

STADA Arzneimittel Aktiengesellschaft

Annual Financial Statements

as of December 31, 2018

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2018

Combined Management Report

The management report of STADA Arzneimittel AG and the consolidated management report have been combined pursuant to Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) of the German Commercial Code and published in the STADA Annual Report 2018.

The Annual Financial Statements and the Management Report combined with the Group Management Report of STADA AG for financial year 2018 are submitted to the operator of the Federal Gazette and published in the Federal Gazette.

The Annual Financial Statements of STADA Arzneimittel AG as well as the Group Annual Report for financial year 2018 are also available on the Internet at:

www.stada.com/de or www.stada.com

Balance Sheet

Balance Sheet as of December 31 in € Assets	Dec. 31, 2018	Dec. 31, 2017
A. Non-current assets		
I. Intangible assets		
1. Concessions acquired against payment, commercial property rights and similar rights and values as well as licenses for such rights and values	381,575,799.02	195,536,838.33
2. Goodwill	30,431,607.75	35,574,978.05
3. Advance payments	84,581,035.14	63,527,656.11
	496,588,441.91	294,639,472.49
II. Property, plant and equipment		
1. Land, leasehold rights and buildings including buildings on third-party land	33,651,198.05	35,962,545.01
2. Plant and tools and machinery equipment	8,178,769.31	8,841,760.27
3. Other fixtures and fittings, tools and equipment	9,088,472.78	9,891,333.74
4. Advance payments and construction in progress	3,402,827.79	1,048,100.62
	54,321,267.93	55,743,739.64
III. Financial assets		
1. Shares in affiliated companies	1,323,377,610.52	1,274,836,697.50
2. Loans to associates	488,499,246.78	495,099,246.78
3. Investments	0.00	19,349,690.51
	1,811,876,857.30	1,789,285,634.79
	2,362,786,567.14	2,139,668,846.92
B. Current assets		
I. Inventories		
1. Materials and supplies	10,090,063.85	10,416,184.60
2. Work in progress	8,220,009.35	5,603,116.81
3. Finished goods and merchandise	13,723,790.23	9,301,978.19
4. Advance payments	2,972,326.70	1,186,859.10
	35,006,190.13	26,508,138.70
II. Receivables and other assets		
1. Trade accounts receivable	3,855,151.00	696,383.05
2. Receivables from associates	380,731,607.17	422,504,773.38
3. Receivables from associates and other participating interests	0.00	151,679.63
4. Other assets	11,454,199.25	19,425,392.11
	396,040,957.42	442,778,228.17
III. Cash on hand and balances with banks	161,281,055.58	98,089,445.24
	592,328,203.13	567,375,812.11
C. Prepaid expenses / deferred charges	7,734,981.65	2,933,085.01
	2,962,849,751.92	2,709,977,744.04

Balance Sheet

Balance Sheet as of December 31 in € Equity and Liabilities	Dec. 31, 2018	Dec. 31, 2017
A. Equity		
I. Share Capital	162,090,344.00	162,090,344.00
Treasury shares	-219,109.80	-219,208.60
Issued capital – Conditional Capital: € 0 (previous year: € 69,188,340)	161,871,234.20	161,871,135.40
II. Capital reserve	519,606,727.00	519,604,330.22
III. Retained earnings		
1. Statutory reserve	376,883.98	376,883.98
2. Other retained earnings	150,563,293.50	150,562,714.00
IV. Distributable profit	54,420,096.86	61,268,491.05
	886,838,235.54	893,683,554.65
B. Provisions		
1. Provisions for pensions and similar obligations	8,834,972.00	7,814,658.99
2. Tax provisions	38,861,434.95	36,465,915.85
3. Other provisions	59,294,592.15	77,454,064.06
	106,990,999.10	121,734,638.90
C. Liabilities		
1. Bonds, of which convertible € 0.00 (previous year € 0.00)	274,070,000.00	650,000,000.00
2. Liabilities to banks	177,999,999.90	550,999,999.90
3. Trade accounts payable	24,871,934.41	42,534,655.95
4. Liabilities to associates	1,479,093,078.72	432,457,990.90
5. Other liabilities – thereof from taxes: € 5,112,781.35 (previous year: € 1,706,527.95)	12,985,504.25	18,566,903.74
	1,969,020,517.28	1,694,559,550.49
	2,962,849,751.92	2,709,977,744.04

Income Statement

Income statement for the period of Jan. 1 to Dec. 31 in €	2018	2017
1. Sales	475,009,453.77	446,944,223.52
2. Increase in inventories of finished goods and work in progress	1,851,603.08	0.00
Decrease in inventories of finished goods and work in progress	0.00	5,250,472.33
3. Other operating income – thereof from currency translation: € 24,407,126.19 (previous year: € 28,935,346.65)	65,795,015.70	61,620,674.95
	542,656,072.55	503,314,426.14
4. Cost of materials		
a) Cost of materials and supplies and goods purchased	136,439,939.13	143,560,873.81
b) Expenses for services	23,126,500.75	18,508,029.62
	159,566,439.88	162,068,903.43
5. Personnel expenses		
a) Salaries	78,466,448.25	85,860,751.03
b) Social security contributions and expenses for retirement benefits and support – thereof for retirement benefits: € 2,246,228.92 (previous year: € 905,346.60)	12,924,080.86	11,046,891.87
	91,390,529.11	96,907,642.90
6. Amortization/depreciation on non-current intangible assets and property, plant and equipment	48,963,513.55	52,545,189.95
7. Other operating expenses – thereof from currency translation: € 31,016,912.90 (previous year: € 30,026,223.02)	221,721,451.23	245,672,048.31
8. Investment income – thereof from associates: € 50,312,250.99 (previous year: € 22,301,247.41)	50,312,250.99	22,301,247.41
9. Income from profit transfer agreements	83,023,236.65	79,288,179.00
10. Income from loans – thereof from associates: € 31,937,121.88 (previous year: € 35,819,143.97)	31,937,121.88	35,819,143.97
11. Other interest and similar income – thereof from associates: € 12,556,454.12 (previous year: € 23,511,838.28)	12,576,013.18	24,229,343.17
12. Depreciation on financial assets	17,170,285.42	20,652,468.87
13. Interest and similar expenses – thereof from associates: € 22,433,890.90 (previous year: € 11,891.77) – thereof from the unwinding of the discount: € 524,395.00 (previous year: € 646,435.00)	35,101,112.33	26,259,679.58
14. Taxes on income and earnings	12,283,241.25	21,667,311.56
15. Earnings after taxes	134,308,122.48	39,179,095.09
16. Other taxes	118,635.47	117,386.67
17. Profits transferred under profit and loss transfer agreements	134,189,487.01	0.00
18. Annual Net Profit	0.00	39,061,708.42
19. Profit brought forward from previous year	54,420,096.86	22,206,782.63
20. Distributable profit	54,420,096.86	61,268,491.05

Notes to the 2018 Annual Financial Statements of STADA Arzneimittel AG

Accounting requirements applied

STADA Arzneimittel AG, Bad Vilbel, Germany (District Court Frankfurt am Main, HRB 71290) is a large corporation, as defined in Section 267 HGB. In addition to the general requirements on ledgers (Sections 238 et seq. of the German Commercial Code (HGB) in the German Accounting Directive Implementation Act, BilRUG), the supplemental requirements for corporations with regard to annual financial statements and the management report (Sections 264 et seq. HGB) and the supplemental regulations of the German Stock Corporation Act (Aktiengesetz, AktG) apply.

The income statement was prepared according to the total-cost method.

Accounting policies

Intangible assets acquired against payment are recognized at cost less scheduled, and, to the extent necessary, unscheduled amortization, generally with application of the straight-line method. Intangible assets are amortized over a useful life of three to 15 years. Unscheduled depreciation is carried when there are expected lasting impairment losses. Write-ups as a result of the requirement to reinstate original values are undertaken up to amortized cost if the reasons for a long-term impairment no longer exist. Intangible assets reported by STADA Arzneimittel AG include drug approvals, brands, licenses, marketing rights, software and goodwill. Internally-created intangible assets are not capitalized.

The useful life of twelve years for goodwill takes account of the future economic benefits of the intangible assets. The useful lives of individual items of goodwill were determined on the basis of the expected economic benefits of acquired businesses and are oriented towards the useful lives of product rights purchased via acquisition and evaluated by an expert.

Property, plant and equipment are also recognized at cost less depreciation over their useful life and generally depreciated using the straight-line method. The cost of self-constructed assets includes directly attributable costs as well as appropriate proportions of overhead costs. To the extent necessary, unscheduled depreciation was carried out. Disposals are derecognized at cost of acquisition and accrued depreciation at the time of their removal.

Useful life of property, plant and equipment	Expected depreciation
Factory and office buildings	15 to 50 years
Operating facilities	10 to 15 years
Plant and office furniture and equipment	3 to 13 years

Movable assets with a limited life of up to € 250 are fully depreciated in the year they were added. Independently usable movable assets with a limited life from € 250 to € 1,000 are allocated to a compound item that is reversed over five years. At the time they become fully amortized, these assets are reported as a disposal in the assets analysis. For simplification, the compound tax item method is also reported in the commercial balance sheet.

Advance payments are measured at their nominal amount.

Financial assets are recognized at cost or in the case of expected long-term impairment, if it is lower than cost, at fair value. If the reasons for impairment are completely or partially inapplicable and if a value adjustment was carried out in the previous years, a reversal of an impairment loss is carried out, up to a maximum of the historical cost.

Inventories are measured at cost. Alongside individual costs, cost of sales includes production overheads, material overheads and depreciation and amortization on fixed assets as well as administrative expenses on a pro rata basis. Cost does not include interest on borrowings. For the calculation of cost of acquisition or cost of sales, the first-in, first-out (FIFO) procedure is used as a cost allocation procedure. The inventories are written down at the end of the reporting period provided the market value is lower. Inventory risks resulting from the storage period are taken into account.

Receivables, other assets and cash are recognized at nominal value. For receivables, identifiable risks are accounted for through appropriate individual valuation adjustments. General credit risks are sufficiently accommodated with a general bad debt provision. Low-interest or non-interest-bearing items with a remaining maturity of more than one year are discounted. Existing cash and cash equivalents in foreign currency are measured at the mean spot exchange rate.

For financial instruments that are hedged (hedged item and hedging transaction), the real-time update method was used. In the real-time update method, unrealized losses were not booked that resulted from hedged risks provided they are matched with unrealized gains in the same amount.

Prepaid expenses include the discount that resulted from the difference between the settlement amount and the lower issue price of a financial liability. The discount is depreciated over the period of the financial liability.

Subscribed capital is accounted for at its nominal value.

Pension provisions were measured using actuarial techniques in accordance with the Projected Unit Credit (PUC) Method. In the case of pension obligations, the voting right to apply the average market interest rate for a 10-year term as determined and published by the German Central Bank at a discount rate was exercised. The covered funds were offset against the pension provisions. The offset-covered funds are measured at fair value.

Tax and other provisions are recognized at the settlement amount necessary based on reasonable commercial judgment, taking into account any identifiable risks and uncertain obligations. Price and cost increases expected in the future were taken into account. Provisions with a remaining term of over one year were discounted in accordance with the average market interest rate of the last seven years.

Liabilities are reported at nominal value or the higher settlement amount.

Foreign currencies are translated on the day they originate, at their bid price for receivables and their asking price for liabilities.

Receivables and liabilities in foreign currencies were measured at nominal value or the settlement amount at the mean spot exchange rate as of the reporting date. Gains are only taken into account if they relate to receivables and liabilities with a remaining term of up to one year.

Notes to the Annual Financial Statements 2018

Balance Sheet

1. Fixed assets

For the development of fixed assets in 2018 including cumulated cost and cumulated depreciation, please see the following assets analysis.

Statement of changes in non-current assets of STADA Arzneimittel AG as of Dec. 31, 2018 in €	As of Jan. 1, 2018	Historic costs of acquisition				As of Dec. 31, 2018
		Additions 2018	A	Disposals Reclassifications 2018	D R	
Non-current assets						
I. Intangible assets						
1. Concessions acquired against payment, commercial property rights and similar rights and values, as well as licenses for such rights and values	655,865,792.63	200,360,150.53	A	6,084.00 7,772,076.66	D R	863,991,935.82
2. Goodwill	94,848,304.33	0,00		0,00		94,848,304.33
3. Advance payments made	100,620,524.46	28,526,448.18	A	1,564,606.67 7,768,286.12	D R	119,814,079.85
	851,334,621.42	228,886,598.71		1,566,900.13		1,078,654,320.00
II. Property, plant and equipment						
1. Land, leasehold rights and buildings including buildings on third-party land	70,153,028.41	0.00		0.00		70,153,028.41
2. Plant and tools and machinery equipment	35,074,561.43	1,199,964.50	A	2,128,857.59 586,314.90	D R	34,731,983.24
3. Other fixtures and fittings, tools and equipment	47,545,583.55	1,270,198.92	A	537,981.53 167,200.69	D R	48,445,001.63
4. Advance payments and construction in progress	1,048,100.62	3,112,033.30	A	757,306.13	R	3,402,827.79
	153,821,274.01	5,582,196.72		2,670,629.66		156,732,841.07
III. Financial assets						
1. Shares in associates	1,362,064,149.65	35,014,499.00	A	241.63 19,349,690.51	D R	1,416,428,097.53
2. Loans to associates	495,099,246.78	0.00		6,600,000.00	D	488,499,246.78
3. Investments	19,349,690.51	0.00		19,349,690.51	R	0.00
	1,876,513,086.94	35,014,499.00		6,600,241.63		1,904,927,344.31
	2,881,668,982.37	269,483,294.43		10,837,771.42		3,140,314,505.38

As of Jan. 1, 2018	Accumulated amortization				As of Dec. 31, 2018	Residual carrying amount Dec. 31, 2018	Residual carrying amount Dec. 31, 2017
	Additions Write-ups 2018	A W	Disposals Reclassifications 2018	D R			
460,328,954.30	36,525,872.48 14,454,331.92	A W	6,084.00 21,725.94	D R	482,416,136.80	381,575,799.02	195,536,838.33
59,273,326.28	5,143,370.30	A	0.00		64,416,696.58	30,431,607.75	35,574,978.05
37,092,868.35	515,623.05 1,176,564.08	A W	1,177,156.67 21,725.94	D R	35,233,044.71	84,581,035.14	63,527,656.11
556,695,148.93	26,553,969.83		1,183,240.67		582,065,878.09	496,588,441.91	294,639,472.49
34,190,483.40	2,311,346.96	A	0.00		36,501,830.36	33,651,198.05	35,962,545.01
26,232,801.16	2,234,917.29	A	1,914,504.52	D	26,553,213.93	8,178,769.31	8,841,760.27
37,654,249.81	2,232,383.47	A	530,104.43	D	39,356,528.85	9,088,472.78	9,891,333.74
0.00	0.00		0.00		0.00	3,402,827.79	1,048,100.62
98,077,534.37	6,778,647.72		2,444,608.95		102,411,573.14	54,321,267.93	55,743,739.64
87,227,452.15	17,170,285.42 11,347,250.56	A W	0.00		93,050,487.01	1,323,377,610.52	1,274,836,697.50
0.00	0.00		0.00		0.00	488,499,246.78	495,099,246.78
0.00	0.00		0.00		0.00	0.00	19,349,690.51
87,227,452.15	5,823,034.86		0.00		93,050,487.01	1,811,876,857.30	1,789,285,634.79
742,000,135.45	39,155,652.41		3,627,849.62		777,527,938.24	2,362,786,567.14	2,139,668,846.92

2. Trade accounts receivable

The item does not include any receivables with a remaining term of more than one year.

3. Receivables from associates and participating interests

As of the reporting date, there are loan receivables in the amount of €33,299,999.99 (previous year: €0.00) with a remaining term of more than one year. All other trade receivables (€216,202,397.60; previous year: €227,974,033.26), other receivables (€9,316,988.92 previous year: €0.00), and additional loans to associates (€121,912,220.66; previous year: €194,530,740.12) have a remaining term of up to one year.

There are no "Receivables from associates and participating interests". In the previous year, this item exclusively comprised trade accounts receivable with a remaining term of up to one year (€151,679.63).

4. Other assets

The item in the amount of €11,454,199.25 (previous year: €19,425,392.11) includes tax receivables in the amount of €27,570.89 (previous year: €2,712,555.26). There were no other receivables from associates as of the reporting date (previous year: €8,656,596.02). Other assets include receivables with a term of more than one year in the amount of €468,282.52 (previous year: €351,211.89).

5. Accrued items

As of the reporting date, there are accrued receivables from accruals of interest-bearing transactions in the amount of €1.1 million and deferred liabilities in the amount of €6.4 million.

6. Prepaid expenses/deferred charges

Prepaid expenses/deferred charges include a discount in the amount of €760,622.64 (previous year: €1,258,979.58) as well as proportionate expenses for the next year in the amount of €6,974,359.01 (previous year: €1,674,105.43).

7. Deferred taxes

Due to the domination and profit and loss transfer agreement in place since January 1, 2018 with Nidda Healthcare GmbH, STADA AG is part of the income tax consolidation group of Nidda Bondco GmbH. As a result, no deferred taxes are to be recognized at STADA Arzneimittel AG level.

8. Equity

Share capital

Share capital remains unchanged from the previous year at €162,090,344.00; it is divided into 62,342,440 registered shares, each with an arithmetical share in share capital of €2.60, and is thus unchanged from the previous year. Offsetting against treasury shares in the amount of €219,109.80 results in a recognized share capital of €161,871,234.20 as of December 31, 2018.

As of December 31, 2018, the Company had knowledge of the following notifications of voting rights (shares/instruments) of at least 3%:

The Goldman Sachs Group Inc., Wilmington, Delaware, USA, reported, in accordance with Section 25a (1) WpHG in the version valid until November 25, 2015, a share in voting rights totaling 4.64% since June 2, 2015 (1.16% according to Section 25a WpHG, 3.20% according to Section 25 WpHG, 0.27% according to Sections 21, 22 WpHG).

Société Générale Effekten GmbH, Frankfurt, Germany, reported, in accordance with Section 25a (1) of the WpHG in the version valid until November 25, 2015, a share in voting rights of 4.87% since October 2, 2015.

Société Générale S.A., Paris, France, reported, in accordance with Section 25 (1) WpHG in the version valid until July 2, 2016, a share in voting rights of 3.70% based on instruments since December 18, 2015.

BlackRock, Inc., Wilmington, Delaware, USA, reported, in accordance with Sections 21, 22 WpHG in the version valid until January 2, 2018, an ascribed share in voting rights totaling 3.57% since May 25, 2017 (2.82% shares, 0.74% instruments).

UBS Group AG, Zurich, Switzerland, reported, in accordance with Sections 21, 22 WpHG in the version valid until January 2, 2018, an ascribed share in voting rights totaling 3.26% since July 18, 2017 (2.94% shares, 0.32% instruments).

As shown in the voting rights notifications 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, held 93.68% of the shares in STADA Arzneimittel AG on November 28, 2018, which were ascribable to it under Section 34 WpHG and were held by the direct shareholder Nidda Healthcare GmbH.

The Company had not received any further notifications from the aforementioned companies by December 31, 2018.¹⁾

Authorized capital

By resolution of the Annual General Meeting of June 6, 2018, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital by up to €81,045,159.00 in one or more tranches by June 5, 2023 in exchange for cash and/or non-cash contributions, and the preemptive right of the shareholders can be excluded (Authorized Capital 2018/I).

Conditional capital

Delete this section and add: Authorization expired as of June 5, 2018 to conditionally raise the share capital by up to €69,188,340.00 through the issue of up to 26,610,900 registered shares with dividend rights commencing at the beginning of the financial year. The Management Board did not exercise it.

Capital reserve

Capital reserve amounts to €519,606,727.00 (previous year: €519,604,330.22). The change compared to the previous year results from the gain on disposal of treasury shares in the context of an employee stock ownership program (€2,396.78).

Retained earnings

Other retained earnings in the amount of €150,563,293.50 (previous year: €150,562,714.00) primarily include allocation from net profit. The change compared to the previous year results from disposal of treasury shares in the context of an employee stock ownership program (€579.50).

Treasury shares

As of the reporting date, the Company held 84,273 treasury shares, each with an arithmetical par value of €2.60. This is equivalent to a share capital of €219,109.80 or 0.14% of share capital. As of December 31, 2017, the Company held 84,311 treasury shares.

In 2018, 38 shares were sold and no shares were purchased. The resulting gain in the amount of €2,396.78 was added to the capital reserve. Treasury shares were exclusively issued to employees in the context of an employee stock ownership program. The proceeds from the sale of treasury shares flowed entirely to the operating business.

Treasury shares may be disposed of against a contribution in kind, in particular in connection with business combinations, the acquisition of business undertakings or the acquisition of participations in business undertakings.

¹⁾ The voting rights notifications received by STADA can be accessed on the Company's website under www.stada.com/de or www.stada.com.

Following the resolution adopted at the Annual General Meeting on June 5, 2013, in accordance with Section 71 (1) No. 8 AktG, the Company was authorized from June 6, 2013 until June 5, 2018 to acquire treasury shares of up to 10% of the share capital. The Executive Board has not made use of this authorization.

Disposal of treasury shares

Disposal date	Number	% of share capital	Arithmetical share in share capital (in €)	Disposal price (in €)	Disposal earnings (in €)
August	12	0.0%	31.20	981.20	767.00
September	22	0.0%	57.20	1,766.92	1,374.22
October	4	0.0%	10.40	326.96	255.56
Total	38	0.0%	98.80	3,075.08	2,396.78

9. Provisions

Pension provisions were calculated in accordance with actuarial principles based on the biometric accounting principles of the 2018 G mortality tables by Dr. Klaus Heubeck as well as based on an interest rate of 3.21% p.a. and a pension trend of 1.75% p.a.

As a result of the new regulations of the law for the implementation of the mortgage credit directive and to amend commercial regulations, pension obligations were discounted using the average market interest rate of the past ten years, as calculated and published by the German Central Bank. Until 2015, the average market interest rate of the past seven years, as published by the German Central Bank, was applied. The difference in the financial year totaled k €1,573 in accordance with Section 253 (6) Sentence 1 HGB. This amount cannot be distributed.

Liabilities from pension commitments are partially secured by assets (reinsurance policies). Assets removed from the claims of other creditors were offset against the underlying liabilities.

The total settlement amount of pension commitments amounts to k €13,049. The fair value of the pledged reinsurance policy amounts to k €4,214. In the reporting year, k €432 was offset against income in the amount of k €3 in the financial result.

Other provisions particularly include expenses for the personnel area (k €11,113; previous year: k €23,705), claims for long-term service awards (k €2,913, previous year k €2,708), for outstanding accounts (k €14,986; previous year: k €29,120), as well as unsettled cost accounts with affiliates (k €20,572; previous year: k €14,201).

10. Bonds

In 2015, a bond with a nominal value of €300 million was issued (term of seven years).

Investors exercised their right of change of control after the transfer of STADA Arzneimittel AG, and the outstanding bond amount was reduced to €274 million following the acceptance of a buyback offer by STADA Arzneimittel AG.

In accordance with instructions issued by the majority shareholder, Nidda Healthcare GmbH, STADA Arzneimittel AG and certain significant subsidiaries provided certain items of collateral security to secure capital market liabilities and other financial liabilities that have been assumed by Nidda and its associated companies (including STADA) or for which they assumed this collateral.

The provision of this collateral means that the bearers of these bonds have the right to demand the buyback of the principal and accrued interest under the STADA bonds. Consequently, the bond is classified as current.

11. Liabilities to banks

Remaining maturities of financial liabilities due to banks in € million	up to 1 year (previous year)	over 1 year (previous year)	thereof over 5 years (previous year)
Amounts due to banks	129.5 (551.0)	48.5 (0.0)	0.0 (0.0)

12. Trade and other payables

Remaining maturities of trade payables in €million	up to 1 year (previous year)	over 1 year (previous year)	thereof over 5 years (previous year)
Payables to associates	549.5 (432.5)	929.6 (0.0)	929.6 (0.0)
Trade accounts payable	24.9 (42.5)	0.0 (0.0)	0.0 (0.0)
Other payables	13.0 (18.6)	0.0 (0.0)	0.0 (0.0)

Liabilities to associates include loan liabilities in the amount of €1,175.0 million (previous year: €251.2 million), and liabilities from the profit and loss transfer agreement of €134.2 million (previous year: €0.00 million). The remaining liabilities result from trade accounts, as in the previous year.

As of the reporting date, no other liabilities to associates were recorded (previous year: €282,353.41).

13. Income statement

Sales in 2018 of STADA Arzneimittel AG in the amount of k €475,009 were recorded in accordance with the new definition of Section 277 (1) HGB of BilRUG and include an international share of k €241,520. Thereof, k €231,236 was attributable to Europe, k €5,583 to MENA, k €32 to South America and k €4,669 to Asia. Sales can be broken down into the following activities:

in k €	2018	2017
Sales from the delivery of goods	203,103	237,465
License revenue	53,145	32,642
Sale of approvals	0	0
Services	218,761	176,837
Total	475,009	446,944

Other operating income included income outside of the reporting period from reimbursements in the amount of k €7,292 (previous year: k €238) as well as k €3,051 (previous year: k €6,351) from the reversal of provisions.

In addition, other operating income from write-ups on intangible assets and financial assets in the amount of k €26,978 (previous year: k €21,805) are recognized.

Unscheduled amortization of intangible assets amounted to k €2,651 in financial year 2018 (previous year: k €14,006). Unscheduled amortization of financial assets amounted to k €17,170 in financial year 2018 (previous year: k €20,652).

Other operating expenses include expenses from outside of the reporting period for additional payments of k €20,682 (previous year: k €333).

Due to the domination and profit and loss transfer agreement in place since January 1, 2018 with Nidda Healthcare GmbH, STADA AG is part of the income tax consolidation group of Nidda Bondco GmbH, so therefore no tax on income and earnings is to be paid at STADA Arzneimittel AG level, with the exception of corporate tax (plus solidarity surcharge) on 20/17 of the compensation to be paid by Nidda Healthcare GmbH.

14. Other notes and disclosures

In 2018, the average number of employees was 853, including

- 2 employees in warehousing and shipping
- 301 employees in production and packaging
- 550 employees in administration

The appointment and dismissal of Executive Board members is subject to the provisions of Section 84 of the German Stock Corporation Act. The members of the Executive Board are or were:

- Peter Goldschmidt, Chairman since September 1, 2018
- Mark Keatley, Chief Financial Officer
- Miguel Pagan Fernandez, Chief Technical Officer since July 1, 2018
- Dr. Claudio Albrecht (Chairman until August 31, 2018)
- Dr. Barthold Piening (Chief Technical Officer until May 31, 2018)

The Executive Board members held the following mandates during financial year 2018:

Mark Keatley is simultaneously a member of the Board of Directors of PYMEPHARCO Joint Stock Company and of Medlab Ghana Limited. He is a member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG. In addition, he is the Managing Director of Nidda Healthcare GmbH, Nidda Healthcare Holding GmbH, Nidda BondCo GmbH, Nidda German Midco GmbH, Nidda German Topco GmbH and Nidda Healthcare Beteiligungserwerbs- und -verwaltungs GmbH.

Miguel Pagan Fernandez is simultaneously a member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG and of the Board of Directors of PYMEPHARCO Joint Stock Company.

Dr. Claudio Albrecht was simultaneously co-founder and Executive Partner of Albrecht, Prock & Partners AG, and a member of the Board of Directors of Orifarm Group A/S as well as at Oncobiologics, Inc.

Peter Goldschmidt and Dr. Barthold Piening have not held any supervisory or comparable mandates outside of STADA Arzneimittel AG.

15. Remuneration of the Executive Board and the Supervisory Board

In financial year 2018, total compensation paid to the Executive Board amounted to k €5,436 for STADA Arzneimittel AG (previous year: k €1,401).

In financial year 2018, total compensation paid to the Supervisory Board amounted to k €786 for STADA Arzneimittel AG (previous year: k €1,089).

Remuneration to former members of the Executive Board amounted to a total of k €12,642 in financial year 2018.

Further disclosures pursuant to Section 285 No. 9a HGB can be found in the remuneration report.

Current pension provisions for former Executive Board members for financial year 2018 amounted to k €10,360 before the netting with the actuarial reserve.

There were no loans granted to members of the Executive Board and 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.

16. Information on the Company's Supervisory Board

Composition of the Supervisory Board and its committees

The members of the Supervisory Board during financial year 2018 were:

- Dr. Gunter von Au, Vice President of the Administrative Board, Clariant AG (Switzerland), Munich, Germany (Chairman)
- Jens Steegers, released from duty from Worker's Council, Frankfurt am Main, Germany, (Deputy Chairman, Employee Representative)
- Dr. Eric Cornut, Independent Consultant, Binningen (Switzerland)
- Halil Duru, Internal 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 Special Brand Projects, Wetzlar, 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 (Munich), Gräfelfing, Germany

Halil Duru, Dr. Ute Pantke and Jens Steegers are Supervisory Board members who were elected by the employees as their representatives.

Mandates of Supervisory Board members

Dr. Gunter von Au

- Membership in German supervisory boards that are to be constituted by law or in comparable German and foreign boards with controlling authority of commercial enterprises
 - Chairman of the Supervisory Board at Ceramtec Holding GmbH
 - Chairman of the Supervisory Board at Synlab International GmbH
 - Vice President of the Administrative Board at Clariant AG
 - Member of the Supervisory Board at Bayernwerk AG

Dr. Eric Cornut

- Membership in German supervisory boards that are to be constituted by law or in comparable German and foreign boards with controlling authority of commercial enterprises
 - Member of the Supervisory Board of A. Menarini Industrie Farmaceutiche Riunite Srl
 - Member of the Administrative Board at Helsinn Healthcare AG

Benjamin Kunstler

- Membership in German supervisory boards that are to be constituted by law or in comparable German and foreign boards with controlling authority of commercial enterprises
 - Member of the Supervisory Board at Centrient Pharmaceuticals Netherlands B.V.

Dr. Michael Siefke

- Membership in German supervisory boards that are to be constituted by law or in comparable German and foreign boards with controlling authority of commercial enterprises
 - Chairman of the Supervisory Board at Wittur Holding GmbH
 - Member of the Supervisory Board at Pacific (BC) TopCo Limited (Holding of MSX International)
 - Member of the Supervisory Board at Centrient Pharmaceuticals Netherlands B.V.

Apart from their mandate at STADA Arzneimittel AG, the remaining members of the Supervisory Board do not hold any additional mandates in connection with memberships in supervisory boards that are to be constituted by law, or in comparable German and foreign boards with controlling authority of commercial enterprises.

17. Information on the Company's Advisory Board

Composition of the Advisory Board

The members of the Advisory Board during financial year 2018 were:

- Dr. Thomas Meyer, Pharmacist, Seelze, Germany (Chairman)
- Dr. Frank R. Leu, Physician, Giessen, Germany (Deputy Chairman)
- Rika Aschenbrenner, Pharmacist, Mainburg, Germany
- Wolfgang Berger, Pharmacist, Giessen, Germany
- Gerd Berlin, Pharmacist, Hassloch, Germany
- Alfred Böhm, Pharmacist, Munich, Germany
- Jürgen Böhm, Physician, Kirchhain, Germany
- Axel Boos, Pharmacist, Darmstadt, Germany
- Dr. Wolfgang Schlags, Pharmacist, Mayen, Germany
- Jürgen Schneider, Manager, Offenbach, Germany
- Reimar Michael von Kolczynski, Pharmacist, Stuttgart, Germany

18. Contingent liabilities pursuant to Section 251 of the German Commercial Code

At the reporting date, there were contingent liabilities from guarantees pursuant to Section 251 of the German Commercial Code of €58,248,449.10 (previous year: €67,870,743.39). Of this, €4,246,474.04 (previous year: €4,752,574.28) relates to contingent liabilities from guarantees to associates.

Due to an ongoing evaluation of the risk situation and in view of the findings gathered until the reporting date, STADA Arzneimittel AG assumes that the liabilities underlying the contingent liabilities will be met. Utilization of contingent liabilities is considered to be unlikely.

In addition, STADA Arzneimittel AG has pledged shares in an associated company with a carrying amount of €70.9 million. Utilization of collateral is considered to be unlikely.

19. Transactions not included in the balance sheet and other financial obligations

Remaining other financial liabilities from lease, rental and other service agreements amount to €61,590,007.98.

in € million	up to 1 year	over 1 year	thereof over 5 years
Maturities of remaining other financial liabilities	14.7	46.9	10.8

As of the reporting date, STADA Arzneimittel AG had transferred the majority of trade accounts receivable for the improvement of liquidity to an external third party. As the contract also transferred the risks of recoverability to the buyer (real factoring), there are no liabilities to be recognized by STADA Arzneimittel AG from this transfer.

There is an order obligation consisting of liabilities for future expenses and investments in the amount of €76.1 million.

20. List of equity interests of STADA Arzneimittel AG in accordance with Section 285 No. 11 of the German Commercial Code

The following list shows the earnings of the companies independent from the share in capital.

1) Direct investments of STADA Arzneimittel AG

	Earnings 2018	Equity	Equity interest in %
Germany¹⁾			
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	EUR 0	kEUR 690	100%
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	kEUR 23,861	kEUR 71,741	51.34%
Mobilat Produktions GmbH, Pfaffenhofen, Germany	EUR 0	kEUR 256	100%
Socialites Retail Germany GmbH, Bad Vilbel, Germany	EUR 0	kEUR 31	100%
STADA Aesthetics Deutschland GmbH, Bad Homburg, Germany	kEUR -43	kEUR -28	100%
International²⁾			
AO Nizhpharm, Nizhny Novgorod/Russia	kRUB 2,439,576	kRUB 18,141,343	100%
Cicum Farma, Unipessoal, LDA, Paco de Arcos/Portugal	kEUR 179	kEUR 3,417	100%
Crinos S.p.A., Milan/Italy ³⁾	kEUR 738	kEUR 26,314	96.77%
EG Labo – Laboratoires Eurogenerics SAS, Boulogne-Billancourt/France	kEUR -5,508	kEUR 34,401	100%
EG S.p.A., Milan/Italy ³⁾	kEUR 13,493	kEUR 78,159	98.87%
Laboratorio STADA, S.L., Barcelona/Spain	kEUR 9,250	kEUR 49,228	100%
Laboratorio Vannier S.A., Buenos Aires/Argentina	kARS -47,978	kARS 26,922	85%
OOO Hemofarm, Obninsk/Russia ³⁾	kRUB 409,213	kRUB 3,512,588	9.9%
SCIOTEC Diagnostic Technologies GmbH, Tulln an der Donau/Austria ³⁾	kEUR -232	kEUR 1,535	100%
STADA Arzneimittel Gesellschaft m.b.H., Wien/Austria ³⁾	kEUR 745	kEUR 4,622	100%
STADA d.o.o., Ljubljana/Slovenia	kEUR 43	kEUR 552	100%
STADA d.o.o., Zagreb/Croatia	kHRK 503	kHRK 5,435	100%
STADA Egypt Ltd., Cairo/Egypt ⁴⁾	-	-	83.33%
STADA LUX S.à R.L., Luxembourg/Luxembourg	kEUR 0	kEUR 2	100%
STADA PHARMA Bulgaria EOOD, Sofia/Bulgaria	kBGN 232	kBGN 2,245	100%
STADA PHARMA CZ s.r.o., Prague/Czech Republic ³⁾	kCZK 1,073,024	kCZK 24,620,965	100%
STADA Pharma Services India Private Limited, Mumbai/India ³⁾	kINR 1,620	kINR 15,538	85%
STADA PHARMA Slovakia, s.r.o., Bratislava/Slovakia	kEUR 582	kEUR 3,819	100%
STADA Pharmaceuticals (Asia) Ltd., Hong Kong/People's Republic of China	kHKD 56,164	kHKD 441,279	100%
STADA Pharmaceuticals Australia Pty. Ltd., Sydney/Australia	kAUD 1,123	kAUD 3,549	100%
STADA Poland Sp. z o.o., Piaseczno/Poland	kPLN 1,602	kPLN 8,030	100%
STADA Service Holding B.V., Etten-Leur/The Netherlands	kEUR 46,945	kEUR 686,627	100%
STADA (Shanghai) Company Management Consulting Co. Ltd., Schanghai/People's Republic of China ³⁾	kCNY 95	kCNY 1,100	100%
STADA (Thailand) Company Ltd., Bangkok/Thailand	kTHB -465	kTHB 122,734	51%
STADA UK Holdings Ltd., Reading/United Kingdom	kEUR 9,376	kEUR 510,286	100%

1) There is a profit and loss transfer contract for German companies with a result of 0.

2) For foreign companies, equity is shown both in local currency and in accordance with local law. In accordance with local law, the financial statements of STADA Arzneimittel AG are audited as they are prepared.

3) Figures from financial year 2017.

4) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 No. 1 of the German Commercial Code.

2) Indirect investments of STADA Arzneimittel AG

	Earnings 2018	Equity	Equity interest in %
Germany¹⁾			
ALIUD PHARMA GmbH, Laichingen, Germany	EUR 0	kEUR 52	100%
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Vilbel, Germany	EUR 0	kEUR 2,891	100%
NorBiTec GmbH, Uetersen, Germany	kEUR 12,215	kEUR 31,929	66.66%
STADA CEE GmbH, Bad Vilbel, Germany	EUR 0	kEUR 223	100%
STADA GmbH, Bad Vilbel, Germany	EUR 0	kEUR 384	100%
STADA Medical GmbH, Bad Vilbel, Germany	EUR 0	kEUR 103	100%
STADAPHARM GmbH, Bad Vilbel, Germany	EUR 0	kEUR 383	100%
International²⁾			
AELIA SAS, Saint Brieu/France ³⁾	kEUR -304	kEUR 1,183	20%
Britannia Pharmaceuticals Ltd., Reading/United Kingdom	kGBP 17,797	kGBP 55,383	100%
Brituswip Limited (J.V.), Newbury/United Kingdom ⁴⁾	-	-	50%
BSMW Limited, Stockport/United Kingdom ⁴⁾	-	-	100%
Centrafarm B.V., Etten-Leur/The Netherlands	kEUR 7,736	kEUR 25,799	100%
Centrafarm Nederland B.V., Etten-Leur/The Netherlands	kEUR -465	kEUR -217	100%
Centrafarm Services B.V., Etten-Leur/The Netherlands	kEUR -590	kEUR 7,274	100%
Clonmel Healthcare Limited, Clonmel/Ireland	kEUR 27,530	kEUR 29,020	100%
CNRD 2009 Ireland Ltd., Dublin/Ireland	kEUR -20	kEUR -50	50%
Crinos S.p.A., Milan/Italy ³⁾	kEUR 738	kEUR 26,314	3.23%
Crosspharma Ltd., Belfast/United Kingdom	kEUR 144	kEUR 2,253	100%
Dak Nong Pharmaceutical JSC, Dak Nong/Vietnam ³⁾	kVND 601,505	kVND 6,148,006	43%
DIALOGFARMA LLC, Moscow/Russia ³⁾	kRUB 10,194	kRUB 27,664	50%
EG S.p.A., Milan/Italy ³⁾	kEUR 13,493	kEUR 78,159	1.13%
Fresh Vape Electronic Cigarettes Limited, Chesterfield/United Kingdom ⁴⁾	-	-	100%
Genus Pharmaceuticals Holdings Ltd., Huddersfield/United Kingdom	kGBP 15,806	kGBP 12,472	100%
Genus Pharmaceuticals Ltd., Huddersfield/United Kingdom	kGBP 0	kGBP 34,399	100%
Healthypharm B.V., Etten-Leur/The Netherlands	kEUR 2,228	kEUR 6,668	100%
Hemofarm A.D., Vrsac/Serbia ³⁾	kRSD 404,801	kRSD 28,719,722	100%
Hemofarm Banja Luka d.o.o., Banja Luka/Bosnia-Herzegovina ³⁾	kBAM 3,600	kBAM 58,011	91.5%
Hemofarm Komerc d.o.o., Skopje/Macedonia ⁴⁾	-	-	99.18%
Hemofarm S.a.r.l., Constantine/Algeria ⁴⁾	-	-	40%
Hemomont d.o.o., Podgorica/Montenegro ³⁾	kRSD -215	kRSD 16,356	71.02%
Internis Pharmaceuticals Limited, Huddersfield/United Kingdom	kGBP 6,603	kGBP 21,617	100%
Jinan Hemofarm Pharmaceuticals, Jinan/People's Republic of China ⁴⁾	-	-	35.5%
Laboratorio Vannier S.A., Buenos Aires/Argentina	kARS -47,978	kARS 26,922	15%
LAS Trading Limited, Chesterfield/United Kingdom ⁴⁾	-	-	100%
LCM Limited, Huddersfield/United Kingdom	kGBP 0	kGBP 0	100%
Lowry Solutions Limited, Huddersfield/United Kingdom ⁴⁾	-	-	100%
Natures Aid Limited, Preston/United Kingdom	kGBP 2,367	kGBP 2,926	100%
Nizhpharm-Kazakhstan TOO DO, Almaty/Kazakhstan	kKZT -270,341	kKZT 69,908	100%

1) There is a profit and loss transfer contract for German companies with a result of 0.
2) For foreign companies, equity is shown both in local currency and in accordance with local law.

3) Figures from financial year 2017.

4) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 No. 1 of the German Commercial Code.

	Earnings 2018	Equity	Equity interest in %
International¹⁾			
OOO Aqualor, Moscow/Russia	kRUB -16	kRUB 196	100%
OOO Hemofarm, Obninsk/Russia ²⁾	kRUB 409,213	kRUB 3,512,588	90.1%
Pegach AG, Egerkingen/Switzerland	kCHF -3	kCHF 346	100%
Pharm Ortho Pedic SAS, Trélazé/France ²⁾	kEUR 249	kEUR 2,676	30%
Phu Yen Export Import Pharmaceuticals JSC, Phu Yen/Vietnam ²⁾	kVND 3,652,914	kVND 101,839,274	20%
Pymepharco Joint Stock Company, Tuy Hoa/Vietnam	kVND 309,488,768	kVND 1,787,766,349	72%
Quang Tri Pharmaceutical JSC, Quang Tri Province/Vietnam ²⁾	kVND 69,331	kVND 3,928,654	49%
Quatropharma Holding B.V., Etten-Leur/The Netherlands	kEUR 0	kEUR 329	100%
S.A. Eurogenerics N.V., Brussels/Belgium	kEUR 18,651	kEUR 90,647	100%
Slam Trading Limited, Chesterfield/United Kingdom ³⁾	-	-	100%
Socialites E-Commerce Limited, Huddersfield/United Kingdom ³⁾	-	-	100%
Socialites Nederland BV, Beuningen/The Netherlands	kEUR -627	kEUR -1,627	100%
Socialites Retail Limited, Chesterfield/United Kingdom ³⁾	-	-	100%
Spirig HealthCare AG, Egerkingen/Switzerland	kCHF 3,050	kCHF 9,045	100%
STADA Aesthetics AG, Bottighofen/Switzerland ³⁾	-	-	100%
STADA Aesthetics UK Limited, Kent/United Kingdom ³⁾	-	-	100%
STADA Egypt Ltd., Cairo/Egypt ³⁾	-	-	16.67%
STADA Financial Investments Limited, Clonmel/Ireland	kEUR -324	kEUR 92,241	100%
STADA Genéricos, S.L., Barcelona/Spain ³⁾	-	-	100%
STADA Hemofarm SRL, Temeswar/Romania ²⁾	kRON 886	kRON 16,189	100%
STADA Hungary LLC, Budapest/Hungary ³⁾	-	-	100%
STADA IT Solutions d.o.o., Belgrade/Serbia ²⁾	kRSD 21,602	kRSD 61,836	100%
STADA, LDA, Paco de Arcos/Portugal	kEUR -19	kEUR -59	100%
STADA M&D S.R.L., Bucharest/Romania ²⁾	kRON 1,943	kRON 6,837	100%
STADA MENA DWC-LLC, Dubai/United Arab Emirates	kAED -12,827	kAED 164,310	100%
STADA Nordic ApS, Herlev/Denmark ³⁾	kDKK 1,206	kDKK 90,938	100%
STADA Pharma Services India Private Limited, Mumbai/India ²⁾	kINR 1,620	kINR 15,538	15%
STADA Pharmaceuticals (Beijing) Ltd., Beijing/People's Republic of China	kCNY 6,794	kCNY 76,559	83.351%
STADA Philippines Inc., Manila/The Philippines	kPHP 7,168	kPHP 299,247	100%
STADA (Thailand) Company Ltd., Bangkok/Thailand	kTHB -465	kTHB 122,734	49%
STADA Ukraine, Kiev/Ukraine	kUAH 54,668	kUAH -78,869	100%
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City/Vietnam ²⁾	kVND 338,837,543	kVND 1,315,096,016	50%
Sundrops Limited, Huddersfield/United Kingdom	kGBP 0	kGBP 3,427	100%
Thornton & Ross Ireland Limited, Clonmel/Ireland	kEUR 0	kEUR 0	100%
Thornton & Ross Limited, Huddersfield/United Kingdom	kGBP 23,473	kGBP 78,166	100%
UAB STADA-Nizhpharm-Baltiia, Vilnius/Lithuania	kEUR 151	kEUR 1,432	100%
Velexfarm A.D., Belgrade/Serbia ³⁾	-	-	19.65%
Velexfarm d.o.o., Belgrade/ Serbia ²⁾	kRSD 5,089	kRSD 41,209	100%
Vetfarm A.D., Belgrade/Serbia ³⁾	-	-	15%
Well Light Investment Services JSC, Ho Chi Minh City/Vietnam	kVND 12,899,605	kVND 147,059,166	100%
Zeroderma Limited, Huddersfield/United Kingdom	kGBP 0	kGBP 3,385	100%

1) For foreign companies, equity is shown both in local currency and in accordance with local law. In accordance with local law, the financial statements of STADA Arzneimittel AG are audited as they are prepared.
2) Figures from financial year 2017.

3) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 No. 1 of the German Commercial Code.

21. Exchange rates

The exchange rates underlying the currency translation of currencies outside of the euro zone that are important for STADA Arzneimittel AG developed as follows:

in €	Average rate		Closing rate	
	2018	2017	Dec. 31, 2018	Dec. 31, 2017
1 Emirati dirham (AED)	0.23047	0.23005	0.23781	0.22705
1 Argentine peso (ARS)	0.03039	0.04796	0.02317	0.04361
1 Australian Dollar (AUD)	0.63295	0.67178	0.61652	0.68512
1 Bosnian mark (BAM)	0.51129	0.51129	0.51129	0.51129
1 Bulgarian lev (BGN)	0.51130	0.51130	0.51130	0.51130
1 Swiss franc (CHF)	0.86589	0.85548	0.88739	0.85455
1 Chinese yuan (CNY)	0.12808	0.12808	0.12698	0.12813
1 Czech koruna (CZK)	0.03900	0.03899	0.03887	0.03916
1 Danish crown (DKK)	0.13417	0.13435	0.13392	0.13432
1 Pound sterling (GBP)	1.13027	1.13295	1.11791	1.12710
1 Hong Kong dollar (HKD)	0.10799	0.10813	0.11151	0.10670
1 Croatian kuna (HRK)	0.13480	0.13264	0.13491	0.13441
1 Indian rupee (INR)	0.01239	0.01360	0.01254	0.01305
1 Kazakhstani tenge (KZT)	0.00246	0.00253	0.00229	0.00251
1 Philippine peso (PHP)	0.01607	0.01678	0.01664	0.01672
1 Polish zloty (PLN)	0.23471	0.23791	0.23248	0.23941
1 Romanian leu (RON)	0.21487	0.21576	0.21443	0.21466
1 Serbian dinar (RSD)	0.00845	0.00839	0.00846	0.00844
1 Russian ruble (RUB)	0.01350	0.01441	0.01254	0.01441
1 Thai baht (THB)	0.02620	0.02588	0.02699	0.02556
1 Ukrainian hryvnia (UAH)	0.03114	0.03073	0.03151	0.02965
1 US dollar (USD)	0.84639	0.84487	0.87336	0.83382
1 Vietnamese dong (VND)	0.00004	0.00004	0.00004	0.00004

22. External auditor fees

Total fees charged by the external auditors for the financial year pursuant to Section 285 No. 17 of the German Commercial Code are disclosed in the relevant Note to the Consolidated Financial Statements.

23. German Corporate Governance Code

In accordance with Section 161 of the German Stock Corporation Act, the Executive and Supervisory Boards have issued their annual joint declaration of compliance with the German Corporate Governance Code. Shareholders are provided with permanent access to this declaration on the Company's website www.stada.com/de (German website) and www.stada.com (English website). The Company also publishes the declaration in its Annual Report.

24. Financial instruments

Derivative financial instruments

Risks from interest rate and currency-related fluctuations in cash flow are countered by, among other means, derivative financial instruments that are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

Derivatives are used to offset changes in fair values and/or interest payment cash flows from the underlying hedged items (receivables from associates).

STADA concludes currency forwards and swaps in order to limit currency risks. In 2018, exchange-rate hedging was primarily undertaken for the Russian ruble, the US dollar and the British pound sterling. As of the reporting date, the currency forwards were either hedged with loans to associates or were allocated to loans and trade receivables vis-à-vis associates without hedging.

In order to hedge cash flows from loans to associates (currency risk), STADA concluded currency swaps.

Hedged items:

Hedged item	Market values	
	Hedged risk	Secured amount of the hedged item (carrying amount) in €million
Assets	Interest rate change/currency risk	0.0
	Currency risk	18.1
Liabilities	Interest rate risk	0.0
	Currency risk	0.0
		18.1

The market values of the derivative financial instruments were as follows:

in €million	2018	2017
Currency forwards	0.0	0.0
Currency swaps with a positive market value	0.0	0.0
Currency swaps with a negative market value	-0.1	-0.9
Interest rate swaps	0.0	0.0
Interest rate/currency swaps	0.0	0.0
	-0.1	-0.9

There is always an underlying transaction with a derivative in a valuation unit.

All hedges are assumed to be highly effective as the important features are nearly identical (critical terms match).

Hedged risks – pending loss provisions not created, write-ups on liabilities in foreign currencies and write-downs of receivables in foreign currencies:

in €million	2018
Interest rate/currency risk	0.0
Currency risk	-0.1
Total hedged balance sheet risk	-0.1

The nominal value of derivatives not included in the evaluation are:

in €million	2018	2017
Currency forwards with a positive market value	11.0	0.0
Currency forwards with a negative market value	0.8	0.8
Currency swaps with a positive market value	49.1	48.6
Currency swaps with a negative market value	0.0	74.2
Interest rate swaps	0.0	0.0
Interest rate/currency swaps	0.0	0.0
	60.9	123.6

The market values of derivative financial instruments that are not evaluated are:

in €million	2018	2017
Currency forwards with a positive market value	0.4	0.0
Currency forwards with a negative market value	0.0	0.0
Currency swaps with a positive market value	1.9	0.6
Currency swaps with a negative market value	0.0	-0.3
Interest rate swaps	0.0	0.0
Interest rate/currency swaps	0.0	0.0
	2.3	0.3

Derivatives with a positive market value are not recognized in the balance sheet as they represent pending transactions in accordance with the German Commercial Code (HGB). For derivatives with a negative market value, provisions for potential losses from pending transactions equal to the negative market value are created and posted under the balance sheet item other provisions of less than one year.

The market values are calculated using interpolation on the basis of exchange rates and swap rates as of the reporting date.

In the future, the risks being hedged will likely be offset, because the hedged items and hedging transactions are subject to the same risk, which is influenced by identical factors in the same way and because the hedging transactions do not exhibit any other risks than the hedged items. Settlement shall be completed to the greatest extent by December 31, 2019.

25. Resolution on the appropriation of earnings

Subject to the approval of the Supervisory Board, the Management Board of STADA Arzneimittel AG, Bad Vilbel, unanimously passes the following resolution in writing by circulation:

The Management Board and Supervisory Board shall suggest carrying the net profit from financial year 2018 forward at the Annual General Meeting of STADA Arzneimittel AG on May 29, 2019.

26. Scope of consolidation

STADA Arzneimittel AG, Bad Vilbel, as parent company prepares the Consolidated Financial Statements pursuant to IFRS requirements (smallest scope of consolidation), which are available at the following Internet address: www.stada.com/de.

The Company is also included in the consolidated financial statements of Nidda German TopCo GmbH, Frankfurt am Main (largest scope of consolidation). These financial statements are published in the Federal Gazette.

A profit and loss transfer agreement was concluded with Nidda Healthcare GmbH in the reporting year.

27. Report on post-reporting date events

This report on post-reporting date events includes events that occurred between the end of financial year 2018 and the date of the signing of the 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 Arzneimittel AG.

These were as follows:

- At an employee meeting on February 14, 2019, the Management Board at STADA Arzneimittel AG announced measures to increase efficiency that are to be carried out in 2019. These also include the reorganization measures that will lead to a one-off increase in personnel expenses in 2019.
- On December 20, 2018, STADA announced that, in line with the directive issued by Nidda Healthcare GmbH (Nidda), they and some of its significant subsidiaries had granted certain in rem securities in order to secure certain capital markets indebtedness and other debt financing which was borrowed and/or guaranteed by Nidda and its affiliates. 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 tender offer, whose final expiration date is June 19, 2019.

Bondholders have offered the issuer bonds with a nominal value of €3,090,000 for redemption before 15:00 (CET) on February 20, 2019. The issuer will accept the tender offer.

Bad Vilbel, March 13, 2019

STADA Arzneimittel Aktiengesellschaft
The Executive Board



Peter Goldschmidt
Chairman



Mark Keatley
Chief Financial Officer



Miguel Pagan Fernandez
Chief Technical Officer

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Responsibility Statement

To the best of our knowledge and in accordance with the applicable reporting principles for Annual Financial Statements reporting, the Annual 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 ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of STADA Arzneimittel AG, Bad Vilbel, which comprise the balance sheet as at December 31, 2018, and the statement of profit and loss for the financial year from January 1 to December 31, 2018, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of STADA Arzneimittel AG, which is combined with the group 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 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 annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018 in compliance with German Legally Required Accounting Principles,

and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual 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 annual 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. Measurement of shares in affiliated companies
2. Measurement of drug approvals and trademarks

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. Measurement of shares in affiliated companies

1. In the annual financial statements of the Company shares in affiliated companies amounting to EUR 1,323.4 million (44.7% of total assets) are reported under the "Financial assets" balance sheet item. Of that figure, EUR 54.4 million is attributable to shares of Bioceuticals Arzneimittel AG, which was subject to first-time recognition as an affiliated company following the acquisition of a further interest for a purchase price of EUR 35.0 million in the financial year.

Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The fair values of the material shares in affiliated companies are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial asset. On the basis of the values determined and supplementary documentation, write-downs amounting in total to EUR 17.2 million and reversals of write-downs amounting to EUR 11.3 million were required for the financial year.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth employed. The valuation is therefore subject to material uncertainty. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities, and financial performance, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of the valuation, among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model.

In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies.

3. The Company's disclosures on financial assets are contained in the sections entitled "Accounting policies" and "1. Fixed assets" in the notes to the financial statements.

2. Measurement of drug approvals and trademarks

1. In the Company's annual financial statements, drug approvals and trademarks acquired against payment and currently in use totaling EUR 377.5 million (12.7% of total assets) are reported under the "Intangible assets" balance sheet item. Of that figure, EUR 84.9 million is attributable to drug approvals and EUR 292.6 million to trademarks. In particular, the Nizoral and Ladival trademarks were acquired in the financial year, which increased the items recognized at amortized cost by a total of EUR 188.4 million.

Drug approvals and trademarks are measured in accordance with German commercial law at the lower of amortized cost and fair value. A write-down must be recognized in the case of likely permanent impairment. In the judgment of the executive directors, impairment is assumed likely to be permanent if it is expected to last for more than half of the remaining useful life or for more than five years. If the reasons for the impairment cease to apply, the write-down must be reversed.

To determine any possible need for write-downs or reversals of write-downs, the carrying amounts of drug approvals are tested for impairment annually, and the carrying amounts of trademarks are tested for impairment if there are indications that impairment is likely or that the reasons for impairment no longer apply. Fair value is generally determined on the basis of the present value of expected future cash flows from the respective drug approval or trademark, which is calculated using discounted cash flow models. For this purpose, the budget projections prepared by the executive directors form the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate applied is the risk-adjusted cost of capital for the drug approvals and trademarks. Write-downs totaling EUR 2.2 million and reversals of write-downs totaling EUR 0.5 million were recognized on the carrying amounts of drug approvals. Write-downs totaling EUR 0.5 million and reversals of write-downs totaling EUR 15.1 million were recognized on the carrying amounts of trademarks.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective intangible asset, 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 valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we reviewed and assessed the methodology employed for the purposes of the valuation exercise, among other things. After comparing the future cash inflows used in the calculation with the budget projections prepared by the executive directors and taking into consideration the relevant measurement standards, we assessed the appropriateness of the calculation of fair values, in particular by means of a reconciliation with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the intangible asset values calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. We also assessed whether the impairment identified is likely to be permanent.

Taking into consideration the information available, in our view the measurement inputs and underlying assumptions used by the executive directors are appropriate overall for the purpose of accurately measuring the intangible assets acquired against payment, as recognized under fixed assets.

3. The Company's disclosures on the "Intangible assets" balance sheet item are contained in the sections entitled "Accounting policies" and "1. Fixed assets" in the notes to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the 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 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 annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the 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 annual financial statements, with the 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 Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and of the 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 of the Company.
- 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the 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 annual 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 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 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)

Publishing Information

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Contact	STADA Arzneimittel AG Investor Relations Phone: +49 (0) 61 01/6 03-1 13 Fax: +49 (0) 61 01/6 03-2 15 E-Mail: ir@stada.de
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Forward-looking statements

These STADA Arzneimittel AG (hereinafter "STADA") Annual Financial Statements as of December 31, 2018 contain 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 these Annual Financial Statements as of December 31, 2018, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

