndicated Analytics Service; prepared for STADA February 2019.

The Group considers the British pound, the Russian ruble, and the Serbian dinar as key national currencies with respect to the currency translation of sales and earnings in relation to the Group currency, the euro. In addition, the Kazakh tenge, the Swiss franc, the Ukrainian hryvnia and the Vietnamese dong are also of importance. The currency relations in other countries of relevance to STADA only have a minor impact in this regard. In financial year 2018, the Group's earnings were affected by the significant devaluation of the Russian ruble in relation to the euro. The performance of the Serbian dinar in comparison to the euro, on the other hand, had a positive effect on earnings.

Course of Business and Net Assets, Financial Position and Results of Operations

Development of 2018 Compared to Outlook

For financial year 2018, the Executive Board, in the Report on Expected Developments in the Annual Report 2017, forecasted Group sales adjusted for currency and portfolio effects valued at €2.495 billion +/-5%, an adjusted EBITDA valued at €480 million +/-5% and adjusted net income valued at €230 million +/-5%.

Group sales adjusted for currency and portfolio effects rose in financial year 2018 by 5% to €2,376.9 million, which was in line with the outlook given in the annual report 2017. **Adjusted EBITDA** increased by 16% to €503.5 million. **Adjusted net income** rose by 45% to €284.0 million. In terms of the outlook for adjusted net income, however, it must be noted that, in 2018, adjusted net income was no longer of significance due to the acquisition and concluded domination and profit and loss transfer agreement, as the income tax expenses for the German subsidiary companies are reflected in the new parent company Nidda BondCo GmbH.

Group sales adjusted for currency and portfolio effects and **adjusted EBITDA** were in line with the forecast. **Adjusted net income** was significantly above the forecast figure, although this key figure was no longer of significance in the reporting year for the above-mentioned reason.

Development of Financial Performance Indicators

Financial performance indicators for the STADA Group

The development of financial performance indicators for the STADA Group in financial year 2018 was as follows:

Financial performance indicators in €million	2018	2017	±%
Group sales adjusted for currency and portfolio effects	2,330.8	2,218.5	+5%
• Generics	1,382.8	1,321.5	+5%
• Branded Products	948.0	897.0	+6%
EBITDA, adjusted	503.5	433.9	+16%
• Generics	359.6	302.8	+19%
• Branded Products	240.6	207.4	+16%
Net income, adjusted¹⁾	284.0	195.6	+45%

Detailed information on the development of financial performance indicators for STADA can be found in the following notes on earnings performance.

1) In 2018, adjusted net income was no longer of significance due to the acquisition and concluded domination and profit and loss transfer agreement, as the income tax expenses for the German subsidiary companies are reflected in the new parent company Nidda BondCo GmbH.

Results of Operations – Sales Development of the Group

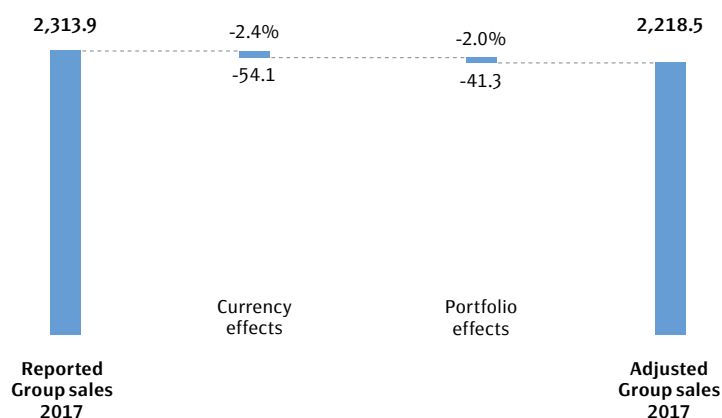
Increase in reported and adjusted Group sales

Reported Group sales increased in financial year 2018 by 1% to €2,330.8 million (previous year: €2,313.9 million). This growth was primarily attributable to growth in the Belgian, Italian, German and Serbian generics segment as well as in the German and British branded products segment. Sales decrease in the Russian and French generics segment as well as the decrease in the Russian and Italian branded products segment had a counter effect. Reported Group sales no longer included sales from STADA Vietnam.

After deducting effects on sales resulting from changes in the **Group portfolio** and **currency effects**, **adjusted Group sales** increased by 5% to €2,330.8 million (previous year: €2,218.5 million). This growth was primarily attributable to increased sales in the Belgian, Italian, German and Serbian generics segment as well as in the German and British branded products segment.

Adjustments for currency effects are shown exclusively as an adjustment of the previous year's sales. The currency adjustment of the previous year's sales is made using the exchange rates of the reporting year. The portfolio effects consider the sales of the previous year as well as the sales of the reporting year – with the adjustment only applied to the previous year's figure. Reconciliation of the reported previous year's sales to the previous year's sales adjusted for currency and portfolio effects was as follows:

Reconciliation of reported previous year's sales to adjusted previous year's sales in €million



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

The **changes to the portfolio** in the form of an adjustment of the previous year's figure totaled €41.3 million. This equates to 2.0%. The changes to the portfolio in the reporting year totaled €11.2 million – primarily due to the acquisition of branded products in Argentina, the Nizoral® product portfolio and the majority acquisition of BIOCEUTICALS Arzneimittel AG – and in retrospect as an adjustment to the previous year totaling €52.5 million – due mainly to the deconsolidation of STADA Vietnam J.V. The portfolio adjustments in the reporting year will be taken into account for adjusted sales in the comparative year.

Applying the exchange rates for the reporting year compared with those of the previous year in translating local sales contributions into the Group currency, the euro, STADA showed a negative **currency effect** amounting to €54.1 million or an adjustment of previous year's sales by 2.4%.

In financial year 2018, the development of national currencies of greatest relevance to STADA – the British pound, Russian ruble and Serbian dinar – relative to the Group currency euros was as follows compared to the previous year:

Significant currency relations in local currency to €1	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2018	2017	±%	2018	2017	±%
British pound	0.89453	0.88723	+1%	0.88475	0.87614	+1%
Russian ruble	79.71530	69.39200	+15%	74.05507	65.88766	+12%
Serbian dinar	118.19460	118.47270	0%	118.27336	121.41395	-3%

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

Where adjusted sales figures are shown in this Annual Report, they are adjusted for portfolio and currency effects.

Results of Operations – Earnings Development of the Group

Very favorable development of key earnings figures

Key earnings figures showed very favorable development on both a reported and an adjusted basis.

The 97% growth in **reported operating profit** achieved in financial year 2018, rising to €378.1 million (previous year: €192.3 million) was primarily due to the increase of the generics segment in Belgium, Italy, Germany and Serbia and of the branded product segment in Germany and the United Kingdom. The 22% rise in **adjusted operating profit**, increasing to €392.7 million (previous year: €322.3 million) resulted mainly from the aforementioned improvements in operating results in Belgium, Italy, Germany, Serbia and the United Kingdom. The 46% growth of **reported EBITDA**, rising to €530.6 million (previous year: €363.8 million) was characterized by opposing effects. On the one hand, there were the aforementioned improvements in operating results in Belgium, Italy, Germany, Serbia and the United Kingdom. On the other hand, reported EBITDA was impacted, among other things by consulting expenses for process optimization. The increase of 16% to €503.5 million (previous year: €433.9 million) of **adjusted EBITDA** was largely attributable to the effects already mentioned for operating profit. The 260% increase in **reported net income**, rising to €306.9 million (previous year: €85.3 million) mainly resulted from the change in the tax status of STADA Arzneimittel AG, in addition to the positive developments mentioned above. The 45% increase in **adjusted net income**, rising to €284.0 million (previous year: €195.6 million) was mainly based on positive development of operating results in Belgium, Italy, Germany, Serbia and the United Kingdom.

The reported tax rate for the reporting year was 9.4% (previous year: 35.9%). This was mainly due to the change in tax status for STADA Arzneimittel AG. As a consequence, all deferred taxes from the previous parent company were transferred to the new parent company, Nidda Healthcare GmbH, while STADA Arzneimittel AG is responsible for taxes on recurring compensation payments. The adjusted tax rate was 19.2% (previous year: 26.5%).

Effect of special items on earnings

STADA made different adjustments to the adjusted earnings figures in financial year 2017 than in financial year 2018 (see the following tables, "Effect of special items on earnings").

In **financial year 2018**, the Group registered a negative effect on earnings of €14.7 million before taxes or a positive effect on earnings of €22.9 million after taxes on **special items**. Reconciliation of reported financial performance indicators to those adjusted for special items and other significant STADA Group earnings indicators was as follows:

in €million ¹⁾	2018 reported	Impairments/write-ups on non-current assets	Effects from purchase price allocations and product acquisitions ²⁾	Severance payments	Revaluation effect BIO-CEUTICALS	Change of tax status of STADA Arzneimittel AG	2018 adjusted
Operating profit	378.1	26.3	14.1	2.6	-28.3	0.0	392.7
Result from investments measured at equity	3.7	-	-	-	-	-	3.7
Investment income	0.0	-	-	-	-	-	0.0
Earnings before interest and taxes (EBIT)	381.8	26.3	14.1	2.6	-28.3	-	396.5
Financial income and expenses	38.9	-	-	-	-	-	38.9
Earnings before taxes (EBT)	342.9	26.3	14.1	2.6	-28.3	0.0	357.6
Income tax expenses	32.3	6.5	1.0	-	-	28.9	68.7
Result distributable to non-controlling shareholders	3.6	0.3	0.9	-	-	-	4.8
Result distributable to shareholders of STADA Arzneimittel AG (net income)	306.9	19.5	12.2	2.6	-28.3	-28.9	284.0
Earnings before interest and taxes (EBIT)	381.8	26.3	14.1	2.6	-28.3	-	396.5
Balance from depreciation/amortization and impairments/write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	148.8	-26.3	-15.5	-	-	-	107.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	530.6	-	-1.4	2.6	-28.3	-	503.5

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 financial year 2017, special items resulted in a net burden on earnings of €130.0 million before taxes and €110.3 million after taxes. Reconciliation of reported financial performance indicators to those adjusted for special items and further essential earnings figures of the STADA Group was as follows:

in €million ¹⁾	2017 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions ²⁾	Consultancy services associated with the takeover process	Other ³⁾	2017 adjusted
Operating profit	192.3	46.4	9.4	45.0	29.2	322.3
Result from investments measured at equity	2.3	-	-	-	-	2.3
Investment income	0.0	-	-	-	-	0.0
Earnings before interest and taxes (EBIT)	194.6	46.4	9.4	45.0	29.2	324.6
Financial income and expenses	46.8	-	-	-	0.0	46.8
Earnings before taxes (EBT)	147.7	46.4	9.4	45.0	29.2	277.8
Income tax expenses	53.0	8.8	0.9	12.8	-2.1	73.5
Result distributable to non-controlling shareholders	9.4	0.2	-0.9	-	-	8.7
Result distributable to share- holders of STADA Arzneimittel AG (net income)	85.3	37.4	9.4	32.2	31.3	195.6
Earnings before interest and taxes (EBIT)	194.6	46.4	9.4	45.0	29.2	324.6
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	169.2	-46.4	-13.6	-	-	109.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	363.8	-	-4.2	45.0	29.2	433.9

1) As a result of the presentation in €million, deviations due to rounding may occur in the tables.

2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.

3) Relates, among other things to severance payments for departed members of the Executive Board and restructuring measures, the deconsolidation effects of a Vietnamese subsidiary and deferred taxes within the income statement.

The following tables show further key earnings figures of the Group and the resulting margins, on both a reported and adjusted basis for 2018 and for the previous year.

Development of the STADA Group's reported earnings figures

in €million	2018	2017	± %
Operating profit	378.1	192.3	+97%
• Generics	291.9	233.2	+25%
• Branded Products	165.0	99.3	+66%
Operating profit margin ¹⁾	16.2%	8.3%	
• Generics	21.1%	17.1%	
• Branded Products	17.4%	10.4%	
EBITDA	530.6	363.8	+46%
• Generics	359.2	292.5	+23%
• Branded Products	242.5	204.9	+18%
EBITDA margin ¹⁾	22.8%	15.7%	
• Generics	26.0%	21.5%	
• Branded Products	25.6%	21.5%	
EBIT	381.8	194.6	+96%
EBIT margin ¹⁾	16.4%	8.4%	
EBT	342.9	147.7	+132%
EBT margin ¹⁾	14.7%	6.4%	
Net income	306.9	85.3	+260%
Net income margin ¹⁾	13.2%	3.7%	
Earnings per share in €	4.93	1.37	+260%

Development of the STADA Group's adjusted²⁾ earnings figures

in €million	2018	2017	± %
Adjusted operating profit	392.7	322.3	+22%
• Generics	307.9	248.8	+24%
• Branded Products	189.4	156.2	+21%
Adjusted operating profit margin ¹⁾	16.9%	13.9%	
• Generics	22.3%	18.3%	
• Branded Products	20.0%	16.4%	
Adjusted EBITDA	503.5	433.9	+16%
• Generics	359.6	302.8	+19%
• Branded Products	240.6	207.4	+16%
Adjusted EBITDA margin ¹⁾	21.6%	18.8%	
• Generics	26.0%	22.2%	
• Branded Products	25.4%	21.8%	
Adjusted EBIT	396.5	324.6	+22%
Adjusted EBIT margin ¹⁾	17.0%	14.0%	
Adjusted EBT	357.6	277.8	+29%
Adjusted EBT margin ¹⁾	15.3%	12.0%	
Adjusted net income	284.0	195.6	+45%
Adjusted net income margin ¹⁾	12.2%	8.5%	
Adjusted earnings per share in €	4.56	3.14	+45%

1) Based on relevant Group sales.
2) Adjusted for special items.

Income statement and cost development

Cost of sales decreased in 2018 to €1,139.5 million (previous year: €1,178.0 million). This development was mainly attributable to improved purchasing conditions. The **cost of sales ratio** amounted to 48.9% (previous year: 50.9%).

Gross profit rose to €1,191.3 million (previous year: €1,135.9 million). The gross margin thus increased to 51.1% (previous year: 49.1%). The primary reason had to do with the positive development in Belgium, which was attributable to lower discount rates and positive volume effects. In addition, gross profit of the German and Spanish generics business improved significantly.

Selling expenses rose to €538.6 million (previous year: €514.5 million). This was primarily the result of higher marketing expenses in connection with product launches, in particular in Italy and Russia. The selling expenses ratio was 23.1% (previous year: 22.2%).

General and administrative expenses decreased to €183.7 million (previous year: €199.7 million). Their share of Group sales amounted to 7.9% (previous year: 8.6%). The decline was primarily attributable to cost savings and lower costs for consultancy services.

Research and development expenses were at €72.3 million (previous year: €67.5 million). The sales-related ratio of research and development expenses was 3.1% (previous year: 2.9%).

Development costs reported by STADA include non-capitalized development costs, which consist mainly of costs associated with regulatory requirements and the optimization of existing products. This cost item does not include payments for the development of new products, since STADA usually capitalizes these costs. Development costs of €20.4 million were capitalized in the reporting year (previous year: €21.4 million). This corresponds to a capitalization rate of 22.0% (previous year: 24.1%). This does not include capitalized borrowing costs and the capitalization of software totaling €3.3 million (previous year: €2.5 million).

Other income increased to €84.4 million (previous year: €41.3 million). This was primarily attributable to income from the capital consolidation of BIOCEUTICALS Arzneimittel AG which is considered a special item in the financial year.

Other expenses showed a decrease to €103.1 million (previous year: €203.3 million). This was primarily attributable to lower severance payments, reduced impairments on trade accounts receivable as well as reduced costs for consultancy services.

The remaining other expenses include personnel expenses in the amount of €5.8 million (previous year: €20.8 million).

Financial expenses decreased to €44.6 million (previous year: €50.5 million) – due primarily to lower interest expenses.

The **financial result**, which is composed primarily of financial income and financial expenses, amounted to -€35.2 million (previous year: -€44.5 million). The interest expense in the amount of €44.6 million (previous year: €50.5 million) constituted the largest single operational item.

In financial year 2018, STADA Arzneimittel AG was refinanced at interest rates between 0.95% p.a. and 2.3% p.a. (previous year: between 0.8% p.a. and 4.23% p.a.). In addition, the Group also financed itself at interest rates between 2.84% p.a. and 3.19% p.a. (previous year: between 2.9% p.a. and 5.5% p.a.). As of the reporting date December 31, 2018, the weighted average interest rate for non-current financial liabilities was approximately 3.43% p.a. (previous year: approximately 25.51% p.a.). As of the reporting date, the average weighted interest rate for current financial liabilities amounted to approximately 1.97% p.a. (previous year: 1.78% p.a.). The average weighted interest rate for all Group financial liabilities was approximately 2.97% p.a. (previous year: approximately 1.79% p.a.).

Income tax expenses decreased to €32.3 million (previous year: €53.0 million). The reported tax rate was 9.4% (previous year: 35.9%). This was mainly due to the change in tax status of STADA Arzneimittel AG. As a consequence, all deferred taxes from the previous parent company were transferred to the new parent company, Nidda BondCo GmbH, while STADA Arzneimittel AG is responsible for taxes on recurring compensation payments. The adjusted tax rate was 19.2% (previous year: 26.5%).

Results of Operations – Sales and Earnings Development of the Generics Segment

Reported sales for the **Generics** segment rose in financial year 2018 by 2% to €1,382.8 million (previous year: €1,361.7 million). **Sales adjusted** for portfolio and currency effects for the **Generics** segment increased by 5% to €1,382.8 million (previous year: €1,321.5 million). This was primarily attributable to sales growth in Belgium, Italy, Germany and Serbia. There were counter-developments in Russia and France. Generic sales no longer included sales from STADA Vietnam J.V. Generics contributed 59.3% of Group sales (previous year: 58.8%).

Within the Generics segment, Europe, Germany and CIS were the strongest markets in terms of sales in 2018.

Sales generated with generics increased in **Europe** by 7% to €870.4 million (previous year: €814.2 million). The important growth drivers were Belgium, Italy and Serbia in particular due to positive volume effects and reduced discount burdens.

In **Germany**, sales of generics increased by 3% to €306.6 million (Previous year: €297.3 million). This development was primarily attributable to product launches and low discount rates.

In **CIS**, sales generated with generics decreased by 13% to €109.8 million (previous year: €125.9 million). This development was primarily attributable to the strong devaluation of the Russian ruble.

In financial year 2018 the Group achieved sales amounting to €135.7 million with products that contain the Group's top five active pharmaceutical ingredients in terms of sales (previous year: €128.9 million). Those products thus had a 9.8% share of sales in the Generics segment (previous year: 9.5%). With generated sales of €38.0 million (previous year: €36.5 million) Tilidin Naloxon (indication pain) was the active pharmaceutical ingredient with the strongest sales in the Generics segment.

Reported operating profit in the **Generics** segment registered an increase in 2018 of 25% to €291.9 million (previous year: €233.2 million). This development was mainly attributable to the improved result of operations in the Serbian, German, and Belgian generics segments. **Reported EBITDA** for **Generics** increased by 23% to €359.2 million (previous year: €292.5 million). This was primarily attributable to developments in the reported operating result for the segment in Serbia, Germany, and Belgium described above. The **reported operating profit margin** in the **Generics** segment amounted to 21.1% (previous year: 17.1%). The **reported EBITDA margin** for **Generics** was 26.0% (previous year: 21.5%).

Adjusted operating profit in the **Generics** segment registered an increase in the reporting year of 24% to €307.9 million (previous year: €248.8 million). **Adjusted EBITDA** for **Generics** recorded growth of 19% to €359.6 million (previous year: €302.8 million). Both were based primarily on the improvement of the reported operating result in Serbia, Germany, and Belgium. The **adjusted operating profit margin** in the **Generics** segment amounted to 22.3% (previous year: 18.3%). The **adjusted EBITDA margin** for **Generics** was 26.0% (previous year: 22.2%).

Results of Operations – Sales and Earnings Development of the Branded Products Segment

Reported sales in the **Branded Products** segment in 2018 were roughly on par with the previous year at €948.0 million (previous year: €952.2 million). **Sales adjusted** for portfolio and currency effects for the **Branded Products** segment rose by 6% to €948.0 million (previous year: €897.0 million). This development was primarily attributable to rising sales in Germany and the United Kingdom. Branded product sales no longer included sales from STADA Vietnam J.V. Branded Products had a 40.7% share in Group sales (previous year: 41.2%).

Within the Branded Products segment, Europe, Germany, the United Kingdom and CIS were the strongest markets in terms of sales.

In **Europe**, sales generated with branded products rose by 2% to €223.4 million (previous year: €218.4 million). Belgium and Serbia contributed to that.

In **Germany**, sales generated with branded products rose by 5% to €180.9 million (previous year: €172.8 million). This development was mainly a result of the sales contributions from product launches and price effects.

In the **United Kingdom**, sales with branded products increased by 8% to €179.2 million (previous year: €165.3 million), in particular due to product launches and the expansion of the product portfolio.

In **CIS**, sales generated with branded products adjusted for currency effects rose by 5%. Russia and Kazakhstan in particular contributed to this growth. Due to the strong devaluation of the Russian ruble, sales measured in euros fell by 6% to €266.0 million (previous year: €284.2 million).

In financial year 2018 STADA achieved sales amounting to €215.8 million from products that contain the Group's top five branded products in terms of sales (previous year: €220.9 million). Those products thus had a 22.8% share of sales in the Branded Products segment (previous year: 23.2%). With sales generated in 2018 of €71.3 million (previous year: €68.2 million) the Parkinson's medication APO-Go® was the branded product that showed the strongest sales in the segment.

Reported operating profit for the **Branded Products** segment registered an increase in the reporting year of 66% to €165.0 million (previous year: €99.3 million). This development was due in particular to an increase in operating profit in the branded products segment in Germany and the United Kingdom. **Reported EBITDA** for **Branded Products** increased by 18% to €242.5 million (previous year: €204.9 million). This development was primarily due to the previously mentioned improvements in the operational segment earnings in Germany and the United Kingdom. **Reported operating profit margin** for **Branded Products** amounted to 17.4% (previous year: 10.4%). The **reported EBITDA margin** for **Branded Products** was 25.6% (previous year: 21.5%).

Adjusted operating profit for the **Branded Products** segment registered an increase in financial year 2018 of 21% to €189.4 million (previous year: €156.2 million). **Adjusted EBITDA** for **Branded Products** increased by 16% to €240.6 million (previous year: €207.4 million). Both developments were mainly attributable to the increased operating result in the German and British branded products segment. **Adjusted operating profit margin** for **Branded Products** amounted to 20.0% (previous year: 16.4%). The **adjusted EBITDA margin** for **Branded Products** was 25.4% (previous year: 21.8%).

Financial Position

Stable financial position

The financial position of the STADA Group in the reporting year was stable. This is demonstrated both by several items in the cash flow statement and by a variety of indicators that are presented in various parts of this chapter, including liquidity analysis.

Principles and goals of STADA financial management

In terms of financing strategy, STADA focused on providing for financial flexibility in financial year 2018. In the reporting year, STADA financed itself with current and non-current borrowings from Nidda, promissory note loans, bonds, a revolving credit facility and factoring.

The Group reduced existing financial risks to the extent possible via natural hedging and derivative financial instruments. In principle, STADA did not issue or hold derivative financial instruments for speculative purposes in 2018. The "Opportunities and Risk Report" contains details on managing individual financial risks.

Financing structure

The remaining financing in the nominal amount of €1,424.7 million as of December 31, 2018 was comprised of the following:

Financial instruments in €million	Nominal Value	Maturity
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
	452.1	
Further bank loans	43.0	rolling
Total financial liabilities	495.1	
Loan from Nidda Healthcare Holding GmbH	929.6	
Total financing	1,424.7	

To secure claims from capital market liabilities and certain other financial liabilities taken up by Nidda and its affiliated companies (including STADA), collateral securities have been provided within the scope of company-specific collateral agreements. STADA pledged company shares to selected direct or indirect subsidiaries. STADA considers it unlikely that these financial obligations will lead to material liabilities.

On December 20, 2018, STADA announced that STADA and certain of its significant subsidiaries – in accordance with the directive issued by Nidda – had granted certain in rem securities to secure capital market liabilities and other financial liabilities, which were raised and secured by Nidda and its affiliated companies.¹⁾ The granting of such in rem securities gives holders of the STADA €300,000,000 1.75% fixed rate notes due 2022 the right to demand repayment of their principal and accrued interest on such STADA bonds. On January 8, 2019, STADA published the tender offer, whose final expiration date is June 19, 2019 (see "Report on Post-Balance Sheet Date Events").²⁾

In the fourth quarter of 2017, reclassification of the promissory note loans, bonds and financial liabilities of STADA Arzneimittel AG to banks as a result of the change of control which took effect at that time and the associated early termination right led to an increase in current financial liabilities. 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 again reclassified accordingly from current to current and non-current liabilities and thus the financing contracts that were not prematurely repaid were reassigned to their original terms on the balance sheet (see item for current and non-current financial liabilities). In light of the buy-back offer to the bondholders, STADA assumed that repayment of the bond could become due in the short term, which is why the financial liabilities were reclassified from non-current to current in connection with the STADA bond 2015/2022 (nominal value: €300.0 million) in the second quarter of 2018. Once the buy-back offer expired on July 10, 2018 and STADA had reacquired all allotments of bonds duly offered for purchase, the financial liabilities in connection with STADA bond 2015/2022 that had not been reacquired were reclassified from current to non-current on September 30, 2018. In view of the renewed tender offer announced in the fourth quarter of 2018 and published on January 8, 2019 for STADA €300,000,000 1.75% fixed rate notes due in 2022, the corresponding amount was reclassified again from non-current to current on December 31, 2018.

Since one of the two corporate bonds in the amount of €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 €274.1 million (December 31, 2017: €300 million) with an interest rate of 1.75% p.a. was left as of December 31, 2018, to refinance the Group. STADA received a loan from Nidda Healthcare Holding GmbH to refinance repayment of the bond in the amount of €347.1 million. In addition, as of December 31, 2018 the Group held promissory note loans with a total nominal value of €178.0 million (December 31, 2017: €526.0 million).

1) See the Company's press release of December 20, 2018.

2) See www.stada.com/investor-relations/bonds/bond-2015/disclaimer.html.

In financial year 2018, STADA Arzneimittel AG was refinanced at interest rates between 0.95% p.a. and 2.3% p.a. (previous year: 0.8% p.a. and 4.23% p.a.). In addition, the Group financed itself at interest rates of between 2.84% p.a. and 3.19% p.a. (previous year: 2.9% p.a. and 5.5% p.a.). As of the reporting date December 31, 2018, the weighted average interest rate for non-current financial liabilities was approximately 3.43% p.a. (previous year: approximately 25.51% p.a.). As of the reporting date, the average weighted interest rate for current financial liabilities amounted to approximately 1.97% p.a. (previous year: 1.78% p.a.). The average weighted interest rate for all Group financial liabilities amounted to approximately 2.97% p.a. (previous year: approximately 1.79% p.a.).

The following table provides an overview of the structure of financial liabilities of the STADA Group:

Remaining maturities of financial liabilities as of Dec. 31, 2018 in k €	< 1 year	1–3 years	3–5 years	> 5 years	Total	thereof
						as of Dec. 31, 2018 > 1 year in %
Promissory note loans	129,460	41,436	6,986	–	177,882	27%
Bonds	272,887	–	–	–	272,887	0%
Liabilities to banks	42,595	356	–	–	42,951	1%
Liabilities to shareholders	–	–	–	929,609	929,609	100%
Total	444,942	41,792	6,986	929,609	1,423,329	69%

Liquidity analysis

Company liquidity was secured at all times in financial year 2018. STADA's liquidity was based primarily on cash inflows from operating activities as well as the borrowing of funds. Cash inflows from operating activities were affected by the profitability of business activities and the net working capital, in particular receivables. In the reporting year, STADA had current and non-current borrowings from Nidda, bonds, promissory note loans, a revolving credit facility and factoring available for financing.

Cash flow analysis

Cash flow statement (abridged) in k €	2018	2017
Cash flow from operating activities	320,288	262,881
Cash flow from investing activities	-300,284	-122,644
Free cash flow	20,004	140,237
Cash flow from financing activities	79,726	-227,838
Non-cash changes to cash and cash equivalents	869	-21,784
Cash flow	100,599	-109,385

Cash flow from operating activities consists of changes in items not covered by investments, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to €320.3 million in the reporting year (previous year: €262.9 million). This development was mainly due to a significant increase in gross cash flow as a result of a strong annual result and lower income tax payments. In addition, there were significantly lower cash outflows in connection with inventories and slight cash inflows in connection with trade accounts receivable compared with significant cash outflows in the previous year. In addition, significantly lower use from deferrals for healthcare insurance settlements was recorded. On the other hand, there were significantly higher cash outflows from the settlement of trade accounts payable which were high at the end of the previous year.

Cash flow from investing activities, which includes cash outflows for investments reduced by the inflows from disposals, amounted to -€300.3 million for financial year 2018 (previous year: -€122.6 million).

The cash flow from investing activities was particularly influenced by payments in the amount of €280.3 million for investments in intangible assets (previous year: €70.2 million), primarily relating to the acquisition of the rights to the medical dandruff shampoo Nizoral® for the EMEA region as well as the reacquisition of the trademark rights to the sunscreen Ladival®. In the context of business combinations, there were net inflows from the acquisition of the majority interest in BIOCEUTICALS Arzneimittel AG, as the company's cash and cash equivalents acquired at the time of acquisition exceeded the purchase price.

In 2018, STADA spent a total of €236.2 million for **acquisitions** – as part of business combinations in accordance with IFRS 3 and significant investments in intangible assets for the short-term expansion of the product portfolio (previous year: €42.3 million).

Investments in other intangible assets, i.e. investments in intangible assets in the context of ongoing operating business and thus without consideration of significant investments or acquisitions for the short-term expansion of the product portfolio, amounted to €24.9 million in the reporting year (previous year: €30.7 million). These comprise, in particular, individual insignificant payments for the development and acquisition of approvals or approval dossiers.

Payments for **investments in property, plant and equipment** in 2018 amounted to €48.1 million (previous year: €55.0 million). This also includes investments in production sites, manufacturing facilities and test laboratories, for which additions amounting to a total of €22.8 million were recorded in 2018 (previous year: €36.3 million).

Payments for **investments in financial assets** in 2018 were €0.3 million (previous year: €0.3 million).

As a result of **disposals**, STADA recorded an inflow of payments totaling €9.2 million in cash flow from investing activities in financial year 2018 (previous year: €5.7 million). Income from the disposal of consolidated companies related to dividends of the company measured at equity STADA Vietnam J.V., which are partial payments in connection with the agreement concluded in the fourth quarter of 2017 for the sale of STADA's shares in this company as of December 31, 2019.

Cash flow from financing activities in 2018 increased to €79.7 million (previous year: -€227.8 million). This development was primarily attributable to a significant increase in financial liabilities due to the loans granted to STADA by Nidda Healthcare Holding GmbH. This was offset by higher repayments of financial liabilities. This resulted in particular from the following material items: Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled, in accordance with the financing conditions, to prematurely terminate bonds, promissory note loans and bank loans. In this context, a partial amount of €360.2 million was already made due prematurely in the first quarter of 2018. Another material item in the second quarter of 2018 was the scheduled repayment of a bond in the amount of €347.1 million.

Free cash flow, i.e. cash flow from ongoing operating activities plus cash flow from investing activities, was €20.0 million in the reporting year (previous year: €140.2 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to €249.6 million (previous year: €181.2 million).

Cash flow for financial year 2018 net of all inflows and outflows from cash flow from operating activities, cash flows from investing and financing activities as well as changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation amounted to €100.6 million (previous year: -€109.4 million).

Investments

Investment volume for the Group in 2018 was €422.2 million (previous year: €113.6 million). In this regard, investments in property, plant and equipment totaled €53.3 million (previous year: €56.0 million). Of this, €0.3 million was attributable to business combinations in accordance with IFRS 3 (previous year: €0.1 million). In relation to Group sales, the share of investments in property, plant and equipment amounted to 2.3% (previous year: 2.4% of Group sales). Investments in intangible assets were €368.6 million (previous year: €57.3 million). Of this, €81.9 million was attributable to business combinations

in accordance with IFRS 3 (previous year: €0.3 million). In 2018, 13% of the total investment volume was used for property, plant and equipment (previous year: 49%) and 87% for intangible assets (previous year: 50%).

Acquisitions

STADA continued to make progress in financial year 2018 in terms of its acquisitions policy, which is aimed at accelerating organic growth through selected acquisitions.

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 Branded Products segment.¹⁾ Since January 17, 2018, STADA companies Eurogenerics (Belgium), Ciclum Farma (Portugal) and Laboratorio STADA (Spain) have assumed responsibility for the sale of Hedrin® products for head lice and nits.

As part of the strategic realignment, specialty pharmaceuticals subsidiary STADAPHARM GmbH acquired the distribution rights of APO-Go® in Germany from Grünenthal GmbH, starting from June 1, 2018.²⁾ STADA Nordic ApS assumed responsibility for sales of the medication for the treatment of Parkinson's disease in the Scandinavian countries of Sweden, Norway, Denmark and Finland on 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®, Ketoderma®, Oronazol® and Triatop®. Nizoral® has a market share in the EMEA region that is several times larger than that of its closest competitor and is therefore 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 the hair and scalp products segment.

On July 12, 2018, STADA and Xbrane Biopharma AB concluded an agreement on the co-development of Xlucane, a biosimilar of Lucentis® (Ranibizumab).⁴⁾ Under the agreement, Xbrane and STADA 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 developing the product until completion of the marketing authorization application to EMA (European Medicines Agency) and FDA (U.S. 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 in Europe, the US and in several MENA and APAC markets.

On July 18, 2018, STADA and Ladival GmbH & Co KG agreed that the German pharmaceutical company would be reassigned the trademark rights to the sunscreen Ladival® for the EU with immediate effect.⁵⁾ STADA sold these rights and had since then been selling Ladival® in German pharmacies as licensee. Following the negotiations, the two parties agreed that STADA would repurchase these rights 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 in early 2018, the sunscreen has regained its number one position in German pharmacies.

In the third quarter of 2018, STADA continued to increase its presence in the important biosimilar sector.⁶⁾ Following approval by the antitrust authorities, STADA acquired an additional 35.48 percent of the shares from its co-shareholders and, taking into account the shares it already held, now owns a 51.34% stake in BIOCEUTICALS Arzneimittel AG.

On December 6, 2018, STADA announced that the Group had increased its investment in Pymepharco in Vietnam.⁷⁾ This means that STADA now indirectly holds a 72% stake in the Vietnamese pharmaceuticals manufacturer. Pymepharco is currently the second largest producer of prescription generics and shows the strongest growth among the five most important pharmaceutical companies in Vietnam. Through its increased investment, the company has established an excellent basis for the Group's continued expansion in Vietnam, one of the most important growth markets in Asia.

1) See the Company's press release of January 18, 2018.

2) See the Company's press release of June 15, 2018.

3) See the Company's press release of June 28, 2018.

4) See the Company's press release of July 12, 2018.

5) See the Company's press release of July 18, 2018.

6) See the Company's press release of August 6, 2018.

7) See the Company's press release of December 6, 2018.

Net Assets

Development of the balance sheet

Balance sheet (abridged)	Dec. 31, 2018 in k €	Dec. 31, 2018 in %	Dec. 31, 2017 in k €	Dec. 31, 2017 in %
Assets				
Non-current assets	2,113,845	59.4%	1,880,574	58.7%
Intangible assets	1,707,205	48.0%	1,474,342	46.0%
Property, plant and equipment	351,467	9.9%	332,738	10.4%
Other assets	55,173	1.5%	73,494	2.3%
Current assets	1,446,281	40.6%	1,323,952	41.3%
Inventories	515,251	14.5%	499,012	15.6%
Trade accounts receivable	516,011	14.5%	520,441	16.2%
Other assets	71,175	1.9%	59,478	1.8%
Cash and cash equivalents	343,794	9.7%	243,194	7.6%
Non-current assets and disposal groups held for sale	50	0.0%	1,827	0.1%
Total assets	3,560,126	100%	3,204,526	100%
Equity and liabilities				
Equity	1,177,985	33.1%	1,006,406	31.4%
Non-current borrowed capital	1,102,439	31.0%	157,572	4.9%
Other non-current provisions	33,490	0.9%	35,293	1.1%
Financial liabilities	978,386	27.5%	816	0.0%
Other liabilities	90,563	2.6%	121,463	3.8%
Current borrowed capital	1,279,702	35.9%	2,040,548	63.7%
Other provisions	22,543	0.6%	23,507	0.7%
Financial liabilities	444,943	12.5%	1,257,105	39.2%
Trade accounts payable	315,080	8.9%	340,642	10.6%
Other liabilities	497,136	13.9%	419,294	13.2%
Non-current liabilities and associated liabilities of disposal groups held for sale	-	-	-	-
Total equity and liabilities	3,560,126	100%	3,204,526	100%

The assets situation of the STADA Group recorded a positive development in the reporting year. This is shown in the items reported on the balance sheet.

As of December 31, 2018 **net debt** amounted to €1,079.5 million (December 31, 2017: €1,054.7 million). The figure includes a shareholders' loan of €929.6 million.

The **equity ratio** as of the reporting date was 33.1% (December 31, 2017: 31.4%).

Net assets amounted to €3,560.1 million as of December 31, 2018 (December 31, 2017: €3,204.5 million). Significant changes in assets are described below.

Intangible assets increased by €232.9 million to €1,707.2 million as of December 31, 2018 (December 31, 2017: €1,474.3 million). This was mainly attributable to purchase price allocation of BIOCEUTICALS Arzneimittel AG.

As of December 31, 2018, intangible assets included goodwill in the amount of €388.8 million (December 31, 2017: €396.5 million). In addition, in financial year 2018, development costs amounting to €20.4 million were capitalized as internally created intangible assets (previous year: €21.4 million). Depreciation on capitalized development costs amounted to approximately €11 million (previous year: approximately €10 million). In total, STADA recognized impairments, net of write-ups, on intangible assets totaling €26.1 million in 2018 (previous year: €41.7 million).

Property, plant and equipment increased to €351.5 million as of the reporting date (December 31, 2017: €332.7 million). This rise was largely attributable to investments in production facilities within the Serbian group companies and the Vietnamese company Pymepharco.

As of December 31, 2018 **inventories** amounted to €515.3 million (December 31, 2017: €499.0 million). This was primarily a result of the acquisition of NorBiTec GmbH in the course of the acquisition of additional shares in BIOCEUTICALS Arzneimittel AG and through increases in the Serbian Group companies.

In specific situations STADA puts – following the principle of market proximity – certain range considerations deliberately aside in favor of possible operating opportunities. In individual cases this – if the utilization of opportunities cannot be realized as expected – can lead to value allowances for inventories which burden earnings. Total burdens in the amount of €35.7 million as of December 31, 2018 were incurred due to impairments net of reversals (December 31, 2017: €43.2 million).

Trade accounts receivable decreased to €516.0 million as of the reporting date (December 31, 2017: €520.4 million).

Insofar as there exists the opportunity to attain a better market position, the Group accepts in exceptional cases, if necessary, higher current trade accounts receivable. In terms of its receivables management, STADA pays careful attention to the liquidity of customers as a general rule. However, defaults can never be entirely ruled out (see “Opportunities and Risk Report”).

Other assets contains various items, including financial assets, investments accounted for at equity, deferred tax assets, other financial assets, other assets and income tax receivables.

Financial assets were valued at €2.3 million as of the reporting date (December 31, 2017: €2.0 million).

Investments measured at equity decreased to €24.6 million as of December 31, 2018 (December 31, 2017: €41.5 million). This decrease was mainly based on the change of status of BIOCEUTICALS Arzneimittel AG. After an additional acquisition of shares and the associated acquisition of control, BIOCEUTICALS Arzneimittel AG, which was previously classified as associate has been included in the Consolidated Financial Statements as a subsidiary since September 30, 2018.

Deferred tax assets remained largely unchanged at €26.3 million (December 31, 2017: €27.6 million).

Other financial assets in the amount of €13.6 million (December 31, 2017: €10.9 million) include, among other things, positive market values of derivative financial instruments which were €2.2 million as of the reporting date (December 31, 2017: €0.7 million) and which in 2018 only consisted of currency forwards. In addition, this item includes receivables from factoring transactions, which for German Group companies amounted to €4.6 million (December 31, 2017: €5.5 million).

Other assets increased to €50.4 million as of December 31, 2018 (December 31, 2017: €36.7 million).

Cash and cash equivalents, which include cash and call deposits as well as current financial investments, registered an increase as of the reporting date to €343.8 million (December 31, 2017: €243.2 million). This was attributable to the effects described as part of the explanations on the consolidated cash flow statement. Additional details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

As of December 31, 2018, there were **assets and disposal groups held for disposal** in the amount of €0.1 million (December 31, 2017: €1.8 million).

As of December 31, 2018 **equity capital** rose to €1,178.0 million (December 31, 2017: €1,006.4 million).

Retained earnings including net income comprise net income for financial year 2018 as well as the earnings achieved in previous periods, provided these were not distributed, including the amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account. In the context of measuring the defined benefit obligations as of December 31, 2018, net income in the amount of €0.7 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. This is based primarily on the increase in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2018 as compared with December 31, 2017. In addition, this item also includes currency translation differences related to the revaluation of net debt recognized in equity from performance-oriented pension plans as well as the deferred taxes they incur, which, in financial year 2018, amounted to income recognized in equity of €0.03 million.

Other reserves include results recognized directly in equity. This relates, among other things to foreign exchange gains and losses resulting from currency translation with no effect on income of the financial statements of the companies included in the Group, which are shown in the statement of changes in equity under the currency translation reserve. The increase in other reserves in the reporting year was attributable in particular to the devaluation of the Russian ruble since December 31, 2017 and to the resulting expenses with no effect on income from currency translation of companies that report in this currency.

The Group's **current and non-current financial liabilities** of €444.9 million and €978.4 million as of December 31, 2018, (December 31, 2017: €1,257.1 million respectively €0.8 million) mainly comprise a shareholder loan in the amount of €929.6 million, promissory note loans with a nominal value of €178.0 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 bond with a nominal value of €300.0 million).

The previous year's values for current and non-current financial liabilities can be attributed to the fact that the financing agreements stipulated a right of return for the investors for their respective bonds, promissory note loans or bank loans in case of a change of control or a change to STADA's rating. In view of this, STADA assumed that repayment of the bond could become due in the short term, and undertook a corresponding reclassification of its financial liabilities from non-current to current. After the exercise option expired and the amounts called due were accordingly repaid early in the first quarter of 2018, the financial liabilities not optioned were reclassified accordingly from current to current and non-current liabilities and thus the financing agreements that were not repaid prematurely were assigned to their original maturities on the balance sheet.

Trade accounts payable decreased to €315.1 million as of December 31, 2018 (December 31, 2017: €340.6 million). In addition to reporting date effects, this was primarily a result of decreases at the German and Russian companies, while at the same time there was an increase at the French companies.

Other liabilities include deferred tax liabilities, other financial liabilities, other liabilities and income tax liabilities.

Deferred tax liabilities decreased to €83.9 million as of December 31, 2018 (December 31, 2017: €116.5 million). This was primarily attributable to the first-time inclusion of the BIOCEUTICALS Arzneimittel AG.

Other financial liabilities in the amount of €292.9 million (December 31, 2017: €230.1 million) include liabilities from discount agreements of German STADA companies in the amount of €128.1 million (previous year: €140.8 million) and a liability from the domination and profit and loss transfer agreement with the Nidda Healthcare GmbH in the amount of €134.2 million. The increase in other financial liabilities compared with the previous year was mainly the result of these items.

Income tax liabilities increased as of the reporting date to €79.7 million (December 31, 2017: €69.7 million). This was primarily based on tax deferrals for future tax liabilities.

Other liabilities increased to €129.7 million as of December 31, 2018 (December 31, 2017: €124.5 million). This was primarily attributable to an increase at the British companies.

Results of Operations, Financial Position and Net Assets of STADA Arzneimittel AG

Introduction

STADA Arzneimittel AG is the parent and lead company of the STADA Group. It directly and indirectly holds shares in the companies that belong to the STADA Group.

In the evaluation of the results of STADA Arzneimittel AG, the operating profit of the activities of the Group companies in the Generics and Branded Products segments should be taken into account. Profit or loss is significantly affected by the services including the delivery of goods to other Group companies, which result from the function of the AG as a parent company or holding company of the STADA Group. The costs for these strategic services are covered by the Group companies taking advantage of them and are accounted for under sales at STADA Arzneimittel AG. STADA Arzneimittel AG's net profit is also influenced by investment income.

For STADA Arzneimittel AG, sales as well as net profit before profit transfer are used as key financial performance indicators for the ability to pay a dividend to Nidda Healthcare GmbH and as management metrics.

For further information on the business activities of STADA Arzneimittel AG, in particular with regard to topics of "Research and Development", "Employees", "Macroeconomic and Sector-Specific Environment", as well as "Opportunities and Risk Report", reference is made to the statements regarding the STADA Group included in this Combined Management Report.

The Annual Financial Statements of STADA Arzneimittel AG are prepared in accordance with the provisions of the German Commercial Code (HGB) under consideration of the supplementing requirements of the Stock Corporation Act (AktG). The provisions for major capital corporations apply.

The full Annual Financial Statements of STADA Arzneimittel AG are available on the STADA website at www.stada.com/de or www.stada.com.

Results of Operations

Results of operations in k €	2018	2017
Revenue	475,009	446,944
Net profit before profit transfer	134,189	39,062

In financial year 2018, **STADA Arzneimittel AG's sales** increased by 6% to €475.01 million (previous year: €446.94 million).

Compared to the previous year, sales to third parties declined significantly. This was primarily attributable to the corporate mergers of STADA GmbH into STADAvita GmbH and of STADAPharm GmbH into cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH as of January 1, 2017. Subsequently, STADAvita GmbH was renamed STADA GmbH, and cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH was renamed STADAPHARM GmbH.

Concomitant with the mergers, the so-called commission agent model was dissolved. In view of this, invoicing to customers was no longer carried out by STADA Arzneimittel AG, but by the subsidiaries STADA GmbH and STADAPHARM GmbH, respectively. Until June 30, 2017, STADA Arzneimittel AG had acted as principal. Furthermore, the two subsidiaries assigned receivables to STADA at the time the receivables from external customers arose.

Internal Group sales also developed positively. Firstly, the flow of goods between STADA Arzneimittel AG and the two subsidiaries STADA GmbH and STADAPHARM GmbH rose as a result of the mergers in 2017. Secondly, sales volume of the foreign Group companies increased in 2018.

Other operating income increased to €65.8 million (previous year: €61.6 million), mainly as a result of higher income from write-ups in the amount of €27.0 million (previous year: €21.8 million), higher income from cost transfers in the amount of €9.9 million (previous year: €2.3 million), with a countervailing decline in exchange gains in the amount of €4.5 million (previous year: €28.9 million).

Notwithstanding the increase in sales, the cost of materials and supplies and goods purchased decreased to €159.6 million (previous year: €162.1 million). The declining cost of materials was primarily due to the dissolution of the commission agent model and the associated transfer of inventories to the companies STADAPHARM and STADA GmbH. Personnel expenses amounted to €91.4 million, slightly below the previous year's level (previous year: €96.9 million). Amortization/depreciation of non-current intangible assets and property, plant and equipment decreased to €49.0 million (previous year: €52.5 million). This decrease was largely due to lower unscheduled amortization of approvals and brands. Depreciation of financial assets reduced significantly to €17.2 million (previous year: €20.7 million). Other operating expenses decreased to €221.7 million (previous year: €245.7 million), particularly as a result of a reduction in the consulting services employed in 2017 in connection with the takeover.

Income from profit transfer agreements and associates rose to €83.0 million (previous year: €79.3 million) due to the positive earnings development of the German sales companies. Investment income increased to €50.3 million (previous year: €22.3 million). Earnings from loans to associates decreased by 10% to €31.9 million (previous year: €35.8 million). Other interest and similar income decreased to €12.6 million (previous year: €24.2 million), mainly as a result of a lower level of lending to subsidiaries. Interest and similar expenses increased to €35.1 million (previous year: €26.3 million), particularly due to the funds from Nidda Healthcare Holding GmbH.

STADA Arzneimittel AG's net profit was, due to the domination and profit and loss transfer agreement, completely transferred to Nidda Healthcare GmbH. Before transfer, net profit amounted to €134.2 million (previous year: €39.1 million). The tax expense decreased to a total of €12.3 million (previous year: €21.7 million).

Financial Position

STADA Arzneimittel AG's cash flow from operating activities increased to €138.1 million in the reporting year (previous year: €108.5 million). This increase was mainly due to increased liabilities to affiliated companies, in particular due to the domination and profit and loss transfer agreement with Nidda Healthcare GmbH. On the other hand, liabilities to affiliated companies decreased. Depreciation and amortization decreased to €39.2 million (previous year: €51.4 million).

Cash flow from investing activities amounted to -€252.1 million (previous year: €43.6 million) and resulted primarily from an increase in payments for investments in intangible assets.

Cash flow from financing activities was €177.2 million (previous year: -€233.9 million). The net change in financial liabilities (loans, promissory note loans and bonds) amounted to -€748.9 million, a significant decrease (previous year: -€228.0 million). Inflows resulted in particular from intercompany loans from Nidda Healthcare Holding GmbH. The payment of dividends amounting to €6.8 million (previous year: €44.8 million) produced a countervailing effect.

The described cash flows increased cash and cash equivalents to €161.3 million (previous year: €98.1 million). The primary objective of financial management is to ensure liquidity at all times and to limit the risks associated with financing. In 2018, current debt financing was geared toward the capital markets and was primarily based on current and non-current funds from Nidda, promissory note loans, bonds and factoring. The average capital-weighted interest rate on the interest-bearing financial liabilities of STADA Arzneimittel AG on December 31, 2018 was 2.97% (December 31, 2017: 1.71%).

Net Assets

Net assets in €million	2018	2017
Non-current assets	2,362.8	2,139.7
Current assets	592.3	567.4
Equity	886.8	893.7
Provisions	107.0	121.7
Liabilities	1,969.0	1,694.6

STADA Arzneimittel AG's non-current assets increased in 2018 to €2,362.8 million (previous year: €2,139.7 million). The main reason for this was the increase in intangible assets to €496.6 million (previous year: €294.6 million) and in financial assets to €1,811.9 million (previous year: €1,789.3 million). Intercompany loans to associates, which were primarily used to finance acquisitions in the Central Europe region, decreased to €488.5 million (previous year: €495.1 million).

In financial year 2018, **STADA Arzneimittel AG's current assets** increased to €592.3 million (previous year: €567.4 million). This was primarily due to the increase in bank balances to €161.3 million (previous year: €98.1 million). In contrast, receivables from associates decreased to €380.7 million (previous year: €422.5 million), resulting from the reduction in current loans to subsidiaries. Furthermore, inventories increased to €35.0 million (previous year: €26.5 million).

STADA Arzneimittel AG's equity decreased in the reporting year to €886.8 million (previous year: €893.7 million), largely as a result of the dividend payment for 2017 amounting to €6.8 million. The equity ratio decreased to 29.9% (previous year: 33.0%).

STADA Arzneimittel AG's provisions decreased in 2018 to €107.0 million (previous year: €121.7 million), largely as a result of the reduction in the accrual for outstanding accounts, primarily for consultancy services.

In financial year 2018, **STADA Arzneimittel AG's liabilities** amounted to €1,969.0 million, higher than the previous year's figure (previous year: €1,694.6 million). The increase was primarily due to loans from the parent company with a countervailing repayment of a bond issue. Trade accounts payable declined to €24.9 million (previous year: €42.5 million) and other financial liabilities decreased to €13.0 million (previous year: €18.6 million). In addition to the assets recognized in the balance sheet, STADA took advantage of off-balance sheet assets. These primarily include leased or rented items within the usual framework such as company cars and rented building space.

The **balance sheet total** of **STADA Arzneimittel AG** increased in 2018 to €2,962.9 million (previous year: €2,710.0 million).

General Statements of the Executive Board on the Course of Business in 2018

2018 was the most successful financial year in STADA's history. In addition to increasing sales and key earnings figures, the Group also made significant progress in its transformation process. The published forecast could, for the most part, be achieved.

Group sales adjusted for currency and portfolio effects increased in financial year 2018 by 5% to €2,330.8 million. **Adjusted EBITDA** rose by 16% to €503.5 million.

Report on Post-Balance Sheet Date Events

This report on post-balance sheet date events includes events that occurred between the end of financial year 2018 and the date of signing of the Combined Management Report and the Consolidated Financial Statements for 2018 and which have a significant, or possibly significant effect on the net assets, financial position and results of operations of the STADA Group.

These were as follows:

- On December 20, 2018, STADA announced that STADA and certain of its significant subsidiaries – in accordance with the directive issued by Nidda Healthcare GmbH (Nidda) – granted certain in rem securities to secure capital market liabilities and other financial liabilities, which were raised by Nidda and its affiliated companies and for which these securities were accepted or guaranteed.¹⁾ The grant of such in rem securities gives holders of the STADA €300,000,000 1.75% fixed rate bonds due 2022 the right to demand repayment of their principal and accrued interest on such STADA bonds. On January 8, 2019, STADA published a relevant tender offer, whose final expiration date is currently June 19, 2019.²⁾

1) See the Company's press release of December 20, 2018.

2) See www.stada.com/investor-relations/bonds/bond-2015/disclaimer.html.

Report on Expected Developments

Business model with long-term growth potential

STADA's business model will, also in the future, remain concentrated on the health care market with a focus on pharmaceuticals. The Group will thus continue to be active in one of the world's growth industries. Notwithstanding the unchanged positioning toward areas with long-term growth opportunities, the sales and earnings development of STADA will be subject to partially opposing factors also in financial year 2019. Economic, regulatory and competitive framework conditions can vary from country to country and from year to year. Detailed information on risks can be found in the "Opportunities and Risk Report". In light of the transformation process that has been launched including the broad range of initiatives for efficiency enhancement, the newly-positioned corporate strategy and corporate culture as well as the comprehensive opportunities management, the Executive Board expects to achieve growth, also in the future. Details on the Group's opportunities management are also available in the "Opportunities and Risk Report."

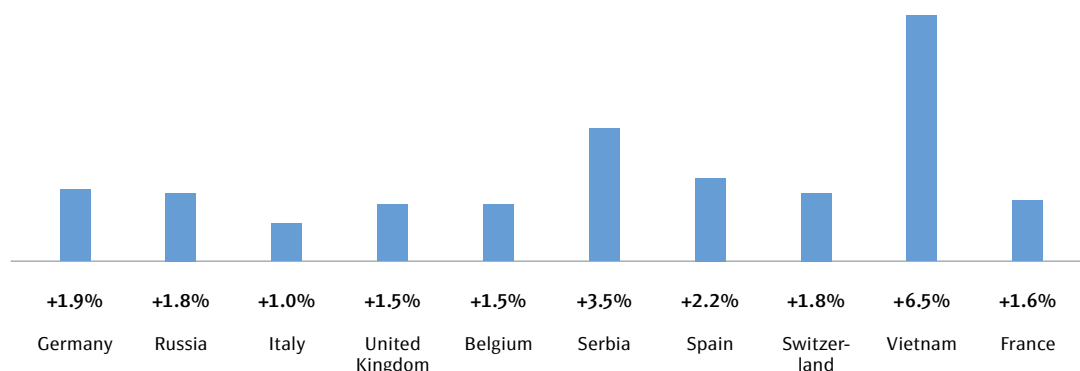
As part of the successful product development and active acquisition policy, STADA will continuously expand the Group portfolio in both the Generics and Branded Products segments with value-adding acquisitions. Within Generics, a segment that will remain part of STADA's core business in the future, promising growth opportunities exist in the expansion in markets with relatively low penetration rates in particular. In addition, STADA is also investing in selected biosimilars together with cooperation partners in order to supplement the portfolio. In the Branded Products segment, in addition to expansion, the Group is targeting the increasing internationalization of successful brands.

Macroeconomic outlook

In light of increasing risks, the IMF expects global growth of 3.7% in 2019.¹⁾ This means that the global economy will stagnate at prior year levels. According to IMF economists, economic development will be constrained by trade conflicts, in particular between the world's two largest economies, the USA and China. This will be compounded by difficulties in numerous emerging economies caused by higher interest rates in the USA and the strong dollar.

The following chart shows the economic forecast for the most important STADA markets. The countries are arranged in descending order by sales achieved by STADA in financial year 2018.

Forecast growth rates for gross domestic product 2019¹⁾ in %



Sector-specific outlook

In view of general growth drivers such as a global increase in population, an increasingly aging society in industrialized nations and further medical progress, many health care and pharmaceutical markets will also in future offer strong and relatively non-cyclical growth opportunities. There are further growth potentials within the pharmaceutical market, especially in generics

¹⁾ Source: International Monetary Fund: World Economic Outlook October 2018.

because they represent a more affordable alternative to the often much more expensive original products and thus help to ease the financial burden on health care systems. Furthermore, growth opportunities result from the continuous expiration of patents and other commercial property rights. Substantial growth opportunities are also attributed to biosimilars because, in comparison with cost-intensive biopharmaceuticals, they can make a significant contribution to cost reductions.

With a view to these potentials, the international market research institute IQVIA forecast average annual sales growth of 4–5% for the global pharmaceutical market between 2019 and 2023.¹⁾

IQVIA experts are assuming an average annual sales growth of 4.6% between 2019 and 2023 for the global generics market.¹⁾ It should, however, be taken into account that the actual growth rates of reported sales in markets where significant discounts must be granted are substantially below gross sales generally recorded by the market research institutions before discounts.

The average annual sales volume for the newly available active pharmaceutical ingredients introduced into generics competition between 2019 and 2023 in the largest European pharmaceutical markets of Germany, France, Italy, the United Kingdom and Spain will be over €3.2 billion.²⁾

This assumption is supported by estimates from IQVIA, according to which annual generics growth in the EU (EU28) from 2019 to 2023 should be 3.5%¹⁾ on average. For selected markets in Eastern Europe³⁾, IQVIA forecasts an average annual generics growth of 8.5%¹⁾ for this period. Average growth of the Russian generics market is expected to be 8.3%¹⁾ on average.

For the markets in which STADA is active, no significant changes in the current financial year 2019 are expected in the context of regulatory framework conditions that could have a considerable impact on the business development of the Group.

According to experts, the average annual growth rates for sales in the international OTC market will be 5.1% from 2019 until 2023.¹⁾ The forecast for average annual growth rates in the European OTC market (EU28) in this period according to information from IQVIA is 3.2%¹⁾

Basis of the outlook

The outlook for financial year 2019 was made taking into account the events known when this Annual Report was prepared. It is also based on the details of the overall economic outlook and the sector-specific outlook.

The outlook is also supported by the following assumptions:

- Mainly unchanged regulatory conditions in the markets most relevant for STADA, not including the regulatory changes and market assessments known at the time the outlook was prepared
- Optimization of procurement prices for raw materials
- The continued possibility of immediately launching new products upon patent expiration
- Largely unchanged tax situation in the countries where STADA is active with Group companies
- Applications of forward rates at the time the outlook was prepared for the conversion of currencies other than the Group currency euro

Outlook for STADA Arzneimittel AG

The Executive Board assumes sales for STADA Arzneimittel AG for financial year 2019 to stay largely unchanged in comparison to 2018 as well as an annual net profit before profit transfer of at least €170 million.

1) IQVIA Syndicated Analytics Service; prepared for STADA February 2019.

2) STADA's estimate of sales volume in 2018 on ex-factory prices for active pharmaceutical ingredients for which, from a current perspective, STADA expects a patent or other commercial property rights relevant for generics competition to expire by 2023, based on information from various international market research institutes. STADA's expectation of when an active pharmaceutical ingredient will be available for generics competition is subject to continuous legal review and may change considerably in future compared to the information underlying the current expectation (as of: March 3, 2019). The actual new sales volume that is becoming available for generic competition at the relevant dates is subject to fluctuations that may depend inter alia on a change in market profit, legal framework conditions or market structures.

3) Russia, Serbia, Ukraine, Kazakhstan and Bosnia and Herzegovina.

On February 2, 2018, the Extraordinary General Meeting approved the conclusion of a domination and profit and loss transfer agreement between Nidda Healthcare GmbH and STADA Arzneimittel AG, which became effective on March 20, 2018. As a result, STADA Arzneimittel AG will no longer record any net income for financial years from 2018 onwards.

Summarizing outlook

In consideration of the general and generics-specific growth drivers in the health care and pharmaceutical industry as well as growth forecasts in the area of branded products, STADA's business model is geared towards markets with long-term growth potential.

There are, however, also associated operative risks and challenges that are due in particular 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. As a result, 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.

In general, the Group's future sales and earnings development will be characterized by growth-stimulating and challenging conditions.

In light of the transformation process including numerous initiatives to increase efficiency, the realigned corporate strategy as well as the strategic success factors, however, the positive prospects should outweigh the negative.

The Executive Board expects further Group growth for financial year 2019 as compared to the prior year. In both segments Group sales adjusted for currency and portfolio effects are expected to grow strongly and adjusted EBITDA is expected to grow significantly.

Opportunities and Risk Report

As an internationally active pharmaceutical company, STADA is part of a global business community and thus subject to a range of risks. These are necessary consequences of business activity, as the Group can only take advantage of opportunities if it is also prepared to take risks.

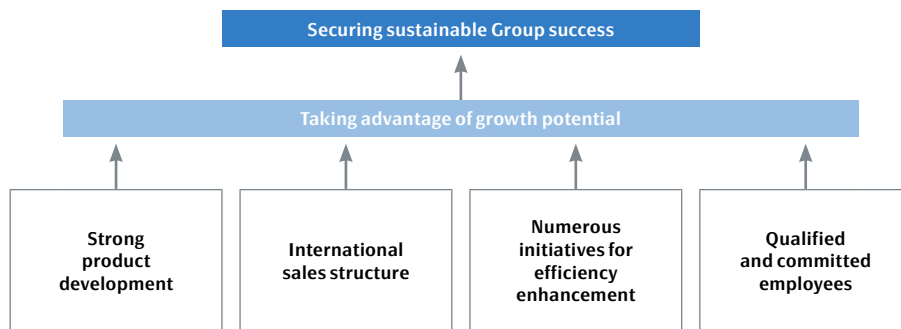
In view of the fact that the health-care and pharmaceutical areas are relatively non-cyclical, economic cycles have only a limited impact on the Group. In addition, the dependence on negative developments or events is reduced by the international positioning as well as the diversified focus on branded products and generics. Generally speaking, decades long activity in the pharmaceutical market forms a stable foundation for realistically assessing risks and for taking selected advantage of growth opportunities.

Comprehensive opportunities management to take advantage of existing growth opportunities

Opportunities management at STADA is an ongoing task. Within the scope of these efforts, the Group continuously evaluates opportunities for growth. With the goal of being in a position to recognize and analyze changing requirements, developments and especially opportunities in the often fragmented markets and to adapt its actions accordingly, the STADA management continuously observes markets and competitors. Moreover, there is a regular exchange of experiences within the individual departments which helps to identify and take advantage of additional opportunities and synergies.

On the basis of the ongoing implementation of the numerous initiatives of the initiated transformation process and with a view to the strategic success factors, opportunities management serves to take optimal advantage of growth opportunities.

Important strategic success factors of the STADA Group



As part of its successful product development, the Group will continuously expand its product portfolio in the two segments Generics and Branded Products.

Risk management

STADA also defines risk management as an ongoing task of entrepreneurial activities. The **risk strategy** is applied in all business segments of the STADA Group and is closely linked with STADA's corporate strategy, forming the basis of the Executive Board's continuous risk management system. This system is then integrated into the value-based management and existing organizational structure of the Group. STADA's **risk management system** is based on the international risk management standard COSO II Enterprise Risk Management – Integrated Framework (2004).

The goal of risk management is to ensure, throughout the Group, that risks are recognized at an early stage, evaluated, managed and minimized using targeted measures and to ensure that all relevant regulatory requirements of the risk management system are fully complied with. The company-wide standard and integrated approach to risk management is intended to ensure the efficiency of Group-wide risk management and make it possible to aggregate risks and provide transparent reporting.

STADA's risk strategy is substantiated by risk policy principles. This is to ensure that all risks are fully identified, presented transparently and comparably and are assessed. It obligates those responsible for risks to proactively manage and monitor the risks. The risk policy principles are defined in the risk management guide, which also sets out binding methodical and organizational standards for the approach to risks.

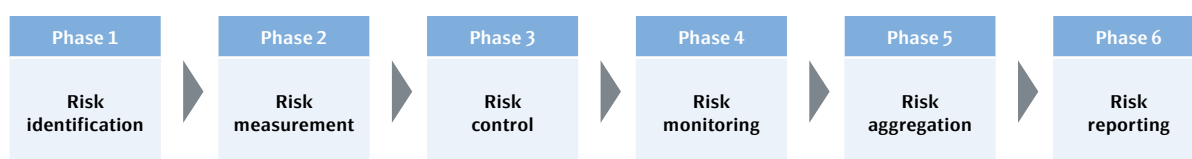
The **fundamental components of the Group-wide risk management system** which calls for quarterly regular reporting are:

1. The **Database and Risk Management department**, which is vertically and horizontally integrated in the Company and is responsible for the planning and further development of the risk management system (including the Group-wide establishment of the risk management software "R2C – Risk to Chance"), as well as the methods and procedures used to identify and assess risks and support the local risk confidants;
2. The local **risk officers** who identify and assess risks (including measures) and document and update them in the risk management system and who are integrated in all corporate units and subsidiaries throughout the Group.
3. **Queries** sent to the responsible risk confidants by the Database and Risk Management department on current topics and the risk situation in the individual areas of the Group.
4. The company-specific **risk management guide**, which defines the risk management terms, risk policy and the risk management system including the risk management process and responsibilities.
5. **Risk reporting** at Group and individual-company level.

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

The risk management system does not provide for a segregated identification of opportunities. The identification and evaluation of opportunities takes place in the respective business environments. A comprehensive, systematic classification regarding the probability and effects of the opportunities is not performed.

At STADA, the **risk management process** comprises the phases of risk identification, risk measurement, risk control, risk monitoring, risk aggregation and risk reporting. Based on the requirements of the new majority shareholders of the STADA Group, the existing risk management system was reviewed in 2018. This review led to the start of a realignment of the risk management system in 2018. As part of this process, among other things a realignment of risk reporting processes according to the reporting structure was initiated in the reporting year. Further elements of the realignment will not be applied until the following year.



The ongoing risk management process begins with risk identification (phase 1), in which all individual risks that could have significant negative impacts on STADA's business model are systematically recorded. Identification of individual risks is carried out, on the one hand, through decentralized self-assessments and, on the other hand, through centralized inquiries.

Risk measurement is carried out following risk identification (phase 2). This occurs on the basis of probability and potential impact; the evaluation should consider potential direct damage as well as indirect results caused by individual risks if they arise. Objective criteria or historical data are used in the evaluation to as great an extent as possible.

As part of risk management (phase 3), suitable measures for risk avoidance, reduction, transferring and/or compensation are identified. The measures identified can relate to the cause (preventative) as well as to the effect (reactive).

The Database and Risk Management department ensures, through the ongoing risk monitoring (phase 4), that newly arising individual risks and changes in individual risks and any corresponding need for adjustment in risk management are checked for plausibility at an early stage and can be included in ad hoc reports.

Before preparing the risk report, the Database and Risk Management department summarizes the individual risks within a risk aggregate in the risk aggregation stage (phase 5) that have an identical or similar cause of risk in order to increase transparency.

In the risk reporting (phase 6), the department creates recipient-oriented risk reports on the identified individual risks for the management and Supervisory Board. Significant individual risks and risk aggregates indicated are jointly discussed by the Executive Board and the Supervisory Board and if required, further measures to counter risks are addressed. In the case of new significant individual risks or risk aggregates, the Executive Board and the Supervisory Board are also immediately informed through ad-hoc reporting, including outside of the quarterly risk reporting.

Internal Audit conducts regular company internal and independent system audits with a focus on effectiveness, appropriateness and economic efficiency of the STADA risk management system established by the Executive Board. As part of the monitoring of the Executive Board, the Supervisory Board also looks at the effectiveness of the risk management system. In the scope of auditing the annual financial statements, STADA's auditor also reviews and evaluates whether the early risk detection system which is integrated into the risk management system is generally suitable to recognize risks that may jeopardize the continued existence of the company at an early stage.

The relevant period for internal regular reporting to the Executive Board is two years. In addition, there is an area-related internal recording and monitoring of long-term risks beyond this relevant period. The assessment of the individual risks as well as the overall risk situation of STADA in the Combined Management Report relates to December 31, 2018. There were no relevant changes after the balance-sheet date that would have necessitated an amended presentation of STADA's risk situation. There is, however, no way to fully identify and manage risks with absolute certainty.

Internal Control and Risk Management System for the Group accounting process (report in accordance with Sections 289 (5), 315 (2) No. 5 HGB)

The **Group-wide Internal Control and Risk Management System with regard to the financial reporting process (ICRMS)** is a component of STADA's Group-wide risk management system and aims to ensure the accuracy and effectiveness of accounting and financial reporting. STADA ensures the reliability of the accounting processes and the correctness of the financial reporting with a variety of measures and internal controls. These include the preparation of separate and Consolidated Financial Statements and management reports that comply with regulations. The ICRMS is constantly developed and is an integral component of the accounting and financial reporting processes in all relevant legal units and central functions. The system contains principles, processes and preventative and disclosing controls.

It includes, among other things:

- Uniform accounting, measurement and account assignment specifications for the entire Group that are continuously examined, updated and regularly communicated,
- Supplementary processes instructions, Group-internal reporting formats as well as IT-based coordination processes for Group-internal balances,
- Processes that ensure the completeness of financial reporting,
- Processes for functional separation, the dual-control principle within the context of the preparation of financial statements and for authorization and access regulations for relevant IT accounting systems,
- External experts, who are consulted when necessary, for example for purchase price allocation in accordance with IFRS 3.

The primary control functions for the significant accounting processes are carried out by the respective plausibility tests integrated in the programs. Outside the software-supported systems, manual plausibility tests and verification of the completeness and accuracy of data and calculations are carried out at all Group levels. The vast majority of the separate financial statements of Group companies (included in STADA's Consolidated Financial Statements) are generally subject to review by the auditor once a year.

Responsibility for the introduction as well as the functionality of the ICRMS rests with the Executive Board of STADA Arzneimittel AG, who assess its appropriateness and effectiveness at least once every financial year. Its appropriateness and effectiveness are also regularly examined across the Group by Internal Auditing.

Furthermore, the Audit Committee of the STADA Supervisory Board regularly monitors the accounting process and the effectiveness of the control system, the risk management system and the internal auditing system as well as the audit on the basis of Section 107 (3) AktG. The ICRMS for the accounting process cannot, however, offer any absolute security that false statements are not made in accounting.

Evaluation of risk categories

The evaluation of individual risks is generally conducted for individual segments in the form of net risks, i.e. the individual risks are evaluated under consideration of implemented and effective management and control instruments. If no segment is explicitly referenced, the described risks affect both the Branded Products and Generics segments.

Within the risk management process described above, at STADA individual risks are evaluated on the basis of the probability of occurrence and a potentially negative impact on the forecast financial targets in relation to adjusted EBITDA.

The underlying scale for the classification of the probability of occurrence and the potential impact is presented in the following diagram:

Scale for the classification of risk categories	low	moderate	high
Probability	> 0% to ≤ 30%	> 30% to ≤ 70%	> 70% to < 100%
Impact over 24 months	up to ≤ €5 million	> €5 million up to ≤ €10 million	> €10 million

Note on the probability category “moderate” and “high”: In general, all individual risks with a probability of occurrence greater than 50% were checked for circumstances requiring recognition as a liability and corresponding provisions were formed.

The combination of these two factors leads to the risk matrix presented below in which the risk categories of the combined individual risks as well as aggregated risks are classified and presented according to their importance for the Group:

Probability	high	moderate	high	high
	moderate	low	moderate	high
	low	low	low	moderate
		low	moderate	high
		Impact		

STADA classifies the identified risks in the risk reporting in accordance with the risk categories presented below. The chart shows all relevant risk categories in accordance with the STADA evaluation scheme. Individual risks and aggregate risks that were classified as "high" as of the balance-sheet date December 31, 2018 are to be considered particularly relevant.

Risk category	Risk sub-category (individual risk or aggregate risk)	Probability	Net impact
Sector risks	market (competition)	moderate	high
Regulatory risks	no relevant risks	no relevant risks	no relevant risks
Economic risks	no relevant risks	no relevant risks	no relevant risks
Product portfolio risks	no relevant risks	no relevant risks	no relevant risks
Legal risks	patents (patent violation)	moderate	high
	contracts (licensing agreements)	moderate	high
Corporate strategy risks	no relevant risks	no relevant risks	no relevant risks
Performance-related risks	no relevant risks	no relevant risks	no relevant risks
Personnel risks	no relevant risks	no relevant risks	no relevant risks
Compliance risks	no relevant risks	no relevant risks	no relevant risks
Risks in relation to information technology	no relevant risks	no relevant risks	no relevant risks
Financial risks	taxes (company audit)	moderate	high
Other risks	no relevant risks	no relevant risks	no relevant risks

As a supplement to the tabular presentation and regardless of the degree of evaluation, the current main risk categories for the STADA business model, based on the general risk reporting from Risk Management as of December 31, 2018 are explained in detail below.

Business-related risks

Risks that could have a significant influence on the net assets, financial position and results of operations of the STADA Group are described below. Risks, which are not yet known or have been assessed as insignificant, could also influence the net assets, financial position and results of operations.

Industry risks, regulatory and economic risks

a) Industry risks

According to the STADA evaluation scale, this is a relevant risk.

STADA is subject to the constantly changing market conditions in the individual national markets. In terms of competition, the risks exist on the basis of strong competition in particular in terms of pricing, range of products and services as well as supply and discount conditions of existing and new competitors. In terms of demand, there is also the risk of a potential increase in purchasing power of individual customer groups such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers or mail-order companies. Such developments could weaken STADA's competitive position, for example through the (partial) loss of newly planned tenders or through a (partial) loss of previously won tenders, and consequently result in a loss in sales or earnings. However, STADA principally takes advantage of opportunities arising in individual markets or individual products or product groups and is also willing to accept, if necessary, temporary losses, for example, in national markets with major potential for growth or to maintain or expand its market position. Overall, STADA tries to counteract industry risks through a diversification of brands and products.

Since the beginning of the conflict between Russia and Ukraine in 2014, business development of STADA has been impaired in both the Russian and Ukrainian markets. In financial year 2017, too, the general reluctance to buy was still noticeable. As a result of the continued lack of momentum in the development of real income, the buying power of the Russian population remained limited in 2018, and pressure on the pricing thus remained accordingly.

In the MENA region, ongoing unrest in the reporting year continued to have a negative impact on export business in this region. It is currently unclear how long the political upheaval will last and, as a result, the remaining export business could continue to be negatively impacted.

The conflict of the independence of Catalonia in Spain calmed down in 2018. As the fronts between the supporters and opponents of independence continued to solidify, the possibility of the conflict escalating again in future cannot be ruled out. STADA has taken necessary countermeasures to limit any negative effects from a new inflammation of the Catalanian crisis to the lowest possible extent for the future. It cannot be ruled out, however, that there will again be boycott campaigns – whether in Catalonia or in the rest of Spain – against the products of the Spanish STADA subsidiary. For this reason, STADA has defined further counter-measures and is prepared to implement them if needed.

In connection with the exit of the United Kingdom from the EU, there is the risk that in the further course of negotiations or upon their completion. There could be an economic downturn that would increase price pressure in the health care system and, as a consequence, lead to price-cutting measures. There is also the risk, in the case of a downturn, it could cause hesitation on the part of consumers in the self-payer area.

If these crises continue, this could have further negative impacts on the results of operations and financial position of the STADA Group.

b) Regulatory risks

According to the STADA evaluation scale, these are not relevant risks.

The national markets in which STADA is active are characterized by a large number of regulations. The changing, lifting or passing of new regulations could have significant economic and strategic impacts on STADA and the economic success of individual products or investments. Regulations at a national or supranational level are highly significant if, for example, they affect the market structure, pricing, reimbursement or approvals of pharmaceutical products. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms concerning discounts, reduction or exclusion of cost reimbursement). Furthermore, direct costs for the fulfillment of requirements (e.g. during approval) or increased indirect costs (e.g. through evasive action by competitors or consumers) can be incurred. This can reduce the profitability of products affected in the markets and prevent the market launch of a product in individual cases. STADA assumes that the extent of price regulation and pricing pressure will remain, primarily in the Generics segment. STADA counters these risks, among other things, through a targeted expansion of the product portfolio in less regulated areas.

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

Based on the conflict between Ukraine and Russia, regulatory obstacles for the importation of products produced in Russia have occurred that have led to delays in delivery and thus to bottlenecks. Should these obstacles continue to occur in the future, this could have additional negative effects on the results of operations and financial position of the STADA Group.

c) Economic risks

According to the STADA evaluation scale, these are not relevant risks.

STADA's business success is, to a certain extent, dependent on economic influences, because an economic downturn often results in a reduction in purchasing power in the affected market. A reduction in purchasing power can particularly cause a reluctance to buy in the area of Branded Products, which is primarily a self-pay market. Furthermore, an economic downturn could intensify the already dominant cost pressure in individual national health care systems and thus significantly increase the speed and scope of regional regulatory measures to contain costs. For STADA, this could result in significant disadvantages with reimbursable pharmaceutical products or in state-required price reductions and the elimination of reimbursability for individual products. In general, STADA is continuously working to counteract potential risks through performance increases or cost reductions.

In the referendum decision held on June 23, 2016, a majority of voters in the United Kingdom voted in favor of the United Kingdom leaving the EU ("Brexit"). The progress of negotiations on the conditions of the departure have to date been slow and it is not yet foreseeable what the conditions of the departure will be or even if there will be an orderly departure. Up to this point, the British economy has proven relatively robust. There is, however, the risk that an economic downturn will occur during the course of or following negotiations, potentially increasing cost pressure in the health care system and, for example, resulting in price reduction measures. There is also the risk, in the case of a downturn, that it could cause hesitation on the part of consumers in the self-payer area.

Product portfolio risks

According to the STADA evaluation scale, these are not relevant risks.

The continuous expansion of the product portfolio plays an essential role for the competitive position and business success at STADA. Associated with this is the risk that products to be added to the product portfolio either cannot be launched on the market, are launched belatedly or only launched at higher development and production costs than originally assumed due to unexpected events or faulty implementation. Reasons for this can include additional requirements of approval authorities, direct government price controls or additional approvals for reimbursement via the relevant national health system. The risks of development and approval processes for new products are continuously identified and evaluated.

Furthermore, in the Generics segment in particular, a significant factor in the development and approval of each product is the meticulous observance of relevant legislation such as commercial property rights. This involves the risk that an individual regulation is violated despite careful investigation of the legal situation and the introduction of a new product is delayed or even hindered. This also applies retrospectively for products already introduced to the market. There is also the risk that, despite intensive investigation, potential side effects or quality defects in products are not uncovered until after approval or that new scientific findings and evaluations lead to a market recall and corresponding legal proceedings.

Legal risks

According to the STADA evaluation scale, these are relevant risks.

STADA's business activities are subject to risks resulting from existing or potential future legal disputes. In the Generics core segment in particular, STADA's business activities are associated with an increased risk of legal disputes regarding commercial property rights (particularly patents and supplementary protection certificates), product liability, warranty obligations, breaches of duty of care as well as the allegations of violations of company or trade confidentiality. As a consequence of these legal disputes, in particular in the cases of such processes in the USA, damage claims, legal fees, a complete or temporary ban on the marketing of products or costs for recalls may be incurred, irrespective of whether a damage claim ultimately exists. In order to protect trade and business secrets, which are to be treated with confidentiality, STADA makes use of confidentiality agreements with employees, external alliance partners, service providers or other contractual partners.

Furthermore, it may be difficult for STADA to enforce its own claims under the law of a country where STADA undertakes business at affordable costs and without any materially adverse effects on business in this country. If, contrary to expectations, it turns out that this is not a case in a country, this can have significant negative impacts on the Group as a whole.

If there is a serious risk of future damage claims, STADA creates case-specific provisions for potential damage claims. However, STADA currently does not expect any negative effects on the net assets, financial position and results of operations from pending proceedings.

Operational risks

a) Corporate strategy risks

According to the STADA evaluation scale, these are not relevant risks.

STADA's corporate strategy is mainly focused on growth and internationalization in the pharmaceutical market in the Generics and Branded Products segments. STADA's growth strategy is associated with the risk that companies, products or other assets acquired in the past or in the future may only be able to be integrated with high integration costs or that intended synergy effects cannot be achieved at the desired level. Furthermore, acquired companies or products may not achieve the expected results on the market, as markets or market segments, which STADA focuses on, may develop differently than expected. STADA reduces these risks by means of careful analyses. Nevertheless, it cannot be ruled out that each of the situations mentioned above could lead to an impairment requirement on intangible assets or that expected results in individual markets cannot be achieved.

b) Performance-related risks

According to the STADA evaluation scale, these are not relevant risks.

The Group's own production facilities (including product development and logistics) are subject to the risk of defective or inefficient planning and production processes as well as to production faults or breakdowns as a result of this or external influence. As hazardous substances are regularly used within these processes, such faults can also damage employees' and third parties' health or result in environmental damage. This could have a materially adverse effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with clients.

Furthermore, STADA's ability to deliver can also be negatively influenced by the inability to deliver of a supplier, as the change in a supplier is generally associated with delays. STADA restricts this risk by partially using more than one resource supply (dual sourcing).

A further negative influencing factor on the ability to deliver is the increasing volume volatility in individual national markets in the Generics segment which regularly arise in the environment of tenders from state institutions or public health insurance organizations. Although STADA undertakes every effort to avoid delivery bottlenecks or an unintentional increase in inventories, this cannot be ruled out in consideration of the comprehensive portfolio.

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

c) Personnel risks

According to the STADA evaluation scale, these are not relevant risks.

STADA depends to a large extent on the commitment, motivation and abilities of its employees. The loss of specialists and managers as well as a prolonged search for reappointments in key positions could have significant adverse effects on the development of the Group. STADA's continued success also depends on its ability, in competition with other companies, to attract and keep qualified employees in the future for the long-term regardless of demographic challenges. Country, industry and business-specific fluctuation risks must be proactively identified and addressed specifically to maintain and achieve success and critical skills and competencies within the company. STADA counters these risks through global employee development and succession processes through which the potential of employees is systematically identified and promoted. These processes support both young professionals and experienced highly qualified employees in their professional development and to help STADA to develop, promote and retain performance-critical skills in the company.

d) Compliance risks

According to the STADA evaluation scale, these are not relevant risks.

It is STADA's expressed goal that all business activities are carried out exclusively within the framework of the respective laws and internal guidelines. STADA has therefore implemented a Group-wide compliance system, in which all employees are regularly informed about existing compliance guidelines at STADA, adapted to their individual area of responsibility. STADA believes that the compliance system is sufficient provision for the compliance with and observance of national and international regulations. Training courses and compliance guidelines cannot, however, fully guarantee that employees do not accidentally, negligently or deliberately breach laws or internal guidelines. Such breaches can disturb internal business processes and negatively influence the financial position.

e) Risks in relation to information technology

According to the STADA evaluation scale, these are not relevant risks.

STADA's strategic goals can only be achieved through optimal alignment and appropriate support using a variety of IT systems and processes. Therefore, the Group has to make continuous investments to appropriately adapt these complex and high-performing systems to changing business processes.

Global IT applications form the basis for the delivery of products to the global customers of the STADA Group as agreed upon. Inefficiencies in the IT processes in the Group, the failure of business-critical IT applications as well as the failure of a data center could have a direct impact on STADA's supply availability.

In addition, all IT systems used in the STADA Group could principally be affected by misuse of digital technologies as a means to perpetrate new types of crime, so-called cybercrime (e-crime), that alongside the manipulation or failure of the affected IT systems could also result in the transfer of confidential information to third parties or a revocation of pharmaceutical approval due to the deficient validation of relevant IT systems.

To reduce the risk of failure and to protect against cybercrime, STADA operates a quality management system for IT and redundantly designed data centers.

Financial risks

To the extent that it is possible, STADA counters financial risks with finance policy methods and specific risk management. The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks.

a) Liquidity risks

According to the STADA evaluation scale, these are not relevant risks.

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing of Nidda, or fluctuation in the operational development of business. The goal of the liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by way of maintaining a sufficient supply of liquidity reserves. In 2018, STADA financed itself with current and non-current borrowings from Nidda, promissory note loans, bonds, a revolving credit facility and factoring.

b) Currency risks

According to the STADA evaluation scale, these are not relevant risks.

Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations. These particularly result from fluctuations of the US dollar, Russian ruble, British pound and the Serbian dinar in relation to the euro. A currency risk consists of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency or as a result of exchange rate fluctuation (transaction risk). However, STADA is only subject to this risk to a limited extent, as the company counters risks from currency risks, in addition to natural hedges, through the use of derivative financial instruments. These are used to hedge currency risks from operating activities, financial transactions and investments. In the reporting year, STADA made use of foreign-exchange futures contracts and interest/currency swaps. The maturity of futures contracts is aligned with the terms of the underlying transactions. The remaining term of the contracts is currently up to one year.

Furthermore, currency risks also exist in relation to the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies outside of the euro zone (translation risk). In this connection, the current political conflict between Ukraine and the Russian Federation, as well as negotiations between the United Kingdom and the EU over Brexit, could indirectly continue to have a negative influence on the earnings situation and exchange rates.

A currency sensitivity analysis on the basis of the outstanding foreign currency items as of December 31, 2018 showed that in financial year 2019, an appreciation or devaluation of the functional currency compared with the ruble by 10% with otherwise unchanged conditions would change the EBITDA by approximately €0.2 million (previous year: €0.3 million) (translation risk). At the same time, an appreciation or devaluation of the functional currency in relation to the British pound of 10% with otherwise unchanged conditions would lead to a change in EBITDA of approximately €0.3 million (previous year: €0.1 million) (translation risk).

c) Interest rate risks

According to the STADA evaluation scale, these are not relevant risks.

STADA is subject to interest rate risks from financial assets and financial debts, primarily in the euro zone and Russia. STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. Should the sensitivity analysis show that interest rate fluctuations could lead to significant impacts, STADA could use derivative hedging instruments to avoid the risk.

A sensitivity analysis has shown that an increase in market interest rates of 100 basis points in financial year 2018 would have led to a burden on earnings in the amount of €0.4 million (previous year: €1.2 million) and a decrease in market interest rates of 100 basis points would have led to a relief on earnings in the amount of €0.4 million (previous year: €0.6 million).

d) Default risks

According to the STADA evaluation scale, these are not relevant risks.

STADA is exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations. Alongside the implementation of appropriate credit management processes, such transactions are generally only concluded with counterparties of impeccable financial standing to avoid default risks in financing activities.

Default risks also exist as a result of the supply of goods and services. STADA therefore strives to maintain business relations only with partners of impeccable financial standing. In addition, STADA partly uses suitable measures such as guarantees, loan insurances, or the transfer of assets to safeguard itself against default risk. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments. Furthermore, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

e) Tax risks

According to the STADA evaluation scale, these are relevant risks.

STADA's business activity in the individual national markets is subject to the applicable national or supranational legal tax regulations. Changes to the tax laws and their jurisdiction as well as different interpretations as part of external audit can result in risks with impacts on tax expenses, tax revenues, tax receivables and tax liabilities. The Group tax department identifies, evaluates and monitors tax risks as early as possible and systematically and initiates measures to reduce risk, where appropriate.

Furthermore, STADA takes advantage of an international network and carries out strategic Group functions centrally through STADA Arzneimittel AG. This means an overarching tax transfer-pricing model for the billing of the corresponding Group-internal services is of increasing importance. Potential risks of non-recognition of these transfer prices for tax purposes, for example from retro-active tax claims of the local tax authorities against a subsidiary of the STADA Group, are limited by way of the introduction of corresponding agreement procedures and a comprehensive definition of transfer prices in the form of a Group guideline.

f) Impairment risks

According to the STADA evaluation scale, these are not relevant risks.

The valuation rates of the assets included in the Group balance sheet are subject to changes in market and business relationships and thereby to changes in fair value. As part of an annual or case-related impairment test, significant non-cash burdens on earnings and impacts on balance sheet ratios may result. This particularly applies to goodwill, which primarily results from purchase price allocations linked to previous acquisitions, and for other intangible assets. All relevant risks are considered in the context of the preparation of the Consolidated Financial Statements.

Other risks

According to the STADA evaluation scale, these are not relevant risks.

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

Should STADA no longer meet the necessary criteria according to IFRS 10 ("Consolidated Financial Statements") for control, and consequently for consolidation, of subsidiaries due to particular capital constraints or other measures – such as may come as a result of political or military conflict – STADA would have to deconsolidate these companies. The resulting effects depend on the significance of the affected companies for STADA and could result in materially adverse effects for the Group.

Summary evaluation of risks

The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks on the basis of the applied risk management. In light of STADA's broadly diversified product and customer portfolio, the risk situation in the reporting year 2018 did not change significantly in comparison to the previous year despite the varying regional economic developments. The risks from the slow pace of negotiations on the conditions of the United Kingdom's exit from the EU ("Brexit") have been offset by the relatively robust course of economic situation in the United Kingdom. Furthermore, the geopolitical situation in the CIS region remains the same.

The process of realigning the risk management system, which was started in 2018, has led to a significant reduction in the number of individual risks to be reported, and the impairment of this reduction has a disproportionately low effect on the overall risk position of the STADA Group.

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have materially adverse effects on the Group's business activities. In particular, respectively material adverse effects on STADA's net assets, financial position and results of operations could arise as a result. From today's perspective, however, no risks are discernible which, individually or as a whole, could jeopardize the continued existence of the Group. In terms of organization, STADA has created the necessary prerequisites to be informed of possible risk situations early and to be able to take appropriate measures.

Takeover-Related Disclosures

Pursuant to Sections 289a (1), 315a (1) HGB, STADA Arzneimittel AG is obliged to disclose the following information:

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

On the balance sheet date, share capital amounted to €162,090,344.00, divided into 62,342,440 registered shares with an arithmetical share in the share capital of €2.60 per share.

The shares of STADA Arzneimittel AG are exclusively registered shares that, in accordance with the Articles of Incorporation, grant one vote at the General Meeting. All shares carry the same rights and obligations. The rights and obligations of the shareholders result in detail from the provisions of the German Stock Corporation Act (AktG), in particular from Sections 12, 53a ff, 118 ff and 186 AktG. A shareholder is exclusively a person who is registered as such in the share registry and only such a person is authorized to participate in the General Meetings of the company and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

On March 20, 2018, a domination and profit and loss transfer agreement between STADA Arzneimittel AG and Nidda Healthcare GmbH was entered into the commercial register at the district court in Frankfurt am Main. The obligation to fully transfer profits applies for the first time to the profits achieved in financial year 2018. Pursuant to the existing domination and profit and loss transfer agreement, STADA Arzneimittel AG no longer distributes dividends as of financial year 2018. Instead, Nidda Healthcare GmbH has undertaken to pay to the external shareholders of STADA Arzneimittel AG a compensation payment of €3.82 gross or €3.53 net under current taxation per STADA share for the duration of the agreement and accordingly also for financial year 2018 (see Consolidated Financial Statements, Note 54.).

There are no restrictions on the transferability of registered shares.¹⁾ There are no known contractual agreements with STADA Arzneimittel AG that restrict voting rights or the transferability of registered shares. Legal restrictions on voting rights may arise due to provisions of the German Stock Corporation Act (AktG), for example in accordance with Section 71b AktG for treasury shares or in accordance with Section 136 AktG, as well as due to capital market regulations, in particular in accordance with Section 33 ff of the German Securities Trading Act (WpHG).

The shares acquired by employees within the context of the former employee share ownership plan are generally subject to a three-year lock-up period, which was however lifted in the course of the takeover and acquisition tender of Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH), the acquisition company of Bain Capital and Cinven, in 2017. The operational agreement on the STADA employee share ownership plan concluded between company management and the Works Council in 1990 was terminated on its due date on December 31, 2018.

Direct or indirect investments in the capital exceeding 10% of voting rights

According to information available²⁾ to STADA Arzneimittel AG, on the balance sheet date there were the following direct or indirect investments in capital exceeding 10% of the voting rights:

On the basis of the voting right notices sent in November 2018, Bain Capital Investors, LLC, Wilmington, Delaware, USA, and Cinven Capital Management (VI) General Partner Limited, Saint Peter Port (Guernsey), Channel Islands, on November 28, 2018 obtained 93.67% of the shares in STADA Arzneimittel AG which were attributable to it pursuant to Section 34 WpHG and were held by the direct shareholder Nidda Healthcare GmbH.

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

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations (Sections 84, 85 AktG).

The Articles of Incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for appointments and dismissals. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each, in accordance with the legal regulations. In accordance with Section 9 of the Articles of Incorporation, the Executive Board consists of two or more persons. In addition, the Supervisory Board determines the number of Executive Board Members and may appoint deputy Executive Board Members.

1) On August 26, 2016, the STADA General Meeting resolved to eliminate restrictions on the transferability of registered shares by means of a change to the Articles of Incorporation. The change to the Articles of Incorporation was entered in the commercial register on December 9, 2016 and took effect on this date.

2) The voting rights notices received by STADA Arzneimittel AG can be viewed via the Company's website at www.stada.com/de or www.stada.com.

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

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

Furthermore, the Supervisory Board is authorized in accordance with Section 31 of the Articles of Incorporation to resolve on amendments and additions to the Articles of Incorporation which relate only to their wording.

Authorizations of the Executive Board to issue or buy back shares

On June 6, 2018 in accordance with Section 6 (1) of the Articles of Incorporation, the General Meeting authorized the Executive Board to create new authorized capital. The resolution provides that the Executive Board, with the approval of the Supervisory Board, may increase the company's share capital until June 5, 2023 once or several times up to €81,045,159.00 by issuing up to 31,171,215 registered shares¹⁾ in exchange for cash and/or non-cash contributions (Authorized Capital 2018). Shareholders have statutory subscription rights. The Executive Board is nevertheless authorized, with the approval of the Supervisory Board, to exclude the statutory rights of the shareholders in the cases described in the authorization. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the content of the share rights, the individual details of the capital increase as well as the conditions of the share issue in particular the issue price. The Executive Board has not made use of this authorization to date.

Furthermore, on June 5, 2013, the General Meeting authorized the Executive Board, on one or more occasions until June 4, 2018, to issue bearer and/or registered bonds with warrants and/or convertible bonds, participation rights and/or participating bonds (or a combination of these instruments) (collectively "bonds") in an aggregate nominal amount of up to €1,000,000,000.00 with or without limiting the term, and to grant the holders or creditors of the bonds with warrants and/or convertible bonds a proportionate amount of the share capital of up to €69,188,340.00 for a total of up to 26,610,900 of the Company's registered shares²⁾ in accordance with the more detailed provisions of the terms of the bonds. For the purposes of servicing these bonds, the General Meeting on June 5, 2013 conditionally increased the share capital by up to €69,188,340.00 in accordance with Section 6 (2) of the Articles of Incorporation by issuing up to 26,610,900 registered shares and carrying a dividend right as of the beginning of the financial year in which they are issued. The Executive Board, with approval of the Supervisory Board, was authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2013). This authorization expired on June 5, 2018 and the Executive Board has not made use of it.

According to the resolution of the General Meeting of June 5, 2013 pursuant to Section 71 (1) No. 8 AktG, the company was authorized to acquire its own shares up to 10% of the share capital from June 6, 2013 to June 5, 2018. This authorization expired on June 5, 2018 and the Executive Board did not make use of it.

Significant agreements on condition of a change of control

The material agreements of STADA Arzneimittel AG on condition of a change of control relate in particular to supply and license agreements as well as financing agreements. In the event of a change of control, these provide, as usual, for the right of termination or, with regard to financing agreements, for the lender also to demand early repayment.

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

1) On August 26, 2016, the STADA General Meeting resolved to eliminate restrictions on the transferability of registered shares by means of a change to the Articles of Incorporation. The change to the Articles of Incorporation was entered in the commercial register on December 9, 2016 and took effect on this date. Therefore, since that time, the authorization from approved capital pursuant to Section 6 (1) of the Articles of Incorporation relates to registered shares with no transferability restrictions.

2) In the amendment to the Articles of Incorporations passed at the STADA General Meeting on August 26, 2016 to abolish the limitation on transferability of registered shares, a corresponding adjustment of the authorization of the Executive Board of June 5, 2013 to issue option and/or convertible bonds, participation rights and/or participating bonds was also passed to the effect that the option or conversion rights in question with effect from the registration of the amendment in the Articles of Incorporation will relate to the subscription of registered shares (instead of registered shares with restricted transferability). The associated conditional capital 2013 pursuant to Section 6 (2) of the Articles of Incorporation was adjusted with effect from the entry of the amendment into the Articles of Incorporation in the commercial register such that it governs a conditional issue of registered shares instead of a conditional issue of registered shares with restricted transferability. The change to the Articles of Incorporation was entered in the commercial register on December 9, 2016 and took effect on this date.

Remuneration Report

This Remuneration Report outlines the principles of the remuneration system for members of the Executive Board and Supervisory Board as well as the amount of individual remuneration. It also presents the remuneration of the Advisory Board members of STADA Arzneimittel AG. The report meets the requirements of the German Commercial Code (HGB) and German Accounting Standard No. 17 (DRS 17) as well as the recommendations of the German Corporate Governance Code (GCGC).

Remuneration of the Executive Board

The full Supervisory Board determines the Executive Board remuneration system and the remuneration of individual Executive Board members upon the proposal of the Chairman's Committee and reviews these regularly. The objective of the various Executive Board remuneration systems relevant in the reporting year is to allow members of the Executive Board to participate appropriately in the sustainable increase in enterprise value in accordance with their personal tasks and performance, the overall performance of the Executive Board as well as success-oriented company management under consideration of the competitive environment. Overall, the remuneration of the Executive Board in the framework of this remuneration system is performance-oriented and assessed in a way that is competitive both nationally and internationally and thus presents an attractive basis for committed and successful performance in a dynamic environment. Through the application of appropriate caps, the remuneration system avoids excessively strong incentives towards risk-oriented behavior.

The amount and structure of the Executive Board remuneration is reviewed regularly by the Supervisory Board and adjusted whenever necessary. The most recent review took place in December 2017.

Different Executive Board remuneration systems in financial year 2018

Different remuneration systems were applied in financial year 2018. The following is a chronological overview of the remuneration systems applied in the reporting year for Executive Board members.

I. Structure of the remuneration for Executive Board member Dr. Barthold Piening

Dr. Barthold Piening was a member of the Executive Board for STADA Arzneimittel AG from April 1, 2017 to May 31, 2018. The core elements of the system used for Dr. Barthold Piening included (originally) non-performance related annual remuneration that took the tasks and performance of members of the Executive Board into consideration along with a component that depends on the achievement of annual performance goals ("Short-Term Incentive", STI). In addition to annual performance-related remuneration, the employment contract provided for the Executive Board member to receive a long-term remuneration component ("Long-Term Incentive", LTI), which was largely measured according to the increase in value of STADA shares and thus provided an incentive for Executive Board members to seek a sustainable increase in enterprise value. The aim of long-term variable remuneration was also to consider the interests of shareholders in the remuneration incentive structure in a generally sustainable manner. There were no stock option plans. The individual performance-related components were limited to a maximum amount.

As a result of a termination agreement concluded between STADA Arzneimittel AG and Dr. Barthold Piening, the Executive Board contract was terminated as of May 31, 2018 and his remuneration adjusted (see point 2 for more information).

1. Original remuneration structure (until conclusion of the termination agreement)

As a result of a review of the remuneration system in December 2017, the Supervisory Board first considered the remuneration structure and subsequently revised the weighting of the remuneration components (fixed and variable). While the fixed remuneration in the previous remuneration system was 50% of the overall remuneration awarded, the share of the fixed (non-performance related) remuneration in this remuneration system is approximately 44% of the overall remuneration awarded. The Supervisory Board therefore increased the proportion of performance-related remuneration in the overall remuneration in comparison to the previous system in order to align remuneration more strongly overall towards the company's performance.

a) Non-performance related component

Annual base remuneration

Non-performance related remuneration consists of an agreed fixed base salary to be paid in twelve equal monthly installments. This annual fixed salary is established according to requirements for stock corporations in consideration of customary remuneration for the market and the conferred function and responsibilities of the members of the Executive Board.

Fringe benefits

Executive Board members receive fringe benefits such as a company car, subsidies for medical and nursing care insurance, contributions to accident insurance, and other contributions in kind associated with their salary such as additional facilities and services required to fulfill the duties of the Executive Board. Members of the Executive Board must pay tax on the cash value benefit from the private use of company cars.

Members of the Executive Board do not receive any work pension.

b) Performance related component

If all underlying targets are achieved, the short-term performance-related remuneration ("Short-Term Incentive", STI) amounts to 50% of individual fixed salaries. If all targets are achieved, the annual bonus is limited to an amount of 100% of individual fixed remuneration. The multi-year performance-related remuneration ("Long-Term Incentive", LTI) amounts, in this system, to 75% of individual fixed remuneration if all targets are achieved and is limited to a value of 150% of individual fixed remuneration.

The ratio of short-term to long-term performance-related remuneration is 40% (STI) to 60% (LTI) for 100% achievement all underlying targets.

2. Change due to termination agreement

A termination agreement was concluded between STADA Arzneimittel AG and Dr. Barthold Piening, after which the Executive Board contract with Dr. Barthold Piening was terminated as of May 31, 2018. The termination agreement provides for the payment of the monthly, non-performance related base remuneration plus fringe benefits until the termination date of May 31, 2018 and a severance payment. Dr. Barthold Piening does not have any claim to an additional (pro rata) performance-related remuneration for financial year 2018, and in particular does not have any claim to an STI or LTI. The claim to a (pro rata) STI (exceeding the amount already paid in 2017) and a (pro rata) LTI for 2017 and all claims from the STI or LTI for 2018 and previous financial years not yet paid in 2017 are voided.

II. Remuneration structure of Executive Board member Dr. Claudio Albrecht

Dr. Claudio Albrecht was appointed with effect from September 27, 2017 until September 26, 2018 as Chairman of the Executive Board and member of the Executive Board for STADA Arzneimittel AG. He resigned from his position as member of the Executive Board and Chairman of the Executive Board of STADA Arzneimittel AG effective September 1, 2018. As this was only an interim appointment, the Supervisory Board deemed remuneration that took the specific situation into account to be adequate. In particular, this did not include any performance-related remuneration as a result of the short appointment term. The agreed remuneration was paid via Albrecht, Prock & Partners AG to Dr. Claudio Albrecht.

Monthly base remuneration

The agreed non-performance related remuneration consisted of a fixed agreed monthly salary. This monthly fixed salary was established according to requirements for stock corporations in consideration of customary remuneration for the market and the conferred function and responsibilities of the members of the Executive Board.

Fringe benefits

Dr. Claudio Albrecht did not receive any payments in the form of fringe benefits for his activity as member of the Executive Board. Dr. Claudio Albrecht was also granted a limited assumption of costs for his accommodation.

There was no company pension for this member of the Executive Board.

III. Remuneration structure of members of the Executive Board Peter Goldschmidt, Mark Keatley, and Miguel Pagan Fernandez

With a view to the change in the Company's shareholder structure and the considerable associated reduced free float of the company's shares, the Supervisory Board following a thorough review no longer deemed the application of the remuneration system that applied in 2017 for Dr. Barthold Piening to be appropriate. It therefore provided a new system with effect from January 1, 2018.

The new remuneration system was the basis for the Executive Board agreements with Mark Keatley, member of the Executive Board since September 27, 2017, Miguel Pagan Fernandez, member of the Executive Board since July 1, 2018 and Peter Goldschmidt, who was appointed with effect from September 1, 2018 as Chairman of the Executive Board and member of the Executive Board of STADA Arzneimittel AG.

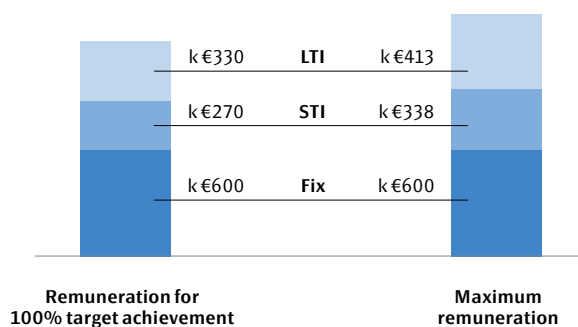
The core elements of the system used for Mark Keatley since January 1, 2018, for Miguel Pagan Fernandez since July 1, 2018, and for Peter Goldschmidt since January 1, 2019, include non-performance related remuneration that takes the tasks and performance of members of the Executive Board into consideration along with a component based on the achievement of annual performance targets ("Short-Term Incentive", STI). In addition to the annual performance-related remuneration, members of the Executive Board receive a long-term planned remuneration component ("Long-Term Incentive", LTI). The individual performance-related components are limited to a maximum amount. As Peter Goldschmidt's agreement came into force in an ongoing financial year, he did not have any claim to an STI or LTI with regard to financial year 2018 and received in addition to his non-performance related remuneration, a one-off fixed bonus and a one-off signing bonus.

Remuneration structure

As a result of the aforementioned review of the remuneration system, the Supervisory Board also considered the remuneration structure and subsequently redesigned the variable, performance-related remuneration components.

The Supervisory Board also established target amounts for the short-term and long-term performance-related remuneration. For one hundred percent achievement of all underlying targets, the short-term performance-related remuneration ("Short-Term Incentive", STI) amounts to between k €131 and k €325 (Peter Goldschmidt: k €325, Mark Keatley: k €270, Miguel Pagan Fernandez: k €131). If all goals are achieved, the annual bonus is limited to an amount between k €163 and k €488 (Peter Goldschmidt: k €488, Mark Keatley: k €338, Miguel Pagan Fernandez: k €163). The multi-year performance-related remuneration ("Long-Term Incentive", LTI) in this system for one hundred percent achievement of all targets amounts to between k €160 and k €400 (Peter Goldschmidt: k €400, Mark Keatley k €330, Miguel Pagan Fernandez: k €160) for 100% achievement of all targets and is limited to an amount between k €200 and k €600 (Peter Goldschmidt: k €600, Mark Keatley k €413, Miguel Pagan Fernandez: k €200) (see diagram for Mark Keatley as an example).

Illustration of the individual remuneration components taking Mark Keatley as an example (in k €)



Non-performance related components

Annual base remuneration

Non-performance related remuneration consists of an agreed fixed base salary to be paid in twelve equal monthly installments. This annual fixed salary is established according to requirements for stock corporations in consideration of customary remuneration for the market and the conferred function and responsibilities of the members of the Executive Board.

Peter Goldschmidt received a one-off signing bonus payable in two equal installments at the end of the first and sixth month after his agreement entered into effect.

Fringe benefits

Executive Board members receive fringe benefits such as a company car, subsidies for medical and nursing care insurance, contributions to accident insurance, and other contributions in kind associated with their salary such as additional facilities and services required to fulfill the duties of the Executive Board. Members of the Executive Board must pay tax on the cash value benefit from the private use of company cars. If contractually agreed, new members of the Executive Board also receive one-time benefits in connection with their commencement of work, such as necessary relocation costs, school fees for children and a subsidy for accommodation at the location of company headquarters.

Members of the Executive Board do not receive a company pension.

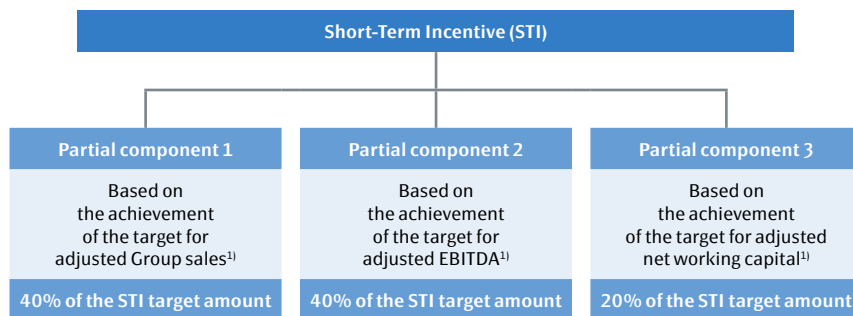
Performance-related components

Annual performance-related components

The short-term performance-related remuneration is geared towards achieving three partial targets that are calculated based on differently weighted Group-related targets. The three part components are:

- adjusted Group sales¹⁾ (40% of the STI target amount)
- adjusted EBITDA¹⁾ (40% of the STI target amount)
- adjusted net working capital¹⁾ (20% of the STI target amount)

Components of the short-term performance-related remuneration (STI) of Peter Goldschmidt, Mark Keatley and Miguel Pagan Fernandez



The disbursement amount of individual partial components is therefore based on achieving calculable defined individual objectives that are derived from STADA Arzneimittel AG's corporate strategy and allow the Supervisory Board to objectively determine the target achievement by the Executive Board member. The Supervisory Board establishes the targets for the STI calculations mentioned before each financial year.

1) Adjusted for extraordinary items.

The disbursement of the STI amount is determined based on the degree of target achievement of the three partial components. The degree of target achievement is calculated according to the ratio of the actual target achievement to the relevant target of the three part components; it is however capped contractually at 150% of the target amount for Peter Goldschmidt and at 125% of the target amount for Mark Keatley and Miguel Pagan Fernandez. If the degree of target achievement of each STI component is less than 90% of the target, an operand of 0% is recorded with regard to the relevant STI share and no amount will therefore be paid out. The following calculation is made:

Degree of target achievement	Operand for Peter Goldschmidt	Operand for Mark Keatley and Miguel Pagan Fernandez
≥ 110%	150% (cap)	125% (cap)
105%	125%	110%
100%	100%	100%
95%	90%	90%
≥ 90%	80%	80%
< 90%	0%	0%

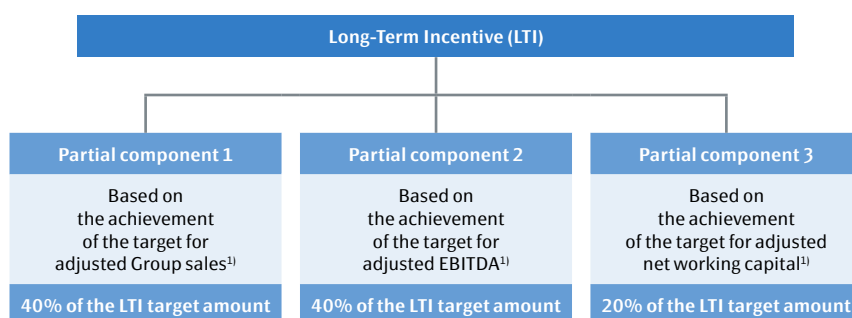
The individual components are independent and cannot compensate for each other. The overall amount of the STI disbursement amount for each financial year is a result of adding the calculated disbursement amounts of the three STI partial components together. The STI is paid exclusively in cash.

Multi-year performance-related components

Multi-year performance-related remuneration consists of a rolling bonus system with a performance period of two years. The amount of the disbursement amount for each performance period is based on achieving three partial components: The three partial components here are:

- adjusted Group sales¹⁾ (40% of the LTI target amount)
- adjusted EBITDA¹⁾ (40% of the LTI target amount)
- adjusted net working capital¹⁾ (20% of the LTI target amount)

Components of the long-term performance-related remuneration (LTI) of Peter Goldschmidt, Mark Keatley and Miguel Pagan Fernandez



The Supervisory Board establishes the targets for the named LTI calculations before each financial year. The LTI is initially determined in the same way as the STI, but is complemented by the multi-year effect.

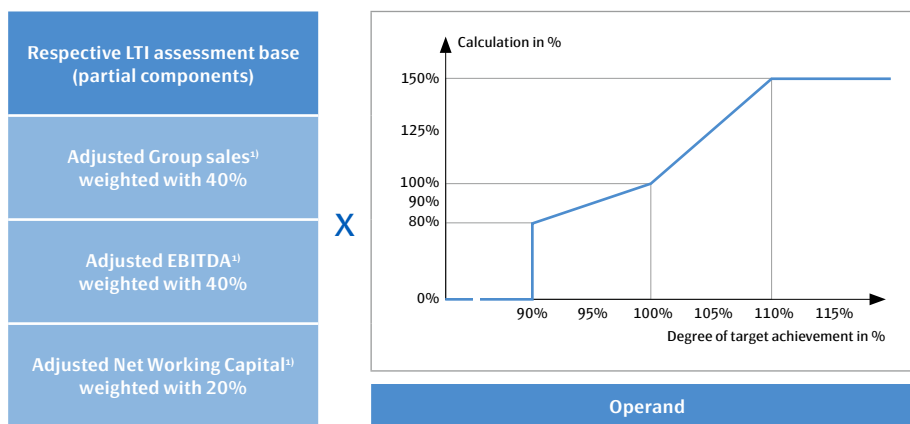
1) Adjusted for extraordinary items.

The degree of target achievement is calculated according to the ratio of the actual target achievement to the relevant target and is determined for the three LTI calculations before each of the two financial years of each performance period expires and is initially determined separately for each financial year by the Supervisory Board. If the degree of target achievement of the relevant LTI calculation in a financial year is at least 90% and at most 110%, the operands for this financial year to be determined are determined according to the scheme outlined in the following table:

Degree of target achievement	Operand for Peter Goldschmidt	Operand for Mark Keatley and Miguel Pagan Fernandez
≥ 110%	150% (Cap)	125% (Cap)
105%	125%	110%
100%	100%	100%
95%	90%	90%
≥ 90%	80%	80%
< 90%	0%	0%

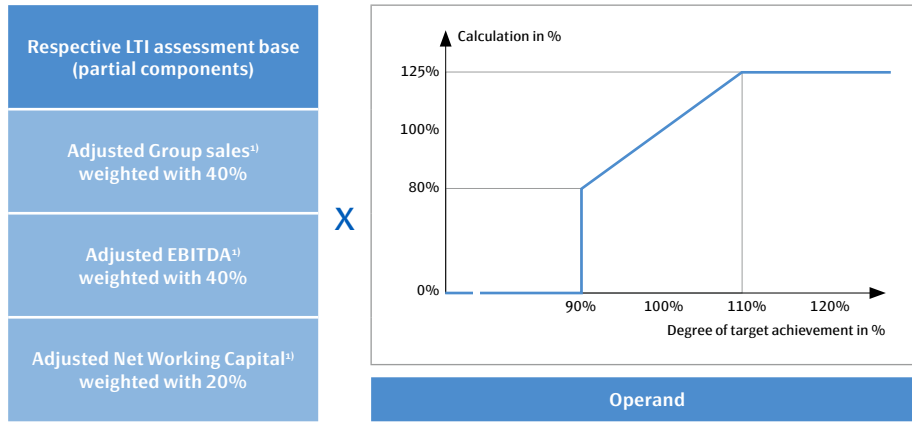
If the degree of target achievement of the relevant LTI calculation in a financial year is more than 110%, the operand for the relevant LTI calculation is capped contractually at a value of 150% for Peter Goldschmidt and of 125% for Mark Keatley and Miguel Pagan Fernandez. If the degree of target achievement is less than 90%, an operand of 0% is recorded. The determined operands are included in the annual value to be determined in this way according to the weight of each components.

Calculation of the respective annual value LTI of Peter Goldschmidt



1) Adjusted for extraordinary items.

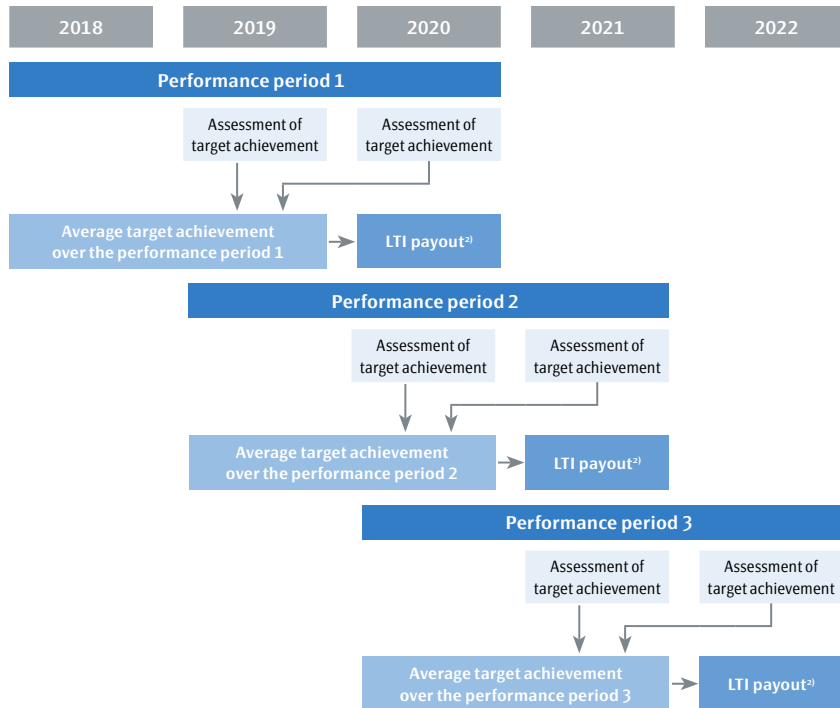
Calculation of the respective annual value LTI of Mark Keatley and Miguel Pagan Fernandez



The actual LTI disbursement amount for each performance period is determined by first adding both annual values before dividing the total by two and then multiplying the result by the LTI target amount. The LTI of a performance period is only paid out if the arithmetical mean of both annual values of this performance period is more than 75%.

The LTI is paid exclusively in cash.

Presentation of the performance periods of the LTI²⁾ of Peter Goldschmidt, Mark Keatley and Miguel Pagan Fernandez



1) Adjusted for extraordinary items.

2) Disbursement of the LTI only if the arithmetical mean of both annual values of this LTI tranche $\geq 75\%$, i.e.: $(\text{Annual value 1} + \text{annual value 2}) : 2 \geq 75\%$.

In the event of an early termination of an employment agreement, members of the Executive Board receive a severance payment of at most 1.5 their annual salary, and variable remuneration is paid out in a lump sum. If the remaining term of the agreement is less than 1.5 years when the agreement is terminated, the severance payment is reduced pro rata temporis.

The remuneration system also provides for a post-contractual non-competition and non-solicitation period which is remunerated based on the member's fixed salary at the point of leaving the Company. For Peter Goldschmidt, the non-competition and non-solicitation agreement applies for up to 18 months after the end of the contract; for Mark Keatley and Miguel Pagan Fernandez, this period is up to two years.

Presentation of Executive Board remuneration for financial year 2018

The Executive Board remuneration for financial year 2018 is presented separately below in accordance with two different sets of regulations: the German Corporate Governance Code and the applicable German Accounting Standard No. 17 (DRS 17).

Executive Board remuneration for financial year 2018 in accordance with the German Corporate Governance Code

The following details of the Executive Board remuneration awarded and paid in financial year 2018 are presented in accordance with the recommendations of the German Corporate Governance Code as published on February 7, 2017.

The benefits received to be reported in accordance with the German Corporate Governance Code, represent the payment amount for the respective financial year – irrespective of the exact date of the actual payment received. For the multi-year variable remuneration, the LTI, the payout amount is indicated for the year in which the planned term ended.

Remuneration of the individual members of the Executive Board active in financial year 2018, in accordance with the German Corporate Governance Code, is as follows:

Dr. Barthold Piening, Chief Technical Officer until May 31, 2018 (member of the Executive Board since April 1, 2017)

in k €	Benefits granted				Benefits received	
	2018	2017	2018 (min)	2018 (max)	2018	2017
Fixed remuneration	250	450	250	250	250	450
Fringe benefits	9	14	9	9	9	14
Total	259	464	259	259	259	464
One-year variable remuneration	300	225	0	600	–	225
Multi-year variable remuneration	450	338	0	900	–	–
Other	–	–	–	–	1,900 ¹⁾	–
Total	1,009	1,027	259	1,759	2,159	689
Pension expense	–	–	–	–	–	–
Total remuneration	1,009	1,027	259	1,759	2,159	689

Explanations:

In the reporting year, for his five-month period in office until May 31, 2018, Dr. Barthold Piening received a proportionate fixed salary of k €250 p.a. plus fringe benefits. Additionally, he received a one-time settlement payment in the amount of €1.9 million. The target amount for the STI was k €300, the target amount for the LTI was k €450. Dr. Piening did not receive any variable remuneration for the reporting year, in particular no (pro rata) STI or LTI.

1) Settlement payment in accordance with the termination agreement.

Dr. Claudio Albrecht, Chairman of the Executive Board until August 31, 2018
(member of the Executive Board since September 27, 2017)

in k €	Benefits granted				Benefits received	
	2018	2017	2018 (min)	2018 (max)	2018	2017
Fixed remuneration	1,000	388	1,000	1,000	1,000	388
Fringe benefits	-	-	-	-	-	-
Total	1,000	388	1,000	1,000	1,000	388
One-year variable remuneration	-	-	-	-	-	-
Multi-year variable remuneration	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	1,000	388	1,000	1,000	1,000	388
Pension expense	-	-	-	-	-	-
Total remuneration	1,000	388	1,000	1,000	1,000	388

Explanations:

In the reporting year, Dr. Claudio Albrecht received a pro rata fixed salary of €1 million for his term of office through Albrecht, Prock & Partners AG.

Peter Goldschmidt, Chairman of the Executive Board (member of the Executive Board since September 1, 2018)

in k €	Benefits granted				Benefits received	
	2018	2017	2018 (min)	2018 (max)	2018	2017
Fixed remuneration	575	-	575	575	575	-
Fringe benefits	173	-	173	173	173	-
Total	748	-	748	748	748	-
One-year variable remuneration	-	-	-	-	-	-
Multi-year variable remuneration	-	-	-	-	-	-
Other	500 ¹⁾	-	500 ¹⁾	500 ¹⁾	500 ¹⁾	-
Total	1,248	-	1,248	1,248	1,248	-
Pension expense	-	-	-	-	-	-
Total remuneration	1,248	-	1,248	1,248	1,248	-

Explanations:

In the reporting year, Peter Goldschmidt received a pro rata salary of k €575 for his four-month term of office from September 1, 2018 (fixed remuneration of k €333 and one-off fixed bonus payment of k €242) plus fringe benefits and a signing bonus of k €500.

1) Signing bonus.

Mark Keatley, Chief Financial Officer (member of the Executive Board since September 27, 2017)

in k €	Benefits granted				Benefits received	
	2018	2017	2018 (min)	2018 (max)	2018	2017
Fixed remuneration	600	314	600	600	600	314
Fringe benefits	40	10	40	40	40	10
Total	640	324	640	640	640	324
One-year variable remuneration	270	-	0	338	292	-
Multi-year variable remuneration	330	-	0	413	-	-
Other	-	-	-	-	-	-
Total	1,240	324	640	1,391	932	324
Pension expense	-	-	-	-	-	-
Total remuneration	1,240	324	640	1,391	932	324

Explanations:

In the reporting year, Mark Keatley received a fixed salary of k €600 plus fringe benefits. The target value for the one-year variable remuneration amounted to k €270, the multi-year variable remuneration was k €330 (period from 2018–2019). He received k €292 as variable remuneration (STI 2018).

Miguel Pagan Fernandez, Chief Technical Officer (member of the Executive Board since July 1, 2018)

in k €	Benefits granted				Benefits received	
	2018	2017	2018 (min)	2018 (max)	2018	2017
Fixed remuneration	244	-	244	244	244	-
Fringe benefits	31	-	31	31	31	-
Total	275	-	275	275	275	-
One-year variable remuneration	65	-	0	82	71	-
Multi-year variable remuneration	120	-	0	150	-	-
Other	-	-	-	-	-	-
Total	460	-	275	507	346	-
Pension expense	-	-	-	-	-	-
Total remuneration	460	-	275	507	346	-

Explanations:

In the reporting year, Miguel Pagan Fernandez received a pro rata fixed salary of k €244 plus fringe benefits for his six-month term of office from July 1, 2018. The target value for the one-year variable remuneration amounted to k €65, the multi-year variable remuneration was k €120 (period from 2018–2019). He received k €71 k as variable remuneration (STI 2018).

Executive Board remuneration for financial year 2018 in accordance with DRS 17

The following details of remuneration granted to members of the Executive Board in financial year 2018 are presented in accordance with the requirements of DRS 17. In contrast with the requirements previously presented from the German Corporate Governance Code, the payments for multi-year variable remuneration components, which are not granted as share-based payment, are disclosed in full in the year the final target is achieved in accordance with DRS 17, rather than on a pro rata basis. If a payment is made in the year before the final target is achieved (e.g. as a progress payment), then the amount is to be recorded as an advance in the year of payment.

Remuneration of the individual members of the Executive Board serving with the Company in financial year 2018, in accordance with DRS 17, is as follows:

Dr. Barthold Piening, Chief Technical Officer (member of the Executive Board since April 1, 2017 until May 31, 2018)

in k €	2018	2017
Fixed remuneration	250	450
Fringe benefits	9	14
Total fixed remuneration	259	464
One-year variable remuneration	-	225
Multi-year variable remuneration	-	-
Other	1,900	-
Total variable remuneration/other	1,900	225
Total remuneration	2,159	689

In the reporting year, Dr. Barthold Piening received a pro rata fixed salary of k €250 plus fringe benefits in addition to a one-off severance payment of €1.9 million.

**Dr. Claudio Albrecht, Chairman of the Executive Board
(member of the Executive Board since September 27, 2017 until August 31, 2018)**

in k €	2018	2017
Fixed remuneration	1,000	388
Fringe benefits	-	-
Total fixed remuneration	1,000	388
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Other	-	-
Total variable remuneration/other	-	-
Total remuneration	1,000	388

In the reporting year, Dr. Claudio Albrecht received a pro rata fixed salary of €1 million from Albrecht, Prock & Partners AG.

Peter Goldschmidt, Chairman of the Executive Board (member of the Executive Board since September 1, 2018)

in k €	2018	2017
Fixed remuneration	575	-
Fringe benefits	173	-
Total fixed remuneration	748	-
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Other	500	-
Total variable remuneration/other	500	-
Total remuneration	1,248	-

In the reporting year, Peter Goldschmidt received a pro rata salary of k €575 (fixed remuneration of k €333 and one-off fixed bonus payment of k €242) plus fringe benefits in the amount of k €173 and a signing bonus of k €500.

Mark Keatley, Chief Financial Officer (member of the Executive Board since September 27, 2017)

in k €	2018	2017
Fixed remuneration	600	314
Fringe benefits	40	10
Total fixed remuneration	640	324
One-year variable remuneration	292	-
Multi-year variable remuneration	-	-
Other	-	-
Total variable remuneration/other	292	-
Total remuneration	932	324

In the reporting year, Mark Keatley received a pro rata fixed salary of k €600 plus fringe benefits in the amount of k €40. He also received k €292 as one-year variable remuneration.

Miguel Pagan Fernandez, Chief Technical Officer (member of the Executive Board since July 1, 2018)

in k €	2018	2017
Fixed remuneration	244	-
Fringe benefits	31	-
Total fixed remuneration	275	-
One-year variable remuneration	71	-
Multi-year variable remuneration	-	-
Other	-	-
Total variable remuneration/other	71	-
Total remuneration	346	-

In the reporting year, Miguel Pagan Fernandez received a pro rata fixed salary of k €244 plus fringe benefits in the amount of k €31. He also received k €71 as one-year variable remuneration.

The percentage ratio of non-performance related and performance-related remuneration to total remuneration of members of the Executive Board ranges between approximately 69% to 100% non-performance related and 0% to approximately 31% performance-related remuneration.

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

Of the Executive Board contracts in place in financial year 2018, only the contract of Dr. Barthold Piening contained a severance agreement for a change of control (defined in detail), which, in accordance with the German Corporate Governance Code, is not higher than the value of the remaining term of the Executive Board contract and is limited in amount to a maximum of two years' remuneration. Of the Executive Board contracts in place as of the balance sheet date, no contract contains a severance agreement for a change of control (defined in detail).

In the case of a premature termination of Executive Board service, there is also a severance guarantee in the Executive Board contracts of Peter Goldschmidt, Mark Keatley and Miguel Pagan Fernandez, for a premature termination of the employment contract, whereby they receive a severance payment in the maximum amount of 1.5 annual salaries, and a lump sum is taken for the variable remuneration. If the remaining period of the contract at the time of the termination is less than 1.5 years, a pro rata cut in the severance payment is carried out. In addition, the remuneration systems for all three members of the Executive

Board also calls for a post-contractual non-competition and non-solicitation agreement which is remunerated on the basis of the fixed salary at the time of departure. For Peter Goldschmidt, the non-competition and non-solicitation agreement applies for up to 18 months after the end of the contract; for Mark Keatley and Miguel Pagan Fernandez, this period is up to two years.

A severance payment can also result from a termination agreement, which is taken on a case-by-case basis. Insofar as the Executive Board contracts in place in the reporting year, except in case of a change of control in the contract of Dr. Barthold Piening, there is no severance payment provision, it was agreed that any payments to Executive Board members with early termination of contract including fringe benefits may not exceed a maximum of two years' remuneration (severance cap) and may not be compensated with more than the remuneration for the remaining period of the contract in accordance with the specifications of the German Corporate Governance Code.

Other commitments

The Executive Board contract of Dr. Barthold Piening included the provision that, in the case of invalidity due to illness or accident, the Company would continue to pay the salary for the duration of the invalidity up to a maximum of three years, whereby the amount of the continued payment in the first year after the occurrence of invalidity corresponds to the fixed annual salary plus the variable remuneration and, in the second and third year of invalidity, to the fixed annual salary only. Payment was to be continued until the end of the Executive Board contract at the most.

The Executive Board contracts of Peter Goldschmidt, Mark Keatley and Miguel Pagan Fernandez stipulate that the Company, in the case of invalidity of the relevant Executive Board member due to illness, accident, or other reasons beyond the control of the member of the Executive Board, shall continue to pay the pro rata fixed remuneration for the duration of the invalidity. However, the pro rata fixed remuneration shall continue to be paid for a maximum period of four months and not beyond the term of the respective Executive Board contract.

The Executive Board contract of Dr. Claudio Albrecht did not provide for any remuneration from Albrecht, Prock & Partners AG in the case of invalidity due to illness or accident.

The Company generally arranges accident insurance for all members of the Executive Board. In financial year 2018, this applied for all members of the Executive Board with the exception of the interim member of the Executive Board Dr. Claudio Albrecht.

In the context of a group insurance for all of the Executive Board members, a so-called D&O insurance exists with a deductible for the Executive Board members within the legal framework. The amount of the deductible for the D&O insurance is based on the currently valid legal regulations and at this time amounts to 10% of the respective total damages up to at least the level of one and a half times the annual fixed salary.

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

In financial year 2018, to the Company's knowledge, third parties outside the Group have neither promised nor granted benefits to members of the Executive Board with regard to their Executive Board service in the financial year.

Payments to former Executive Board members

Payments to former Executive Board member Hartmut Retzlaff

Hartmut Retzlaff resigned from the Executive Board on December 31, 2016. He was paid €1,358,353.75 in the reporting year. This amount is comprised of Hartmut Retzlaff's payment claims as part of his termination agreement in the amount of €1,589,091.95 (one-year variable remuneration for the second half of 2016: €417,507.92, long-term special remuneration: €990,663.93, the first pro rata deferral of variable remuneration in the second half of 2016: €180,920.10), plus interest in the amount of €89,261.80 less the compensation of STADA Arzneimittel AG in the amount of €320,000. The second and third deferral of the variable remuneration for the second half of 2016 are due in spring 2019 and 2020.

Payments to former Executive Board member Dr. Matthias Wiedenfels

Dr. Matthias Wiedenfels resigned from the Executive Board on July 4, 2017. In the reporting year, he received a severance commitment of €5,554,000 due to his contractual provision in connection with his termination agreement, from which an amount of €4,954,000 was paid in 2018. The commitment of over €5,554,000 is comprised of a severance payment paid in December 2018 for his claims for remuneration from 2016 to September 2018 in the amount of €2,965,000 (2016 deferral: €425,000; 2017 remuneration: €1,190,000, of which €340,000 is fixed for July 5, 2017 to December 31, 2017 and €850,000 variable remuneration; 2018 remuneration: €1,350,000, of which €675,000 is fixed for January 1, 2018 to September 30, 2018 and €675,000 variable remuneration), plus a severance payment for his claims for remuneration from October 2018 to December 2020. With regard to the latter remuneration, i.e. the severance payment for his claim for compensation from October 2018 to December 2020, €1,989,000 was already paid in December and €600,000 was reduced and shall be paid from April 1, 2021 onwards in consideration of possible qualifying income.

In addition, Dr. Matthias Wiedenfels received payment in lieu of his vacation claims in the amount of €156,224.86. Attorney fees amounted to €89,802.24 (€47,168.63 for actual attorney fees and €42,633.61 for associated ancillary costs to be paid by the employer). An amount of €17,468 is calculated as a monetary benefit for the use of the company car.

Payments to former Executive Board member Helmut Kraft

Helmut Kraft resigned from the Executive Board on July 4, 2017. In 2018, he received a severance commitment of €2,593,671.60 plus €85,780.18 in interest due to his contractual provision in connection with his termination agreement and a judicial ruling.

Attorney fees amounted to €117,505.23 (€61,720.00 for actual attorney fees and €55,785.23 for associated ancillary costs to be paid by the employer).

Supervisory Board remuneration

Remuneration system for the Supervisory Board in accordance with the Articles of Incorporation

The remuneration system of the Supervisory Board is governed by Section 18 of STADA Arzneimittel AG's Articles of Incorporation. In accordance with this, the members of the Supervisory Board receive the following remuneration, in addition to the reimbursement of their expenses in the previous financial year:

- an annual fixed sum of €48,000.00 and
- a remuneration based on the long-term success of the Company (long-term variable remuneration) in the amount of 0.02% of the average Group earnings before taxes as reported in the Consolidated Financial Statements of the past three financial years. The annual cap for long-term variable remuneration is €48,000.00.

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

Supervisory Board members receive an annual fixed remuneration of €15,000.00 for their committee services for the past financial year. The Chairman of a committee receives twice this amount in remuneration. Members of the Nomination Committee as well as the Compliance Committee receive no separate remuneration.

Members of the Supervisory Board who only sat on the Supervisory Board or a committee for part of the financial year shall receive remuneration on a pro rata basis.

In addition, sales tax is payable on all Supervisory Board remuneration.

Remuneration of the Supervisory Board in financial year 2018

Remuneration of the individual members of the Supervisory Board serving with the Company in financial year 2018 is as follows:

- Dr. Günter von Au €304,014.96 (thereof €180,410.96 non-performance-related and €123,604.00 performance-related) (previous year: €72,786.72, thereof €49,775.34 non-performance-related and €23,011.38 performance-related, Member of the Supervisory Board since September 26, 2017)
- Jens Steegers €193,402.67 (thereof €111,000.00 non-performance-related and €82,402.67 performance-related) (previous year: €167,616.54, thereof €109,890.41 non-performance-related and €57,726.13 performance-related)
- Dr. Eric Cornut €92,406.81 (thereof €51,205.48 non-performance-related and €41,201.33 performance-related) (previous year: €109,986.35, thereof €81,123.29 non-performance-related and €28,863.06 performance-related)
- Halil Duru €104,201.33 (thereof €63,000.00 non-performance-related and €41,201.33 performance-related) (previous year: €90,753.48, thereof €61,890.41 non-performance-related and €28,863.07 performance-related)
- Jan-Nicolas Garbe €0 (previous year: €0) (Supervisory Board member waives remuneration entitlement)
- Benjamin Kunstler €0 (previous year: €0) (Supervisory Board member waives remuneration entitlement)
- Dr. Ute Pantke €92,406.81 (thereof €51,205.48 non-performance-related and €41,201.33 performance-related) (previous year: €98,972.66, thereof €70,109.59 non-performance-related and €28,863.07 performance-related)
- Bruno Schick €0 (previous year: €0) (Supervisory Board member waives remuneration entitlement)
- Dr. Michael Siefke €0 (previous year: €0) (Supervisory Board member waives remuneration entitlement)

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

Advisory Board remuneration

In accordance with Section 9 of the bylaws of the Advisory Board of STADA Arzneimittel AG, members of the Advisory Board receive a flat fee of €1,500 per meeting day of the Advisory Board, plus sales tax and reimbursement of their expenses. Time for traveling to and from meetings is not considered part of the meeting day and is paid at €100 per hour up to a maximum of €500. The Chairman of the Advisory Board also receives annual compensation at a flat rate for allowances in the amount of €3,000 plus sales tax and his deputy receives €2,500 plus sales tax.

Corporate Governance Report including the Corporate Governance Declaration for STADA Arzneimittel AG and the Group

The Corporate Governance Report pursuant to Section 3.10 of the German Corporate Governance Code (CGC) and the Corporate Governance Declaration for STADA Arzneimittel AG and the Group pursuant to Section 315d in conjunction with Section 289f of the German Commercial Code (HGB) are available on the Company's website at www.stada.com/de/cg and www.stada.com/cg.

Corporate Governance Declaration for STADA Arzneimittel AG and the Group

The Corporate Governance Declaration for STADA Arzneimittel AG and the Group under Section 315d in conjunction with Section 289f of the German Commercial Code (HGB), includes the pursuant to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG); the relevant information on corporate management practices; a description of the working practices of the Executive Board and Supervisory Board as well as the composition and working practices of the Supervisory Board committees (including competence profile); the specifications pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act as well as information on whether or not the specified targets were met in the reference period and, if not, details on the reasons; and a description of the diversity concept which is followed in terms of the composition of the Executive Board and Supervisory Board, as well as the goals of this diversity concept, the manner of its implementation and the results achieved in financial year 2018.

1. Declaration of Compliance

The Executive Board and Supervisory Board agreed on a new Declaration of Compliance in accordance with the German Corporate Governance Code in December 2018. This, as well as earlier Declarations of Compliance or updates, can be found on the Company's website at www.stada.com/de/cg or www.stada.com/cg.

“Declaration of Compliance of December 2018

Joint Declaration by the Executive Board and the Supervisory Board of STADA Arzneimittel AG on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

Since the last Declaration of Compliance in December 2017, save for the derogations listed therein and the derogations listed below, STADA Arzneimittel AG (“STADA”) has complied with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017 (published in the Federal Gazette on April 24, 2017 and in the corrected version published on May 19, 2017) and in the future will comply with the recommendations of the German Corporate Governance Code in this version with the following derogations:

Section 4.2.3 (2) Sentence 2: Fixed and variable remuneration components

Section 4.2.3 (2) Sentence 2 of the German Corporate Governance Code (CGC) recommends that the monetary parts of the Executive Board remuneration contain not just fixed but also variable components. The remuneration of Executive Board member Peter Goldschmidt for the year 2018 derogates from this. Mr. Goldschmidt was appointed member of the Executive Board of STADA as of September 1, 2018. Given that at the time of his appointment financial year 2018 was largely over, the remuneration for Mr. Goldschmidt's work in financial year 2018 only comprises non-performance-related remuneration consisting of a fixed monthly salary and a fixed bonus.

Section 4.2.3 (2) Sentence 6: Remuneration caps

Section 4.2.3 (2) Sentence 6 of the CGC stipulates that the remuneration of Executive Board members shall be capped with maximum levels, both in the aggregate and as regards variable components. With regard to individual fringe benefits for the Executive Board members, notably the possibility to use the company car and company telephone for private purposes, as well as for the assumption of costs for certain insurance benefits, no specific amounts are set as caps. As no cap is defined for individual remuneration components, no maximum amount is set as a cap for aggregate remuneration either. The Supervisory Board

is of the opinion that the maximum aggregate remuneration can be calculated easily by adding the quantified limits applicable to the main remuneration components set out in the contracts. The Supervisory Board deems it impracticable to quantify maximum limits for fringe benefits whose amounts are not significant, such as the possibility of using the company telephone for private purposes.

Section 4.2.3 (4) Sentence 3: Basing the calculation of the severance cap on total remuneration

Section 4.2.3 (4) Sentence 3 GCGC stipulates that the severance cap shall be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current financial year. The Executive Board contracts with Peter Goldschmidt, Mark Keatley and Miguel Pagan Fernandez set forth a severance pay pledge which provides for a lump-sum calculation for variable remuneration and as such is not based on total remuneration. In the view of the Supervisory Board, this facilitates the calculation of any severance payments.

Section 5.3.2 (3) Sentence 2: Independence of the Chair of the Audit Committee

Section 5.3.2 (3) Sentence 2 GCGC stipulates that the Chair of the Audit Committee shall be independent. The Supervisory Board has elected Dr. Siefke Chair of the Audit Committee. Dr. Michael Siefke's career means he has special knowledge and experience in the field of accounting and auditing. His role as Managing Director at Bain Capital Private Equity Beteiligungsberatung GmbH, Munich, a company affiliated with the controlling shareholder Nidda Healthcare GmbH, means he is not independent, however. With its current composition, it was not possible for the Supervisory Board to fill the position of the Chair of the Audit Committee with an independent member with financial expertise.

Bad Vilbel, December 14, 2018

signed
Dr. Günter von Au
Chairman of the Supervisory Board

signed
Peter Goldschmidt
CEO"

2. Relevant Disclosures on Corporate Governance Practices

Corporate governance

STADA Arzneimittel AG is a joint-stock corporation under German law and has a dual management and monitoring structure consisting of an Executive Board and a Supervisory Board. The third body of the Company is the General Meeting. Furthermore, there is an Advisory Board in accordance with the Articles of Incorporation.

In the Executive Board and Supervisory Board's view, good corporate governance is an important basis for the Company's success. The Executive Board and the Supervisory Board of STADA view corporate governance as a comprehensive concept of responsible, transparent and value-based corporate management. The Executive Board, the Supervisory Board and management staff ensure that corporate governance is actively pursued and continuously developed in all areas at STADA. In addition to legal and regulatory requirements and the German Corporate Governance Code, corporate governance at STADA also comprises the standards of the internal control system and compliance; the regulations on organizational and supervisory duties in the Company; and STADA's internal business guidelines and shared principles and values.

Risk management and Internal Auditing

The responsible handling of risks is an element of good corporate governance. STADA has a systematic risk management and control system that allows the Executive Board to identify risks and market developments at an early stage and immediately react to relevant changes in the risk profile. STADA's risk management and control system thus contributes to the success of the Company. Risk management is part, at regular intervals, of the annual audit of financial statements as well as Internal Auditing. Details can be found in the "Opportunities and Risk Report".

Furthermore, Internal Auditing supports the Executive Board in an independent function outside of the day-to-day operations. The department evaluates internal procedures and processes from an objective perspective with the necessary distance. The goal is to achieve optimized business processes, reduced costs, and increased efficiency, and to reach internally determined goals by way of improved internal controls.

Strong compliance culture

Compliance comprises all actions taken by a company in line with legal requirements, as well as the drafting and monitoring of internal regulations to which a company subjects itself. The goal of all compliance efforts is to avoid possible damage to the company and to prevent wrong-doing. At STADA, compliance is embedded in the mission statement of a responsible company leadership and corporate governance. The Compliance Office is responsible for the constant development of the Compliance Management System within STADA. The Compliance Office is an independent consultant and advisor for all departments and all employees of STADA.

STADA's Code of Conduct establishes binding Group-wide behavioral guidelines for all managers and employees of the STADA Group. The aim of the Code of Conduct is to assist all employees in handling legal and ethical challenges in their daily work and to provide orientation for correct behavior. Furthermore, internal guidelines, the so-called Corporate Policies, make these behavioral guidelines clearer for specific topics.

With the aid of various measures such as e-learning measures, traditional training, regular newsletters and leaflets with compliance-relevant content, STADA employees are informed and trained on an ongoing basis regarding relevant legal requirements and internal guidelines.

The Executive Board has established a comprehensive compliance management system and an internal Compliance department as an organizational part of the Legal Department. The Chief Compliance Officer responsible for the Compliance Management System reports to the General Counsel and, if necessary, directly to the Chairman of the Executive Board or the Supervisory Board. The Chief Compliance Officer coordinates the entire system and receives complaints and information – anonymously if necessary – and follows up on suspected compliance breaches. Any suspicious cases reported are assessed and evaluated. If necessary, appropriate measures are introduced and processes are adapted. Disciplinary measures are also taken. These can range from a simple warning to the dismissal of the employee. The Chief Compliance Officer is supported in Germany and internationally by Compliance Managers, and by an external Ombudsman in Germany. In financial year 2018, the international dialogue of compliance managers was further intensified. In order to guarantee adherence to legal regulations and internal company policies of compliance in an effective manner, STADA regularly reviews and further develops the Compliance Management System based on risk.

In the reporting year, one focus was the introduction of provisions on the General Data Protection Regulation (GDPR), which came into force in May 2018.

Another focus was an internal investigation of past business transactions with the proactive involvement of the public prosecutor in Frankfurt am Main, which STADA carried out with the support of external law firms. This investigation was completed in financial year 2018 both in terms of criminal law and corporate law. As a result, there are no pending or expected legal disputes with former members of the management team or employees in connection with this investigation. Based on the results of the investigation, at the next Annual General Meeting, the Supervisory Board and the Executive Board intend to recommend granting Dr. Matthias Wiedenfels and Helmut Kraft discharge from liability for the financial years 2016 and 2017. The discharge decision had been deferred by the General Meetings for these financial years because of the then ongoing compliance investigation.¹⁾

The Code of Conduct, information on data protection and the contact information of the Ombudsman, along with further information regarding compliance, can be found on the company's website at www.stada.com/de or www.stada.com in the Group section under "Compliance" and in the Investor Relations section under "Sustainability".

1) See the Company's press release of November 28, 2018.

Quality and safety, sustainability and the environment

Details on the topics “quality” and “safety” can be found in the chapter “Procurement, Production and Quality Management”, and on the topics “sustainability” and “environment” in the “Separate Non-Financial Report”.

More detailed information on the discussed corporate governance practices at STADA as well as further information can also be found on the company’s website at www.stada.com/de or www.stada.com in the Sustainability section.

3. Description of the Working Practices of the Executive Board and the Supervisory Board as well as the Composition and Working Practices of their Committees

The Executive Board and the Supervisory Board of STADA work in close cooperation for the good of the Company and, after extensive consultation, make fundamental strategic decisions in the context of their legal responsibilities. The Executive Board briefs the Supervisory Board – in the context of its legal obligation to make reports – regularly, promptly and comprehensively regarding all Company-relevant questions of strategy, planning, business development, the risk situation, risk management, and compliance. It coordinates the strategic orientation of the Company with the Supervisory Board and, in the course of the implementation of the corporate strategy, discusses the current status with the Supervisory Board at regular intervals. Furthermore, the Chairman of the Supervisory Board maintains regular contact with the Executive Board, particularly with the Chairman of the Executive Board, and discusses with them the strategy, planning, business development, the risk situation, risk management and the compliance of STADA Arzneimittel AG and the Group. The Executive Board and the Supervisory Board adhere to the rules of proper corporate management and have each established their own rules of procedure.

a) Executive Board

The Executive Board is appointed and dismissed in accordance with legal regulations. The Articles of Incorporation do not provide any special provisions for the appointment or dismissal of individual members of the Executive Board or of all as a group. The Supervisory Board alone is responsible for the appointment and dismissal. It appoints Executive Board members for a maximum period of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

Tasks and responsibilities

The Executive Board manages the Company with the goal of sustainable added value in its own responsibility in consideration of the concerns of the shareholders, its employees and other groups connected to the Company. The members of the Executive Board are jointly responsible for corporate governance. The Executive Board runs the businesses in accordance with the legal requirements, the Articles of Incorporation, the rules of procedure and the schedule of responsibilities.

STADA’s Executive Board comprises at least two people in accordance with the Articles of Incorporation.

In financial year 2018, there were the following changes at the Executive Board level: On July 1, 2018, Miguel Pagan Fernandez, Chief Technical Officer, took up his position as a member of the STADA Executive Board. He succeeded the former Chief Technical Officer, Dr. Barthold Piening, who left the company on May 31, 2018.¹⁾ At its meeting on February 1, 2018, as part of the succession plan, the Supervisory Board appointed Peter Goldschmidt as the CEO of STADA Arzneimittel AG with effect from September 1, 2018.²⁾ He succeeded Dr. Claudio Albrecht, who had been the CEO of STADA since September 27, 2017 until August 31, 2018.

As of the balance sheet date, the Executive Board consisted of three members responsible for the following areas:

- Peter Goldschmidt, Chairman of the Executive Board (contract until August 31, 2021), is the member of the STADA Executive Board responsible for Marketing & Sales (including biotechnology), Business Development (portfolio management, market research, licenses and IP rights/patents, biosimilar licensing, project management), Corporate Communications, Human Resources and Legal (including corporate governance, corporate compliance, and risk management).
- Mark Keatley, Chief Financial Officer (contract until September 26, 2020), is responsible for the Finance area (Corporate Accounting and Controlling, Corporate Treasury and Taxes) and also Corporate IT, Corporate Development and M&A, Internal Audit and Investor Relations.

¹⁾ See the Company’s press release of April 16, 2018.

²⁾ See the Company’s ad hoc release and press release of February 1, 2018 and the press release of September 3, 2018.

- Miguel Pagan Fernandez, Chief Technical Officer (contract until June 30, 2021), is the member of the STADA Executive Board responsible for Production (including Local Quality, Engineering & Facility Management), Corporate Quality Assurance, Environment and Occupational Safety, Global Supply Chain Management, Procurement, Regulatory & Medical & Clinical Affairs, Pharmaceutical Development and R&D Project Management.

Working practices of the Executive Board

Members of the Executive Board bear joint responsibility for the overall management of the company. They work together in a collegial manner and continually keep each other up to date with regard to important measures and events in their area of responsibility. The distribution of the business areas to individual members of the Executive Board results from a schedule of responsibilities that is a component of the rules of procedure for the Executive Board. All matters for which a resolution from the full Executive Board is required, in accordance with the applicable law, the Articles of Incorporation or rules of procedure for the Executive Board, are subject to the overall responsibility of all members of the Executive Board.

Pursuant to the rules of procedure for the Executive Board, it is up to the Chairman of the Executive Board, in addition to his other tasks, to coordinate all areas of responsibility assigned to the Executive Board. The Chairman of the Executive Board represents the Executive Board and the Company in public matters, in particular concerning public authorities, economic organizations and publication outlets.

The Executive Board regularly holds Executive Board meetings that are convened by the Chairman of the Executive Board. Each member can also demand the convening of a meeting with notification of the item to be discussed within a period of notice of three working days. The Executive Board shall constitute a quorum when all of its members have been invited and at least a majority of its members – including the Chairman or a member of the Executive Board named by the Chairman – take part in the meeting. The Executive Board passes resolutions with a simple majority of votes cast. Absent members of the Executive Board can cast their votes in written form (Section 126b of the German Civil Code, BGB), orally or by telephone. Resolutions of the Executive Board can also be taken outside of meetings by means of video or telephone conferences or comparable common telecommunication means or in the context of a circulation procedure through voting in text format (Section 126b BGB), orally or via telephone if the Chairman of the Executive Board decides this and a majority of the members of the Executive Board take part in the resolution. In case of a tie, the Chairman of the Executive Board shall have the deciding vote.

For certain business defined in the Executive Board's rules of procedure, the Executive Board must first obtain the approval of the Supervisory Board.

Conflicts of interest

According to the Executive Board's rules of procedure, every member of the Executive Board is under obligation to immediately disclose any conflicts of interest to the Supervisory Board and to inform the other members of the Executive Board of this (Section 4.3.3 of the German Corporate Governance Code, GCGC). The performance of ancillary activities, in particular the assumption of Supervisory Board mandates outside of the Group, shall require the prior consent of the Supervisory Board.

Remuneration Report

The "Remuneration Report" sets out the essential principles of the remuneration system for the STADA Executive Board and the particulars regarding the salaries of each member of the Executive Board. It is also published on the Company website at www.stada.com/de and www.stada.com in the Investor Relations section under "Corporate Governance".

b) Supervisory Board

The STADA Supervisory Board is composed in accordance with the German One-Third-Participation Act [Drittelbeteiligungsgesetz] and consists of nine members, including six members who are shareholder representatives and three members who are employee representatives. The General Meeting elects the shareholder representatives in accordance with the German Stock Corporation Act [Aktiengesetz] and the employees select the employee representative in accordance with the German One-Third-Participation Act. On June 6, 2018 the Annual General Meeting at STADA Arzneimittel AG saw an election for the Supervisory Board to replace the six shareholder Supervisory Board members after their terms in office ended at the end of the ordinary Annual General Meeting 2018.

On the balance sheet date, the Supervisory Board comprised the following members:

- Dr. Günter von Au, Member of the Board of Directors at Clariant AG (Switzerland), Munich, Germany (Chairman)
- Jens Steegers, exempted Works Council representative at STADA Arzneimittel AG, Frankfurt am Main, Germany (Deputy Chairman; employee representative)
- Dr. Eric Cornut, Independent Consultant, Binningen, Switzerland
- Halil Duru, Employee Logistics at STADA Arzneimittel AG, Frankfurt am Main, Germany (employee representative)
- Jan-Nicolas Garbe, Investment Manager at Cinven GmbH, Frankfurt am Main, Germany
- Benjamin Kunstler, Managing Director at Bain Capital Europe LLP, London, United Kingdom
- Dr. Ute Pantke, Director Internal Communications & Brand Architecture, Wettengel, Germany (employee representative) until December 31, 2018
- Bruno Schick, Managing Director at Cinven GmbH, Frankfurt am Main, Germany
- Dr. Michael Siefke, Managing Director at Bain Capital Private Equity Beteiligungsberatung GmbH, Gräfelfing, Germany

The term of office of all the shareholder representatives ends with the completion of the Annual General Meeting 2023. The employee representatives have been elected until the completion of the Annual General Meeting 2019. As of December 31, 2018, employee representative Dr. Ute Pantke resigned from the Supervisory Board. As the election of the employee representatives to the Supervisory Board will take place in spring 2019, this position on the Supervisory Board will remain vacant for the time being.

Tasks and responsibilities

The Supervisory Board appoints the members of the Executive Board. In addition, the Supervisory Board monitors and advises the Executive Board in the management of the business. Through regular dialog with the Executive Board, the Supervisory Board is kept informed about business development, corporate strategy, corporate planning, the risk situation, risk management, and compliance. It approves the corporate planning and the Annual Financial Statements of STADA Arzneimittel AG, and the Consolidated Financial Statements of the STADA Group.

Working methods of the Supervisory Board

The Chairman of the Supervisory Board coordinates the work, chairs the Supervisory Board meetings, and handles external matters on behalf of the Supervisory Board.

The Chairman of the Supervisory Board or their representative convenes the Supervisory Board if required with a notice period of 14 days. In urgent cases, the notice period can be reduced and/or the Supervisory Board can be convened verbally or by telephone. Supervisory Board meetings shall be held once each calendar quarter and must be held twice each calendar half-year (see also Section 16 (5) of the Articles of Incorporation). The meetings of the Supervisory Board and of its Committees are as a rule held under personal attendance. The Chairman of the Supervisory Board can elect to hold the meetings of the Supervisory Board and its committees in the form of a telephone or video conference, or permit individual members of the Supervisory Board to participate via telephone or video connection.

The Supervisory Board generally passes resolutions in meetings. By order of the Chairman, resolutions can also be passed outside of meetings in writing, by telephone, or using other communications tools (such as e-mail), as well as in combination with all the previously mentioned means of passing resolutions. The nature of the vote will be determined by the meeting chairman. The Supervisory Board constitutes a quorum if at least half of the members, of which it must be composed, vote in the resolution in person or by telephone or video conference, or join the relevant meeting by telephone or video. Supervisory Board resolutions are passed by a simple majority of the votes cast. In the event of a tie, the meeting chairman casts the deciding vote.

The above regulations shall apply correspondingly to the working methods of the committees, substituting the chairman of the relevant committee for the Chairman of the Supervisory Board.

Objectives for the composition of the Supervisory Board

At its meeting on December 1, 2017, the Supervisory Board decided the objectives for its composition (described in detail below) and developed a competence profile for the overall Board pursuant to Section 5.4.1 (2) GCGC. In this connection, the Supervisory Board developed a diversity concept in accordance with Section 289f (2) No. 6 HGB, which it shall observe with regard to its composition and incorporate as part of its objectives for its composition, along with the competence profile. Both the Nomina-

tion Committee and the Supervisory Board observe these objectives when suggesting appointments to the General Meeting and strive to fulfill the competence profile for the overall Board. The Supervisory Board continually monitors the validity and implementation of the objectives for its composition. With the current composition, the objectives mentioned are, in the assessment of the Supervisory Board, fulfilled.

Competence profile for the overall Board

The Supervisory Board must be composed such that its members overall have the requisite knowledge, skills, and professional experience to duly perform the required tasks. The members of the Supervisory Board must all be familiar with the pharmaceutical and health sector, and with the responsibilities and requirements of the two-tier organizational structure of the German Stock Corporation Act. In its December 2017 meeting, the Supervisory Board prepared a competence profile for the overall Board on general, professional, and personal competencies in accordance with the requirements of Section 5.4.1 GCCG. In addition to competences that all members of the Supervisory Board should possess, the competence profile also includes requirements that at least one member should have. In its current composition, the competence profile for the entire Supervisory Board is fulfilled.

Diversity

The Supervisory Board is of the view that a heterogeneously and diversely composed committee has a positive impact on the work of the Supervisory Board as a result of varied perspectives. It therefore values a heterogeneous and diverse composition. To this end, it has created a diversity concept within the meaning of Section 289f (2) No. 6 German Commercial Code (HGB) concerning age structure/level of experience, gender diversity, educational and professional background as well as cultural diversity and internationalism. The diversity concept, with the Supervisory Board in its current composition is fully compliant with, is described in more detail under Point 5.

Appropriate number of independent Supervisory Board members

There should be an appropriate number of independent members of the STADA Supervisory Board in line with the ownership structure. Specifically, a Supervisory Board member cannot be considered independent if they have a personal or business relationship with the Company, its bodies, a controlling shareholder, or a company affiliated with it that can constitute a significant and non-temporary conflict of interest. In light of the ownership structure and STADA's dependence on its majority shareholder, Nidda Healthcare GmbH, the Supervisory Board considers it sufficient if two shareholder representatives are independent. In the Supervisory Board's view, Dr. Günter von Au and Dr. Eric Cornut can be considered independent shareholder representatives within the meaning of Section 5.4.2 GCCG.

Age limit and limit for membership term

The Supervisory Board is of the view that its members, subject to exceptional circumstances, should not serve beyond the end of the Annual General Meeting subsequent to their reaching the age of 75 (age limit). Proposals for election should take into consideration the age limit for being a member of the Supervisory Board for three complete terms in office (which is normally 15 years). The current composition of the Supervisory Board meets this requirement.

Target for the representation of women/increasing the representation of women

As part of the diversity concept, the Supervisory Board is striving to increase the number of women and to strengthen the position of women. In line with legal regulations, the Supervisory Board has determined for the period until December 31, 2022 that at least one woman shall be member of the Supervisory Board. In addition, the Supervisory Board is striving to continue increasing the proportion of women on its Board, with the professional and personal competence of the candidates being the primary consideration rather than their gender.

Composition and working practices of the Supervisory Board Committees

In the reporting year the Supervisory Board had the following four Supervisory Board Committees: an Audit Committee, a Chairman's Committee, a Nomination Committee, and a Compliance Committee. In addition to these four, there was an Ad hoc Committee for the domination and profit and loss transfer agreement (DPLTA) for the period from October 23, 2017 until March 20, 2018, and a one-time, Ad hoc Committee on October 24, 2018 to pass a resolution on a joint statement of the Executive Board and the Supervisory Board.

- Audit Committee

The Audit Committee deals in particular with monitoring the accounting process, the effectiveness of the internal control system and that of the internal auditing system, the risk management system and compliance. Furthermore, the Audit Committee deals with the financial statement audits, in particular the required independence of the auditor, the additional tasks rendered by the auditor, the award of the audit contract to the auditor, the determination of the main areas for the audit and the fees agreement with the auditor. In addition, it discusses the annual and interim reports with the Executive Board prior to their publication.

The Chairman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes. Furthermore, the Chairman of the Audit Committee shall be independent and neither the Chairman of the Supervisory Board, nor a former member of the Executive Board whose position ended less than two years ago.

The Supervisory Board members Dr. Michael Siefke (Chairman), Benjamin Kunstler, Jan-Nicolas Garbe, and Jens Steegers belong to the Audit Committee.

As Chairman of the Audit Committee, Dr. Michael Siefke has particular knowledge and experience in the application of financial reporting principles and internal control procedures. Due to his position as Managing Director of an affiliated company of Nidda Healthcare GmbH, he is not considered independent within the meaning of Section 5.3.2 (3) Sentence 2 GCGC.

- Chairman's Committee

The Chairman of the Supervisory Board acts as Chairman of the Chairman's Committee.

The Chairman's Committee prepares the appointment decisions of the Supervisory Board with regard to the composition of the Executive Board. In particular, it deals with the terms and conditions of the employment contracts of Executive Board members and prepares the resolutions of the Supervisory Board on the remuneration system for the Executive Board by proposing to the Supervisory Board the structure of the remuneration system and the ranges for the fixed and variable remuneration elements of the Executive Board. It also performs long-term succession planning in conjunction with the Executive Board.

The Chairman's Committee is also generally entrusted with preparing the Supervisory Board meetings, coordinating communication with the Executive Board, monitoring the implementation of the resolutions passed by the Supervisory Board, preparing the Supervisory Board efficiency review and preparing (including recommending resolutions) the decision of the Supervisory Board on how to handle conflicts of interest within the Executive Board (for example, approval from the Supervisory Board regarding transactions with a member of the Executive Board or a third party closely associated with them, including outside the scope of Section 112 AktG, or approval from the Supervisory Board on the assumption of ancillary activities outside of the Group). In addition, the Chairman's Committee passes resolutions in the name of the Supervisory Board concerning transactions requiring approval, where these are assigned to it, and in such cases where the prevention of material disadvantages to the Company cannot reasonably be delayed until the next Supervisory Board meeting and where a decision by the Supervisory Board also cannot be brought about within the required timeframe by a vote outside a meeting. It also develops resolution recommendations to put forward to the Supervisory Board in relation to all further transactions requiring approval that are not assigned for sole decision by the Chairman's Committee.

The members of the Chairman's Committee are Supervisory Board member Dr. Günter von Au (Chairman), Halil Duru, Bruno Schick, and Dr. Michael Siefke.

- Nomination Committee

In accordance with the German Corporate Governance Code, the Supervisory Board established a Nomination Committee. Its task is to recommend to the General Meeting suitable candidates for the election of shareholder representatives to the Supervisory Board through the General Meeting to the Supervisory Board and to manage the objectives for the composition of the Supervisory Board. The Nomination Committee is composed exclusively of shareholder representatives. It meets as required. Its members do not receive any separate Committee remuneration.

The members of the Nomination Committee are Supervisory Board member Dr. Günter von Au (Chairman), Bruno Schick, and Dr. Michael Siefke.

- Compliance Committee

The Compliance Committee is responsible for monitoring compliance with legal standards and internal company guidelines by the Company and its bodies. As part of its activities, it is specifically responsible for introducing and accompanying proceedings concerning any compliance violations and for preparing the associated decisions of the Supervisory Board on such matters. The Compliance Committee meets as required and seeks the advice of external consultants if necessary. Its members do not receive any separate Committee remuneration.

The members of the Compliance Committee are Supervisory Board members Dr. Günter von Au (Chairman), Dr. Eric Cornut, Bruno Schick, and Dr. Michael Siefke.

- Ad hoc Committee to pass a resolution on a joint statement of the Executive Board and the Supervisory Board (one-time only on October 24, 2018)

During the course of the voluntary, public delisting purchase tender of Nidda Healthcare GmbH to the shareholders of STADA Arzneimittel AG in October 2018, the Supervisory Board founded an Ad hoc Committee effective only for the day of October 24, 2018 to pass a resolution on the joint statement of the Executive Board and the Supervisory Board in accordance with Section 27 German Securities Acquisition and Takeover Act [Wertpapiererwerbs- und Übernahmegesetz – WpÜG]. The documents submitted were first discussed with the Supervisory Board and with the Executive Board. Due to their activities for the companies Bain Capital and Cinven that are indirect shareholders of Nidda Healthcare GmbH, potential conflicts of interest could not be completely ruled out for the members Jan-Nicolas Garbe, Benjamin Kunstler, Bruno Schick, and Dr. Michael Siefke. For this reason, the members of the Supervisory Board agreed to create a one-time ad hoc Committee as a precautionary measure and solely for the purpose of passing the resolution mentioned above. The committee was dissolved again after the resolution on the joint statement from the Executive Board and the Supervisory Board was passed. Its members do not receive any separate Committee remuneration.

The members of the Ad hoc Committee created for the purposes of passing a resolution on a joint statement of the Executive Board and the Supervisory Board were Supervisory Board members Dr. Günter von Au (Chairman), Dr. Eric Cornut, and Jens Steegers.

- Ad hoc DPLTA Committee (October 23, 2017 until March 20, 2018)

During the process of closing the domination and profit and loss transfer agreement (DPLTA) between STADA and Nidda Healthcare GmbH, the Supervisory Board founded an Ad hoc DPLTA Committee to accompany the process in an efficient and neutral manner. The Committee's task was to assess whether closing the DPLTA was in the best interests of STADA and whether the fixed compensation and severance payment requested for the minority shareholders were appropriate at that time in the Committee's view. After the corresponding delegation, the Committee approved the closing of the DPLTA on behalf of the overall Supervisory Board and deliberated on the resolutions to be proposed to the General Meeting regarding consent for the conclusion of the DPLTA. Upon entry of the DPLTA in the commercial register on March 20, 2018, the Committee had fulfilled its purpose and was dissolved again with immediate effect.

The members of the Ad hoc DPLTA Committee were Supervisory Board members Dr. Günter von Au (Chairman), Dr. Eric Cornut, and Dr. Ute Pantke.

The "Report of the Supervisory Board" contains further details on the meetings and the focus areas of the activities of the Supervisory Board and its Committees.

Individualized disclosure of meeting participation

The Supervisory Board considers it a part of good Corporate Governance to disclose participation in meetings of the Supervisory Board Plenum and Supervisory Board Committees in an individualized manner.

Supervisory Board Plenum	Attendance at meetings	Attendance in %
Dr. Günter von Au	12/12	100
Dr. Eric Cornut	12/12	100
Halil Duru	12/12	100
Jan-Nicolas Garbe	12/12	100
Benjamin Kunstler	11/12	91.67
Dr. Ute Pantke	6/12	50.00
Bruno Schick	12/12	100
Dr. Michael Siefke	12/12	100
Jens Steegers	11/12	91.67

Audit Committee	Attendance at meetings	Attendance in %
Jan-Nicolas Garbe	5/5	100
Benjamin Kunstler	5/5	100
Dr. Michael Siefke	5/5	100
Jens Steegers	5/5	100

Chairman's Committee	Attendance at meetings	Attendance in %
Dr. Günter von Au	4/4	100
Bruno Schick	4/4	100
Dr. Michael Siefke	4/4	100
Halil Duru	4/4	100

Nomination Committee	Attendance at meetings	Attendance in %
Dr. Günter von Au	1/1	100
Bruno Schick	1/1	100
Dr. Michael Siefke	1/1	100

Compliance Committee	Attendance at meetings	Attendance in %
Dr. Günter von Au	8/8	100
Dr. Eric Cornut	7/8	87.50
Bruno Schick	8/8	100
Dr. Michael Siefke	8/8	100

Ad hoc Committee to pass a resolution on a joint statement of the Executive Board and the Supervisory Board (one-time only on October 24, 2018)	Attendance at meetings	Attendance in %
Dr. Günter von Au	1/1	100
Dr. Eric Cornut	1/1	100
Jens Steegers	1/1	100

Ad hoc DPLTA Committee (until March 20, 2018)	Attendance at meetings	Attendance in %
Dr. Günter von Au	0/0	-
Dr. Eric Cornut	0/0	-
Dr. Ute Pantke	0/0	-

Conflicts of interest

According to the rules of procedure for the Supervisory Board, Supervisory Board members should not perform any executive functions or consultancy with important competitors of the Company. In addition, Supervisory Board members are under obligation to disclose to the Supervisory Board any conflicts of interest, in particular those arising due to consultancy or executive functions concerning clients, suppliers, credit providers or other third parties. Material conflicts of interest concerning a Supervisory Board member that are not merely temporary should result in termination of the position. In its report presented at the General Meeting, the Supervisory Board informs participants whether conflicts of interest occurred and how they were handled.

Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities in accordance with Section 5.6 GCGC. The efficiency review serves to evaluate the effectiveness or efficacy and efficiency of the work performed by the Supervisory Board. The aims of the review are to critically evaluate the working methods and composition of the Board and to extrapolate possible suggestions for improvement, including with regard to optimizing workflows and organizing reporting procedures, strengthening the performance of the Supervisory Board as a monitoring body, and with regard to the legitimacy of the Board's work. An effectiveness and efficiency review with the support of an independent external consultant was last performed by the Supervisory Board in financial year 2017.

Remuneration Report

The principles of the remuneration system of the STADA Supervisory Board as well as individual information concerning the remuneration of the individual Supervisory Board members are presented under "Remuneration Report".

c) Advisory Board

The members of the Advisory Board at STADA Arzneimittel AG are appointed by the Executive Board for a term in office of two years. According to the Company's Articles of Incorporation, the duty of the Advisory Board is to support and advise the

Executive Board and make recommendations and suggestions. On the balance sheet date, the Advisory Board consisted of eleven members. The term in office of the eleven Advisory Board members currently appointed will end at the close of financial year 2020. The principles of the remuneration system of the STADA Advisory Board are presented under "Remuneration Report".

4. Specifications according to Section 76 (4) and Section 111 (5) German Stock Corporation Act (AktG) and whether the defined targets were met during the reference period and, if not, the reasons for this

In accordance with Section 76 (4) and Section 111 (5) AktG the Executive Board and the Supervisory Board have decided upon the following targets for the proportion of women at the first and second management levels below the Executive Board as well as for the proportion of women on the Executive Board and on the Supervisory Board as described in more detail below.

a) Specifications by the Executive Board in accordance with Section 76 (4) AktG for the proportion of women in the two management levels below the Executive Board and target achievement

Proportion of Women at the first management level

In financial year 2017, in line with legal requirements pursuant to Section 76 (4) AktG, the Executive Board had decided regarding the proportion of women in the first management level below the Executive Board, to at least maintain the proportion of women at 25.0% until December 31, 2018.

With a proportion of women at the first management level of 16.7% on December 31, 2018, the target set in 2017 was not met. The low proportion of women at the first management level was primarily a result of organizational changes and restructurings within STADA Arzneimittel AG and staff turnover (three female managers have left the company), which affected the number and percentage of female management positions at this level. These positions will be filled in the next reporting year, meaning that they are not considered in financial year 2018. In January 2019, the Executive Board set a new target for the proportion of women at the first management level of at least maintaining the status quo of 16.7% with an implementation deadline until December 31, 2023.

Proportion of women at the second management level

In financial year 2017, the Executive Board had decided regarding the proportion of women in the second management level below the Executive Board, to at least maintain the proportion of women at 25.6% until December 31, 2018.

With a proportion of women at the second management level of 38.2% on December 31, 2018, the target set for 2017 was exceeded. In January 2019, the Executive Board set a new target for the proportion of women at the second management level of at least maintaining the status quo of 38.2% with an implementation deadline until December 31, 2023.

Outlook

As part of succession planning for the managers of STADA Arzneimittel AG, the Executive Board continues to observe suitable measures for the advancement of women in order to continually increase the proportion of women. This is based on the fact that the proportion of women on December 31, 2018 was approximately 58% in the STADA Group's overall workforce. There is no change to the fact that the primary consideration during recruitment for management positions is the professional and personal competence of the candidates rather than their gender.

b) Specifications by the Supervisory Board in accordance with Section 111 (5) AktG and report on target achievement

Target for the proportion of women on the Executive Board

In accordance with the statutory requirements of Section 111 (5) AktG, the Supervisory Board decided in December 2017 to maintain the target for the proportion of women on the Executive Board at the status quo of 0% for a period until December 31, 2022. The Supervisory Board strives to ensure suitable participation of women in the recruitment of future executive positions, with the professional and personal competence of the candidates as the primary consideration rather than their gender.

Target for the proportion of women on the Supervisory Board

In accordance with the statutory requirements of Section 111 (5) AktG regarding the setting of goals for the proportion of women on the Supervisory Board, the Supervisory Board decided in December 2017 that for the period until December 31, 2022 at least one woman shall be a member of the Supervisory Board. Due to the resignation of Dr. Ute Pantke as of December 31, 2018, the current proportion of women on the Supervisory Board is 0%. The Supervisory Board is striving to continue increasing the proportion of women on its Board, among other things to reach the set target value again, with the professional and personal competence of the candidates being the primary consideration rather than their gender.

5. Description of the Diversity Concept for the Supervisory Board and the Executive Board

a) Diversity concept for the Supervisory Board

aa) Aspects and objectives

The Supervisory Board is of the view that a heterogeneously and diversely composed Committee has a positive impact on the work of the Supervisory Board as a result of varied perspectives. It therefore places value on a diverse composition, in particular with regard to age structure and experience, gender diversity, educational and career background, as well as cultural diversity and internationalism. The Supervisory Board pursues the following objectives with regard to the aforementioned aspects:

Age Structure and experience

The Supervisory Board places value on a balanced age structure consisting of younger and more experienced employees. On the one hand, this serves to guard against "excessive aging" of the Supervisory Board as an overall Board. On the other hand, the Supervisory Board should at the same time be represented by persons with sufficient levels of experience, both in terms of age and number of years worked, and with regard to experience as a member of a supervisory or control body.

Gender diversity

In relation to gender diversity, the Supervisory Board has set the target of promoting the proportion of women on its Board. It strives to have at least one woman as member of the Supervisory Board. In addition, the Supervisory Board strives to continue increasing the proportion of women on its Board, with the professional and personal competence of the candidates being the primary consideration rather than their gender.

Education and professional background

With regard to its composition, the Supervisory Board ensures diversity in terms of the educational and career backgrounds of its members. In addition to those with a professional background in the pharmaceutical and health sector, the Supervisory Board should include persons with professional experience in companies external to the sector but with a commercial orientation. Nonetheless, the Supervisory Board members as a whole must be familiar with the pharmaceutical and health sector. With regard to educational background, members should include persons having completed studies in natural sciences, chemistry, and/or pharmaceuticals, as well as persons having completed business and/or legal studies. Furthermore, the membership should be composed both of people with and without experience at management level (particularly employees).

Cultural diversity and internationalism

Every member must look favorably on the international alignment of the Group. As the Board of a group acting on an international level, the Supervisory Board at STADA places particular emphasis on cultural diversity and internationalism. Several of the members should have specifically international experience, for instance gained from service abroad, education abroad, or given their origin.

ab) Manner of its implementation and achieved results

The Supervisory Board believes that it has complied with the diversity concept in its current composition in the following ways:

Age structure and experience

The Supervisory Board members were born between the years 1951 and 1981, which means that the age range from the youngest to the oldest member is 30 years with an average age of 51 years. It therefore has a heterogeneous age and experience structure.

Gender diversity

The proportion of women in the Supervisory Board is currently zero due to the resignation of Dr. Ute Pantke as of December 31, 2018. The Supervisory Board strives to continue increasing the number of women on its Board, also to once again reach the target set, whereby the professional and personal competence of the candidates are the primary consideration rather than their gender..

Educational and professional background

The different educational and career backgrounds of the Supervisory Board members meet the identified diversity criteria. There is a balance between the number of members with a scientific/chemical education and those who have pursued business and/or legal studies. In addition, the Supervisory Board members have various levels of career experience within and outside of the Company's business area and the members as a whole are familiar with the pharmaceutical and health sector. The Supervisory Board includes members both with and without management experience.

Cultural diversity and internationalism

Numerous Supervisory Board members have international career experience gained abroad. There are also three Supervisory Board members with foreign nationality.

b) Diversity concept for the Executive Board**ba) Aspects and objectives**

The STADA Executive Board is composed of three people. The relevant Executive Board positions primarily require very specific and detailed professional knowledge and experience in the respective business area. In the interests of the Company, whether a candidate fulfills these criteria takes precedence over diversity considerations. When creating the diversity concept, the Supervisory Board has therefore placed particular emphasis on educational and career background as well as internationalism with regard to Executive Board positions. Furthermore, the Supervisory Board strives to strengthen the role of women on the Executive Board, although the primary consideration is the professional and personal competence of the respective candidate rather than their gender.

Educational and professional background

In terms of educational and career background, the Supervisory Board places value on members of the Executive Board bringing with them a range of different academic degrees, in particular on expertise being represented from the pharmaceutical and natural sciences sector as well as business and/or legal specializations. In addition, members of the Executive Board should have already gathered career experience in various management positions at different companies, both within health care and in other sectors, in order for each person to contribute their respective wealth of experience to the Company management at STADA and to complement one another in these areas.

Internationalism

The Supervisory Board continues to ensure that each member of the Executive Board has international experience within the business area they are responsible for. In order to increase the internationalism of the overall Board, the Executive Board should include members with (educational or professional) experience in different countries.

Representation of women

Regardless of the targets provided by law, the Supervisory Board will strive to ensure suitable participation of women in the recruitment of future Executive Board positions, with the professional and personal competence of the candidates as the primary consideration rather than their gender.

bb) Manner of its implementation and achieved results

In the view of the Supervisory Board, the current composition of the Executive Board fulfills the indicated diversity criteria.

Shareholders and the General Meeting

The shareholders¹⁾ assume their rights in the General Meeting and exercise their voting rights there. Each STADA share²⁾ grants entitlement to one vote. Shareholders have the option to exercise their voting right themselves in the General Meeting or to have their voting right exercised by an authorized representative of their choice or by way of a voting representative from the Company, who is bound by instructions. Every shareholder is entitled to participate in the General Meeting, to speak on individual agenda items there and to request information about Company issues, if this is required for the appropriate assessment of an item on the agenda.

The General Meeting takes place annually in the first eight months of the financial year.

Securities Transactions Subject to Reporting and Shares Held by the Executive Board and Supervisory Board

As of the balance sheet date, the members of the Executive Board and Supervisory Board did not hold any shares of STADA Arzneimittel AG.

In accordance with Article 19 of the EU Directive No. 596/2014 of the European Parliament and Council of April 16, 2014 on market abuse (Market Abuse Directive), members of the Executive Board and Supervisory Board as well as closely related persons are obligated to disclose share transactions or debt and equity securities of STADA Arzneimittel AG or related financial instruments if the value of the transactions reaches or exceeds €5,000 within one calendar year. In the past financial year, there were no transactions that were subject to the reporting obligation.

Transparent Corporate Governance

In order to ensure transparent corporate governance, STADA informs shareholders, financial analysts, other capital market participants, the media and the interested public regularly and promptly about the Company's financial position and about any significant business changes.

In order to ensure the equal treatment of all users and to provide market participants with the same information in terms of content and in due time, STADA provides all the important documentation for reporting on the situation and results of STADA Arzneimittel AG and the STADA Group on the Company's website at www.stada.com/de and www.stada.com. There, all interested individuals are provided access, in particular, to all compulsory information such as financial reports, ad hoc releases, information on the General Meeting, as well as other comprehensive Company information.

Financial Reporting and Audit of the Financial Statements

STADA prepares the Consolidated Financial Statements and the Consolidated Interim Financial Statements in accordance with the relevant international financial reporting standards and the Annual Financial Statements of STADA Arzneimittel AG in accordance with the rules and regulations of the German Commercial Code.

1) For capital and shareholder structure see "The STADA Share".

2) In accordance with the Articles of Incorporation, registered STADA shares grant one vote at the General Meeting. Shareholders are only those who are registered as such in the share registry, and only such persons are authorized to participate in the General Meetings of the Company and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

The Supervisory Board audits the Consolidated Financial Statements and the Consolidated Interim Financial Statements for the first half of the year provided by the Executive Board. The Audit Committee discusses the Annual and Interim Financial Reports with the Executive Board prior to their publishing.

STADA publishes the Annual Financial Statements of STADA Arzneimittel AG (including the Management Report) and the Consolidated Financial Statements of the STADA Group (including the Combined Management Report) within 90 days of the end of the respective financial year and, in addition, informs shareholders and third parties via interim financial reports within 45 days of the end of the reporting period.

The Annual Financial Statements of STADA Arzneimittel AG and the Consolidated Financial Statements as of December 31, 2018 as well as the Combined Management Report for the financial year 2018 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. Dr. Bernd Roesse was the responsible auditor for the audit of the Annual and Consolidated Financial Statements for financial year 2018.

The Company does not have a stock option plan.

The significant investments of the Company as well as the related parties are presented in the notes to the Consolidated Financial Statements.

Prior to submitting the nomination, the Audit Committee of the Supervisory Board receives a declaration from the selected auditor of whether and to what extent commercial, financial, personal or other relationships exist between the auditor, its board members and head auditors on one side, and STADA and its members of governing bodies on the other side, which could justify any doubts regarding the independence of the auditor. The declaration also covers to what extent in the past financial year other services were provided – or have been contractually agreed upon for the following year – to the Company, in particular in the area of consultancy.

The Supervisory Board agreed with the auditor that the Chairman of the Supervisory Board or Audit Committee shall be informed without delay of any possible grounds for exclusion or bias arising in the audit insofar as these are not remedied immediately.

Furthermore, the Supervisory Board agreed with the auditor that the auditor shall report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit, as well as that the auditor shall disclose and/or note in the Auditor's Report if, during the performance of the audit, the auditor comes across facts which show a misstatement by the Executive Board and Supervisory Board in the declaration on the German Corporate Governance Code.

The auditor attends the meetings of the Supervisory Board regarding the Annual and Consolidated Financial Statements and reports the significant results of the audit.

COMBINED SEPARATE NON-FINANCIAL REPORT

STADA's Non-Financial Reporting for STADA Arzneimittel AG and the Group has been prepared within the scope of a Combined Separate Non-Financial Report (hereinafter "Non-Financial Report") pursuant to Section 289b of the German Commercial Code (HGB) in conjunction with Section 315b (HGB).

While topics such as product safety and quality, portfolio development as well as internal control and risk management are centralized and regulated by corporate policies that are valid throughout the Group, the individual national companies assume responsibility for other CSR matters as part of what is mainly a decentralized approach. For this reason, the reporting that follows distinguishes between the circumstances that are described and their concepts for the Group, its parent Company or individual national companies. Unless otherwise indicated, the information presented generally relates to the STADA Group.

After STADA reported on non-financial aspects for the first time in financial year 2017, processes were established to query these aspects globally and to collect corresponding data points centrally in the further course of the year. The first step was taken by starting to implement systems to record and later monitor CSR issues. The Group plans to define non-financial indicators during the current financial year 2019. In light of this, the prerequisites for appropriately orienting non-financial reporting in accordance with the guidelines of the frameworks set out in Section 289d HGB are not yet in place, which is why such a framework was not used.

Taking the requirements for the CSR Directive Implementation Act as a basis and against the backdrop of its business model, STADA's Non-Financial Report includes the following aspects:

- Product safety and quality (social matters)
- Contributions to society (social matters)
- Responsible corporate governance and compliance including anti-corruption and anti-bribery measures
- Employee matters
- Environmental protection and ecological sustainability (environmental matters)
- Observance of human rights

References to disclosures outside of the Consolidated Financial Statements and the Combined Management Report is additional information and not part of this Non-Financial Report.

Quantitative and qualitative statements made in the Non-Financial Report have been subjected to an external business assessment in accordance with ISAE 3000 (Revised) on a voluntary basis with limited assurance through the auditor. A corresponding report regarding this business assessment can be found in the chapter "Further Information".

STADA, under application of the net method, did not identify any significant reportable risks in the reporting period linked to its own business activity or to its business relations, products and services which very probably have or will have serious negative effects on the non-financial aspects mentioned previously. Additionally, there are no essential correlations to report between the non-financial aspects and the Consolidated and Annual Financial Statements.

More than 120 years of corporate responsibility

As early as 1895, the founders of the Professional Community of German Pharmacists (STADA) set a goal to care for the well-being of its patients by preparing certain medicines in accordance with standardized guidelines. The safekeeping of society's greatest asset, its health, has always been the focus of STADA's business activities. More than 120 years after the founding of the Company, STADA contributes to efficient and affordable health care and preventative health care and, at the same time, helps to ease the burden on health-care systems.

The Company's mission statement "All the best" is based on this care for the well-being of people and sums up STADA's contribution to a healthy society. For STADA, "All the best" not only means taking responsibility for the health of society but, in the same manner, assuming responsibility for sustainable corporate governance, for its employees and for the efficient and environmentally friendly handling of resources. "All the best" expresses what STADA wishes for each individual and their environment, even in challenging times for the Company.

Business Model and Strategy

STADA is an internationally active health-care company organized as a stock corporation with more than 50 independent sales companies worldwide. STADA Arzneimittel AG, based in Bad Vilbel, is the parent company of the Group. In financial year 2018, STADA's two segments, Generics and Branded Products, achieved adjusted Group sales of €2,330.8 million and adjusted EBITDA of €503.5 million.

Sustained profitable growth and long-term value enhancement

With its business model, the Group aims to achieve sustained profitable growth and enhance company value over the long term.

In order to achieve these goals, STADA continued to implement the transformation process in the reporting year, including numerous initiatives for increasing efficiency. Overall, this serves to increase competitiveness, enhance innovative strength and create greater value over the long term.

As part of Group strategy, the Group is investing more intensively in new technologies, in order to obtain more complex products that the Group has not had thus far. In terms of specialty pharmaceuticals, the focus is on expanding activities in selected markets, such as Germany, emerging markets, and the USA.

Focus on growth markets

As a health company with a focus on the pharmaceutical market, STADA is active in one of the world's growth industries. Significant growth drivers include the continuously growing and aging world population, increasingly improved access to health care, particularly in emerging markets, and the availability of new medications – including those for so far untreatable or hard to treat diseases.

Both generics and biosimilars offer additional growth opportunities within the pharmaceutical market. Because of the comparably low research and development costs attributable to them, they generally represent a low-cost alternative to the significantly more expensive original products and consequently contribute to counteracting the significant cost pressure in individual health-care markets.

The Branded Products segment benefits particularly from a change in demographics and from increasing health awareness associated with the willingness and desire to personally make provisions for one's own health – because in a society that is aging, mental and physical fitness will increasingly become a key resource. Through individual health management, people's need to live happier, healthier and longer lives grows accordingly.

Product Safety and Quality

Pharmaceutical drugs are products that have a direct impact on people's health. For this reason, STADA, as a pharmaceutical and health-care company, is responsible for ensuring the Group-wide safety of its products and thus also the safety of patients.

Good Clinical Practice

To ensure product safety and quality, STADA adheres to legal requirements and guidelines in the course of its development activities as well as national regulations in the case of local in-house developments and in the planning and execution of clinical trials also follows so-called Good Clinical Practice (GCP). GCP is an international ethical and scientific standard for the planning, execution, documenting and reporting of clinical trials on human subjects. Compliance with this standard ensures the rights, safety and health of individuals in clinical trials in accordance with the Declaration of Helsinki, as well as the credibility of the data gathered from the clinical trial. Contract research organizations for the execution of clinical trials in Germany and internationally are qualified by STADA and regularly audited in order to ensure GCP compliance during the conduct of a study. In addition, all clinical trials are monitored at trial sites so that any deviations from the GCP standard can be recognized at an early stage and corrected if necessary.

Good Manufacturing Practices

In addition to Good Clinical Practice, STADA also follows the so-called Good Manufacturing Practice (GMP) standards for its quality assurance and control. They represent the guidelines for quality assurance in terms of both the processes and the environment in the production of pharmaceuticals and active ingredients as well as cosmetics. STADA is also certified in accordance with external, international quality assurance systems and, at its numerous production sites, not only focuses on GMP standards, but also on all relevant ISO standards. Group-wide quality assurance is carried out centrally through STADA Arzneimittel AG, whereby individual, national companies are supported by regional quality assurance officers.

In the context of GMP audits, quality assurance regularly reviews both compliance with the quality standards set by the Group for its production sites and the facilities of suppliers and contract manufacturers. In addition, inspections are conducted at regular intervals by the responsible national regulatory authorities – within the EU these take place every two to three years. Within the audits carried out in reporting year 2018, no critical findings were identified. STADA requests additional EU GMP compliance inspections for production sites outside of the EU.

Despite the comprehensive quality assurance measures in place in the pharmaceutical sector and external inspections, in mid-2018 many pharmaceutical manufacturing companies, including STADA, recalled batches of products containing valsartan from all over the world as a precautionary measure. Valsartan is a drug used to treat hypertension and light to moderate heart failure. The background for the precautionary recall was an impurity in the active ingredient valsartan contained in the drug, which arose in the production process of the active ingredient producer. According to the competent German regulatory authority, the BfArM, there is no acute risk to patients.

Good Pharmacovigilance Practices

As part of a Group-wide global pharmaceutical safety system – the so-called STADA Global Pharmacovigilance System – the safety of all STADA pharmaceuticals worldwide is monitored and ensured through the collection and evaluation of all reported pharmaceutical risks. Here, STADA's subsidiaries work in accordance with standard operating procedures (SOPs) issued by the central department of Corporate Pharmacovigilance. In accordance with Good Pharmacovigilance Practices (GVP) and as part of the Global Pharmacovigilance Quality System, adherence to legal requirements and STADA standard operating procedures is monitored globally by means of a pharmacovigilance auditing system. Pharmacovigilance audits required in accordance with GVP are conducted by auditors from the Medical Affairs/Corporate Pharmacovigilance department. Additionally, STADA's GVP conformity is regularly inspected by authorities such as the German Federal Institute for Drugs and Medical Devices (BfArM). The inspections made in reporting year 2018 were concluded without critical results.

In addition to the assurance of product safety, quality and effectiveness, STADA is also equally responsible for the safe use of its products by patients. In this context, the readability and comprehensibility of a drug's package insert take on a special meaning. During a pharmaceutical approval procedure, readability tests for package inserts – so-called “readability user tests” – are conducted early on with representative test subjects. Through the optimization of the layout, explanations for technical terms and the use of simple sentence structures it is possible to ensure that patients can easily read and understand the package insert. As a result, compliance is not only increased, but abuse also avoided.

Contributions to Society

As a pharmaceutical and health-care company, STADA not only has an obligation to ensure the safety and quality of its products but, with its generics portfolio, it has also assumed a responsibility for providing society with access to affordable medical care and prevention. The Company thus makes a critical contribution to society: it allows people to protect their most important asset, their health.

At the same time, the Company helps to alleviate the cost pressures that burden health-care systems: due to the relatively low research and development costs attributable to generics and biosimilars, they generally represent a low-cost alternative to the significantly more expensive original products and STADA passes this cost benefit on to its consumers and the health-care systems.

According to a study by the association Pro Generika e.V., the share of generic drugs – including biosimilars – used to meet the daily required drug doses, for example in Germany, amounted to 78%, whereas they only amounted to around 9% of drug expenses, despite representing such a large share of treatment.

With its branded products portfolio, STADA contributes not only to health care, but to preventative health care in particular, thus satisfying society's growing need for private health-care management.

Product portfolio and development

To meet its social responsibility and to secure its competitive position over the long term, STADA's product portfolio is continuously expanded and optimized.

STADA's business model is focused on supplying the global health-care market with a near-comprehensive portfolio, comprising products with patent-free active ingredients at competitive prices. In the Generics segment, STADA pursues the goal of launching a generic product in the respective market directly following the expiration of the original product's patent protection. In the Branded Products segment, which also generally includes active ingredients that are no longer protected, the focus is on additional benefits for patients.

STADA has implemented a Group-wide “idea-to-market” process for the execution of this concept. As part of this process, a detailed evaluation of all product ideas for the Generics and Branded Products segments is carried out from a technical, regulatory and commercial standpoint and according to a global market analysis. All applicable quality requirements regarding the safety and efficacy of a product are reviewed during the development cycle and particularly in the context of the approval process. At the end of a product life cycle, relevant products are actively removed from the portfolio as part of an orderly process.

The entire process is accompanied by the Executive Board. This ensures that the current portfolio composition follows the Group strategy as a whole. Continuous optimization of the product portfolio is monitored via the corresponding number of new product launches and the number of ongoing approval procedures (see “Fundamental Information about the Group – The Group's Business Model”).

STADA as a health partner

STADA believes that it is not only responsible for providing society with access to safe and affordable health care, but also further considers its role as a health-care partner. In this way, the Company also aims to increase society's health competence and create awareness for dealing responsibly with one's own health. In this context, the publication of high-quality health-care information has for many years made a contribution to the education of society. Thus, for example, STADA publishes a quarterly customer magazine and provides a health portal that is accessible to everybody on the Company website. Both channels deal with a range of health topics with the aim of improving physical and mental well-being.

Beyond that, STADA initiated the "All the Best" initiative in 2014, which is supported by experts from medicine, science, sport, and lifestyle and has at its core STADA's Health Report. Surveys carried out among the population on their attitudes, desires, behaviors and knowledge related to the topic of health form the basis of the Report. In reporting year 2018, the survey was carried out in various countries within and outside of Europe for the first time. The corresponding Health Report will be published in 2019 and will be available in various languages.

Responsible Corporate Governance and Compliance

As an internationally active Group, STADA is subject to a wide range of legal framework conditions. Adherence to these conditions forms the foundation of responsible, sustainable and successful corporate governance – because unlawful behavior or even the appearance of a breach of the law can damage the reputation and market position of the Company in a lasting manner and cause significant financial loss. For this reason, the principles of transparent, responsible and value-oriented corporate governance determine the actions of STADA's Executive and Supervisory Boards. Furthermore, in addition to legal requirements and further regulations such as the German Corporate Governance Code, for instance, the regulatory framework in which the Company operates encompasses the provisions of its Internal Control and Risk Management System, the STADA Code of Conduct and corporate policies on specific topics derived from it.

STADA's Code of Conduct, its Corporate Governance Report including the Declaration of Compliance from the Executive and Supervisory Boards, as well as the Corporate Governance Declaration for STADA Arzneimittel AG and the Group are published on the Company's website at www.stada.com/de or www.stada.com.

STADA Code of Conduct

STADA's Code of Conduct and corporate policies not only serve the Company itself, but also its employees in particular as guidance for proper behavior when confronting legal or ethical challenges in their daily work. They also help to prevent corrupt behavior, among other things. The Code of Conduct contains binding behavioral guidelines on topics such as anti-corruption, fair competition, social aspects regarding tolerance and respect as well as dealing with the media. In order to familiarize employees with the content of the Code of Conduct, they are instructed by a compliance officer, for example, in the context of an interactive e-learning seminar including practical examples. Special guidelines also exist for cooperation with members of the medical care profession and serve as a behavioral measure for appropriately dealing with, for instance, gifts, invitations and similar items, thus preventing any sort of misconduct.

An updated and expanded version of the Code of Conduct was published in financial year 2018. The Code of Conduct is valid for all employees as well as for the members of the STADA Arzneimittel AG Executive Board and for all national and international subsidiaries controlled directly or indirectly by STADA. In this updated version, better consideration is taken of the local circumstances of international subsidiaries.

In financial year 2019, internal communication measures regarding compliance issues and the values of STADA are to be further expanded and stepped up at a global level, e.g. through regular newsletters and intranet contributions.

Compliance Management

In order to ensure compliance with applicable law, STADA implemented a comprehensive Compliance Management System comprising the main areas of anti-corruption, competition law, export control, money laundering and data protection.

A key component of the Compliance Management System at STADA is the Corporate Compliance Office, which acts as an independent and objective advisor. Its function is to protect the Company from damage to its financial position and reputation, to safeguard STADA's management and employees from personal liability and to prevent the occurrence of competitive disadvantages. It pursues internal and external indications, clarifies issues while taking into account the principle of proportionality, issues recommendations on the optimization of intra-Group processes and regularly conducts exchanges of information with other corporate departments, particularly with Internal Auditing and Risk Management. Additionally, an Ombudsman is available to employees as well as business partners and other third parties as a neutral and independent contact person for reporting suspicious cases. The Ombudsman's contact details can be accessed on the Company's website at www.stada.com/de or www.stada.com. His task is to receive confidential information and, with the consent of the information provider or anonymously, to forward it to the Compliance Office.

There are separate compliance departments that manage the topic locally in a decentralized manner and act as contact persons onsite. They support the Corporate Compliance Office and maintain an intensive dialog with it.

Through a regular review of the existing Compliance Management System, it is continuously optimized and the international exchange between compliance officers is intensified. In financial year 2017, an expanded reporting system from the subsidiaries to the Compliance Office was set up. As part of this system, disclosures from subsidiaries regarding individual compliance topics are collected and evaluated in order to, in turn, derive new optimization measures from them. At the same time, an assessment and systematic review of the situation at individual locations regarding their positioning within the area of compliance ("Readiness Assessment") has taken place since 2016 – with the goal of gradually strengthening the Group-wide compliance organization. In financial year 2018, the focus was particularly on the "readiness" of individual locations in terms of implementing the General Data Protection Regulation (GDPR) that recently came into force.

Internal Control and Risk Management System

Further, STADA's Internal Control and Risk Management System, which is designed to ensure the responsible handling of risks, represents the basis for responsible corporate governance. It puts the Executive Board in a position to recognize Group-wide risks and market tendencies so that it can immediately react to relevant changes in the risk profile. In this regard, all departments are connected to the Risk Management System, thus allowing for comprehensive risk monitoring, including the monitoring of potential risks from non-financial areas.

The Internal Control and Risk Management System is subject to the annual audit, as well as to audits by Internal Auditing at regular intervals. The Internal Auditing department also supports the Executive Board as an independent body outside of daily business operations by evaluating Group-wide internal procedures and processes from an objective perspective and with the necessary distance. The goal is to optimize business processes, reduced costs, realize efficiency increases and to achieve internally determined goals by way of improved internal controls (see "Opportunities and Risk Report – Internal Control and Risk Management System for the Group accounting process [report in accordance with Sections 289 (5), 315 (2) No. 5 HGB]").

Environment, Health and Safety (EHS)

Good corporate governance not only means that decisions and actions are in line with legal regulatory frameworks. Good corporate governance also means going above and beyond legal requirements and putting in place measures that drive sustainable and responsible business.

In financial year 2018, STADA established the central department “Corporate EHS”. With the aim of minimizing EHS risks and optimizing the underlying processes, its key tasks are to define Group-wide EHS requirements, to support their implementation at a local level and to subsequently monitor their application.

During the reporting period, the focus of the newly-established Corporate EHS department was to create a Group-wide guideline on the topic of EHS&S (Environment, Health and Safety & Sustainability) as a first step and to support the implementation of this guideline after its entry into effect. At the same time, a global system began to be developed that describes, in the form of standard operating procedures, the EHS requirements placed by headquarters on locations. The implementation phase should be completed by the end of March 2019. Whilst the review of this implementation is expected to begin in financial year 2020, the process should begin from April 2019, using relevant key figures on environment and employment security.

STADA is also increasingly placing the same expectations on its business partners as it does on itself. For this reason, in 2015, STADA created a social compliance questionnaire based on the Business Social Compliance Index (BSCI), with which, as a first step, the Company asked key direct Asian suppliers about working conditions and ethical standards, among other things.

In financial year 2018, the Social Compliance Questionnaire underwent a review by the new Corporate EHS department of its structure and plausibility as well as the themes being queried. As part of an update to the questionnaire planned for the first quarter of 2019, the first stage will be to review it in light of the optimization needs identified in the query. Secondly, the questionnaire will be expanded to include questions on issues such as environmental management systems and occupational and workplace safety. Following on from this, STADA’s direct suppliers and manufacturers will be gradually surveyed and evaluated once again using the updated questionnaire.

Employee matters

The organization of STADA’s personnel policy is currently still predominantly decentralized. This means that the international subsidiaries in particular – in accordance with Company Guidelines and standards, especially the Compliance Guidelines – are largely independent in many areas of personnel management such as personnel selection, qualification and remuneration. Within the scope of the increasing centralization, the Human Resources (HR) area will in future be positioned much more internationally.

In financial year 2018, the first HR Leadership Meeting organized by headquarters took place, bringing together HR representatives from headquarters and those responsible for personnel from the larger subsidiaries in order to improve international cooperation. The main focus of the event was the presentation of projects planned by headquarters, which aim to drive forward the internationalization being pursued as well as centralization.

Global measures initiated in financial year 2018 included the establishment of the central department, "HR Compensation & Benefits International", which supports STADA's subsidiaries in the evaluation and remuneration of positions. For the purposes of centralizing the administration and execution of personnel recruitment, local selection of personnel was also made subject to a global approval process by headquarters. Increased centralization was also implemented in terms of reporting within the Human Resources department so that, beginning in 2018, all fundamental information from subsidiaries are reported in a standardized way to central HR Controlling and processed for reporting purposes. Furthermore, in the reporting year, a global project team was put together and has begun the process of creating and implementing a new SAP-based HR IT environment, which will enable standardization and digitalization of Group-wide HR processes. In the first step of the digitalization project, which comprises several modules, the organizational structures within the company and employee source data will be collected and mapped. Further modules will address topics such as "Personnel Recruitment", "Performance & Goals" and "Compensation & Benefits".

Employee recruitment and retention

A company's success depends, to a great extent, on the competence, commitment and motivation of its workforce. In order to recruit and retain qualified employees, STADA offers its staff, in Germany for example, a wide range of social and financial benefits.

Equal opportunities and family-friendly framework conditions are important factors in the success of every company and fundamentally contribute to competitiveness. For this reason, STADA supports its employees in establishing a work-family balance by allowing for flexible work hours, or by granting employees contributions to childcare costs and consultation services on the topic of caring for dependents.

In addition to contributions to childcare costs, STADA's financial contributions include payments or subsidies for the commute to the workplace, supplementary occupational disability insurance in the chemical industry (BUC) for every employee covered by collective agreements and those covered by similar agreements, the promotion of the ChemiePensionfonds, as well as group accident insurance, which also covers private accidents.

In order to deal responsibly with the labor of each individual employee – one of the Company's key resources – STADA has, for example, established company health management at its headquarters in Bad Vilbel, which supports the workforce in staying physically fit.

In the context of the ongoing takeover in the reporting year, employee recruitment continued to represent a major challenge for the Company in financial year 2018 despite the various incentives.

Training and development

STADA attaches great importance to training and development. Particularly against the backdrop of covering its own need for qualified young talent and, with it, securing and strengthening the competitiveness of the Company, STADA makes use of internal promotion and targeted programs. The individual training of employees is defined and coordinated by the respective departments on a needs-oriented basis and in accordance with individual targets.

In financial year 2018, STADA began a program for the transformation of the management culture in cooperation with Ashridge Executive Education, which represents a key part of the Group-wide approach to consistent talent development. The dialog-oriented program consists of several modules at different locations and includes topics such as management and leadership in particular, but also local business reviews.

In the reporting period 2018, twelve people at STADA were involved in apprenticeships or dual study programs. As part of its development program, the Company also offers students the opportunity to collect practical experience in the pharmaceutical industry with an internship or clerkship.

Employee communication

In the context of encouraging sustainable and responsible communication within the Group across geographical borders, internal communication in financial year 2018 focused particularly on internationalizing and expanding STADA's internal communication channels. The aim here was to encourage an understanding in all areas of the Group of the comprehensive changes and developments within STADA and to create greater transparency. Thus, for example, since the beginning of 2018, the Group's intranet has been available in the four main languages of the Group – English, German, Russian and Serbian – and included both global and local news. For the current financial year 2019, the further development of a "Social Intranet" is planned, which will use interactive features and an intuitive user interface to encourage interaction with and among employees.

In addition to the revision of the Group-wide intranet, the employee magazine STADAWORLD was fundamentally overhauled. This included the layout as well as the content and distribution methods. Since the reporting year, the international cover page STADAWORLD.wide has appeared in a total of eight languages and in numerous national organizations. In addition, regional issues with local content have been published in Germany, Russia, Serbia, Belgium, the Netherlands, Spain and the United Kingdom. This also ensures that all STADA employees, particularly those without email access, are always informed of important developments within the Company.

At the end of the reporting year, there was a particular focus on the issue of corporate culture. In a total of 15 workshops in Germany, Russia, China and Serbia, around 150 employees discussed the proposals of the STADA Executive Committee on the values and self-identity of the Company. The final definition of the reformulated corporate values and vision and the communication of them are to take place in financial year 2019.

Employee rights and occupational safety

With due regard to local laws, STADA respects the rights of its employees throughout the Group and ensures their safety at the workplace by complying with common standards.

The Company commits itself to the principle of equal treatment and pursues violations of the German Non-Discrimination Act (AGG) with disciplinary consequences. In order to promote protection against discrimination at the workplace, employees at German locations are, for example, instructed in the applicable non-discrimination policy upon entering the Company and an internal complaints office serves as a contact point.

The Company continues to place importance on the fair involvement of employee representatives and expresses a clear commitment to the freedom of association as well as to the right of its workforce to membership of a union.

With a view to the safety of employees, the prevention of accidents and emergency situations as well as the planning of emergency measures take on great importance. Should an accident nevertheless occur, its course of events are discussed decentrally in the production locations under the guidance of local production managers, and afterwards in the production management team to raise awareness among the team onsite and to define suitable preventive measures.

STADA also achieves the best safety possible through trusting collaboration with its employees, whose knowledge and experience form the basis for continuous improvements in occupational safety.

Fostering equal opportunity

STADA values the diversity of personal qualities, talents and performance within its workforce. The future viability of the Company largely depends on how this diversity is promoted and utilized. As an internationally active Group with locations in over 30 countries worldwide, cultural diversity is an important part of the company.

With regard to equal opportunity for women and men, STADA places importance on the balanced representation of both genders. Also, as part of succession planning for managers, the Executive Board ensures an appropriate promotion of female employees for a constant increase in the proportion of women. When it comes to filling management positions, however, the professional and personal qualifications of the candidates, and not their gender, are always at the forefront.

In relation to the STADA Group's total workforce, the proportion of women as of December 31, 2018 was approximately 58%. The Group-wide percentage of women in the first and second management levels below the Executive Board was around 11% and 28% respectively as of December 31, 2018.

Environmental Protection and Ecological Sustainability

STADA's operational environmental protection generally covers the areas of energy, gas, water and waste, focusing in this regard on statutory requirements which are fully complied with. For example, the Company carries out location-based energy assessments and at regular intervals performs energy-efficiency inspections and energy audits in line with the Energy Services Act (Energiedienstleistungsgesetz). The potential for improvement identified in this way is gradually integrated into the planning of renovation and modernization measures. The next scheduled energy audit will take place in the current financial year 2019. Within the scope of its production processes, STADA works with active ingredients and auxiliary materials the improper handling of which could have a potential impact on the environment. In order to consistently prevent impurities as well as the contamination of wastewater, the air or the soil, the Company follows EU-GMP guidelines for its manufacturing practices and produces exclusively at GMP-certified facilities worldwide. At the same time, STADA maintains long-term business relations with those suppliers whose manufacturing processes also conform to the GMP standards (see "Product Safety and Quality – Good Manufacturing Practices"). In addition, STADA aims to source its active ingredients and auxiliary materials from suppliers with established EHS programs and takes measures to survey, review and evaluate their existence and implementation (see "Responsible Corporate Governance and Compliance – Environment, Health and Safety [EHS]").

Resource efficiency

STADA strives to continuously optimize the environmental balance of its plants. For this reason, the Company observes a high technological standard and considers resource-saving equipment for new and replacement investments in plants in Germany and abroad. Budget administration for this takes place centrally at Group headquarters.

STADA generally follows a two-phase concept in order to identify and realize any possible efficiency increases:

- The preventative environmental protection concept is integrated into production and starts in the planning phase for manufacturing as well as production facilities. It takes place in the concept phase of a manufacturing process and takes into account material and energy efficiency. This is reflected in the specification sheet sent to the respective equipment manufacturer. Furthermore, formulations which contain raw materials with little negative impact on the environment, such as organic solvents, are generally sought when developing new products so that the production process causes the smallest possible amount of emissions.
- With regard to existing production facilities, a retrospective evaluation and assessment takes place where appropriate. In this way, depending on the criticality of the environmental impact at each location, existing production units are replaced with new, state-of-the-art solutions, which are also more environmentally friendly.

Environmental management process

Since financial year 2018, STADA's environmental management process has been oriented toward the so-called PDCA cycle (Plan-Do-Check-Act). Accordingly, continuous planning, controlling, monitoring and the improvement of selected operational processes take place. In so doing, the following steps are continuously repeated with the target of realizing consistent improvement:

- **Plan:** The consumption figures for energy, water, oil and gas are collected each year to identify potential improvements. The aim here is to first establish a target in the area for which practical improvements can be achieved with appropriate financial expense.
- **Do:** Location-dependent measures are carried out to achieve the target efficiently.
- **Check:** A target/actual comparison of the planned and achieved objectives takes place.
- **Act:** Interim reviews are carried out during the reference period in order to estimate target achievement, and, in the case of an impending failure to meet the target, a review takes place as to whether the requirements and framework conditions need adjustment. In this way, adjustments can still be made during the general assessment phase in order to achieve the target.

In order to identify potential for optimization and to be able to validate resource efficiency, in financial year 2017 STADA began to centrally measure the use of certain energy sources in its key production facilities. At the same time, the Company set the goal for financial year 2018 of reducing its power or energy usage in kWh per package unit of its most productive production sites in Bad Vilbel, Germany, Nizhny Novgorod, Russia, Huddersfield, United Kingdom and Vrsac, Serbia by 1% in comparison to the previous financial year 2017. This aim was achieved at the Vrsac site in Serbia, while energy consumption per packaging unit at the other sites and in total rose slightly compared to the previous year. This was due to opposing factors: due to, among other things, downtimes of individual machines which had to be retrofitted as part of the implementation of the Falsified Medicines Directive and the decreasing reduction of inventories, the number of units produced declined. However, the power requirements of refrigeration machines and ventilation technology increased as, regardless of the machine running time, these systems had to maintain a constant climate in the production and storage sites during the long summer period which saw significantly higher than average temperatures. In consequence of these contrary developments, the target of reducing the power usage in kWh per package unit of the main production sites by 1% in total was not met.

Observance of human rights

For STADA, good corporate governance means that the focus is not only on the achievement of goals, but also on the way in which these goals are achieved. The Company goal of achieving economic success in line with ethical responsibility, is also mirrored in STADA's Code of Conduct, which provides guidance to employees particularly for proper behavior when facing legal or ethical challenges. It includes, for example, behavioral guidelines for dealing with each other and with third parties as well as rules regarding tolerance, respect and discrimination.

Many contracts negotiated since financial year 2016 and which have been concluded in connection with the production of finished goods include additional clauses on the topic of social responsibility. As part of this, STADA and its suppliers pledge to increasingly comply with the ten principles of the UN Global Compact. This is associated with an obligation to, among other things, respect and support the protection of international human rights and ensure that neither party is complicit in any violations of human rights and commits to the removal of all forms of compulsory labor and to the elimination of child labor. At the same time, STADA also increasingly queries its suppliers regarding their handling of the universal rights of each individual (see "Responsible Corporate Governance and Compliance – Environment, Health and Safety [EHS]").

Further, a person's right to integrity is taken into account using the application of GCP in STADA's development and manufacturing practices (see "Contributions to Society – Product Safety and Quality") or using EHS evaluations for example (see "Responsible Corporate Governance and Compliance – Environment, Health and Safety [EHS]").

Consolidated Financial Statements

2018

Consolidated Income Statement	104
Consolidated Statement of Comprehensive Income	105
Consolidated Balance Sheet	106
Consolidated Cash Flow Statement	107
Consolidated Statement of Changes in Shareholders' Equity	108
Notes to the Consolidated Financial Statements	110
General Information	111
Notes to the Consolidated Income Statement	133
Notes to the Consolidated Balance Sheet	143
Other Disclosures	172

Consolidated Income Statement

Consolidated Income Statement in k €	2018	2017	Note
Sales	2,330,824	2,313,928	11.
Cost of sales	1,139,493	1,177,994	12.
Gross profit	1,191,331	1,135,934	
Selling expenses	538,587	514,478	13.
General and administrative expenses	183,714	199,701	14.
Research and development expenses	72,256	67,471	15.
Other income	84,380	41,265	16.
Other expenses	103,104	203,260	17.
Operating profit	378,050	192,289	
Result from investments measured at equity	3,722	2,304	
Investment income	43	-1	
Financial income	5,624	3,629	
Financial expenses	44,565	50,475	
Financial result	-35,176	-44,543	18.
Earnings before taxes	342,874	147,746	
Income tax expenses	32,342	52,985	19.
Earnings after taxes	310,532	94,761	
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	306,927	85,323	
• distributable to non-controlling shareholders	3,605	9,438	20.
Profit transfer to Nidda Healthcare GmbH	134,189	-	
Earnings per share in € (basic/diluted)	4.93	1.37	21.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in k €	2018	2017	Note
Earnings after taxes	310,532	94,761	
Items to be recycled to the income statement in future:			
Currency translation gains and losses	-45,380	-58,987	35.
thereof			
• income tax expenses	397	-4,250	19.
Gains and losses on financial assets (FVOCI)	23	-	47.
thereof			
• income tax expenses	-11	-	19.
Items not to be recycled to the income statement in future:			
Revaluations of net debt from defined benefit plans	739	3,478	36.
thereof			
• income tax expenses	-162	-706	19.
Other comprehensive income	-44,618	-55,509	
thereof			
• attributable to disposal groups held for sale in accordance with IFRS 5	-	-176	
Consolidated comprehensive income	265,914	39,252	
thereof			
• distributable to shareholders of STADA Arzneimittel AG	261,750	37,985	
• distributable to non-controlling shareholders	4,164	1,267	

Consolidated Balance Sheet

Consolidated Balance Sheet in k €			
Assets	Dec. 31, 2018	Dec. 31, 2017	Note
Non-current assets	2,113,845	1,880,574	
Intangible assets	1,707,205	1,474,342	24.
Property, plant and equipment	351,467	332,738	25.
Financial assets	2,281	1,978	26.
Investments measured at equity	24,568	41,528	27.
Other financial assets	823	1,087	30.
Other assets	1,164	1,330	31.
Deferred tax assets	26,337	27,571	
Current assets	1,446,281	1,323,952	
Inventories	515,251	499,012	32.
Trade accounts receivable	516,011	520,441	28.
Return assets	620	-	29.
Income tax receivables	8,545	14,346	
Other financial assets	12,755	9,809	30.
Other assets	49,255	35,323	31.
Cash and cash equivalents	343,794	243,194	33.
Non-current assets and disposal groups held for sale	50	1,827	34.
Total assets	3,560,126	3,204,526	
Equity and liabilities	Dec. 31, 2018	Dec. 31, 2017	
Equity	1,177,985	1,006,406	35.
Share capital	162,090	162,090	35.1.
Capital reserve	514,206	514,206	35.2.
Retained earnings including net income	858,606	717,364	35.3.
Other reserves	-475,941	-430,013	35.4.
Treasury shares	-1,403	-1,405	35.5.
Equity attributable to shareholders of the parent	1,057,558	962,242	
Shares held by non-controlling shareholders	120,427	44,164	35.6.
Non-current borrowings	1,102,439	157,572	
Other non-current provisions	33,490	35,293	36.
Financial liabilities	978,386	816	37.
Other financial liabilities	4,168	4,032	40.
Other liabilities	2,460	950	41.
Deferred tax liabilities	83,935	116,481	
Current borrowings	1,279,702	2,040,548	
Other provisions	22,543	23,507	42.
Financial liabilities	444,943	1,257,105	37.
Trade accounts payable	315,080	340,642	38.
Contract liabilities	1,491		39.
Income tax liabilities	79,723	69,663	
Other financial liabilities	288,718	226,108	40.
Other liabilities	127,204	123,523	41.
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	-	-	
Total equity and liabilities	3,560,126	3,204,526	

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in k €	2018	2017	Note
Net income	310,532	94,761	
Depreciation and amortization net of write-ups of non-current assets	148,799	169,226	23.
Income tax expenses	32,342	52,985	19.
Income tax paid	-46,542	-56,588	
Interest income and expenses	38,941	47,013	18.
Interest and dividends received	4,726	3,829	
Interest paid	-46,375	-45,447	
Result from investments measured at equity	-3,722	-2,304	27.
Result from the disposal of non-current assets	1,421	5,131	16. / 17.
Additions to / reversals of other non-current provisions	2,673	8,307	36.
Currency translation income and expenses	1,888	1,966	16. / 17.
Other non-cash expenses and gains ¹⁾	165,785	279,527	
Gross cash flow	610,468	558,406	
Changes in inventories	-44,867	-64,610	32.
Changes in trade accounts receivable	485	-31,505	28.
Changes in trade accounts payable	-51,511	-27,009	38.
Changes in other net assets, unless attributable to investing or financing activities ¹⁾	-194,287	-172,401	
Cash flow from operating activities	320,288	262,881	43.
Payments for investments in			
• intangible assets	-280,284	-70,174	24.
• property, plant and equipment	-48,063	-54,999	25.
• financial assets	-280	-270	26.
• business combinations in accordance with IFRS 3	19,185	-2,854	8.
Proceeds from the disposal of			
• intangible assets	1,278	2,311	24.
• property, plant and equipment	1,655	3,336	25.
• financial assets	-	-	26.
• shares in consolidated companies	6,225	6	
Cash flow from investing activities	-300,284	-122,644	43.
Borrowing of funds	944,599	71,326	37.
Settlement of financial liabilities	-820,883	-250,292	37.
Settlement of finance lease liabilities	-1,699	-1,350	
Dividend distribution	-8,944	-46,048	35.
Capital increase from share options	-	-	35.
Changes in non-controlling interests	-33,349	-1,504	35.
Changes in treasury shares	2	30	35.
Cash flow from financing activities	79,726	-227,838	43.
Changes in cash and cash equivalents	99,730	-87,601	43.
Changes in cash and cash equivalents due to the scope of consolidation	-40	-12,920	
Changes in cash and cash equivalents due to exchange rates	909	-8,864	
Net change in cash and cash equivalents	100,599	-109,385	33.
Balance at beginning of the period	243,195	352,580	
Balance at end of the period	343,794	243,195	

1) Non-cash additions to accruals for discounts to health insurance organizations in 2018 in the amount of €131.6 million (previous year: €136.5 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 Dec. 31, 2018	62,342,440	162,090	514,206	858,606
Miscellaneous changes ¹⁾				-134,189
Dividend distribution				-6,848
Capital increase from share options				
Changes in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				-23,336
Changes in the scope of consolidation				-306
Other comprehensive income				713
Net income				306,927
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 Dec. 31, 2017	62,342,440	162,090	514,206	717,364
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				13
Other comprehensive income				3,601
Net income				85,323
Balance as of Jan. 1, 2017	62,342,440	162,090	514,189	673,253

1) The miscellaneous changes relate to the profit transfer to Nidda Healthcare GmbH, Bad Vilbel.

Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-475,926	-15	-1,403	1,057,558	120,427	1,177,985
			-134,189		-134,189
			-6,848	-3,530	-10,378
			-		-
		2	2		2
			-		-
			23,336	-8,350	31,686
			-306	84,087	83,781
-45,913	23		-45,177	559	-44,618
			306,927	3,605	310,532
-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
-430,013	-	-1,405	962,242	44,164	1,006,406
			-44,826	-4,009	-48,835
			-	-	-
		13	30	-	30
			-	-	-
			-	2,746	2,746
			13	-33,905	-33,892
-50,939			-47,338	-8,171	-55,509
			85,323	9,438	94,761
-379,074	-	-1,418	969,040	78,065	1,047,105

Notes to the Consolidated Financial Statements

Table of Contents

General Information	111	35. Equity	155
1. Corporate information	111	35.1. Share capital	155
2. Basis of preparation of the financial statements	111	35.2. Capital reserve	156
3. Consequences of new or amended standards and interpretations	111	35.3. Retained earnings including net income	156
4. Changes in accounting policies	116	35.4. Other reserves	157
5. Scope of consolidation	116	35.5. Treasury shares	157
6. Principles for the consolidation of subsidiaries, joint ventures and associated companies	123	35.6. Shares relating to non-controlling shareholders	157
7. Currency translation	124	36. Other non-current provisions	157
8. Business combinations	125	37. Financial liabilities	165
9. Accounting policies	126	38. Trade accounts payables	167
10. Estimates, assumptions and discretion in the application of accounting principles	130	39. Contractual liabilities	167
		40. Other financial liabilities	168
		41. Other liabilities	170
		42. Other provisions	171
Notes to the Consolidated Income Statement	133	Other Disclosures	172
11. Sales	133	43. Notes to the cash flow statement	172
12. Cost of sales	133	44. Segment reporting	173
13. Selling expenses	133	44.1. Information by operating segment	174
14. General and administrative expenses	133	44.2. Reconciliation of segment results to net profit	176
15. Research and development expenses	134	44.3. Information by country	176
16. Other income	134	44.4. Information on important customers	176
17. Other expenses	134	45. Contingent liabilities	176
18. Financial result	135	46. Other financial obligations	177
19. Income tax expenses	137	47. Disclosures about financial instruments	178
20. Income attributable to non-controlling interests	141	47.1. Carrying amounts, valuation rates and fair values according to valuation categories	178
21. Earnings per share	141	47.2. Net earnings from financial instruments by valuation category	182
22. Number of employees and personnel expenses	141	47.3. Factoring	182
23. Depreciation, amortization and impairment losses	142	48. Risk management, derivative financial instruments and disclosures on capital management	183
		48.1. Principles of risk management	183
Notes to the Consolidated Balance Sheet	143	48.2. Currency risks	183
24. Intangible assets	143	48.3. Interest rate risks	184
25. Property, plant and equipment	148	48.4. Default risks	185
26. Financial assets	150	48.5. Liquidity risks	185
27. Investments measured at equity	151	48.6. Derivative financial instruments and hedging instruments	185
28. Trade accounts receivable	152	48.7. Disclosures on capital management	187
29. Return assets	153	49. Related party transactions	188
30. Other financial assets	154	49.1. Transactions with related persons	188
31. Other assets	154	49.2. Transactions with related companies	188
32. Inventories	155	50. Remuneration of the Executive Board and the Supervisory Board	190
33. Cash and cash equivalents	155	51. Fees for the auditor	190
34. Non-current assets and disposal groups held for sale as well as associated liabilities	155	52. Corporate Governance	191
		53. Events after the end of the financial year	191
		54. Dividend	192

General Information

1. Corporate information

STADA Arzneimittel Aktiengesellschaft (STADA Arzneimittel AG) as the parent company of the STADA Group (hereafter referred to as "STADA"), located at Stadastrasse 2–18, 61118 Bad Vilbel, is an internationally-oriented company based in Germany and active throughout the world in the health care and pharmaceuticals markets, especially in the Generics and Branded Products segments.

The Consolidated Financial Statements of STADA Arzneimittel AG for financial year 2018 were approved for publication by the Executive Board on March 13, 2019.

2. Basis of preparation of the financial statements

The Consolidated Financial Statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2018, were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The individual financial statements of the companies included in the scope of consolidation are prepared as of the same date as the Consolidated Financial Statements.

The structure of the consolidated income statement follows the cost-of-sales method, according to which expenses incurred in generating sales are divided into functional areas. In the statement of comprehensive income, use was made of the option to present this separately from the consolidated income statement. The balance sheet classification distinguishes between non-current and current assets and liabilities, some of which are presented in detail in the notes according to their current or non-current distinction.

The Consolidated Financial Statements are prepared in euro. Unless otherwise indicated, figures in the notes are shown in euro thousands (k €). Rounding is thus necessary, although this of course is not significant in its nature.

3. Consequences of new or amended standards and interpretations

In financial year 2018, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2018. Insofar as these changes have material effects on the presentation of STADA's net assets, financial position and results of operations or cash flows, these are described in detail below:

In July 2014, IASB published the standard IFRS 9 "Financial Instruments". The standard replaces IAS 39 and introduces new rules for the classification, recognition and valuation of financial instruments. Furthermore, IFRS 9 also includes guidelines on the accounting of hedging transactions. IFRS 9 is to be applied for financial years beginning 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. Accordingly, the accumulative effect from the initial application of IFRS 9 as of January 1, 2018, was recorded in equity with no effect on profit or loss.

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

For the classification of financial assets and financial liabilities, initial application of IFRS 9 has had the following impacts:

in k €	IAS 39		Reclassifi- cation	Remeasurement		IFRS 9	
	Category	Carrying amount as of Dec. 31, 2017		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
Derivative financial assets with a hedging relationship	n/a	678	-	-	-	678	n/a
Derivative financial assets without a hedging relation- ship	FAHfT	-	-	-	-	-	FVPL
Other financial assets	LaR	10,217	-	-2	-	10,215	AC
Non-financial assets							
Deferred tax assets	-	27,571	-	-	812	28,383	-
Total assets		802,102	-	-2,657	762	800,207	
Financial liabilities							
Trade accounts payable	FLAC	340,642	-	-	-	340,642	AC
Amounts due to banks	FLAC	84,823	-	-	-	84,823	AC
Promissory note loans	FLAC	525,112	-	-	-	525,112	AC
Bonds	FLAC	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 relation- ship	FLHfT	6	-	-	-	6	FVPL
Other financial liabilities	FLAC	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	

Pursuant to IFRS 9, a financial asset is assessed at fair market value through other comprehensive income if the underlying business model consists of holding the assets in order to collect contractual cash flows and to sell financial assets (business model qualification). 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.

The new regulations for the classification of financial assets have led to changes for the receivables that can be factored in terms of their measurement and presentation as a result of the underlying business model. These financial assets, which remain under trade accounts receivable, are no longer measured at amortized cost, but at fair value through other comprehensive income.

Changes in the fair value of these receivables are therefore recognized directly 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.

Under IFRS 9, equity instruments in general and derivatives are always recognized 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 has not made use of this option to date.

Due to the new regulations on impairment, expected losses are recognized as expenses earlier under IFRS 9. While under IAS 39 the incurred losses model was relevant for establishment of a risk provision, under IFRS 9 they are based on the expected credit losses model. STADA applied the simplified approach for trade accounts receivable. For other financial assets, the general approach is applied on principle. As a result of the initial application of the impairment regulations in accordance with 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 in accordance with 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 brought 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". IFRS 15 governs revenue recognition for contracts with customers in a 5-step model and in particular replaces the existing standards IAS 11 "Construction Contracts" and IAS 18 "Revenue". IFRS 15 is to be applied for financial years beginning 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 initial application. Accordingly, the contracts that were not fully completed as of January 1, 2018 are accounted for as if the new standard IFRS 15 were already applied when these contracts began so that the cumulative effect from the change will be recognized directly in equity. There is no adjustment of the comparable figures from the prior-year period.

Initial application of IFRS 15 as of January 1, 2018 led to an augmenting cumulative effect of €0.4 million that was recognized in retained earnings. The effect resulted primarily from the to be accounted contract assets which in future are to be shown within the scope of return regulations and the deferred taxes to be established as a result. Furthermore, application resulted in reclassification of €0.6 million of down payments from trade accounts payable to contract liabilities. The new standard on revenue recognition will thus have little impact on sales accounting, as sales are largely realized in the Consolidated Financial Statements as a result of 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 of STADA's license agreements are either bound to the achieved sales of the licensee or further activities are necessary on the part of STADA that would allow the use of the right by the licensee. If this were not the case for such license agreements, the result, due to the new IFRS 15 standard, future sales would be realized in the amount of the entire license fee with the granting of a license and therefore no longer, as they are presently, divided over the term of the license.

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 €	Dec. 31, 2017 (reported)	Adjustments under IFRS 9	Adjustments under IFRS 15	Jan. 1, 2018 (adjusted)
Assets				
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
Return 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				
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 the new standard IFRS 16 "Leases", which determines the recognition of contractual rights (assets) and obligations (financial liabilities) associated with leases in the balance sheet for lessees. Lessees must therefore no longer classify leases as finance leases or operating leases. IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. STADA will apply the new standard for the first time from January 1, 2019 and thereby likely modified retroactively, i.e. an adjustment of the prior-year figures will be waived. In this context, the rights of use will likely be equated with lease liabilities at the time of the change.

An examination of the impact of the application of IFRS 16 on the Consolidated Financial Statements has not yet been fully completed. As a result of the accounting of assets and liabilities in the lessee's balance sheet, as required by IFRS 16, a significant increase in the balance sheet total is expected at the point of initial application. Given the current lease agreements and the currently available study results, STADA anticipates the recognition of rights of use in the amount of approximately €40 million and the recording of lease obligations in the amount of €40 million. Instead of leasing expenses, as a result of amendments to IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement – with a corresponding positive impact on the EBITDA. Based on the current status of the study, STADA assumes that the write-downs of current lease agreements will in total amount to approximately €40 million in future. In addition, STADA expects future interest expenses in the amount of approximately €10 million. In accordance with the previous requirements of IAS 17 "Leases", these expenses would have been fully recognized in operating profit as a leasing expense and as a reduction of EBITDA. The change-over effect relates at STADA for the most part to leased real estate, company vehicles as well as office and business equipment.

Furthermore, in May 2017, IFRIC 23 "Uncertainty over Income Tax Treatments" was issued by the IASB, through which a clarification of the requirements of the approach and measurement of uncertain earnings positions arose. According to this, a company within the scope of the assessment of the uncertainty must estimate how probable the acceptance of the tax treatment of business transactions in the respective tax jurisdictions is. The interpretation is to be applied for financial years which begin on or after January 1, 2019, whereby earlier application is permitted. STADA currently finds itself in the evaluation on the impact of IFRIC 23 on the Consolidated Financial Statements of the Company.

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

4. Changes in accounting policies

There were no changes to accounting policies with significant consequences for the presentation of STADA's net assets, financial position and results of operations or cash flow in financial year 2018.

5. Scope of consolidation

All significant subsidiaries, joint ventures and associates are included in the Consolidated Financial Statements. Subsidiaries are companies that are directly or indirectly controlled by STADA and are therefore fully consolidated. Control exists if STADA Arzneimittel AG or its subsidiaries are in control of an investee, are exposed to variable backflows and, due to control over existing rights, are able to substantially influence the investee's variable backflows. Control is usually substantiated by a share of voting rights of more than 50%.

Joint arrangements are characterized by joint control by two or more parties and should be classified as either joint operations or as joint ventures. In joint operations, the parties that exercise joint control possess the rights to assets and liabilities included in the agreement. In joint ventures, however, the parties involved possess rights to the company's net assets. Joint ventures are to be included in the Consolidated Financial Statements using the equity method.

Associates are companies over which STADA can have significant influence and are not subsidiaries or joint ventures. They are included in the Consolidated Financial Statements using the equity method.

Subsidiaries, joint ventures and associates whose influence, both individually and as a whole, on the net assets, financial position and results of operations of the STADA Group is insignificant, are not consolidated or accounted for using the equity method. Investments in these companies are accounted at amortized cost under financial assets. Accumulated, the sales and balance sheet total of these companies make up about 1% of total Group sales and/or the balance sheet total.

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associates included in financial year 2018 and are as follows:

Number of companies in the scope of consolidation	Germany	Outside Germany	Total
January 1, 2018	10	74	84
Acquisitions	1	1	2
Disposals	1	4	5
December 31, 2018	10	71	81

For the former Vietnamese subsidiary STADA Vietnam J.V., a contract was signed in the fourth quarter of 2017 for the sale of the shares held in the company as of December 31, 2019. For STADA, this was associated with the loss of control in this company. In accordance with IAS 28, the company will now be consolidated as an associate in the Consolidated Financial Statements until the time of the sale. As a result, the financial information of this company is no longer taken into account for the purposes of inclusion as a subsidiary.

In addition, the two French companies Pharm Ortho Pedic SAS and AELIA SAS as well as the Russian Dialogfarma LLC were recorded in the Consolidated Financial Statements as associates in accordance with the equity method.

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

In addition, the Hungarian company STADA Hungary LLC was re-constituted on March 26, 2018. The company has been accounted for as a subsidiary since September 30, 2018.

STADA has been consolidating BIOCEUTICALS Arzneimittel AG, formerly recognized as associated company, as a subsidiary since September 30, 2018 following a successful increase of its stake. The BIOCEUTICALS Arzneimittel AG subsidiary NorBiTec GmbH is also included in the Consolidated Financial Statements starting as of September 30, 2018.

On December 29, 2018, the business combination of the two Russian subsidiaries OOO STADA Marketing and ZAO Skopinpharm into the Russian subsidiary OOO Hemofarm took place under the continuation of the company name OOO Hemofarm.

In addition, the two subsidiaries Socialites Retail Germany GmbH and Socialites Nederlands B.V. were deconsolidated as of December 31, 2018.

In the Consolidated Financial Statements of the STADA Group, 77 companies were consolidated as subsidiaries and four companies as associates as of the reporting date on December 31, 2018.

The following condensed financial information is given for these four associates:

in € million	2018	2017
Share of result from continuing operations	1.9	2.3
Share of result from discontinued operations	-	-
Share of other comprehensive income	-	-
Share of comprehensive income	1.9	2.3
Status change of BIOCEUTICALS Arzneimittel AG in 2018	-15.0	-
Status change of STADA Vietnam J.V. in 2017	-	25.3
Aggregate carrying amount	24.6	41.5

Significant non-controlling interests exist in the STADA Group as of December 31, 2018 in the Vietnamese subsidiaries Pymepharco Joint Stock Company as well as in the German BIOCEUTICALS Arzneimittel AG.

The influence of other shareholders in Pymepharco Joint Stock Company as of December 31, 2018 is presented below:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2018 in k €	Accumulated non-controlling shares as of Dec. 31, 2018 in k €
Pymepharco	Vietnam	28%	3,726	25,064

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2017 in k €	Accumulated non-controlling shares as of Dec. 31, 2017 in k €
Pymepharco	Vietnam	41%	3,964	32,126

In the following, the combined financial information of Pymepharco as of December 31, 2018 and for financial year 2018 is presented:

in k €	Assets as of Dec. 31, 2018		Liabilities as of Dec. 31, 2018	
	current	non-current	current	non-current
Pymepharco	54,975	55,967	5,553	11,330

in k €	Earnings after taxes in 2018				
	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2018	Dividends to non-controlling interests in 2018
Pymepharco	61,409	5,247	3,726	11,212	3,343

For the previous year, the following disclosures are made regarding the summarized financial information for Pymepharco:

in k €	Assets as of Dec. 31, 2017		Liabilities as of Dec. 31, 2017	
	current	non-current	current	non-current
Pymepharco	46,500	58,267	6,238	10,737

in k €	Earnings after taxes in 2017				
	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2017	Dividends to non-controlling interests in 2017
Pymepharco	63,105	5,705	3,964	-1,457	2,379

In the following, information on the cash flow for Pymepharco for financial years 2018 and 2017 is presented.

in k €	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities	
	2018	2017	2018	2017	2018	2017
Pymepharco	7,021	9,070	-12,035	-2,075	-	-

In the following, the influence of other shareholders on BIOCEUTICALS Arzneimittel AG as of December 31, 2018 is presented:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2018 in k €	Accumulated non-controlling shares as of Dec. 31, 2018 in k €
BIOCEUTICALS Arzneimittel AG	Germany	48.66%	-1,438	72,769

In the following, summarized financial information for BIOCEUTICALS Arzneimittel AG as of December 31, 2018 and for financial year 2018 since the consolidation as a subsidiary as of September 30, 2018 are presented:

in k €	Assets as of Dec. 31, 2018		Liabilities as of Dec. 31, 2018	
	current	non-current	current	non-current
BIOCEUTICALS Arzneimittel AG	114,361	79,368	24,102	28,311

in k €	Earnings after taxes in 2018				Dividends to non- controlling interests in 2018
	Sales	distributable to STADA	distributable to non- controlling interests	Total earnings in 2018	
BIOCEUTICALS Arzneimittel AG	3,796	-1,517	-1,438	-2,955	-

In the following, information on the cash flow of BIOCEUTICALS Arzneimittel AG for financial year 2018 since the consolidation as a subsidiary as of September 30, 2018 is presented:

in k €	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities	
	2018	2017	2018	2017	2018	2017
BIOCEUTICALS Arzneimittel AG	8,636	-	-	-	-25,000	-

Subsidiaries, joint ventures and associates as well as all non-consolidated and other investments pursuant to the regulations of Section 313 (2) HGB are included in the Consolidated Financial Statements as investments and listed below.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
AO Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	51.34%	associate
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
Crinos S.p.A., Milan, Italy	100%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France	100%	subsidiary
EC S.p.A., Milan, Italy	100%	subsidiary
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
Laboratorio Vannier S.A., Buenos Aires, Argentina	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	100%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria	100%	subsidiary
Socialites Retail Germany GmbH, Bad Vilbel, Germany	100%	subsidiary/not included
STADA Aesthetics Deutschland GmbH, Bad Homburg, Germany ¹⁾	100%	subsidiary/not included
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia	100%	subsidiary
STADA d.o.o., Zagreb, Croatia	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt ¹⁾	100%	subsidiary/not included
STADA LUX S.à R.L., Luxembourg, Luxembourg	100%	subsidiary/not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria	100%	subsidiary
STADA PHARMA CZ s.r.o., Prague, Czech Republic	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India	100%	subsidiary/not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA Pharmaceuticals Australia Pty. Ltd., Sydney, Australia	100%	subsidiary
STADA Poland Sp. z o.o., Piaseczno, Poland	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, Netherlands	100%	subsidiary
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China	100%	subsidiary/not included
STADA (Thailand) Company, Ltd., Bangkok, Thailand	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom	100%	subsidiary

1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint Brieuç, France	20%	associate
ALIUD PHARMA GmbH, Laichingen, Germany	100%	subsidiary
Britannia Pharmaceuticals Ltd., Reading, United Kingdom	100%	subsidiary
Brituswip Ltd., Reading, United Kingdom	50%	joint venture/ not included
BSMW Ltd., Huddersfield, United Kingdom	100%	subsidiary
Centrafarm B.V., Etten-Leur, Netherlands	100%	subsidiary
Centrafarm Nederland B.V., Etten-Leur, Netherlands	100%	subsidiary
Centrafarm Services B.V., Etten-Leur, Netherlands	100%	subsidiary
Clonmel Healthcare Ltd., Clonmel, Ireland	100%	subsidiary
CNRD 2009 Ireland Ltd., Dublin, Ireland	50%	joint venture/ not included
Crosspharma Ltd., Belfast, United Kingdom	100%	subsidiary
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam	43%	investment/not consolidated
Fresh Vape Electronic Cigarettes Ltd., Huddersfield, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Huddersfield, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Healthypharm B.V., Etten-Leur, Netherlands	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia	100%	subsidiary
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia ¹⁾	99.18%	subsidiary/ not included
Hemofarm S.à R.L., Constantine, Algeria	40%	investment/not consolidated
Hemomont d.o.o., Podgorica, Montenegro	71.02%	subsidiary
Hemopharm GmbH, Bad Vilbel, Germany	100%	subsidiary
Internis Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China	35.50%	investment/not consolidated
LAS Trading Ltd., Huddersfield, United Kingdom	100%	subsidiary
LCM Ltd., Huddersfield, United Kingdom	100%	subsidiary
Lowry Solutions Ltd., Huddersfield, United Kingdom	100%	subsidiary
Natures Aid Ltd., Huddersfield, United Kingdom	100%	subsidiary
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan	100%	subsidiary
NorBiTec GmbH, Uetersen, Germany	66.66%	subsidiary
OOO Aqualor, Moscow, Russia	100%	subsidiary
OOO Dialogfarma, Moscow, Russia	50%	associate
Pegach AG, Egerkingen, Switzerland	100%	subsidiary
Pharm Ortho Pedic SAS, Trélazé, France	30%	associate
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam	20%	investment/not consolidated
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam	72%	subsidiary
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam	49%	investment/not consolidated
Quatropharma Holding B.V., Etten-Leur, The Netherlands	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium	100%	subsidiary
Slam Trading Ltd., Huddersfield, United Kingdom	100%	subsidiary
Socialites E-Commerce Ltd., Huddersfield, United Kingdom	100%	subsidiary
Socialites Nederlands B.V., Beuningen, The Netherlands	100%	subsidiary/not included
Socialites Retail Ltd., Huddersfield, United Kingdom	100%	subsidiary
Spirig HealthCare AG, Egerkingen, Switzerland	100%	subsidiary

1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG

Name of the company, registered office	Share in capital	Form of consolidation
STADA Aesthetics AG, Egerkingen, Switzerland	100%	subsidiary/ not included
STADA Aesthetics UK Limited, West Wickham, United Kingdom ¹⁾	100%	subsidiary/ not included
STADA CEE GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Financial Investments Ltd., Clonmel, Ireland	100%	subsidiary
STADA Genéricos, S.L., Barcelona, Spain	100%	subsidiary/ not included
STADA GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA HEMOFARM S.R.L., Temeswar, Romania	100%	subsidiary
STADA Hungary LLC, Budapest, Hungary	100%	subsidiary
STADA IT Solutions d.o.o., Vrsac, Serbia	100%	subsidiary
STADA, LDA, Paco de Arcos, Portugal	100%	subsidiary/ not included
STADA M&D S.R.L., Bucharest, Romania	100%	subsidiary
STADA Medical GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates	100%	subsidiary
STADA Nordic ApS, Herlev, Denmark	100%	subsidiary
STADAPHARM GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China	83.351%	subsidiary
STADA Philippines Inc., Manila, Philippines	100%	subsidiary
STADA-Ukraine, Kiev, Ukraine	100%	subsidiary
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam	50%	associate
Sundrops Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ireland Ltd., Clonmel, Ireland	100%	subsidiary
UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania	100%	subsidiary
Velefarm A.D., Belgrade, Serbia	19.65%	investment/not consolidated
Velexfarm d.o.o., Belgrade, Serbia	100%	subsidiary
Vetfarm A.D., Belgrade, Serbia	15%	investment/not consolidated
Well Light Investment Company Limited, Ho Chi Minh City, Vietnam	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom	100%	subsidiary

The exemption rule in Section 264 (3) HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Hemopharm GmbH, Mobilat Produktions GmbH, Socialites Retail Germany GmbH, STADA CEE GmbH, STADA GmbH, STADA Medical GmbH and STADAPHARM GmbH.

6. Principles for the consolidation of subsidiaries, joint ventures and associates

In accordance with IFRS, business combinations are to be accounted for using the acquisition method. Assets, liabilities and contingent liabilities from business combinations are generally recognized in full – irrespective of the amount of the shareholding – as of the acquisition date at their fair values. If the historical costs of the subsidiary acquired exceed the proportionate newly-measured net assets of the acquiree, STADA recognizes the positive difference as goodwill. After critical examination of the premises underlying the purchase price allocation, a negative difference is recognized through profit or loss in the period of the acquisition. In a business combination achieved in stages, it is necessary to carry out a revaluation through profit or loss of the shares previously held at the date control was achieved. The shares of non-controlling interests are disclosed in the amount of their share in net assets of the subsidiary.

1) Currently in the process of liquidation.

The acquisition of additional shares from an existing controlling position in a subsidiary is recognized through other comprehensive income in accordance with IFRS 10, as it is a transaction between the equity investors.

Subsidiaries are generally included in the Consolidated Financial Statements from the acquisition date to the end of control by the parent company. Receivables, liabilities, expenses, income and earnings between the companies included in the Consolidated Financial Statements are eliminated, intercompany value adjustments and provisions are released. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, deferred tax liabilities are recognized.

Shares in associates are recognized according to the equity method at acquisition cost on the date when joint control is established (joint ventures) or when significant influence was established (associates) and carried forward from this date in the amount of the proportionate share of earnings in the financial year. A positive difference determined during the purchase price allocation is recognized as goodwill in the carrying amount of the investment in the associate. A negative difference is recognized in income in the period of the acquisition in the results from associates. Profit and loss from transactions with associates is recognized in the Consolidated Financial Statements only according to the share of minority interests.

If indications arise from the application of IFRS 9 that the carrying amount determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associate.

7. Currency translation

The functional currency of STADA Arzneimittel AG is the euro and represents the reporting currency of the Group.

In the separate financial statements of companies included in the Consolidated Financial Statements, foreign currency transactions are translated into the functional currency at the exchange rate applicable at the time of the transactions. On every reporting date, monetary items are translated using the closing rate and non-monetary items are translated using the transaction rate. Resulting currency translation differences are recognized in income as exchange gains or losses.

The translation of the companies with a functional currency other than the euro included in the Consolidated Financial Statements into the Group functional currency is carried out using the closing rate method. Assets and liabilities are generally translated using the closing rate, while individual components of equity are translated using the historical rates at their respective dates of inflow from the Group's perspective. The income and expenses of the income statements are translated – and thereby also the resulting translation of the annual results to be entered in equity – using the average exchange rate of the period.

Currency translation differences arising from the use of different exchange rates are recognized directly in equity in "Provisions for currency translation". These provisions are released and recognized in income if Group companies leave the scope of consolidation.

The exchange rate development of currencies important to STADA to the euro can be seen in the following chart:

Significant currency relations in local currency to 1 euro	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2018	2017	±%	2018	2017	±%
Pound sterling	0.89453	0.88723	1%	0.88475	0.87614	1%
Swiss franc	1.12690	1.17020	-4%	1.15488	1.11156	4%
Russian ruble	79.71530	69.39200	15%	74.05507	65.88766	12%
Serbian dinar	118.19460	118.47270	-0%	118.27336	121.41395	-3%
Ukrainian hryvnia	31.73620	33.73180	-6%	32.11569	30.03099	7%
US dollar	1.14500	1.19930	-5%	1.18149	1.12928	5%

8. Business combinations

In financial year 2018, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in greater detail below.

As of September 27, 2018 STADA assumed control of the German company BIOCEUTICALS Arzneimittel AG, Bad Vilbel. The company produces the active ingredient erythropoietin and markets it primarily by issuing sales licenses to STADAPHARM and other third parties. BIOCEUTICALS Arzneimittel AG, which was previously included in the Consolidated Financial Statements as an associated company, as well as its subsidiary NorBiTec GmbH, have been included in the Consolidated Financial Statements as subsidiaries since September 30, 2018 with consideration of minority interests. Assumption of control occurred as a result of acquisition of an additional 35.48% of other shareholders shares, so that STADA – together with the shares it already held – holds 51.34% of shares in BIOCEUTICALS Arzneimittel AG and is therefore the majority shareholder in the company. The purchase price for the acquisition in the amount of €35.0 million was paid entirely in cash. The acquisition took place on September 27, 2018 following approval by anti-trust authorities as per the purchase agreement concluded in August of 2018.

Within the scope of the final purchase price allocation, there were significant changes as compared to the preliminary purchase price allocation as of September 30, 2018. These are attributable in particular to the measurement of intangible assets. Accordingly, a negative difference in the amount of €27.6 million arose which is considered a bargain purchase and which resulted as follows:

in € million	
Purchase price for 35.48% of the shares of the company approximately	35.0
Fair value of shares at the time of purchase recorded per equity method	15.6
Proportionate fair values of the assets and liabilities acquired approximately	78.3
Negative difference	27.6

The revaluation of shares recorded in accordance with the equity method up to the time of purchase resulted at the time control was acquired in an amount of €0.6 million, which was recorded in other income.

The negative difference was recognised in other income. Based on the negative difference determined as part of the purchase price allocation, the procedures used to determine the fair values of the identifiable assets and liabilities assumed were reviewed again. In this context, it was ensured that all information available at the time of acquisition had been adequately taken into account in the valuation.

The share of the company held by non-controlling shareholders determined at the time of purchase as part of the purchase price allocation was €74.2 million. This corresponds to a 48.66% share of BIOCEUTICALS Arzneimittel AG net assets, which is derived from the fair value of assets and liabilities at the time of purchase.

The following fair values were applied at the acquisition date for the assets acquired and liabilities assumed in the context of business combinations:

Fair values in € million	
Non-current assets	87.2
Property, plant and equipment	8.3
Deferred tax assets	19.0
Inventories	18.9
Trade accounts receivable	23.4
Other assets	5.7
Other current assets	1.0
Cash and cash equivalents	54.2
Assets	217.7
Deferred tax liabilities	25.4
Trade accounts payables	3.6
Income tax liabilities	2.7
Other liabilities	23.6
Liabilities	55.3
Fair value of acquired assets and liabilities	162.4
Shares in minority shareholders before merger	9.9
Fair value of acquired assets and liabilities less shares in minority shareholders before the merger	152.5
Pro rata fair value of acquired assets and liabilities	78.3

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.

The gross value of the trade accounts receivable is €23.4 million, which were deemed fully recoverable. Trade accounts receivable were recorded at their fair value in the amount of €23.4 million.

Sales of the BIOCEUTICALS Group for the first three months since initial consolidation amounted to approximately €4.2 million. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around €4.4 million) amounted to approximately €0.3 million in the reporting year. If STADA had acquired the BIOCEUTICALS Group by January 1, 2018, progression on a straight-line-basis in 2018 would have generated sales of approximately €16.8 million and operating profit adjusted for effects from the purchase price allocation (approximately €17.6 million) of approximately €1.2 million.

Even prior to the acquisition of additional shares of BIOCEUTICALS Arzneimittel AG, business relations existed with STADA via the subsidiary STADAPHARM, which was already marketing the active ingredient erythropoietin through the use of a license.

9. Accounting policies

STADA's Consolidated Financial Statements are based on uniform accounting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the Consolidated Financial Statements and which are described in more detail below insofar as they are significant for the Consolidated Financial Statements of STADA or for which option rights are exercised.

Sales are recorded when the power of disposition over delimitable goods is transferred to the customer so that the customer has the ability to determine the use of the delimitable goods and essentially derive economic benefit from them. This requires that a contract with enforceable rights and duties be in place and that, among other things, receipt of a consideration is highly likely. The customer's creditworthiness should be taken into consideration. The amount of sales is based on the transaction price to which STADA is presumptively entitled. The anticipated transaction price is affected by variable considerations, which should, however, be taken into consideration exclusively if it is highly likely that there will be no significant retraction of sales upon elimination of uncertainty with respect to the variable consideration. The amount of the variable consideration is determined by applying the anticipated value method.

Expenses from the creation of provisions for returns are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

All STADA license agreements either are bound to the sales generated by the licensee or further activities of STADA are required which enable the licensee to use his or her right. As a consequence, sales are realized over the terms of the contract period.

Income and expenses from the same transactions are generally recognized in the same period. Expenses related to deferrals for future revenue reductions are thus recorded in the period in which the sales are realized.

Cost of sales includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. The expense is recognized in the period in which the associated income is realized. In addition, cost of sales also includes costs directly attributable to the commercial goods (e.g. cost of materials and personnel expenses), overhead costs (e.g. scheduled depreciation of production equipment and regulatory drug approvals and licenses) as well as value adjustments of excess or obsolete inventories.

Development costs consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Downstream from the development process is an evaluation process at the end of which a decision on the actual execution of a development is made. Within the development process itself, development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- The intention and ability, as well as the necessary resources, exist to complete the asset and to use (i.e. usually to market it oneself) or sell it in the future.
- The intangible asset provides the Group with a future economic benefit.
- It is possible to reliably calculate the development costs of the intangible asset.

STADA immediately recognizes development costs not eligible for capitalization as expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance of products marketed.

Goodwill is not amortized over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units aggregated into operating segments, where a cash-generating unit corresponds to a market region within the two operating segments of the STADA Group for the purpose of an impairment test of goodwill.

STADA carries out impairment tests for capitalized goodwill at least once a year. Additional reviews also take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of

a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. Significant assumptions made in order to determine the value in use include assumptions regarding sales development, regulatory conditions, investments, the discount rate, currency relations as well as the growth rate. These assumptions are made individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions that both reflect past experience and include external market data.

Other intangible assets with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of their useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 30 years. Expenses from scheduled amortization of intangible assets are allocated to the relevant functional costs and generally reported within cost of sales. If on the reporting date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell is determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group, the umbrella brand Pymepharco capitalized in the context of achieving control over Pymepharco, and the umbrella brand Vannier capitalized in the context of the acquisition of Laboratorio Vannier. Impairment tests are carried out for the umbrella brands with indefinite useful lives at the level of the individual company or, for the umbrella brand Hemofarm, at the level of the individual companies that generate sales under the Hemofarm umbrella brand. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Internal development costs are capitalized in accordance with the criteria in IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs, external services and directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years).

Property, plant and equipment is reported at cost less depreciation and any impairment losses plus write-ups. Depreciation begins when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized. Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, eight to 20 years in the case of technical facilities and three to 14 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives, must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the intangible asset or property, plant and equipment. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the respective functional currency, subsequent changes in exchange rates have no impact on the recording of original historical costs.

Impairments on other intangible assets and property, plant and equipment exist when the recoverable amount of an asset is lower than its carrying amount. At each reporting date, STADA assesses whether indications for impairment are apparent. If this is the case, e.g. if certain defined critical values are exceeded, the asset's recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for two operating segments with specific parameters. Expenses arising from impairments are recognized under "Other expenses".

For the purpose of impairment tests of other intangible assets and property, plant and equipment, cash-generating units within the STADA Group are defined at the level of individual assets within the reportable segments of Branded Products and Generics.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item "Other income".

Inventories include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Historical costs or costs of sales are determined based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets can be divided into the following categories in accordance with IFRS 9: Measurement at amortised cost ("AC"), financial assets at fair value through profit or loss ("FVPL") and financial assets at fair value through other comprehensive income ("FVOCI"). Financial assets are accounted for and measured in accordance with IFRS 9. This involves classifying a financial asset (debt instrument) on the basis of its contractual cash flow characteristics and business model. Under IFRS 9, a financial asset is carried at cost if the underlying business model is to hold the assets in order to collect contractual cash flows (business model condition). In addition, the cash flow condition must be satisfied. This is the case when the contractual features of the financial asset at specified times only provide for interest and principal payments on the outstanding principal amount.

Receivables eligible for factoring are included in trade accounts receivables. Based on the present business model, they are measured at fair value recorded directly in equity. Changes in the fair value of these receivables are therefore recognized directly in equity in the FVOCI reserve. Financial assets measured at fair value recorded directly in equity are generally subject to the same impairment model as financial assets measured at amortized cost.

In accordance with IFRS 9, expected losses are accounted for on the basis of the expected credit loss model. STADA has applied the simplified approach for trade accounts receivables and return assets. The general approach is generally applied to other financial assets.

Trade accounts receivable are measured at amortized cost less impairments using the effective interest rate method. Impairments are made in the form of individual impairments and general individual impairments for specific defaults and expected default risks resulting from the insolvency of customers. To quantify the expected default risk, STADA determines the expected future cash flows from receivables grouped by debtor. To this end, the maturity structures of net receivables and experience relating to derecognition of receivables in the past, the creditworthiness of the customers as well as changes in payment conditions are taken into account. In addition, a trade credit insurance that covers part of the loss in case of default is to be taken into consideration for various Group companies. The required impairment determined reduces the assets' carrying amounts through recognition of an impairment account.

The loss is recognized in profit and loss under "Other expenses". Bad debts are derecognized against the impairment account. Subsequent cash receipts for receivables already derecognized are presented net of expenses.

Financial liabilities are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values that are not part of an effective hedging relationship and allocated to the category "at fair value through profit or loss" in accordance with IFRS 9. STADA reports these financial liabilities in the "Other financial liabilities" item. Here, those derivative financial instruments are also included which serve to hedge interest rate and currency risks resulting from operating activities, financial transactions and investments, and which are also measured at fair value in accordance with the regulations of IFRS 9 on hedge accounting. Unless market prices are available, fair value is determined with measurement models based on discounted cash flow models.

Fair value hedges serve to hedge against the risk of market value fluctuations. The results from the hedging instruments are generally recognized in income statement items in which the hedged underlying transaction is also reflected. Within the scope of fair value hedge accounting, in addition to the fair value change in the derivative, the opposing fair value change in the underlying transaction is recognized in profit or loss, insofar as it is attributable to the hedged risk.

STADA has so far not made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

10. Estimates, assumptions and discretion in the application of accounting principles

The presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements is determined by recognition and valuation methods. To a certain extent, STADA makes estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets evaluated according to IFRS 3 and the consideration transferred plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this that are primarily based on estimates and assumptions.

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units, aggregated into operating segments, which are based on certain assumptions, are to be determined for this purpose. In this regard, both an allocation from "Corporate Assets" to the carrying amounts of the respective cash-generating units and an allocation from "Corporate Costs" are carried out in the calculation of the respective value in use on the basis of individual appropriate distribution keys. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets.

For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment requirement may be necessary in subsequent years.

For items of property plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets, estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are reported as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

STADA makes valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' creditworthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial position of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in CEE countries.

STADA operates in various countries and is obliged to pay respective income tax expenses in each tax jurisdiction. In order to calculate the income tax provisions and the deferred taxes in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain items according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on actual and deferred taxes and thus on the business, financial and earnings situation of the Group in the respective period. Furthermore, increasing importance within the STADA Group is being allotted to a comprehensive tax transfer-pricing model for the payment of intercompany services. Potential risks of non-recognition of these transfer prices for tax purposes is limited by way of the introduction of corresponding agreement procedures and a comprehensive definition of transfer prices in the form of a Group guideline.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows, which are already fixed or calculated by means of the current yield curve using so-called "forward rates", are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the reporting date.

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. This procedure is based upon assumptions, among other things, regarding the discount rate, life expectancy and future salary and pension increases. Changes to these assumptions can significantly influence the amount of future pension costs. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2018G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on long-term rates of return on high quality corporate bonds with fixed interest rates at the reporting date. In countries where there is no liquid market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. STADA creates provisions if there is a present external obligation and a probable outflow of resources, i.e. if it is more likely to occur than not. Provisions in relation to pending legal disputes are created based on how STADA estimates the prospects of success of these methods. The determination of provisions for damages is also associated with substantial estimates and can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for returns may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements. These are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

Notes to the Consolidated Income Statement

11. Sales

Sales at STADA primarily resulted from the supply of products and, to a much lesser extent, from license revenues. For information on the reporting of sales, please refer to the details included in the Accounting Policies.

In financial year 2018, there was an increase in sales based primarily on strong sales development in the Belgian, Italian, German and Serbian generics business as well as in the branded products business in the United Kingdom and Germany. The French and Russian generics business as well as the Russian and Italian branded products business had a negative effect. Exchange rate effects and portfolio changes as an adjustment to the previous year's figure had a total influence of €95.4 million on sales in the reporting year. For information on how sales are broken down according to segments, please refer to "Segment reporting" in Note 44.

12. Cost of sales

Cost of sales is divided into the following items:

in k €	2018	2017
Material expenses	906,940	930,042
Impairment, depreciation and amortization	106,505	106,900
Expenses from inventory write-downs	35,658	43,215
Remaining cost of sales	90,390	97,837
Total	1,139,493	1,177,994

Impairment, depreciation and amortization in the amount of €106.5 million (previous year: €106.9 million) mainly included amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured – in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value netted with reversals. The reversals amounted to €9.4 million in financial year 2018 (previous year: €7.2 million).

13. Selling expenses

In addition to the costs for sales departments and the sales force, selling expenses also comprise the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages, so-called discounts in kind – insofar as this is possible under the legal regulations in a national market – are not included. The resulting expenses are reported as a part of cost of sales.

In the reporting year, marketing expenses in the amount of €239.0 million (previous year: €220.7 million) corresponded to a share of 44% in selling expenses (previous year: 43%). In addition, selling expenses included depreciation in the amount of €7.4 million (previous year: €7.3 million).

14. General and administrative expenses

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

In 2018, the general and administrative expenses included depreciation in the amount of €6.1 million (previous year: €6.5 million).

General and administrative expenses decreased in the reporting year by a total of €16.0 million. The decrease primarily resulted from decreased consulting expenses in connection with various restructuring processes in financial year 2017.

15. Research and development expenses

For information on the composition of research and development expenses, please refer to the details included in the Accounting Policies.

In financial year 2018, research and development expenses increased by €4.8 million compared to the previous year.

The research and development expenses included depreciation in the amount of €2.4 million (previous year: €2.2 million). Development costs for new products in the amount of €20.4 million (previous year: €21.4 million) were capitalized in financial year 2018 (see the Notes on the item "Intangible Assets").

16. Other income

Other income is divided into the following items:

in k €	2018	2017
Income from write-ups	15,899	13,995
Income from the reversal of impairments on receivables	10,636	7,234
Income from received insurance compensations	9,874	2,630
Income from the disposal of non-current assets	720	2,026
Remaining other income	47,251	15,380
Total	84,380	41,265

Income from write-ups in financial year 2018 is made up of many individual items in the Group companies and amounted to €1.3 million for the Generics segment and €14.6 million for the Branded Products segment. The write-ups relate for the most part to various pharmaceutical approvals and trademarks, the scheduled amortization of which is reported within cost of sales.

The remaining other income mainly includes income from the capital consolidation of BIOCEUTICALS Arzneimittel AG which is regarded as a special item in the financial year as well as other income that cannot be directly allocated to the functional costs and which are made up of many immaterial individual items in the Group companies.

17. Other expenses

The breakdown of other expenses is as follows:

in k €	2018	2017
Impairment losses on non-current assets excluding goodwill	42,166	60,356
Expenses from valuation allowances in accounts receivable	15,523	44,913
Losses from the disposal of non-current assets	2,140	7,157
Currency translation expenses	1,888	1,966
Remaining other expenses	41,387	88,868
Total	103,104	203,260

Other expenses include impairment losses in the amount of €42.2 million (previous year: €60.4 million) that in the reporting year exclusively relate to impairment losses on non-current assets excluding goodwill in the reporting year as well as the largest single item attributable to Fultium® D3 vitamin drops, as was the case in the previous year. The impairment losses relate for the most part to various pharmaceutical approvals and trademarks, the scheduled amortization of which is reported within cost of sales.

In other expenses, in the reporting year there are expenses from impairments on receivables in the amount of €15.5 million (previous year: €44.9 million) which for the most part relate to impairments due to payment defaults of customers in Russia.

Losses on the disposal of non-current assets decreased in the reporting year by €5.0 million and resulted in the previous year for the most part from the following situation: For the subsidiary STADA Vietnam J.V., a contract was concluded on the sale of the shares held by STADA in this company as of December 31, 2019. For STADA, this was associated with the loss of control in this company. The company will now be consolidated as an associate in the Consolidated Financial Statements until the time of the sale. In connection with the loss of control in this company, there was a loss in the total of €5.5 million. This resulted in a positive effect from the reversal of the currency translation reserve in the amount of €1.2 million.

In remaining other expenses, net currency translation expenses in the amount of €1.9 million (previous year: €2.0 million), made up of currency translation income of €45.6 million (previous year: €32.3 million) and currency translation expenses of €47.5 million (previous year: €34.3 million) was recognized. This development was based in particular on adverse developments in the significant currencies in the CIS region.

Additionally, the item remaining other expenses included personnel expenses in the amount of €5.8 million (previous year: €20.8 million) which in the reporting year resulted mainly from severance payments to former Executive Board members as well as expenses due to changes in management. The regular personnel expenses are appropriately allocated to the respective specialist departments. Primarily, the severance payments affected employees whose regular personnel costs were recorded under administrative costs.

During the previous year, the item for remaining other expenses included consulting services in connection with the 2017 takeover by Bain Capital and Cinven in the amount of €45.0 million, which were considered a special item in the financial year. Other consulting expenses are appropriately allocated to the respective specialist departments.

18. Financial result

The **result from investments measured at equity** in financial year 2018 relates to the companies AELIA SAS, BIOCEUTICALS Arzneimittel AG, Dialogfarma LLC as well as Pharm Ortho Pedic SAS accounted for using the equity method. BIOCEUTICALS Arzneimittel AG was consolidated as an associate until September 30, 2018, following a successful increase in shareholdings, it has been consolidated as a subsidiary since September 30, 2018.

Investment income primarily relates to profit distributions from companies not included in the Consolidated Financial Statements.

Financial income and financial expenses are composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in k €	2018	2017
Interest income	5,624	3,462
Interest expense	44,565	50,475
Interest result	38,941	47,013
thereof from financial instruments of the valuation categories in accordance with IFRS 9:		
• loans and receivables (AC)	2,079	3,462
• financial assets at fair value through other comprehensive income (FVOCI)	-1,564	n/a
• financial assets and liabilities at fair value through profit and loss (FVPL)	-5,910	-14,258
• financial liabilities measured at amortized costs (AC)	-36,158	-35,304

Interest income for the financial year 2018 includes the compounding effect for the sale price contractually agreed for December 31, 2019 for the shares held in Company STADA Vietnam J.V.

In addition, the interest result in financial year 2018 included a net interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of €0.8 million (previous year: €0.9 million).

In financial year 2018, STADA Arzneimittel AG refinanced itself at interest rates of between 0.95% p.a. and 2.3% p.a. (previous year: between 0.8% p.a. and 4.23% p.a.). In addition, the Group refinanced itself at interest rates between 2.84% p.a. and 3.19% p.a. (previous year: between 2.9% p.a. and 5.5% p.a.). As of the reporting date December 31, 2018, the weighted average interest rate for non-current financial liabilities was approximately 3.43% p.a. (previous year: approximately 25.51% p.a.). The average interest rate for current financial liabilities was 1.97% p.a. as of the balance sheet date (previous year: 1.78% p.a.). For the Group, the weighted average interest rate for financial liabilities was approximately 2.97% p.a. (previous year: approximately 1.79% p.a.).

Borrowing costs capitalized as part of the cost of qualifying assets amounted to €2.6 million in financial year 2018 (previous year: €1.5 million). A capitalization rate of 2.5% for intangible assets (previous year: 1.6%) was taken as a basis.

Other financial income and other financial expenses consist of the following:

in k €	2018	2017
Other financial income	-	167
thereof		
• from the measurement of financial instruments	-	167
• from the disposal of financial instruments	-	-
Other financial expenses	-	-
thereof		
• from the measurement of financial instruments	-	-
• from the disposal of financial instruments	-	-

In the previous year, the result from the valuation of financial instruments resulted primarily from interest rate/currency swaps measured at fair value through profit or loss which expired in the fourth quarter of 2017 as planned.

19. Income tax expenses

The item income tax expenses includes taxes on income and earnings paid or owed in the individual countries as well as deferred tax liabilities. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in other expenses.

Actual income tax expenses recognized in the income statement can be divided according to timing as follows:

in k €	2018	2017
Actual income tax expenses	68,502	61,603
Tax expense in the current period	54,932	59,677
Tax expense from previous periods	13,720	2,490
Tax income from previous periods	150	564

Deferred taxes recognized in the income statement are made up of the following:

in k €	2018	2017
Deferred taxes	-36,160	-8,618
• from temporary differences	-32,367	-10,909
• from loss/interest carryforwards	-3,793	2,291

The effective income tax rate amounted to 9.4% for financial year 2018. The effective income tax rate in the previous year was 35.9%. The nominal income tax rate amounted to 28.3% in financial year 2018 for STADA Arzneimittel AG in Germany. This includes corporate tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% as well as trade income tax with an assessment rate of 35.7%. The nominal income tax rate of STADA Arzneimittel AG is thus unchanged as compared to the previous year.

For temporary differences from undistributed earnings of subsidiaries in the amount of €22.4 million, no deferred tax liabilities were established, because these profits will be reinvested for an indefinite period.

The following overview explains how the effective income tax expense reported in the income statement was derived from the expected income tax expense. The expected income tax expense is calculated by applying the nominal tax rate of a corporation headquartered in Bad Vilbel to earnings before taxes. The tax effects of the respective tax rates to be applied locally depending on their applicable national and legal forms are reported in a separate reconciliation.

in k €	2018	2017
Earnings before taxes	342,874	147,746
Nominal income tax rate of STADA Arzneimittel AG (in %)	28.3%	28.3%
Expected income tax expense	97,102	41,842
Deviation in local tax rate	-14,867	-12,356
Tax effects from loss carryforwards, tax credits, interest carryforwards and prior-year taxes	6,537	8,456
Effects from tax rate changes	22	-89
Tax effects from non-deductible expenses and tax-free earnings	9,604	9,187
Tax effects from deconsolidation	-	5,788
Tax effect of the negative difference according to IFRS 3	-7,829	-
Tax effect from the fiscal unity with the shareholder	-56,597	-
Other tax effects	-1,630	157
Income tax expense shown on the income statement	32,342	52,985
Effective income tax rate (in %)	9.4%	35.9%

As in the previous year, tax effects from loss/interest carryforwards resulted for the most part from unusable interest expenses due to the interest barrier rule that was newly-introduced in the United Kingdom.

The tax effects from the deconsolidation resulted in the previous year from the change of control at STADA Vietnam J.V. and the change of status associated with it.

The tax effect from the negative difference from IFRS 3 is attributable to the acquisition of control and the associated change of status of BIOCEUTICALS AG.

The tax expense of STADA Arzneimittel AG in the financial year was mainly influenced by the conclusion of a domination and profit and loss transfer agreement with the shareholder Nidda Healthcare GmbH. This resulted in a change in the tax status of STADA Arzneimittel AG, which has been included in the single tax entity of Nidda BondCo GmbH with its tax results since 2018 and must pay corporate tax exclusively for 20/17 of the compensation payment to be made to the outside shareholders. No tax allocation agreement was concluded with Nidda Healthcare GmbH as the direct parent company and/or Nidda BondCo GmbH as the indirect parent company. Income taxes are therefore reported in accordance with the formal approach. Accordingly, all deferred taxes of the former German controlling company STADA Arzneimittel AG were transferred to the new controlling company Nidda BondCo GmbH. Nidda BondCo GmbH also has to pay corporation tax, solidarity surcharge and trade tax on the taxable income of STADA Arzneimittel AG, while STADA Arzneimittel AG is responsible for the taxation of recurring compensation payments.

The actual income tax expenses and deferred taxes recognized in the balance sheet were as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Income tax receivables	8,545	14,346
Income tax liabilities	79,723	69,663

in k €	2018	2017
Deferred tax assets	26,337	27,571
Deferred tax liabilities	83,935	116,481
Deferred taxes as of December 31	-57,598	-88,910
Difference compared to previous year	-31,312	6,692
thereof		
• recognized in income	-36,160	8,618
• recognized through other comprehensive income	-235	-4,956
• acquisitions/disposals/changes in the scope of consolidation	5,728	-4,774
• reclassifications in accordance with IFRS 5	-	4,916
• reclassifications as a result of the implementation of the new standards IFRS 9 and IFRS 15	-220	-
• currency translation differences	-425	2,888

Deferred taxes result from the following balance sheet items and loss carryforwards:

in € k	Dec. 31, 2018 Deferred tax assets	Dec. 31, 2017 Deferred tax assets	Dec. 31, 2018 Deferred tax liabilities	Dec. 31, 2017 Deferred tax liabilities
Intangible assets	528	3,078	99,589	117,434
Property, plant and equipment	1,435	1,764	6,814	7,524
Financial assets	454	791	10	591
Inventories	12,511	14,081	995	1,201
Receivables	2,037	8,484	249	374
Other assets	919	2,956	13	41
Other non-current provisions	2,501	2,438	-	708
Other provisions	3,391	3,337	7,288	4,528
Liabilities	13,817	1,736	851	1,184
Loss carryforwards	20,618	6,010	-	-
Total	58,211	44,675	115,809	133,585
Offsetting	31,874	-17,104	31,874	-17,104
Deferred taxes as per balance sheet	26,337	27,571	83,935	116,481

Deferred tax liabilities reported by STADA resulted, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. The reduction in deferred tax liabilities from intangible assets compared with the previous year was primarily a result of scheduled amortization of intangible assets with purchase price allocations measured in accordance with IFRS 3, as well as from impairments on such assets. The increase in loss carryforwards results in particular from the first-time inclusion of BIOCEUTICALS AG as a subsidiary due to the change in status.

Tax advantages that are expected from the future utilization of tax loss carryforwards are reported under "Tax loss carryforwards", insofar as their utilization is probable. Tax loss carryforwards capitalized as of the reporting date on the December 31, 2018 reporting date amounted to €72.7 million in financial year 2018 (previous year: €25.7 million).

Tax effects from loss and interest carryforwards led in the financial year to an increase in the income tax expense in the amount of €1.2 million (previous year: increase in expenses from taxes on profits of €3.1 million). This development was primarily influenced by British tax law which, from April 1, 2017 for the first time limits the deduction of operating expenses for interest (interest barrier) which led to an interest carryforward for which no deferred tax assets were established.

The future usable tax loss carryforwards and similar items are listed in the following chart according to their expiry date:

in € k	Dec. 31, 2018	Dec. 31, 2017
Loss carryforward expiry date within		
• 1 year	-	865
• 2 years	-	248
• 3 years	-	-
• 4 years	-	23
• 5 years	1,802	5,914
• more than 5 years	-	1,168
• unlimited carryforward	70,885	17,455

No deferred taxes were recognized for the following tax loss carryforwards and similar items as it is not probable that they will be realized in the foreseeable future:

in k €	Dec. 31, 2018	Dec. 31, 2017
Expiry date for loss carryforwards and similar items within		
• 1 year	14	250
• 2 years	-	692
• 3 years	-	642
• 4 years	-	789
• 5 years	54	284
• more than 5 years	-	10,223
• unlimited carryforward	13,147	17,872
Temporary differences	-	-

20. Income attributable to non-controlling interests

in k €	Dec. 31, 2018	Dec. 31, 2017
Earnings after taxes	310,532	94,761
• thereof distributable to shareholders of STADA Arzneimittel AG (net income)	306,927	85,323
• thereof distributable to non-controlling interests	3,605	9,438

Profit distributable to non-controlling shareholders pertains to the subsidiaries BIOEUTICALS Arzneimittel AG, NorBiTec GmbH, Hemofarm Banja Luka, Hemomont, NorBiTec GmbH, Pymepharco, and STADA Pharmaceuticals (Beijing).

21. Earnings per share

The basic earnings per share were as follows:

Earnings per share	2018	2017
Net income (in k €)	306,927	85,323
Adjustment	-	-
Adjusted net income (basic) (in k €)	306,927	85,323
Average number of registered shares ¹⁾ issued (in unit shares)	62,342,440	62,342,440
Average number of treasury shares (in unit shares)	84,298	84,389
Adjusted average number of shares (basic) (in unit shares)	62,258,142	62,258,051
Basic/diluted earnings per share (in €)	4.93	1.37

Basic/diluted earnings per share are calculated by dividing the adjusted net income distributable to the shareholders of STADA Arzneimittel AG by the time-weighted average number of registered shares with restricted transferability outstanding¹⁾.

22. Number of employees and personnel expenses

The average number of employees at STADA by functional area and functional sub-area is as follows:

	2018	2017
Marketing/Sales	3,175	3,102
Logistics	583	434
Finance/IT	714	724
Production/Quality Assurance	4,466	4,675
Procurement/Supply Chain	314	338
Product Development	570	618
Administration	425	941
Entire Group	10,247	10,832
Personnel expenses (in € million)	359.3	387.5

1) On August 26, 2016, the STADA General Meeting resolved to eliminate restrictions on the transferability of registered shares by means of a change to the Articles of Incorporation. The change to the Articles of Incorporation was entered in the commercial register on December 9, 2016 and took effect on this date. Therefore, since that time, the authorization from approved capital pursuant to Section 6 (1) of the Articles of Incorporation relates to registered shares with no transferability restrictions.

The average number of employees decreased in the reporting year by 5% to 10,247 (previous year: 10,832), mainly due to the deconsolidation of STADA Vietnam J.V. as of November 30, 2017. As of the reporting date, the number of employees of the STADA Group increased in 2018 by 2% to 10,416 (previous year: 10,176). This increase was mainly due to the consolidation of the German company NorBiTec GmbH in the course of the majority takeover of BIOCEUTICALS Arzneimittel AG and the Hungarian STADA Hungary LLC. In addition, the increase in the number of employees as of the reporting date was due to the expansion of the marketing and sales division of the German subsidiary STADAPHARM GmbH and the Spanish subsidiary Laboratorio STADA S.L.

Personnel expenses, which are included in the expenses of the individual functional areas according to their functional relevance, increased in financial year 2018 to €359.3 million (previous year: €387.5 million). The decrease resulted mainly from the decrease in the number of employees in Russia and the deconsolidation of STADA Vietnam J.V. as of November 30, 2017.

23. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses were incurred on intangible assets and property plant and equipment as follows:

in k €	2018	2017
Depreciation/amortization	122,531	122,865
Intangible assets	87,984	86,470
Property, plant and equipment	34,547	36,395
Impairment losses	42,166	60,356
Intangible assets	41,957	55,681
thereof		
• goodwill	-	-
Property, plant and equipment	209	4,268
thereof		
• land and buildings	3	3,242
• plant and machinery	95	268
• other fixtures and fittings, tools and equipment	7	332
• down payments	104	426
Financial assets	-	407
thereof		
• investments	-	407

While depreciation and amortization are included in expenses of the individual functional areas according to their functional relevance, there is a presentation within other expenses for impairment losses.

The impairment of intangible assets concerns various drug approvals and trademarks, the scheduled amortization of which is reported within cost of sales.

There were no impairment losses in the financial year.

Depreciation and amortization decreased by 0.3% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

Notes to the Consolidated Balance Sheet

24. Intangible assets

Intangible assets developed as follows in financial year 2018:

2018 in k €	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
Cost as of Jan. 1, 2018	1,912,869	470,338	219,261	2,602,468
Currency translation	-26,897	-8,870	-2,532	-38,299
Changes in the scope of consolidation	-	-	-	-
Additions	224,308	-	62,472	286,780
Additions from business combinations in accordance with IFRS 3	87,186	-	-	87,186
Disposals	6,734	-	2,298	9,032
Transfers	23,565	-	-23,570	-5
Cost as of Dec. 31, 2018	2,214,297	461,468	253,333	2,929,098
Accumulated depreciation as of Jan. 1, 2018	975,238	73,861	79,027	1,128,126
Currency translation	-9,891	-1,145	-965	-12,001
Changes in the scope of consolidation	-	-	-	-
Scheduled amortization	87,984	-	0	87,984
Impairment losses	37,501	-	4,456	41,957
Disposals	6,577	-	1,698	8,275
Write-ups	14,674	-	1,224	15,898
Transfers	197	-	-197	-
Accumulated amortization as of Dec. 31, 2018	1,069,778	72,716	79,399	1,221,893
Residual carrying amounts as of Dec. 31, 2018	1,144,519	388,752	173,934	1,707,205
Residual carrying amounts as of Dec. 31, 2017	937,631	396,477	140,234	1,474,342

Additions from business combinations in accordance with IFRS 3, which relate to the fair value calculated in the context for the purchase price allocations, resulted in the reporting year from the acquisition of BIOCEUTICALS Arzneimittel AG and NorBiTec GmbH.

The umbrella brand Hemofarm which was capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in capitalized trademarks recognized as an intangible asset with an indefinite useful life, because STADA intends to make continuing use of it. As at December 31, 2018, this umbrella brand has a carrying amount of €39.0 million (previous year: €38.9 million). In the context of the impairment test of December 31, 2018, a royalty rate of 2% and a discount rate of 13.7%

were used. There was no necessity for impairment in the reporting year. In addition, the change compared to the previous year figure of €0.1 million is attributable to different exchange rates.

Furthermore, in the context of the control achieved over Pymepharco in 2013, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinite useful life as a trademark, as STADA intends to continue to use the trademark. As at December 31, 2018, this has a carrying amount of €8.8 million (previous year: €8.6 million). The change is a result of different exchange rates. In the context of the impairment test of December 31, 2018, a royalty rate of 2% and a discount rate of 14.3% were used. There was no necessity for impairment for the reporting year.

As part of the acquisition of Laboratorio Vannier, the umbrella brand Vannier was capitalized as an intangible asset with an indefinite useful life as a trademark as STADA intends to continue to use the trademark. In the context of the impairment test of December 31, 2018, a royalty rate of 2% and a discount rate of 17.8% were used. An impairment loss of €0.2 million was recognized for the reporting year. As at December 31, 2018, the umbrella brand was completely written off and now has a carrying amount of €0.0 million (previous year: €0.2 million).

Borrowing costs capitalized in 2018 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to €2.6 million (previous year: €1.5 million). In financial year 2018, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 2.5% (previous year: 1.6%).

Development costs of €23.7 million were capitalized in the reporting year (previous year: €23.9 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years). STADA immediately recognizes development costs that do not qualify for capitalization as expenses in the period in which they are incurred (see Note 15.). In financial year 2018, these development costs amounted to of €72.3 million (previous year: €67.5 million).

Amortization of intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of €88.0 million (previous year: €86.5 million).

In financial year 2018, impairments on intangible assets were recognized in the total amount of €42.0 million (previous year: €55.7 million). As in the previous year, no valuation allowances on goodwill were recorded in the reporting year.

Details on changes in the scope of consolidation can be found in the Note on the scope of consolidation (see Note 5.).

Intangible assets developed as follows in the previous year:

2017 in k €	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
Cost as of Jan. 1, 2017	1,907,273	478,826	214,526	2,600,625
Currency translation	-40,684	-9,256	-1,850	-51,790
Changes in the scope of consolidation	-26,584	-5,097	-	-31,681
Additions	12,171	-	44,856	57,027
Additions from business combinations in accordance with IFRS 3	248	80	-	328
Disposals	4,797	-	1,050	5,847
Reclassifications from non-current assets and disposal groups held for sale	30,387	5,785	-	36,172
Reclassifications to non-current assets and disposal groups held for sale	2,395	-	-	2,395
Transfers	37,250	-	-37,221	29
Cost as of Dec. 31, 2017	1,912,869	470,338	219,261	2,602,468
Accumulated depreciation as of Jan. 1, 2017	877,124	74,242	66,898	1,018,264
Currency translation	-10,638	-463	-449	-11,550
Changes in the scope of consolidation	-8,258	-608	-	-8,866
Scheduled amortization	86,470	-	-	86,470
Impairment losses	42,452	-	13,229	55,681
Disposals	3,788	-	574	4,362
Write-ups	13,995	-	-	13,995
Reclassifications from non-current assets and disposal groups held for sale	7,169	690	-	7,859
Reclassifications to non-current assets and disposal groups held for sale	1,375	-	-	1,375
Transfers	77	-	-77	0
Accumulated amortization as of Dec. 31, 2017	975,238	73,861	79,027	1,128,126
Residual carrying amounts as of Dec. 31, 2017	937,631	396,477	140,234	1,474,342
Residual carrying amounts as of Dec. 31, 2016	1,030,149	404,584	147,628	1,582,361

In 2017, the reclassification of non-current assets and disposal groups held for sale related primarily to the approval of a branded product in Italy.

The following amortization expense is expected for intangible assets in the next five years:

in k €	Expected amortization
2019	96,448
2020	96,033
2021	95,943
2022	97,152
2023	99,136

The following table shows which cash-generating units the capitalized goodwill can be attributed to:

Residual carrying amount as of Dec. 31, 2018 in € million	
Generics	182.3
Branded Products	206.5
Total	388.8

In the previous year, the capitalized goodwill for cash-generating units was as follows:

Residual carrying amount as of Dec. 31, 2017 in € million	
Generics	183.7
Branded Products	212.8
Total	396.5

In comparison with the previous year, there were changes in the carrying amounts of goodwill which were for the most part exclusively currency related.

In the context of the regular impairment tests for capitalized goodwill of September 30, 2018, the discounted cash flow method was used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

According to segment, defined as cash-generating unit	Growth rates of the research phase 2018 in %	WACCs 2018 in %
Generics	1.4%	11.7%
Branded Products	1.6%	12.3%

In the previous year, the applied parameters were as follows:

According to segment, defined as cash-generating unit	Growth rates of the research phase 2017 in %	WACCs 2017 in %
Generics	1.3%	9.6%
Branded Products	1.5%	10.0%

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. This detailed planning period reflects the assumptions for short and medium-term market developments. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. In the previous year a specific estimated growth rate in the amount of the expected long-term inflation rate was assumed for the period after this three-year detailed planning horizon. The detailed planning phase for determining the value in use are based on assumptions from past experience expanded to include current developments and verified using external market data and analyses. The most important assumptions include the development of future sales prices, amounts and costs, the influence of the regulatory market environment, investments, market shares, exchange rates and growth rates. Significant changes to the above-described assumptions would influence the determination of the value in use of the cash-generating units. The discount rates applied are determined on the basis of external factors derived from the market and adjusted for the respective predominant risks of the cash-generating units.

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. A sensitivity analysis was therefore carried out for the different cash-generating units with a 1.0 percentage points higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points. Using these assumptions, there was also no necessity for an impairment to any cash-generating unit.

25. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2018:

2018 in k €	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2018	263,843	248,112	114,885	29,301	656,141
Currency translation	-2,145	-4,913	-2,125	-868	-10,051
Changes in the scope of consolidation	-	-	-138	-	-138
Additions	3,249	6,893	6,025	36,814	52,981
Additions from business combinations in accordance with IFRS 3	1,432	5,794	936	374	8,536
Disposals	619	6,798	6,235	691	14,343
Transfers	5,766	12,256	4,087	-22,104	5
Cost as of Dec. 31, 2018	271,526	261,344	117,435	42,826	693,131
Accumulated depreciation as of Jan. 1, 2018	95,452	148,183	79,327	441	323,403
Currency translation	-444	-2,873	-832	-	-4,149
Changes in the scope of consolidation	-	-	-47	-	-47
Depreciation/amortization	6,721	17,811	10,015	-	34,547
Impairment losses	3	95	7	104	209
Disposals	610	6,463	5,226	-	12,299
Write-ups	-	-	-	-	-
Transfers	-23	339	-316	-	-
Accumulated amortization as of Dec. 31, 2018	101,099	157,092	82,928	545	341,644
Residual carrying amounts as of Dec. 31, 2018	170,427	104,252	34,507	42,281	351,467
Residual carrying amounts as of Dec. 31, 2017	168,391	99,929	35,558	28,860	332,738

Additions from business combinations refer to the companies BIOEUTICALS Arzneimittel AG and NorBiTec GmbH, which were included in the group of consolidated companies.

Property, plant and equipment included assets from finance leases, primarily relating to cars and trucks, in the amount of €5.3 million (previous year: €4.4 million), which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since been subjected to scheduled depreciation.

As in the previous year, no borrowing costs were capitalized for property, plant and equipment in financial year 2018.

Property, plant and equipment developed as follows in the previous year:

2017 in k €	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2017	250,048	222,875	108,726	33,227	614,876
Currency translation	-526	-3,840	-1,197	289	-5,274
Changes in the scope of consolidation	-10,302	-9,428	-889	-49	-20,668
Additions	2,430	7,858	7,064	38,477	55,829
Additions from business combinations in accordance with IFRS 3	17	-	122	-	139
Disposals	1,472	947	6,038	156	8,613
Reclassifications from non-current assets and disposal groups held for sale	11,693	9,915	1,010	49	22,667
Reclassifications to non-current assets and disposal groups held for sale	2,985	-	-	-	2,985
Transfers	14,940	21,679	6,087	-42,536	170
Cost as of Dec. 31, 2017	263,843	248,112	114,885	29,301	656,141
Accumulated depreciation as of Jan. 1, 2017	87,185	131,524	73,452	-	292,161
Currency translation	842	-1,512	-301	-	-971
Changes in the scope of consolidation	-1,739	-5,328	-565	-	-7,632
Depreciation/amortization	6,795	18,837	10,763	-	36,395
Impairment losses	3,242	268	332	426	4,268
Disposals	467	712	4,617	-15	5,781
Write-ups	-	-	-	-	-
Reclassifications from non-current assets and disposal groups held for sale	1,527	4,857	559	-	6,943
Reclassifications to non-current assets and disposal groups held for sale	2,179	-	-	-	2,179
Transfers	246	249	-296	-	199
Accumulated amortization as of Dec. 31, 2017	95,452	148,183	79,327	441	323,403
Residual carrying amounts as of Dec. 31, 2017	168,391	99,929	35,558	28,860	332,738
Residual carrying amounts as of Dec. 31, 2016	162,863	91,351	35,274	33,227	322,715

26. Financial assets

Financial assets developed as follows in financial year 2018:

2018 in k €	Shares in associates and other investments	Other financial assets	Total
Cost as of Jan. 1, 2018	19,058	-	19,058
Currency translation	57	-	57
Changes in the scope of consolidation	-790	-	-790
Acquisitions	280	-	280
Disposals	5	-	5
Reclassifications from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
Cost as of Dec. 31, 2018	18,600	-	18,600
Accumulated impairments as of Jan. 1, 2018	17,080	-	17,080
Currency translation	30	-	30
Changes in the scope of consolidation	-791	-	-791
Impairment losses	-	-	-
Disposals	-	-	-
Write-ups	-	-	-
Reclassifications from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
Accumulated impairments as of Dec. 31, 2018	16,319	-	16,319
Residual carrying amounts as of Dec. 31, 2018	2,281	-	2,281
Residual carrying amounts as of Dec. 31, 2017	1,978	-	1,978

Financial assets are the carrying amounts of those shares in non-consolidated investments. There is currently no intention to sell these financial assets.

Financial assets developed as follows in the previous year:

2017 in k €	Shares in associates and other investments	Other financial assets	Total
Cost as of Jan. 1, 2017	20,243	-	20,243
Currency translation	385	-	385
Changes in the scope of consolidation	-407	-	-407
Acquisitions	275	-	275
Disposals	-	-	-
Reclassifications from non-current assets and disposal groups held for sale	-	-	-
Transfers	-1,438	-	-1,438
Cost as of Dec. 31, 2017	19,058	-	19,058
Accumulated impairments as of Jan. 1, 2017	18,007	-	18,007
Currency translation	509	-	509
Changes in the scope of consolidation	-407	-	-407
Impairment losses	407	-	407
Disposals	-2	-	-2
Write-ups	-	-	-
Reclassifications from non-current assets and disposal groups held for sale	-	-	-
Transfers	-1,438	-	-1,438
Accumulated impairments as of Dec. 31, 2017	17,080	-	17,080
Residual carrying amounts as of Dec. 31, 2017	1,978	-	1,978
Residual carrying amounts as of Dec. 31, 2016	2,236	-	2,236

27. Investments measured at equity

The disclosure as of the reporting date related to the accounting of shares in the associates STADA Vietnam J.V. as well as Pharm Ortho Pedic SAS, AELIA SAS and Dialogfarma LLC using the equity method.

Due to the purchase of additional shares and the associated acquisition of control, the former associate BIOCEUTICALS Arzneimittel AG was included in the Consolidated Financial Statements as a subsidiary since September 30, 2018.

Investments measured at equity developed as follows in financial year 2018 compared with the previous year:

in k €	2018	2017
As of Jan. 1	41,528	13,872
Status change of BIOCEUTICALS Arzneimittel AG	-15,026	-
Status change of STADA Vietnam J.V.	-	25,352
Interest rate effect STADA Vietnam J.V.	3,442	-
Dividend distributions	-9,098	-
Results from associates	3,722	2,304
As of Dec. 31	24,568	41,528

In financial year 2018, the decrease in investments accounted for at equity resulted mainly from the exclusion of BIOCEUTICALS Arzneimittel AG as an associate.

Interest rate effects related exclusively to STADA Vietnam J.V. because the equity carrying amount of STADA Vietnam J.V. corresponds to the contractually agreed selling price for the sale on December 31, 2019 of the shares held by STADA under consideration of a relevant discounting effect.

Dividend distributions mainly included the dividends paid by STADA Vietnam J.V. for financial year 2018, which represent partial payments in connection with the agreement concluded in the fourth quarter of 2017 to sell the shares in this company held by STADA.

28. Trade accounts receivable

Trade accounts receivable are composed as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Trade accounts receivable from third parties	634,721	665,191
Trade accounts receivable from non-consolidated companies	1,292	1,078
Valuation allowances vis-à-vis third parties	-132,110	-145,828
Financial assets (FVOCI)	12,108	-
Total	516,011	520,441

As of December 31, 2018, there were no trade accounts receivable due after one year (previous year: €0.2 million).

Collateral exists for a portion of trade accounts receivable whose value was not impaired in the form of bank or corporate guarantees as well as pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers. These are taken into account in the calculation of the default risk.

The new regulations on the classification of financial assets lead to changes in the measurement and disclosure of factoring-capable receivables on the basis of the present business model. These financial assets, which continue to be included in trade accounts receivable, are no longer measured at amortized cost but at fair value through other comprehensive income. Changes in the fair value of these receivables are therefore recognized directly in equity in the FVOCI reserve. In this context, financial assets measured at fair value through other comprehensive income are generally subject to the same impairment model as financial assets measured at amortized cost.

Overall, valuation allowances on trade accounts receivable developed as follows:

in k €	2018	2017
As of Jan. 1	145,828	107,804
IFRS 9 adjustments	2,655	-
Status as of January 1, 2018 in accordance with IFRS 9	148,483	-
Added	14,653	44,332
Utilized	10,539	3,154
Reversed	9,269	5,340
Additions from business combinations in accordance with IFRS 3	-	74
Changes in the scope of consolidation and reclassifications in accordance with IFRS 5	-6,802	4
Currency translation differences	-4,416	2,108
As of Dec. 31	132,110	145,828

Value adjustment matrix

in k €	Credit default rate	Trade accounts receivable, net	ECL IFRS 9	IVA w/0 ECL IFRS 9	Trade accounts receivable, gross
Trade accounts receivable					
Cluster 1 – low risk	0%–1.5%	323,575	1,359	32,562	356,137
Cluster 2 – medium risk	1.6%–3.0%	176,184	2,093	95,681	271,865
Cluster 3 – increased risk	3.1%–5.0%	6,539	234	180	6,719
Cluster 4 – high risk	> 5.0%	0	0	0	0
Total		506,298	3,686	128,423	634,721

For trade accounts receivable, an expected default on receivables is calculated over their terms on the basis of a portfolio-specific default rate. The default rate indicates the probability that a debtor will default within a period of one year. The default rates consider the industry risks and the economic environment of the respective country. Each cluster is allocated to a different bandwidth of expected default rates.

29. Return assets

As of December 31, 2018, return assets due after a year amounted to €0.6 million. The return assets relate to anticipated returns in connection with contracts with customers for which reutilization is expected.

30. Other financial assets

Other financial assets were composed as follows:

in k €	Dec. 31, 2018		Dec. 31, 2017	
	Total	thereof: current	Total	thereof: current
Loan receivables	506	38	371	20
Outstanding purchase price receivables	-	-	-	-
Derivative financial assets	2,237	2,237	678	678
Other financial assets	10,835	10,480	9,847	9,111
Total	13,578	12,755	10,896	9,809

The derivative financial assets included the positive market values of currency forwards (see Note 47.1.).

The remaining financial assets included receivables from the German factoring business in the amount of €4.6 million and also comprise many insignificant individual items in the Group companies.

As of December 31, 2018, other financial assets included impairments in the amount of €9.7 million (previous year: €11.4 million). The decline is based on payments received for financial assets that had been written-down. There were no outstanding amounts for non-impaired other financial assets as in the previous year.

31. Other assets

Other assets were composed as follows:

in k €	Dec. 31, 2018		Dec. 31, 2017	
	Total	thereof: current	Total	thereof: current
Other receivables due from the tax authorities	24,819	24,793	16,307	16,280
Prepaid expenses/deferred charges	18,152	17,964	14,357	13,858
Assets from overfunded pension plans	29	-	16	-
Other assets	7,419	6,498	5,973	5,185
Total	50,419	49,255	36,653	35,323

Other assets comprised many insignificant individual items in the Group companies.

As of December 31, 2018, other assets included write-downs of €6.5 million. There were no impairments in the previous year.

32. Inventories

Inventories can be divided as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Materials and supplies	108,541	91,638
Work in progress	41,757	26,662
Finished goods and merchandise	354,484	372,075
Advance payments to suppliers	10,469	8,637
Total	515,251	499,012

In financial year 2018, impairments netted with reversals were made on the net realizable value of inventories in the amount of €35.7 million (previous year: €43.2 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2018, reversals here amounted to €9.4 million (previous year: €7.2 million).

33. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as current and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subject to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents amount to €2.2 million (previous year: €2.7 million) and, as in the previous year, exclusively relate to cash and cash equivalents in China.

The increase in cash and cash equivalents from €243.2 million as of December 31, 2017 to €343.8 million as of December 31, 2018 resulted from the effects described as part of the explanations of the consolidated cash flow statement. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

34. Non-current assets and disposal groups held for sale as well as associated liabilities

As of December 31, 2018, in the STADA Group, an asset held for sale in the amount of €0.1 million presented in a separate line item in the balance sheet.

In the previous year, assets held for sale in the amount of €1.8 million were presented as a separate line item in the balance sheet. This included, among other things, a German subsidiary's building that was held for sale as well as an intangible asset from an Italian subsidiary held for sale.

35. Equity

Group equity amounted to €1,178.0 million as of the balance sheet date (previous year: €1,006.4 million). This corresponds to an equity ratio of 33.1% (previous year: 31.4%).

35.1. Share capital

As of December 31, 2018, share capital amounted to €162,090,344.00 (December 31, 2017: €162,090,344.00) and was divided into 62,342,440 registered shares (December 31, 2017: 62,342,440), each with an arithmetical share of share capital of €2.60 per share, and fully paid. Each share grants one vote in the General Meeting.

As of December 31, 2018, Authorized Capital and Conditional Capital were comprised as follows:

	Amount in €	Shares	Purpose
Authorized Capital	81,045,159.00	31,171,215	Increase of share capital (until June 5, 2023)
Conditional Capital 2013	69,188,340.00	26,610,900	Settlement of options and/or convertible bonds, conversion rights (until June 4, 2018) in connection with issued bonds with warrants and/or, participation rights and/or participating bonds in the total nominal amount of up to €1.0 billion, or in the scope of a guarantee assumed for bonds with warrants and/or convertible bonds, participation rights and/or participating bonds issued by subordinate Group companies
			This authorisation expired on June 5, 2018 and the Executive Board did not make use of it.

35.2. Capital reserve

Changes in the capital reserve of the Group are shown in the consolidated statement of changes in shareholders' equity and particularly include the capital reserve of STADA Arzneimittel AG. Differences from the capital reserve determined in accordance with the provisions of German commercial law primarily result from the recognition at their market value of the shares of STADA Arzneimittel AG newly issued in 2003 as well as the associated treatment of issuing costs, which were deducted from the capital reserve.

Changes in the capital reserve were solely the result of the change in treasury shares in financial year 2018, as was the case in the previous year.

35.3. Retained earnings including net income

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

In the context of measuring the defined benefit obligations as of December 31, 2018, net income in the amount of €0.7 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. It is mainly based on the increase in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2018 in comparison with December 31, 2017. In addition, this position also includes currency translation differences related to the revaluation of net debt recognized in equity from performance-oriented pension plans as well as the deferred taxes they incur which, in financial year 2018, amounted to expenses recognized in equity of €0.03 million.

In the 2018 financial year, retained income also significantly impacted by the increase in shares in the Vietnamese subsidiary Pymepharco Joint Stock Company. In accordance with IFRS 10, the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid have to be recognised in equity and allocated to the owners of the parent.

35.4. Other reserves

Other reserves include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve.

As part of the application of the new IFRS 9 standard since January 1, 2018, other reserves also include the FVOCI reserve. Changes in the fair value of receivables measured at fair value through other comprehensive income are recorded here with no effect on profit or loss.

The reduction of other reserves compared to the previous year primarily resulted from the depreciation of the Russian ruble and the British pound sterling since December 31, 2017, which has led to expenses from the currency translation of the companies that are accounted for in the Russian ruble and the pound sterling.

35.5. Treasury shares

As of the balance sheet date, the Company held 84,273 treasury shares (previous year: 84,311), each with an arithmetical par value of €2.60, which is equivalent to 0.14% (previous year: 0.14%) of the share capital. In financial year 2018, 38 treasury shares were sold at an average price of €80.92 per share within the scope of an employee stock option program.

35.6. Shares relating to non-controlling shareholders

Shares held by non-controlling interests related as of December 31, 2018 to the minority interests of other shareholders in the subsidiaries BIOCEUTICALS Arzneimittel AG, Hemofarm Banja Luka, Hemomont, NorBiTec GmbH, Pymepharco, and STADA Pharmaceuticals (Beijing).

36. Other non-current provisions

Other non-current provisions made by STADA as of the reporting date in Germany and outside Germany include pension provisions and other non-current provisions in the form of anniversary provisions and provisions for working time accounts as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Germany	15,397	15,305
Outside Germany	18,093	19,988
Total	33,490	35,293

In Germany, STADA has plan assets in the form of reinsurance policies, which are used to serve the pension entitlements of a small number of former employees. In addition, there are plan assets for a pension obligation which was outsourced to a pension fund. All further pension entitlements are financed internally in the scope of pension provisions. In addition, there are plan assets in a few foreign subsidiaries in the form of, among other things, insurances, government bonds and securities funds.

In financial year 2018, the plan assets of one international subsidiary exceeded their pension obligations, with the result that these assets in excess were reported under other assets as assets from overfunded pension plans in the amount of €0.03 million (previous year: €0.02 million).

Plan assets were divided according to investment type as follows:

Share of plan assets in k €	2018	2017
Cash and cash equivalents	1,258	1,006
Equity securities	7,074	6,976
Debt securities	22,522	19,696
Real estate	1,945	1,945
Derivatives	-	-
Shares in investment funds	9,082	14,013
Insurance policies	72,444	75,297
Other	-	-
Total	114,325	118,933

The plan assets, which have a quoted market price, consist of the following:

Share of plan assets (quoted market price) in k €	2018	2017
Cash and cash equivalents	1,258	1,006
Equity securities	7,074	6,976
Debt securities	22,522	19,696
Real estate	1,945	1,945
Derivatives	-	-
Shares in investment funds	9,082	14,013
Insurance policies	-	-
Other	-	-
Total	41,881	43,636

For German Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in k €	2018	2017
As of Jan. 1	54,277	57,598
Current service cost	24	43
Past service cost	-	-
Plan settlements	-	-
Interest cost	1,016	966
Benefits paid from plan assets	-1,216	-1,210
Benefits paid by employer	-622	-454
Revaluations:		
• Gains (-)/losses (+) due to changed demographic assumptions	124	-
• Gains (-)/losses (+) due to changed financial assumptions	-891	-2,057
• Gains (-)/losses (+) due to experience-based changes	595	-609
As of Dec. 31	53,307	54,277

For international Group companies, pension obligations developed as follows:

Projected benefit obligations (DBO) for pension commitments in k €	2018	2017
As of Jan. 1	93,014	93,342
Current service cost	2,725	2,846
Past service cost	-542	1,719
Plan settlements	-139	-47
Interest cost	1,898	1,911
Benefits paid from plan assets	-5,549	-1,100
Benefits paid by employer	-925	-748
Employee contributions	523	538
Insurance premiums for death and disability benefits	-226	-251
Business combinations	-	-
Disposals	-	-323
Reclassifications	-	513
Revaluations:		
• Gains (-)/losses (+) due to changed demographic assumptions	-400	302
• Gains (-)/losses (+) due to changed financial assumptions	-2,978	-2,500
• Gains (-)/losses (+) due to experience-based changes	-947	-340
Currency changes	383	-2,743
Other	-84	-105
As of Dec. 31	86,753	93,014

The past service cost in the reporting year amounts to income of €0.5 million and is largely attributable to special events in the United Kingdom, Switzerland and France. In the United Kingdom, the Supreme Court in 2018 definitively confirmed a ruling that gender inequalities must be eliminated with respect to guaranteed minimum pensions (GMPs) included in occupational pension plans. This resulted in past service cost of €0.3 million. In Switzerland, the underlying group foundation has reduced the conversion amounts from retirement capital to a lifelong annuities; this resulted in a gain of €0.4 million for the STADA Group. In France, a plan curtailment led to an additional gain in the amount of €0.4 million. In addition, there were other special events with an insignificant impact on the balance sheet.

The fair value of plan assets underlying the pension obligations developed as follows for German group companies:

Fair value of plan assets in k €	2018	2017
As of Jan. 1	42,520	44,441
Interest income	790	739
Employer contributions	142	264
Employee contributions	-	-
Pension payments	-1,216	-1,210
Actuarial gains (+)/losses (-) on plan assets (not included in interest result)	-658	-1,714
Other	-	-
As of Dec. 31	41,578	42,520

The fair value of plan assets underlying the pension obligations developed as follows for international Group companies:

Fair value of plan assets in k €	2018	2017
As of Jan. 1	76,413	74,188
Interest income	1,504	1,417
Employer contributions	2,822	2,987
Employee contributions	523	538
Pension payments	-5,549	-1,100
Insurance premiums for death and disability benefits	-226	-251
Business combinations	-	-
Disposals	-	-
Reclassifications	-	-
Actuarial gains (+)/losses (-) on plan assets (not included in interest result)	-2,935	646
Currency changes	299	-1,891
Other	-104	-121
As of Dec. 31	72,747	76,413

Net debt from defined benefit plans developed for German Group companies as follows:

Net debt from defined benefit plans in k €	2018	2017
As of Jan. 1	11,757	13,157
Expense from pension plans	250	270
Revaluations	486	-952
Employer contributions	-142	-264
Pension payments by employer	-622	-454
Currency changes	-	-
As of Dec. 31	11,729	11,757

Net debt from defined benefit plans developed for international Group companies as follows:

Net debt from defined benefit plans in k €	2018	2017
As of Jan. 1	16,601	19,154
Expense from pension plans	2,455	5,076
Revaluations	-1,387	-3,232
Employer contributions	-2,822	-2,987
Pension payments by employer	-925	-748
Disposals	-	-323
Reclassifications	-	513
Currency changes	84	-852
As of Dec. 31	14,006	16,601

The amount of the pension provisions recognized as of the reporting date for companies with plan assets was therefore as follows:

in k €	2018	2017
Projected benefit obligations for pension commitments	128,370	135,357
Fair value of plan assets	114,325	118,933
Net obligation	14,045	16,424
Effect from the limit on a defined benefit asset in accordance with IFRIC 14	-	-
Net liability recognized in the balance sheet	14,045	16,424

The amount of the pension provisions recognized as of the reporting date for companies without plan assets was therefore as follows:

in k €	2018	2017
Projected benefit obligations for pension commitments	11,690	11,934
Net liability recognized in the balance sheet	11,690	11,934

Expenses for defined benefit plans amounted to net expenses in the total amount of €2.7 million in financial year 2018 (previous year: €5.3 million) and consisted of the following components:

in k €	2018	2017
Current service cost	2,749	2,889
Past service cost	-542	1,719
Plan settlements	-139	-47
Net interest expense:		
• Interest expense (DBO)	2,914	2,877
• Interest income (plan assets)	-2,294	-2,156
• Interest income from reimbursement	-	-
• Interest expense (+)/interest income (-) from the limit on an asset	-	-
Administration costs	17	64
Other	-	-
Total	2,705	5,346

Gains from plan assets amounted to €0.1 million in financial year 2018 (previous year: -€1.0 million) for German Group companies and -€1.4 million for international Group companies (previous year: €2.1 million).

The amount of the income of plan assets for German Group companies is mainly determined by an increase of the plan assets of an approval to the level of the gross obligation as a result of existing reinsurance; this decreased as a consequence of the slight increase in the actuarial interest rate in financial year 2018 and has therefore had a decreasing effect on income. The reduction of the plan assets outside Germany is mainly attributable to a negative performance of the plan assets in the United Kingdom and a decrease in the income of the plan assets in the Netherlands. In the Netherlands, the amount of the plan assets is calculated on the basis of an actuarial measurement and thus depends decisively on the development of the actuarial interest rate. In financial year 2018, the actuarial interest rate increased; this led to a reduction of the obligation as well as assets and consequently of income.

The following actuarial parameters were used as a basis for measuring the German pension obligations and pension costs:

Parameters for pension obligations for German Group companies (weighted)	Dec. 31, 2018	Dec. 31, 2017
Discount rate	2.0%	1.9%
Salary trend	3.0%	3.0%
Benefits trend	1.4%	1.4%
Inflation	1.8%	1.8%

The following actuarial parameters were used as a basis for measuring the international pension obligations and pension costs:

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2018	Dec. 31, 2017
Discount rate	2.3%	2.1%
Salary trend	2.1%	2.1%
Benefits trend	0.8%	0.9%
Inflation	1.8%	1.8%

A sensitivity analysis was carried out in which only one assumption was changed in each case and all other assumptions were not changed. In the following, the change in the defined benefit obligation of the pension obligations (DBO) for German Group companies is presented according to a change in the discount rate, salary trends and pension trends:

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2018 (k €53,307) in accordance with changed assumptions in k €	Dec. 31, 2018	Dec. 31, 2017
Discount rate +0.5%	-4,418	-4,681
Discount rate -0.5%	5,034	5,376
Salary trend +0.5%	4	8
Salary trend -0.5%	-5	-6
Pension trend +0.5%	5,032	5,294
Pension trend -0.5%	-4,410	-4,613

The salary trend is largely insignificant, because all plan participants are close to reaching their regular pension age.

In the following, the change in the defined benefit obligation of the pension obligations (DBO) for international Group companies is presented according to a change in the discount rate, salary trends and pension trends:

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2018 (k €86,753) in accordance with changed assumptions in k €	Dec. 31, 2018	Dec. 31, 2017
Discount rate +0.5%	-6,618	-7,234
Discount rate -0.5%	7,566	8,026
Salary trend +0.5%	680	731
Salary trend -0.5%	-646	-915
Pension trend +0.5%	3,574	4,708
Pension trend -0.5%	-1,477	-1,804

As of December 31, 2018, the weighted duration of the pension obligations amounted to 18 years (previous year: 18 years) for German Group companies and 17 years (previous year: 17 years) for international Group companies.

In the coming financial years, the following payments from the Company and from plan assets overall are expected for defined benefit plans:

Expected pension payments in accordance with maturity dates in k €	Germany	Outside Germany
Less than 1 year	2,009	2,807
Between 1 and 2 years	1,993	2,355
Between 2 and 3 years	2,002	2,481
Between 3 and 4 years	1,995	2,727
Between 4 and 5 years	2,005	2,669
Between 5 and 10 years	9,964	17,017

For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan assets, are expected in the amount of €0.8 million for German Group companies and €3.7 million for international Group companies.

The regulations of IAS 19 require a presentation of the benefit plans that generate obligations for the company. For the STADA Group, pension plans in Germany, the Netherlands, the United Kingdom and Switzerland account for the largest share of total obligations with 84%. Accordingly, the following details focus more on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz – BetrAVG) in which minimum legal requirements are attached to company pension plans. Regulations and legal precedents within labor law must also be followed. The retirement benefit plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension. In the calculation of the amount of the pension obligations, the Heubeck 2018G mortality tables were used as a basis for consideration of mortality and fluctuation.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2018, plan assets amounted to €41.6 million and were composed of three different plans. There were no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the material obligation regarding its amount and including associated risks was outsourced externally. Furthermore, there is also the common risk of the interest rate development.

The pension commitment for the former Chairman of the Executive Board Hartmut Retzlaff was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as a defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly in the balance sheet. The existing plan assets lead to a provision of zero due to offsetting that must be carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

Pension legislation in the Netherlands requires pension plans to be backed by assets to such an extent that the vested benefits are completely covered. The underlying average career pension plan in the Netherlands is, in part, financed through insurance contributions that are designed to fulfill the aforementioned requirement. The plan is open for new employees and contains benefits that fall due in case of retirement or early death.

In the Netherlands, the pension plan is, in part, financed via contributions to an insurance company. Assets received by the insurance company thereby cannot be allocated to specific participating companies. The assets cannot be determined by a quoted active market price, instead they are determined according to the amount of vested benefit obligations. As of December 31, 2018, plan assets amounted to €25.6 million.

The Dutch company pays annual pension contributions. In the process, life expectancy risk and interest rate risk are transferred to the insurance company. The insurance company also assumes the risk of investing the contributions. These risks are assumed by the insurance company for the entire term of the contract. If, for example, the discount rate used by the insurance company in its calculations should change, a new contract could be concluded that applies the new discount rate to underlie only future contributions received.

Not all risks have been transferred to the insurance company. Dutch law specifies that former employees have the right to transfer their pension entitlements to the pension plan of a new employer. If the evaluation assumptions applied in the transfer differ from the originally applied assumptions of the insurance, the company could be required to make an additional contribution payment. In the calculation of the amount of the pension obligations and plan assets, the assumptions of the AG forecast table 2018 were used as a basis for consideration of the mortality. Company-specific age-related annual fluctuation rates serve as a fluctuation assumption.

In the United Kingdom, STADA provides its employees with defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plan plans are subject to the UK Trust Law and the UK Pension Regulator. The pension plans are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and thereby ensuring sufficient assets to cover the technical provisions of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases, which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

As of December 31, 2018, plan assets amounted to €21.4 million. All assets have quoted market prices on an active market. In the calculation of the amount of the pension obligations, the mortality tables of the S2 Series (S2PA) were used as a basis for consideration of the mortality also including the projection table CMI 2015 as well as the long-term trend toward improved mortality of 1.25%. Fluctuation assumptions are no longer relevant for the pension plan.

In Switzerland, every employer must offer its employees a pension plan in accordance with federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG). Employees whose salary exceeds the entry limit are obliged to be insured – this is re-determined periodically. The BVG requires a minimum plan (the “BVG minimum”) that must always be covered. STADA’s Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the age of retirement. Plan participants can opt for a capital option. In the calculation of the amount of the pension obligations, the BVG 2015 GT mortality tables were used as a basis for consideration of mortality and fluctuation.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to €26.9 million in financial year 2018 (previous year: €26.8 million).

The other non-current provisions developed as follows:

Other non-current provisions in k €	2018	2017
As of Jan. 1	6,919	3,668
Current service cost	519	385
Past service cost	86	3,361
Plan settlements	-	-
Interest cost	211	192
Benefits paid	-630	-460
Business combinations	-	7
Revaluations		
• gains (-)/losses (+) due to changed demographic assumptions	10	-40
• gains (-)/losses (+) due to changed financial assumptions	351	-406
• gains (-)/losses (+) due to experience-based changes	275	158
Currency changes	-15	54
Reclassifications	-	-
As of Dec. 31	7,726	6,919

37. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the reporting date:

Dec. 31 in k €	Liabilities to shareholders		Liabilities from promissory note loans		Liabilities to banks		Liabilities from bonds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Remaining term up to 1 year	-	-	129,460	525,112	42,595	84,007	272,887	647,986	444,942	1,257,105
Remaining terms over 1 year up to 3 years	-	-	41,436	-	356	816	-	-	41,792	816
Remaining terms over 3 years up to 5 years	-	-	6,986	-	-	-	-	-	6,986	-
Remaining terms over 5 years	929,609	-	-	-	-	-	-	-	929,609	-
Financial liabilities	929,609	-	177,882	525,112	42,951	84,823	272,887	647,986	1,423,329	1,257,921

The previous year's values for current and non-current financial liabilities can be attributed to the fact that the financing agreements include a right of return for investors for their respective bonds, promissory note loans or bank loans in case of a change of control or a change of rating at STADA. In view of this, the company had assumed in the previous year that quick repayment would be possible and had reclassified its financial liabilities from non-current to current accordingly. After the exercise option expired and the associated amounts called due were repaid early in the first quarter of 2018, the financial liabilities not optioned were reclassified accordingly from current to current and non-current liabilities and thus the financing agreements that were not retired early were assigned to their original maturities on the balance sheet. STADA Arzneimittel AG and certain material subsidiaries (in accordance with the instructions given by the majority shareholder Nidda Healthcare GmbH) have provided certain collateral to secure capital market liabilities and other financial liabilities assumed by Nidda and its affiliated companies (including STADA) or for which Nidda and its affiliated companies (including STADA) have provided collateral. The provision of

these collateral securities results in the holders of the bonds having the right to redeem the nominal amount and accrued interest under STADA bonds. The bond is therefore classified as current. In addition, STADA received a loan in the amount of €929.6 million from Nidda Healthcare Holding GmbH intended, among other things, to refinance the repayment of financial liabilities.

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2018, from interest payments and repayment of financial liabilities for the coming years are presented in the following table:

in k €	2019			2020			> 2021		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities	12,050	33,939	431,946	555	33,236	12,950	707	123,728	978,109

The following projection of cash flows from financial liabilities was generated in the previous year:

in k €	2018			2019			> 2020		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities	13,788	1,092	1,259,973	147	-	260	49	-	448

For the financial liabilities existing as of the reporting date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. The variable interest payments from the promissory note loans were determined based on the interest rate last fixed before December 31, 2018.

For financial liabilities the cash-effective changes of which included in cash flow from financing activities resulted in the reporting year in the following reconciliation:

2018 in k €	Financial liabilities
As of Jan. 1	1,257,921
Cash inflows from additions	944,599
Cash outflows from repayments	820,883
Changes in the scope of consolidation	-
Effects from currency translation	-2,492
Reclassification from other financial liabilities	40,000
Other non-cash effective changes	4,184
As of Dec. 31	1,423,329

For financial liabilities, the cash changes of which are included in cash flow from financing activities, the following reconciliation was made in the previous year:

2017 in k €	Financial liabilities
As of Jan. 1	1,470,757
Cash inflows from additions	32,296
Cash outflows from repayments	250,292
Changes in the scope of consolidation	1,867
Effects from currency translation	1,485
Other non-cash effective changes	1,808
As of Dec. 31	1,257,921

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the Notes on the capital management of liquidity risk (see Note 48.5.).

38. Trade accounts payable

Trade accounts payable are composed as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Trade accounts payable to third parties	220,829	198,543
Trade accounts payable to non-consolidated Group companies	5,150	3,849
Advances received on orders from third parties	-	564
Liabilities from outstanding accounts	89,101	137,686
Total	315,080	340,642

Of the total amount of trade accounts payable, €0.0 million (previous year: €0.0 million) are due after one year.

For the most part, the changes were based on trade accounts payable on offsetting reporting date effects within the individual Group companies.

39. Contractual liabilities

Contractual liabilities in the reporting year amounted to €1.5 million and consisted exclusively of down payments received where it is assumed that performance will be rendered in 2019. No revenues from contractual obligations that were rendered in previous periods were recognized.

40. Other financial liabilities

Other financial liabilities are broken down as follows:

in k €	Dec. 31, 2018		Dec. 31, 2017	
	Total	thereof: current	Total	thereof: current
Loan liabilities	-	-	54,821	54,821
Outstanding purchase price liabilities	2,020	441	1,880	415
Finance lease liabilities	4,012	1,435	3,419	1,337
Liabilities to shareholders from domination and profit and loss transfer agreement	134,189	134,189	-	-
Liabilities from derivative financial instruments	95	95	1,250	1,250
Other financial liabilities	152,570	152,558	168,770	168,285
Total	292,886	288,718	230,140	226,108

There were no loan liabilities in financial year 2018 (previous year: € 54.8 million). Loan liabilities as of December 31, 2017 included a loan granted by Nidda Healthcare Holding GmbH in the amount of €40.0 million. All loan liabilities to Nidda Healthcare Holding GmbH were reported under financial liabilities as of December 31, 2018.

As in the previous year, outstanding purchase price liabilities as of December 31, 2018 were based on product acquisitions in the United Kingdom.

Finance lease liabilities for, among other things, vehicles and passenger vehicles, amount to €4.0 million (previous year: €3.4 million). Considering interest in the amount of €0.8 million (previous year: €0.7 million), lease installments payable in subsequent years amount to the total of €4.8 million (previous year: €4.1 million).

The leasing liabilities are due as follows:

in k €	Lease installments		Interest		Liabilities financial leasing	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
	Remaining terms up to 1 year	1,750	1,706	315	368	1,435
Remaining terms over 1 year up to 3 years	2,077	2,140	405	318	1,672	1,822
Remaining terms over 3 years up to 5 years	983	274	78	15	905	259
Remaining terms over 5 years	-	-	-	-	-	-
Total	4,810	4,120	798	701	4,012	3,419

For liabilities from finance leases the cash-effective changes of which are included in the cash flow from financing activities resulted in the reporting year in the following reconciliation:

2018 in k €	Finance lease liabilities
As of Jan. 1	3,419
Payments	1,924
Additions	1,275
Deconsolidation of BIOCEUTICALS Arzneimittel AG	1,212
Effects from currency translation	30
Other non-cash effective changes	-
As of Dec. 31	4,012

In the previous year, the following reconciliation was made for liabilities from finance leases, the cash changes of which are included in the cash flow from financing activities:

2017 in k €	Finance lease liabilities
As of Jan. 1	3,316
Payments	2,212
Additions	2,293
Effects from currency translation	22
Other non-cash effective changes	-
As of Dec. 31	3,419

Liabilities to shareholders from the domination and profit and loss transfer agreement relate exclusively to liabilities from the profit transfer in the amount of €134.2 million in accordance with the current domination and profit and loss transfer agreement with Nidda Healthcare GmbH.

In addition, negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2018, this related to currency forwards (see Note 47.1.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

in k €	Derivative financial liabilities	
	Dec. 31, 2018	Dec. 31, 2017
Remaining term up to 1 year	95	1,250
Remaining terms over 1 year up to 3 years	-	-
Remaining terms over 3 years up to 5 years	-	-
Remaining terms over 5 years	-	-
Total	96	1,250

Remaining financial liabilities primarily included liabilities from discount agreements of German STADA companies in the amount of €128.1 million (previous year: €140.8 million) and also comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of €152.6 million (previous year: €168.3 million) within one year, in the amount of €0.0 million after one year and up to five years (previous year: €0.5 million).

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2018, from interest payments and repayment of finance lease liabilities and for liabilities from derivative financial instruments for the coming years can be seen in the following table:

in k €	2019			2020			2021–2023		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from finance lease liabilities	315	–	1,435	285	–	1,038	198	–	1,539
Cash flows from derivatives	–	–	–	–	–	–	–	–	–

The following projection of cash flows from finance lease liabilities as well as derivatives was generated in the previous year:

in k €	2018			2019			2020–2022		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from finance lease liabilities	368	–	1,338	226	–	1,027	107	–	1,054
Cash flows from derivatives	–	–	–	–	–	–	–	–	–

Included were all financial instruments used by STADA which existed as of the respective reporting date and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the Notes on financial instruments Note 47. and Note 48.6.

41. Other liabilities

Other liabilities were comprised as follows:

in k €	Dec. 31, 2018		Dec. 31, 2017	
	Total	thereof: current	Total	thereof: current
Tax liabilities	8,259	8,259	10,254	10,251
Personnel-related liabilities	50,639	50,635	66,373	66,373
Remaining liabilities	70,766	68,310	47,846	46,899
Total	129,664	127,204	124,473	123,523

The rise in other liabilities was mainly attributable to increases in remaining liabilities, while personnel liabilities and tax liabilities decreased.

Remaining liabilities comprise many insignificant individual items in the Group companies.

42. Other provisions

Other provisions are composed as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Provisions for damages	5,113	1,393
Provisions for returns	17,430	22,114
Total	22,543	23,507

Provisions for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
As of Jan. 1	1,393	1,425
Added	3,868	380
Utilized	1	-
Reversed	100	420
Change of the scope of consolidation	34	-
Currency translation differences	-81	8
As of Dec. 31	5,113	1,393

Utilization is expected within the next twelve months. Provisions for returns developed as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
As of Jan. 1	22,114	18,848
Added	7,827	15,408
Utilized	7,452	11,996
Reversed	5,059	146
As of Dec. 31	17,430	22,114

Other Disclosures

43. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to €320.3 million in the reporting year (previous year: €262.9 million). This development was mainly due to a significant increase in gross cash flow as a result of a strong annual result and lower income tax payments. In addition, there were significantly lower cash outflows in connection with inventories and slight cash inflows in connection with trade accounts receivables compared with significant cash outflows in the previous year. Additionally, significantly lower consumption from the deferrals for healthcare insurance settlements was recorded. This was offset by significantly higher cash outflows from the settlement of trade accounts payable, which were high at the end of the previous year.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to -€300.3 million in the reporting year (previous year: -€122.6 million).

In financial year 2018, payments for investments in intangible assets in the amount of €280.3 million (previous year: €70.2 million) were made, of which €255.4 million (previous year: €39.5 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. Proceeds from the disposal of non-current assets amounted to €9.2 million (previous year: €5.7 million).

Cash flow from investing activities was particularly influenced by payments for investments in intangible assets in financial year 2018, primarily relating to the acquisition of the rights to the medical dandruff shampoo Nizoral® for the EMEA region and the reacquisition of the rights to the sunscreen Ladival®. In the context of business combinations, there were net inflows from the acquisition of the majority interest in BIOCEUTICALS Arzneimittel AG, as the company's cash and cash equivalents acquired at the time of acquisition exceeded the purchase price.

Proceeds from the disposal of shares in consolidated companies related to dividends of STADA Vietnam J.V., which was accounted for using the equity method, which represent partial payments in connection with the agreement concluded in the fourth quarter of 2017 to sell the shares in this company held by STADA as of December 31, 2019.

Cash flow from financing activities amounted to €79.7 million in financial year 2018 (previous year: -€227.8 million) and encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity. This development was primarily attributable to significant increase in financial liabilities due to the loans granted to STADA by Nidda Healthcare Holding GmbH. This was offset by higher repayments of financial liabilities. This resulted in particular from the following material effects: Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled in accordance with the financing conditions to prematurely terminate bonds, promissory note loans and bank loans. Among other things, a partial amount of €360.2 million made due prematurely in the first quarter of 2018 in this context. In the second quarter of 2018, the scheduled repayment of a bond in the amount of €347.1 million was another material effect.

Dividend distribution payments of €6.8 million primarily related to the dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2017.

Given the high level of expenditures for investments, free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to €20.0 million in financial year 2018 (previous year: €140.2 million).

Cash pursuant to IAS 7 is made up of cash and cash equivalents.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

k in €	2018	2017
Cash flow from operating activities	320,288	262,881
Cash flow from investing activities	-300,284	-122,644
+ payments for investments in business combinations in accordance with IFRS 3	-19,185	2,854
+ payments for significant investments in intangible assets for the short-term expansion of the product portfolio	255,384	39,484
- proceeds from disposals in significant disinvestments	375	1,390
- proceeds from disposals in consolidated companies	6,225	6
Adjusted free cash flow	249,603	181,179

44. Segment reporting

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

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

In accordance with the reporting structure the Group is managed by operating segment, i.e. in accordance with the two segments Generics and Branded Products.

Generics are products for the health care market – usually with a drug character – which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient

or

- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have expired,

or

- the product is sold under its international non-proprietary name (INN).

Branded products are products for the health care market which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,

or

- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments are recognized under the reconciliation Group holdings/other and consolidation.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the offsetting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

44.1. Information by operating segment

in k €		2018	2017
Generics	External sales	1,382,833	1,361,681
	Sales with other segments	301	2,001
	Total sales	1,383,134	1,363,681
	Operating profit	291,859	233,237
	Depreciation/amortization	51,059	53,475
	Impairment losses	17,466	14,325
	Reversals	-1,265	8,513
	EBITDA	359,213	292,549
	Special items within EBITDA	436	10,270
	thereof		
	• effects from purchase price allocations and product acquisitions	436	-2,418
	• severance payments	-	8,257
	• consulting services	-	-
	• other	-	4,431
<i>EBITDA adjusted</i>	<i>359,649</i>	<i>302,819</i>	
Other significant non-cash items within operating result	-160,423	-196,002	
Branded Products	External sales	947,991	952,247
	Sales with other segments	-	-
	Total sales	947,991	952,247
	Operating profit	165,039	99,322
	Depreciation/amortization	67,252	65,414
	Impairment losses	24,700	45,624
	Reversals	-14,634	5,482
	EBITDA	242,469	204,878
	Special items within EBITDA	-1,897	2,570
	thereof		
	• effects from purchase price allocations and product acquisitions	-1,897	-1,815
	• severance payments	-	2,789
	• consulting services	-	-
	• other	-	1,596
<i>EBITDA adjusted</i>	<i>240,572</i>	<i>207,448</i>	
Other significant non-cash items within operating result	-25,553	-41,999	

in k €		2018	2017
Reconciliation Group holdings/other and consolidation			
	External sales	-	-
	Sales with other segments	-301	-2,001
	Total sales	-301	-2,001
	Operating profit	-78,848	-140,270
	Depreciation/amortization	4,221	3,976
	Impairment losses	-	407
	Reversals	-	-
	EBITDA	-71,068	-133,609
	Special items within EBITDA	-25,672	57,205
	thereof		
	• effects from purchase price allocations and product acquisitions	-	-
	• severance payments	2,595	9,193
	• consulting services	-	44,987
	• other	-28,267	3,025
	<i>EBITDA adjusted</i>	<i>-96,740</i>	<i>-76,404</i>
	Other significant non-cash items within operating result	18,186	-43,057
Group	External sales	2,330,824	2,313,928
	Sales with other segments	-	-
	Total sales	2,330,824	2,313,928
	Operating profit	378,050	192,289
	Depreciation/amortization	122,532	122,865
	Impairment losses	42,166	60,356
	Reversals	-15,899	13,995
	EBITDA	530,614	363,818
	Special items within EBITDA	-27,133	70,045
	thereof		
	• effects from purchase price allocations and product acquisitions	-1,461	-4,233
	• severance payments	2,595	20,239
	• consulting services	-	44,987
	• other	-28,267	9,052
	<i>EBITDA adjusted</i>	<i>503,481</i>	<i>433,863</i>
	Other significant non-cash items within operating result	-167,790	-281,058

44.2. Reconciliation of segment results to net profit

in k €	2018	2017
Adjusted EBITDA for segments	600,221	510,267
Special items within EBITDA	-1,461	12,840
Reconciliation Group holding/other and consolidation	-71,068	-133,609
Depreciation, amortization, impairments losses and reversals	148,799	169,226
Financial income	5,624	3,629
Financial expenses	44,565	50,475
Earnings before taxes, Group	342,874	147,746

44.3. Information by country

in k €	Sales development by location of the company		Non-current assets	
	2018	2017	Dec. 31, 2018	Dec. 31, 2017
Germany	551,287	518,666	863,574	558,151
Russian Federation	331,446	364,505	181,273	211,648
United Kingdom	260,243	250,201	380,020	405,976
Italy	223,439	213,268	41,488	31,986
Serbia	147,951	138,185	289,317	292,096
Other countries	816,458	829,103	303,000	307,223
Total, Group	2,330,824	2,313,928	2,058,672	1,807,080

In the presentation of sales by location of the company, sales to third parties are shown in accordance with the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

44.4. Information on important customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities with a single external customer or customer group amount to at least 10% of the company's total sales revenues. This applied to one customer in the reporting year. The sales revenues identified with this customer amounted to €325.0 million (previous year: €313.3 million). The sales revenues generated were attributable to the Generics segment and the Branded Products segment. The same information also applied to the previous year.

45. Contingent liabilities

Contingent liabilities describe possible obligations to third parties based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA's control. As of the reporting date, these contingent liabilities were considered improbable and are therefore not accounted. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated.

STADA has contingent liabilities in connection, among other things, with patent risks for certain active pharmaceutical ingredients and associated pending or impending proceedings. The resulting possible obligations amounted to approximately €31.0 million (previous year: €11.6 million). Development as compared to the previous year are based primarily on a changed estimate with regard to the volume of impending resource outflows for patent risks in the amount of €21.7 million. Additionally, potential obligations as a result of a ban on economic activities between Russia and Ukraine ceased to exist.

Provisions were not created for contingent liabilities as the probability of an outflow of assets is below 50%. Outflows potentially resulting from these risks would generally be short-term.

46. Other financial obligations

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

in k €	Dec. 31, 2018	Dec. 31, 2017
Operating lease liabilities	48,743	54,861
Other financial obligations	84,408	135,541
Total	133,151	190,402

Liabilities from operating leases relate, among other things, to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings with an average contract term of 5 years.

The total of future minimum lease payments under operating leases amounted to €48.7 million as of the end of the financial year (previous year: €54.9 million) and can be broken down according to remaining term as follows:

in k €	Operating leases	
	Dec. 31, 2018	Dec. 31, 2017
Remaining terms up to 1 year	18,161	21,314
Remaining terms over 1 year to 5 years	27,649	31,391
Remaining terms over 5 years	2,933	2,156
Total	48,743	54,861

In financial year 2018, lease payments in the amount of €34.6 million (previous year: €32.2 million) were recognized as an expense.

Other financial obligations include long-term obligations for logistics services. Furthermore, contingent liabilities in the amount of €28.3 million in Spain, Belgium and the United Kingdom, as well as additional guarantees assumed by the STADA Group are included in other financial liabilities, among other things.

Due to the change in status of BIOCEUTICALS Arzneimittel AG from a company accounted for using the equity method to a fully consolidated subsidiary as of September 30, 2018, the guarantee of €25.0 million to Hospira Inc., Lake Forest, Illinois, USA, which exists in connection with a supply contract between Hospira and BIOCEUTICALS Arzneimittel AG, is no longer included in other financial obligations as of December 31, 2018 (previous year: €25.0 million).

47. Disclosures about financial instruments

47.1. Carrying amounts, valuation rates and fair values in accordance with valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IFRS 9: AC (at amortized cost) refers to loans and receivables, FVPL (fair value through profit and loss) refers to financial assets and liabilities held for sale, FVOCI (fair value through other comprehensive income) refers to assets and liabilities measured at fair value through other comprehensive income, AC (financial liabilities measured at amortized cost) refers to financial liabilities measured at amortized cost.

in k €	Category	Carrying amount Dec. 31, 2018	Amortized cost	Fair value not included in the income statement	2018 Fair value included in the income statement	Valuation rate in accordance with IAS 17	Fair Value Dec. 31, 2018
Assets							
Cash	AC	343,794	343,794	-	-	-	343,794
Trade accounts receivable:							
at amortized cost	AC	503,902	503,902	-	-	-	503,902
at fair value through other comprehensive income	FVOCI	12,109	-	12,109	-	-	12,109
Other financial assets:							
at amortized cost	AC	11,341	11,341	-	-	-	11,341
Derivative financial assets		-	-	-	-	-	-
Derivative financial assets with hedge accounting	n/a	1,850	-	-	1,850	-	1,850
Derivative financial assets without hedge accounting	FVPL	387	-	-	387	-	387
Equity and liabilities							
Trade accounts payable	AC	315,080	315,080	-	-	-	315,080
Amounts due to banks	AC	42,951	42,951	-	-	-	42,951
Promissory note loans	AC	177,882	177,882	-	-	-	179,060
Bonds	AC	272,887	272,887	-	-	-	273,941
Financial liabilities due to shareholders	AC	929,609	929,609	-	-	-	929,609
Other financial liabilities	AC	288,779	288,779	-	-	-	288,779
Liabilities financial leasing	n/a	4,012	-	-	-	4,012	4,012
Derivative financial liabilities with hedge accounting	n/a	80	-	-	80	-	80
Derivative financial liabilities without hedge accounting	FVPL	15	-	-	15	-	15
Thereof aggregated							
Financial assets at amortized cost	AC	859,037	859,037	-	-	-	859,037
Financial assets FVOCI	FVOCI	12,109	-	12,109	-	-	12,109
Financial liabilities measured at amortized cost	AC	2,027,188	2,027,188	-	-	-	2,029,421

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IAS 39: LaR refers to loans and receivables, HtM refers to held-to-maturity investments, AfS refers to available-for-sale financial assets, FAHfT refers to financial assets held for trading, FLHfT refers to financial liabilities held for trading and FLAC refers to financial liabilities measured at amortized cost.

in k €	Carrying amount Dec. 31, 2017	Valuation category pursuant to IAS 39	Valuation rate balance sheet in accordance with IAS 39				Valuation rate in accordance with IAS 17	Fair Value Dec. 31, 2017
			Amortized cost	Fair value not included in the income statement	Fair value included in the income statement			
Assets								
Cash and cash equivalents	243,195	LaR	243,195	-	-	-	243,195	
Trade accounts receivable	520,441	LaR	520,441	-	-	-	520,441	
Available-for-sale financial assets	1,978	AfS	1,978	-	-	-	1,978	
Derivative financial assets with hedging relationship	678	n/a	-	-	678	-	678	
Derivative financial assets without hedging relationship	-	FAHfT	-	-	-	-	-	
Other financial assets	10,217	LaR	10,217	-	-	-	10,217	
Equity and liabilities								
Trade payables	340,642	FLAC	340,462	-	-	-	340,462	
Amounts due to banks	84,823	FLAC	84,823	-	-	-	84,772	
Promissory note loans	525,112	FLAC	525,112	-	-	-	526,000	
Bonds	647,986	FLAC	647,986	-	-	-	655,656	
Liabilities financial leasing	3,419	n/a	-	-	-	3,419	3,419	
Derivative financial liabilities with hedging relationship	1,244	n/a	-	-	1,244	-	1,244	
Derivative financial liabilities without hedging relationship	6	FLHfT	-	-	6	-	6	
Other financial liabilities	225,471	FLAC	225,471	-	-	-	225,471	
Thereof aggregated according to valuation categories in accordance with IAS 39								
Loans and receivables	773,853	LaR	773,853	-	-	-	773,853	
Available-for-sale financial assets	1,978	AfS	1,978	-	-	-	1,978	
Financial assets held for trading	-	FAHfT	-	-	-	-	-	
Financial liabilities measured at amortized cost	1,824,034	FLAC	1,824,034	-	-	-	1,832,541	
Financial liabilities held for trading	6	FLHfT	-	-	6	-	6	

Since cash and cash equivalents as well as trade accounts receivable mainly have short residual terms, their carrying amounts as of the closing date correspond approximately to their fair value.

Deviations of the fair values from the carrying amounts occur as shown in the chart above in the case of promissory note loans, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values for liabilities to credit institutes.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with residual terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respective current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

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

Fair values by levels of hierarchy in k € on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
	Financial assets (FVOCI)					
• receivables that can be factored	–	–	12,109	n/a	–	–
Financial assets held for trading (FVPL)						
• currency forwards	–	–	387	–	–	–
Derivative financial assets with hedging relationship						
• fair value hedges	–	–	1,850	678	–	–
Financial liabilities held for trading (FVPL)						
• currency forwards	–	–	15	6	–	–
Derivative financial liabilities with hedging relationship						
• fair value hedges	–	–	80	1,244	–	–

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If a need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period. In the financial year, there were no reclassifications between the respective hierarchy levels.

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

Derivative financial assets (FVPL) and derivative financial liabilities (FVPL) include positive or negative market values of derivative financial instruments (currency forwards, in the previous year interest rate swaps) not part of a hedging relationship. The fair values of currency forwards are determined using financial mathematics based on current market data provided by a reputable information service, such as spot exchange rates or swap rates, in one system according to standardized procedures. In the previous year, the fair values were determined using appropriate valuation 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 concluded to hedge the currency risks from inter-company loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates, are offset by the changes in value spot components of the currency forwards of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective.

In financial year 2018, there financial assets or liabilities measured at fair value allocated to hierarchy level 3. Financial assets and liabilities allocated to level 3 and measured at fair value developed as follows in the previous year:

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	2,511
• through profit or loss	-268	2,511
• with no effect on profit or loss	-	-
Additions	-	-
Implementations	-9,642	851
Reclassification in level 2	-	-
As of Dec. 31, 2017	-	-
Results recognized through profit or loss	-268	2,511
Other earnings/other expenses	-151	2,226
thereof		
• attributable to assets/liabilities held as of the reporting date		-
Financial result	-117	285
thereof		
• attributable to assets/liabilities held as of the reporting date	-	-

47.2. Net earnings from financial instruments by valuation category

Net earnings recognized through profit or loss from financial liabilities can be broken down as follows:

Net earnings by valuation category in k €	From interest and dividends	From subsequent measurement			From disposals	Net earnings	
		At fair value	Currency translation	Value adjustment		Dec. 31, 2018	Dec. 31, 2017
Financial assets at amortized cost	2,079	-	-11,098	-4,917	-	-13,936	-42,874
Financial assets FVOCI	-1,564	-	-	-	-	-1,564	-408
Financial assets held for trading FVPL	-576	1,070	-	-	678	1,172	8,950
Financial liabilities measured at amortized cost	-36,158	-	1,210	-	-	-34,948	-44,165
Financial liabilities held for trading (FLHFT)	-13	-5,995	-	-	-5,999	-12,007	-7,489
Total	-36,232	-4,925	-9,888	-4,917	-5,321	-61,283	-85,986

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result. Dividends received are disclosed in investment income. With the exception of the valuation results from currency swaps recognized at fair value through profit or loss, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to the fulfillment of currency swaps.

Total interest income and expenses from financial instruments not measured at fair value through profit or loss

in k €	2018	2017
Interest income		
• from financial assets measured at amortized cost	2,079	n/a
Interest expenses		
• from financial liabilities measured at amortized cost	36,158	n/a

47.3. Factoring

Factoring transactions with the transfer of essentially all opportunities and risks

There are two revolving receivable selling agreements with banks and financial institutes (together "receivables buyers") with the transfer of essentially all opportunities and risks for two agreements without a general purchase limit and for one agreement with a purchase limit of €17.5 million. The agreements have an unlimited term with regular termination possibilities, whereby STADA is free to decide if and in what amount the revolving nominal volume is utilized. The risks that are relevant for the risk evaluation with regard to the sold receivables are the credit risk as well as the risk of delayed payment (late payment risk). In return for a fixed program fee recognized in expenses at the time of derecognition, both risks are fully transferred to the buyer of the receivable. The nominal volume of receivables sold by STADA but not yet paid under the factoring agreements amounted to €38.0 million on the reporting date.

Factoring transactions with distribution of essential opportunities and risks for which control of the asset remains with STADA

There are factoring agreements pursuant to which STADA, on a revolving basis, sells trade accounts receivables up to a total general purchase limit of €135.6 million to banks and financial institutes. The agreements have an unlimited term with regular termination possibilities, whereby STADA is free to decide if and in what amount the revolving nominal volume is utilized. The risks that are relevant for the risk evaluation with regard to the sold receivables are the credit risk as well as the risk of delayed payment (late payment risk). The credit risk is partially transferred to the buyer of the receivable. The late payment risk continues to be borne in its entirety by STADA. The maximum credit risk to be borne by STADA, translated into euro, amounted to €1.3 million as of the reporting date. The other credit-risk related defaults are assumed by the buyer. The late payment risk continues to be borne in its entirety by STADA. The maximum risk of loss for STADA resulting from the credit risk and the late payment risk from the receivables sold as of the reporting date, translated into euro, amounted to €1.4 million. The nominal volume of receivables sold by STADA but not yet paid under the factoring agreements, translated into euro, amounted to €51.7 million on the reporting date. The ongoing commitment of STADA as of December 31, 2018, translated into euro, amounted to €1.4 million and the carrying amounts of the associated liability, translated into euro, amounted to €1.4 million.

48. Risk management, derivative financial instruments and disclosures on capital management

48.1. Principles of risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks.

48.2. Currency risks

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

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

However, STADA is only subject to this risk to a limited extent, as the company counters currency-related risks through, in addition to natural hedges, the use of derivative financial instruments. These are used to hedge currency risks from operating activities, financial transactions and investments. In the reporting year, STADA made use of foreign-exchange futures contracts and currency swaps. The maturity dates of futures contracts is adjusted to the term of the underlying transaction. The residual term of the contracts is currently up to one year.

In the context of the Consolidated Financial Statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and depreciation is generally positive.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the balances of assets or equity and liabilities from the aggregation. This results in the subsequent material outstanding foreign currency items as of the respective reporting dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% devaluation of the euro in comparison with respective functional currency are as follows:

in k €	Dec. 31, 2018			Dec. 31, 2017		
	Serbian dinar	US dollar	Ukrainian hryvnia	Kazakhstani tenge	US dollar	Ukrainian hryvnia
Outstanding foreign currency item	+24,575	+15,756	-23,193	+13,574	-31,264	+9,901
Income (+)/expense (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	+2,458	-1,576	-2,319	-1,661	+3,126	-2,444
Income (+)/expense (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	-2,458	+1,576	+2,319	+1,661	-3,126	+2,444
Equity increase (+)/equity reduction (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-15,325	-1,576	-1,862	-2,178	+3,126	-1,968
Equity increase (+)/equity reduction (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	+15,325	+1,576	+1,862	+2,178	-3,126	+1,968

In this regard, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in Kazakhstani tenge and Ukrainian hryvnia relate to a balance from international Group companies in euro and outstanding foreign currency reserves in Kazakhstani tenge and Ukrainian hryvnia. The reported outstanding foreign currency positions in the US dollar relate exclusively to foreign currency holdings in US dollars at German and international Group companies. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the reporting date, an appreciation or a devaluation of the respective functional currency by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of €3.9 million (previous year: €2.2 million) or in the amount of earnings of €3.9 million (previous year: €2.2 million).

48.3. Interest rate risks

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

In 2018, an average of 33% (previous year: 88%) of financial liabilities in euro had fixed interest rates.

In 2018, STADA did not enter into any interest rate hedging transactions.

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors – if relevant – are generally included in the calculation:

- Changes in the market interest rate of original financial liabilities with variable interest rates that were not hedged against interest rate risks

in € million	Dec. 31, 2018	Dec. 31, 2017
Income (+)/expense (-) from an increase in the market interest rate level of 100 basis points	-4.5	-1.2
Income (+) / expense (-) from a decrease in the market interest rate level of 100 basis points	0.4	+0.6
Equity increase (+)/equity reduction (-) from an increase in the market interest rate level of 100 basis points	-	-
Equity increase (+)/equity reduction (-) from a decrease in the market interest rate level of 100 basis points	-	-

The interest-rate risk at STADA is of secondary importance.

48.4. Default risks

STADA is exposed to a default risk in its operating business if contracting parties fail to meet their obligations. Alongside the implementation of appropriate credit management processes, such transactions are generally only concluded with counterparties of impeccable financial standing to avoid default risks in financing activities.

Default risks also exist as a result of the supply of goods and services. STADA therefore strives to maintain business relations only with partners of impeccable financial standing. In addition, STADA partly uses suitable measures such as guarantees, loan insurances or the transfer of assets to safeguard itself against default risk. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments. Furthermore, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

STADA's maximum credit default risk is calculated from the carrying amount of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of €29.0 million (previous year: €63.1 million) as of the reporting date (see Note 46.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

48.5. Liquidity risks

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by maintaining a sufficient supply of liquidity reserves. STADA finances itself with short-term and long-term borrowings from banks, promissory note loans, bonds and factoring. Furthermore, STADA also has solid cash flow from operating activities.

48.6. Derivative financial instruments and hedging instruments

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

The total volume of currency rate related derivatives is comprised as follows:

in k €	Dec. 31, 2018		Dec. 31, 2017	
	Nominal value	Fair Value	Nominal value	Fair Value
Derivatives without hedging relationship				
Currency swaps	10,556	372	771	-6
Derivatives with hedging relationship				
Currency swap	68,422	1,770	161,448	-566
Total	78,978	2,142	162,219	-572

STADA designates currency forwards (EUR/RUB, EUR/DKK, EUR/CHF, EUR/USD and EUR/GBP) as fair value hedges that are concluded to hedge the currency risks from inter-company loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates, are offset by the changes in value of the spot component of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective. In the reporting period, new fair value hedges with a nominal volume totaling €681.5 million were designated for reduction of the fair value risk (previous year period: €161.5 million). At STADA, as of December 31, 2018, there were currency derivatives with a net fair value of k €1,770 (December 31, 2017: k €-566) which were designated as hedging instruments within the scope of fair value hedges. Losses recognized in currency translation result of k €4,088 (previous year: k €863) resulted in financial year 2018 from the carrying amount adjustment of the underlying transaction, from the changes in fair values of the spot components of the hedging transactions, profits of k €4,088 (previous year: k €863) were recognized in currency translation result.

in k €	Remaining term up to 1 year	Sum of nominal amounts Dec. 31, 2018	Sum of nominal amounts Dec. 31, 2017	Average hedging rate/ price
Hedging of currency risk				
• Currency forwards RUB	10,556	10,556	771	77.7599
• Currency swaps RUB	49,068	49,068	109,029	77.4443
• Currency swaps CHF	11,496	11,496	15,461	1.1308
• Currency swaps GBP	3,968	3,968	1,128	0.9072
• Currency swaps USD	0	0	33,143	-
• Currency swaps AUD	1,206	1,206	0	1.6586
• Currency swaps DKK	2,684	2,684	2,688	7.4514

in k €	Carrying amount Dec. 31, 2018	Balance sheet item Dec. 31, 2018	Fair value adjustments for measurement of inefficiencies Dec. 31, 2018	Nominal volumes Dec. 31, 2018
Hedging of currency risk				
• Currency forwards				
– derivative assets	1,850	other financial assets		15,465
– derivative liabilities	-80	other financial liabilities		52,957

48.7. Disclosures on capital management

The objectives of the STADA capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth as well as guaranteeing attractive dividend payments and the capital service. The STADA capital management consistently aims for the Group companies to have an equity basis that corresponds to the local requirements. When implementing and checking the Group's capital and liquidity the legal requirements are taken into account.

An important key figure for capital management at STADA is the net debt to adjusted EBITDA ratio, which amounted to 2.1 in financial year 2018 (previous year: 2.4).

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Non-current financial liabilities	978,386	816
Current financial liabilities	444,943	1,257,105
Loan liabilities within other financial liabilities	-	40,008
Gross debt	1,423,329	1,297,929
Cash, cash equivalents and securities classified as available for sale	343,794	243,195
Net debt	1,079,535	1,054,734
EBITDA (adjusted)	503,481	433,862
Net debt to adjusted EBITDA ratio	2.1	2.4

The financing agreements stipulate a right of return for the bonds, promissory note loans or bank loans on the part of the respective investors in the case of a change of control and a change to STADA's rating. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH), as part of the takeover offer, agreed to provide STADA with financing for the financing amounts for which an early repayment of the STADA financing is upcoming. The loan of the shareholder amounts to € 929.6 million as of December 31, 2018 and is reported under non-current financial liabilities. In 2017, a loan in the amount of €40.0 million was already granted by Nidda Healthcare Holding GmbH in this connection. This loan was included in the calculation of net debt.

49. Related party transactions

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

49.1. Transactions with related persons

Persons in key positions are the members of governing bodies of STADA Arzneimittel AG, the remuneration of whom, including further information on the principles of the remuneration system, is presented in detail in the Combined Management Report (see "Remuneration Report"), as well as the summary in Note 50. in relation to quantitative disclosures.

49.2. Transactions with related companies

Bain Capital Investors, LLC, Wilmington, Delaware, USA, and Cinven (Luxco 1) S.A., Luxembourg, exercise direct joint control over the subsidiary Nidda Topco S.à r.l., which in turn indirectly over the following subsidiaries – Nidda Midco S.à r.l., Nidda German Topco GmbH, Nidda German Midco GmbH, Nidda BondCo GmbH and Nidda Healthcare Holding GmbH – through the direct shareholder Nidda Healthcare GmbH holds controlling interest in STADA Arzneimittel AG. The indirect subsidiary of Cinven (Luxco 1) S.A., Cinven Capital Management (VI) General Partner Limited, St. Peter Port, Guernsey, is the fund manager for certain entities of the Sixth Cinven Fund in the sense of an investment management company.

Trade accounts receivable and trade accounts payable of the STADA Group essentially relate to related party transactions as follows:

in k €	Dec. 31, 2018	Dec. 31, 2017
Trade accounts receivable		
Non-consolidated subsidiaries	-9	23
Non-consolidated joint ventures	178	169
Associates	1,112	7,26
Joint ventures	-	-
Other financial receivables		
Non-consolidated subsidiaries	10	9
Non-consolidated joint ventures	-	-
Associates	-	-
Joint ventures	-	-
Trade accounts payable		
Non-consolidated subsidiaries	29	83
Non-consolidated joint ventures	-	-
Associates	1,779	3,103
Joint ventures	-	-
Other financial liabilities	1,600	-
Non-consolidated subsidiaries	-	-
Non-consolidated joint ventures	-	-
Associates	-	-
Joint ventures	-	-

Income and expenses of the STADA Group essentially relate to related party transactions as follows:

in k €	2018	2017
Sales		
Non-consolidated subsidiaries	-	46
Non-consolidated joint ventures	-	-
Associates	2,217	1,726
Joint ventures	-	-
Interest income		
Non-consolidated subsidiaries	-	-
Non-consolidated joint ventures	-	-
Associates	-	-
Joint ventures	-	-
Interest expense		
Non-consolidated subsidiaries	-	-
Non-consolidated joint ventures	-	-
Associates	7	-
Joint ventures	-	-

In addition, there are business relationships between STADA and its affiliated companies from which outstanding trade accounts payable in the amount of €0.5 million arise as of the reporting date December 31, 2018 (previous year: €0.4 million). The transaction volume with these companies in 2018 since the time of the takeover by Bain Capital and Cinven amounted to a total of €5.8 million (previous year: €2.7 million).

In addition, the following disclosures on related party transactions are made:

As of December 31, 2018, STADA Arzneimittel AG has a financial obligation to Nidda Healthcare Holding GmbH in the amount of €929.6 million (previous year: €40.0 million) with an interest rate of EURIBOR +3.5% p.a. (previous year: 1.81% p.a.). Further details on financial liabilities are provided in Note 37.

50. Remuneration of the Executive Board and the Supervisory Board

The aggregate remuneration of the Executive Board and the Supervisory Board including further information on the principles of the remuneration system are presented in detail in the Combined Management Report (see "Remuneration Report").

In summary, the following disclosures regarding the remuneration of the Executive Board and Supervisory Board at STADA Arzneimittel AG are made in accordance with IAS 24 in consideration of the disclosure requirements of Section 314 (1) No. 6a Sentence 1–4 HGB:

in k €	Fixed and variable current remuneration		Variable remuneration non-current		Termination benefits		Expenses for pension commitments earned in the current year		Total remuneration	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Members of the Executive Board	3,786 ¹⁾	4,164 ²⁾	-	958 ³⁾	1,900	6,402	-	-	5,686	11,524
Members of the Supervisory Board	786 ⁴⁾	1,089 ⁵⁾	-	-	-	-	-	-	786	1,089

As of December 31, 2018 there were outstanding liabilities to members and former members of the Executive Board in the amount of €2.1 million (previous year: €9.6 million).

Remuneration to former members of the Executive Board amounted to a total of k €11,384 in financial year 2018. The fair value of pension commitments to former Executive Board members amounted to k €47,257 as of December 31, 2018.

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

51. Fees for the auditor

For the services provided by the auditors PricewaterhouseCoopers GmbH and the auditors of the previous year PKF Deutschland GmbH, the following fees were recognized as expenses in financial year 2018 and in the previous year.

The following disclosures are made for the auditors PricewaterhouseCoopers GmbH:

in k €	2018	2017
Fees for the auditor	1,021	1,508
• thereof for audits	648	468
• thereof for other confirmation services	104	-
• thereof for other services	269	993
• thereof for tax consultancy services	-	47

1) Thereof performance-related k €363, non-performance related k €3,423.

2) Thereof performance-related k €458, non-performance related k €3,706.

3) This resulted from final accounting of multi-year variable long-term special remuneration, "Long-Term Goals 2018," final account of LTIP 2016 as well as LTIP 2017 based on the severance agreement.

4) Thereof performance-related k €329, non-performance related k €457.

5) Thereof performance-related k €316, non-performance related k €773.

The following disclosures were made for the previous year for the auditors PKF Deutschland GmbH:

in k €	2018	2017
Fees for the auditor	-	396
• thereof for audits	-	370
• thereof for other confirmation services	-	26
• thereof for other services	-	-
• thereof for tax consultancy services	-	-

The fees for audits relate to payment for the audit of the Consolidated Financial Statements as well as the Financial Statements of STADA Arzneimittel AG and its German subsidiaries at the end of the financial year. For financial year 2017, they also include the review of the Interim Consolidated Financial Statements of June 30, 2017.

Other services from PricewaterhouseCoopers GmbH relate primarily to services within the scope of due diligence processes.

52. Corporate Governance

The declaration on the German Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act was last issued by the Executive Board and Supervisory Board in December 2018. The declaration is publicly available via the Company's website (www.stada.com/de in German or www.stada.com in English) and is also presented in the Annual Report.

53. Events after the end of the financial year

After the closing date, the following events with significant or possibly significant effects on the net assets, financial position and results of operations of the STADA Group occurred:

- On December 20, 2018, STADA had announced that STADA and certain of its significant subsidiaries – in accordance with the directive issued by Nidda Healthcare GmbH (Nidda) – have granted certain in rem securities to secure capital market liabilities and other financial liabilities, which were raised or guaranteed by Nidda and its affiliated companies and for which these securities were accepted.¹⁾ The grant of such in rem securities will give holders of the STADA €300,000,000 1.75% fixed rate bonds due 2022 the right to demand repayment of their principal and accrued interest on such STADA bonds. On January 8, 2019, STADA published the relevant tender offer, whose final expiration date is currently June 19, 2019.²⁾

1) See the Company's press release of December 20, 2018.

2) See www.stada.com/investor-relations/bonds/bond-2015/disclaimer.html.

54. Dividend

In the reporting year, net profit of STADA Arzneimittel AG amounted to €0.00 and, due to the profit transfer, corresponds to the annual result. In view of the domination and profit and loss transfer agreement dated December 19, 2017, an amount of €134,189,487.01 will be transferred to Nidda Healthcare GmbH. Pursuant to the existing domination and profit and loss transfer agreement DPLTA, STADA Arzneimittel AG will no longer distribute dividends as of financial year 2018. Instead, Nidda Healthcare GmbH has undertaken to pay to the external shareholders of STADA Arzneimittel AG a compensation of €3.82 gross or €3.53 net under current taxation per STADA share for the duration of the agreement and accordingly also for financial year 2018. The compensation payment is due on the third banking day after the Annual General Meeting of STADA Arzneimittel AG for the financial year just ended, but no later than eight months after the end of the financial year in question.

Bad Vilbel, March 13, 2019



Peter Goldschmidt
Chairman of the Executive Board



Mark Keatley
Chief Financial
Officer



Miguel Pagan Fernandez
Chief Technical
Officer

Further Information

2018

Responsibility Statement	196
Independent Auditor's Report	197
Independent Assurance Report	204
Boards of the Company	206
The STADA Supervisory Board	206
The STADA Executive Board	207
The STADA Advisory Board	208
Glossary A-Z	209
Publishing Information	210
FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY	211

Responsibility Statement

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Combined Management Report includes a fair review of the course of business and business performance and the net assets, financial position and results of operations of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 13, 2019



Peter Goldschmidt
Chairman of the Executive Board



Mark Keatley
Chief Financial Officer



Miguel Pagan Fernandez
Chief Technical Officer

Independent Auditor's Report

To STADA Arzneimittel AG, Bad Vilbel

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of STADA Arzneimittel AG, Bad Vilbel, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in shareholders' equity for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of STADA Arzneimittel AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018,

and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a

separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill and other intangible assets
2. Revenue recognition including expected revenue reductions
3. Accounting treatment of material acquisitions

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill and other intangible assets

1. The "Intangible assets" balance sheet item reported in the Company's consolidated financial statements included EUR 389 million (11% of consolidated total assets) for "Goodwill" and EUR 1,145 million (32% of consolidated total assets) for "Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights". While goodwill and other intangible assets with indefinite useful lives must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for intangible assets with definite useful lives if there are indications of impairment ("triggering events").

Goodwill is tested for impairment at the level of the group of cash-generating units to which the relevant goodwill is allocated. In an impairment test, the carrying amount of the respective cash-generating unit (including the affected goodwill) is compared against the higher of the value in use and the fair value less costs of disposal. In a first step, the Company generally conducts the test based on the value in use. For the umbrella brands with indefinite useful lives, the relief from royalty method is initially applied.

The Company has identified certain indicators, which are monitored and in case of negative development trigger an impairment test for assets with definite useful lives. In the case of regulatory drug approvals, however, an impairment test is carried out in each instance at the end of the financial year. Brands and regulatory drug approvals are normally measured based on the present value of future cash flows generated by the affected asset from marketing the respective products. An impairment loss is recognized if the recoverable amount is less than the respective carrying amount.

Present value is calculated using discounted cash flow models. The starting point is the Group's financial plan, which is projected forward using growth assumptions. The discount rate used is the weighted cost of capital for the relevant cash-generating unit or group of cash-generating units.

The result of this measurement depends to a large extent on estimates made by the executive directors' with respect to future cash inflows and the discount rate used, the rate of growth and other assumptions and is therefore subject to considerable uncertainty. Against this background, and due to the complex nature of the measurement, this matter was of particular significance for our audit.

2. As part of our audit, we reviewed the methodological procedure adopted for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. We verified the appropriateness of the future cash inflows used in the measurement, including by comparing these disclosures with the current budgets in the financial plan prepared by the executive directors' and approved by the supervisory board, and by reconciling them against general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount

rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we reproduced the sensitivity analyses performed by the Company and carried out our own additional sensitivity analyses with respect to those cash-generating units with low headroom (recoverable amount compared with the carrying amount). Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill and intangible assets are contained in notes 9 "Accounting policies" and 24 "Intangible assets" to the consolidated financial statements.

2. Revenue recognition including expected revenue reductions

1. The EUR 2,330.8 million reported under "Sales" in the Company's consolidated financial statements relate primarily to the sale of products and provision of services. Since large-volume transactions are involved, the company has established comprehensive processes and systems for recognizing and deferring sales. Revenue is recognized when the goods have been delivered or the services rendered. The transaction price is measured as the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services. Variable consideration is considered when measuring the transaction price (discounts to health insurance organizations, other health sector institutions and customers, as well as expected returns, among others). When recognizing revenue, material assumptions have to be made with respect to discounts that must subsequently be granted and returns that must subsequently be accepted, and the corresponding revenue adjustments have to be recognized.

Particularly in Germany, discount arrangements with health insurance organizations are agreed for a specific pharmaceutical ingredient by means of tenders over a specific period of time. The corresponding drug is initially sold to patients at a binding sales price, which is then subject to a discount subsequently granted to the respective health insurance organization.

The revenue adjustments are based to a large degree on the executive directors' estimates and assumptions and are therefore subject to considerable uncertainties. Against this background and due to the underlying complexity of the measurement on which this significant item in terms of its amount was based, this matter was of particular significance for our audit.

2. Our audit included assessing the appropriateness and effectiveness of the processes and controls within the Company's internal control system established to realize revenue and make revenue adjustments, including the IT systems used. To this end, we also involved our specialists from Risk Assurance Services (RAS). With the knowledge that the complexity of the accounting treatment and the estimates and assumptions to be made give rise to an increased risk of accounting misstatements, we assessed the appropriateness of the estimates made by the executive directors with respect to revenue adjustments. At the same time, we verified and assessed the methodology applied by the executive directors to make revenue adjustments. We also used the detailed information obtained to assess the relevant assumptions made by the executive directors as of the balance sheet date. In addition, we verified the consistency of the methods used by the Company to recognize revenue and make revenue adjustments. We also compared the revenue adjustments with contract documents.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors concerning the recognition and measurement of revenue were sufficiently documented and that the estimates applied and the assumptions made by the executive directors were consistently derived.

3. The Company's disclosures relating to revenue recognition are contained in notes 9 "Accounting policies" and 11 "Sales" to the consolidated financial statements.

3. Accounting treatment of material acquisitions

1. In the Company's consolidated financial statements as of December 31, 2018, the Nizoral and Ladival trademarks are recognized at amortized cost of EUR 190.3 million under the "Intangible assets" balance sheet line item as material additions (EUR 195.6 million) during the reporting period. In addition, control over the Bioceuticals Group was acquired as of September 30, 2018, due to the acquisition of a further 35.5% interest to total 51.3% of the shares of Bioceuticals Arzneimittel AG.

STADA Arzneimittel AG acquired the trademark to Nizoral as of June 21, 2018, and the trademark to Ladival as of June 17, 2018, for a total of EUR 195.6 million. The agreements are accounted for as an asset acquisition, whereby the acquired trademarks are carried at cost and amortized. In addition, the acquisition of control over the Bioceuticals Group was accounted for as a business combination by recognizing the acquired assets and liabilities at fair value. Taking into consideration the purchase price of EUR 35.0 million for the additional interest, the remeasurement of previously held interests as required under IFRS 3, and the EUR 78.3 million share of the net assets acquired attributable to STADA AG, this results in a bargain purchase of EUR 27.6 million recognized in profit or loss. In view of the complexity of identifying and measuring the assets and liabilities acquired as part of the business combination and the material cumulative impact of the acquisitions on the assets, liabilities, financial position and financial performance of the STADA Group, these were of particular significance in the context of our audit.

2. In auditing the accounting treatment of the acquisitions of intangible assets and shares, we began by inspecting and assessing the agreements. Among other things, we agreed the purchase prices paid by STADA Arzneimittel AG as consideration for the acquired assets and shares to the supporting documentation for the payments made, as provided to us. The recognition and measurement of the acquisitions was assessed in particular on the basis of the criteria for an asset acquisition or a business combination. We examined whether the acquisitions of the Nizoral and Ladival trademarks were properly accounted for as asset acquisitions and whether the acquisition of control over the Bioceuticals Group was properly accounted for as a business combination. For the business combination, we assessed the underlying opening balance sheets. A valuation report was available to us for the purchase price allocation performed pursuant to IFRS 3, and we assessed this report accordingly. Given the specific measurement characteristics, we were assisted by our internal valuation specialists. Among other things, they assessed the appropriateness of the methods on which the measurements were based as well as the measurement parameters used. We assessed fair values that were measured centrally (e.g., of customer relationships) by reconciling quantity structure with the original financial accounting records and the parameters used. We also used checklists to establish whether the requirements set out in IFRS 3 for disclosures in the notes to the financial statements had been complied with in full. We checked that the EUR 27.6 million bargain purchase was recognized under "Other income" in the consolidated income statement.

On the basis of our audit procedures, we were able to satisfy ourselves that the recognition in the financial statements of the acquisitions of intangible assets and the business combination under consideration of the assumptions and measurement parameters underlying the measurement is appropriate overall.

3. The Company's disclosures on goodwill and intangible assets are contained in notes 8 "Business Combinations", 9 "Accounting policies" and 24 "Intangible assets" to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Report including Statement on Corporate Governance" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit,

or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 6, 2018. We were engaged by the supervisory board on December 18, 2018. We have been the group auditor of the STADA Arzneimittel AG, Bad Vilbel, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Bernd Roese.

Frankfurt am Main, March 13, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

[sgd. Dr. Bernd Roese]
Wirtschaftsprüfer
(German Public Auditor)

[sgd. ppa. Katrin Blumert]
Wirtschaftsprüferin
(German Public Auditor)

Independent Practitioner's Report on a Limited Assurance Engagement on Non-Financial Reporting¹⁾

To STADA Arzneimittel AG, Bad Vilbel

We have performed a limited assurance engagement on the combined separate Non-financial Report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB] ("Handelsgesetzbuch": "German Commercial Code") of STADA Arzneimittel AG, Bad Vilbel, (hereinafter the "Company") for the period from 1 January to 31 December 2018 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

1) PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Non-financial Report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the Consolidated Financial Statements and in the Group Management Report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 13 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

ppa. Axel Faupel

Boards of the Company

The STADA Supervisory Board (as of March 1, 2019)

Dr. Günter von Au, Munich, Germany (Chairman)
Jens Steegers¹⁾, Bad Vilbel, Germany (Deputy Chairman)

Dr. Eric Cornut, Binningen, Switzerland
Halil Duru¹⁾, Frankfurt am Main, Germany
Jan-Nicolas Garbe, Frankfurt am Main, Germany
Benjamin Kunstler, London, United Kingdom
Bruno Schick, Frankfurt am Main, Germany
Dr. Michael Siefke, Gräfelfing, Germany

The Supervisory Board members can be contacted via STADA Arzneimittel AG's business address.

¹⁾ Employee representative.

The STADA Executive Board (as of March 1, 2019)



Peter Goldschmidt

Chairman of the Executive Board (since September 1, 2018)

Executive Board member since 2018

Contract until August 31, 2021



Mark Keatley

Chief Financial Officer (since September 27, 2017)

Executive Board member since 2017

Contract until September 26, 2020



Miguel Paganz Fernandez

Chief Technical Officer (since July 1, 2018)

Executive Board member since 2018

Contract until June 30, 2021

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

The STADA Advisory Board (as of March 1, 2019)

Members of the STADA Advisory Board are appointed by the Executive Board. According to the Company's Articles of Incorporation, the duty of the Advisory Board is to support and advise the Executive Board and make recommendations and suggestions. The Advisory Board, appointed for two years from 2019 to 2020, consisted of the following members as of March 1, 2019:

Dr. Thomas Meyer, Seelze, Germany (Chairman)

Dr. Frank-R. Leu, Gießen, Germany (Deputy Chairman)

Rika Aschenbrenner, Mainburg, Germany

Dr. Maria Haas-Weber, Hanau, Germany

Dr. Stefan Hartmann, Gilching, Germany

Björn Kaufmann, Burscheid, Germany

Reimar Michael von Kolczynski, Stuttgart, Germany

Klaus Lieske, Waltrop, Germany

Dr. Achim Luckau, Frankfurt, Germany

Dr. Wolfgang Schlags, Mayen, Germany

The Advisory Board members can be contacted via STADA Arzneimittel AG's business address.

Glossary A–Z

Active pharmaceutical ingredient

In the pharmaceutical market: The pharmaceutically efficacious component of a drug (also API).

Approval

Permission under drug laws to market a drug in a national market.

Audit

In the pharmaceutical market: Control of equipment and documentation of manufacturers or their suppliers.

Bevacizumab

Bevacizumab is a monoclonal antibody, which is used to treat various forms of cancer, such as metastasized colon or rectal cancer and metastasized breast cancer.

Biosimilars

A biosimilar is a drug with an active pharmaceutical ingredient produced in a biotechnological process that has been developed in comparison with an original product already on the market. It is so similar to the original product that it has proven therapeutic equivalence and is comparable in terms of safety and quality. Therefore, a biosimilar is an equivalent successor product of an off-patent biopharmaceutical product.

Central nervous system (CNS)

The central nervous system (CNS) is a subsystem of the human nervous system. It consists of the brain and the spinal cord. The tissue in these places are comprised of nerve cells (neurons) and supporting cells (glial cells). Neurons transport information between the brain and the individual body parts.

Commercial property rights

Provide inventors or companies with protection against competition for an invention for a limited time period. The best-known commercial property right is the patent.

Diabetes

Diabetes mellitus, more commonly known simply as diabetes, refers to a group of metabolic disorders, the main symptom of which is the excretion of sugar in urine. This excretion occurs because the patient suffers from a lack of insulin, a hormone that is normally produced by the pancreas and which is necessary for the transport of glucose (sugar) from the blood into the somatic cells. Diabetes mellitus can lead to a range of disease symptoms in the cardiovascular system, in the central nervous system as well as to kidney disease or functional disorders of the visual organ.

Dossier

Includes all scientific and technical documentation required for an application for drug approval that describes the quality, safety, and efficacy of that drug.

Epoetin or erythropoietin

Epoetin or erythropoietin is a biopharmaceutical active ingredient in protein form that is produced from living cell lines. The erythropoietin biosimilar developed by BIOCEUTICALS is epoetin zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hemopoiesis as well as in cancer therapy.

Filgrastim

Filgrastim is the form of the human granulocytes colony-stimulating factor (G-CSF) produced by using biotechnology. Filgrastim is, among other things, used for the treatment of neutropenia, a low count of a special type of white blood cells. Neutropenia can arise e.g. after cytotoxic chemotherapy or a bone marrow transplant.

GMP

Good Manufacturing Practice – international production standard in the pharmaceutical industry.

Indication

Diseases for which a certain drug is used.

Ophthalmology

Ophthalmology is the branch of medicine that deals with the diseases and functional disorders of the visual organ, their associated organs as well as the sense of sight and its medical treatment. It is one of the oldest medical sub-disciplines. Ophthalmology is one of the sub-disciplines of surgery, although a broad range of effective and highly-developed medications and remedies are available to it.

Patent

In the pharmaceutical market: commercial property right granting market exclusivity for a limited period (in the EU 20 years, for example) for active pharmaceutical ingredients.

Pegfilgrastim

Pegfilgrastim is a biopharmaceutical active ingredient in the form of a protein that is produced from *Escherichia coli* and subsequent conjugation with polyethylene glycol (PEG). Pegfilgrastim is used to shorten the duration of neutropenia and to avoid frequent neutropenic fever in adult patients who are being treated for a malignant disease with cytotoxic chemotherapy.

Pemetrexed

Pemetrexed is a cytostatic drug used for the treatment of certain advanced forms of lung cancer.

Prescription obligation

The legal requirement specifying that, based on the potential risk involved, certain drugs may be dispensed to patients by prescription only.

Ranibizumab

Ranibizumab is a monoclonal antibody fragment, used in the treatment of wet age-related macular degeneration (AMD) and for impaired visual acuity associated with a diabetic macular edema.

Rituximab

Rituximab is a monoclonal antibody used in the treatment of various forms of cancer, such as non-Hodgkin lymphomas, as well as various auto-immune diseases, such as rheumatoid arthritis.

Teriparatide

Teriparatide is a fragment of human parathormone for hypodermic injection which is produced using biotechnology. Teriparatide is used for the treatment of post-menopausal women with manifest osteoporosis and a high fracture risk, for men with osteoporosis in conjunction with a high fracture risk, as well as for glucocorticoid-induced osteoporosis of adults with an elevated fracture risk.

Publishing Information

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The current financial calendar can be found on the Internet at: www.stada.com/de and www.stada.com.

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Forward-looking statements

This STADA Arzneimittel AG (hereinafter "STADA") Annual Report contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the net assets, financial position and results of operations, growth or performance being materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. STADA may, where appropriate, also make forward-looking statements in other reports, in presentations, in material delivered to shareholders, in investor news and in press releases. Furthermore, our representatives may from time to time make forward-looking statements verbally. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: the influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health-care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA does not assume any obligation to update these forward-looking statements.

Rounding

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

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Financial key figures in € million	2018	2017	2016	2015	2014
Total Group sales	2,330.8	2,313.9	2,139.2	2,115.1	2,062.2
• Generics	1,382.8	1,361.7	1,280.7	1,261.4 ¹⁾	1,261.7 ¹⁾
• Branded Products	948.0	952.2	858.5	853.6	800.5
Operating profit	378.1	192.3	178.1	223.7	188.5
EBITDA	530.6	363.8	361.5	377.1	418.8
<i>Adjusted EBITDA</i>	<i>503.5</i>	<i>433.9</i>	<i>398.0</i>	<i>389.4</i>	<i>431.9</i>
EBIT	381.8	194.6	178.9	225.3	190.3
Earnings before taxes (EBT)	342.9	147.7	127.4	157.8	124.7
Net income	306.9	85.3	85.9	110.4	64.6
<i>Adjusted net income</i>	<i>284.0</i>	<i>195.6</i>	<i>177.3</i>	<i>165.8</i>	<i>186.2</i>
Cash flow from operating activities	320.3	262.9	333.5	311.7	223.8
Asset/capital structure in € million	2018	2017	2016	2015	2014
Balance sheet total	3,560.1	3,204.5	3,440.4	3,287.4	3,335.5
Non-current assets	2,113.8	1,880.6	1,949.5	2,032.3	2,013.8
Current assets	1,446.3	1,323.9	1,490.9	1,255.1	1,321.7
Equity	1,178.0	1,006.4	1,047.1	1,018.5	903.4
Equity-to-assets ratio in percent	33.1%	31.4%	30.4%	31.0%	27.1%
Non-current liabilities	1,102.4	157.6	1,493.7	1,282.6	1,246.7
Current liabilities	1,279.7	2,040.5	899.6	986.3	1,185.4
Net debt	1,079.5	1,054.7	1,118.2	1,215.7	1,327.5
Capital expenditure/depreciation and amortization in € million	2018	2017	2016	2015	2014
Total capital expenditure	422.2	113.6	189.7	177.0	279.0
• on intangible assets	368.6	57.3	130.5	122.9	241.0
• on property, plant and equipment	53.3	56.0	54.3	53.5	37.9
• on financial assets/associates	0.3	0.3	4.9	0.6	0.1
Total depreciation and amortization	164.7	183.2	182.7	151.9	228.5
• on intangible assets	129.9	142.1	145.3	117.4	192.5
• on property, plant and equipment	34.8	40.7	33.9	34.4	33.4
• on financial assets	-	0.4	3.5	0.1	2.6
Employees	2018	2017	2016	2015	2014
Average number per year	10,247	10,832	10,839	10,441	10,209
Number as of the balance sheet date	10,416	10,176	10,923	10,532	10,363
Key figures per STADA share	2018	2017	2016	2015	2014
Market capitalization (year-end) in € million	4,956.2	5,500.4 ²⁾	3,066.3 ²⁾	2,327.9 ²⁾	1,530.8 ²⁾
Year-end closing price in €	79.50 ²⁾	88.23 ²⁾	49.19 ²⁾	37.34 ²⁾	25.25 ²⁾
Average number of shares (without treasury shares)	62,258,142	62,258,051	62,256,532	61,637,621	60,408,501
Basic earnings per share in € ³⁾	4.93	1.37	1.38	1.79	1.07
<i>Adjusted earnings per share in €</i>	<i>4.56</i>	<i>3.14</i>	<i>2.85</i>	<i>2.69</i>	<i>3.08</i>
Diluted earnings per share in € ⁴⁾	-	-	-	1.79	1.05
<i>Adjusted diluted earnings per share in €</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>2.69</i>	<i>3.04</i>
Dividend per share in €	- ⁵⁾	0.11	0.72	0.70	0.66
Total dividend payments in € million	- ⁵⁾	6.8	44.8	43.6	40.0
Distribution ratio in percent	- ⁵⁾	8	52	39	62

1) The figures in the reporting year and in the previous year include the non-core activity Commercial Business, which was previously reported separately.

2) XETRA®.

3) In accordance with IAS 33.10.

4) In accordance with IAS 33.31.

5) Pursuant to the existing domination and profit and loss transfer agreement, STADA Arzneimittel AG will no longer distribute dividends as of financial year 2018. Instead, Nidda Healthcare GmbH has undertaken to pay to the external shareholders of STADA Arzneimittel AG a compensation payment of €3.82 gross or €3.53 net under current taxation per STADA share for the duration of the agreement and accordingly also for financial year 2018 (see Consolidated Financial Statements, item 54).

