STADA Interim Report on the First Half

2019

STADA

STADA KEY FIGURES

Key figures for the Group in € million	H1/2019	H1/2018	±%
Group sales	1,263.4	1,137.5	+11%
• Generics	745.2	672.4	+11%
• Branded Products	518.2	465.1	+11%
Portfolio effects	–	31.6	–
Operating profit	189.4	190.4	-1%
• Generics	173.9	156.2	+11%
• Branded Products	95.2	85.1	+12%
EBITDA	277.9	260.6	+7%
• Generics	216.8	183.8	+18%
• Branded Products	134.5	120.2	+12%
Net income	138.3	165.3	-16%
Group sales adjusted for currency and portfolio effects[1)]	*1,263.4*	*1,168.7*	*+8%*
• Generics	*745.2*	*691.5*	*+8%*
• Branded Products	*518.2*	*477.2*	*+9%*
Operating profit, adjusted[2)3)]	*231.0*	*204.7*	*+13%*
• Generics	*189.2*	*158.6*	*+19%*
• Branded Products	*107.3*	*95.5*	*+12%*
EBITDA, adjusted[2)3)]	*294.5*	*261.7*	*+13%*
• Generics	*219.4*	*183.6*	*+20%*
• Branded Products	*134.3*	*120.0*	*+12%*
Net income, adjusted[2)3)]	*176.2*	*149.7*	*+18%*
Gross profit	665.5	592.6	+12%
Gross margin	52.7%	52.1%	
Cash flow from operating activities	141.6	95.0	+49%
Investments	76.1	199.5	-62%
Depreciation and amortization (net of write-ups)	88.6	64.6	+37%
Employees (average number – based on full-time employees)[4)]	10,428	10,179	+2%
Employees (as of the reporting date – based on full-time employees)	10,435	10,232	+2%

Key share figures	H1/2019	H1/2018	±%
Market capitalization (end of first half) in € million	5,193.1	5,014.8	+4%
Closing price (end of first half) in €	83.30[5)]	80.44[6)]	+4%
Average number of shares (without treasury shares, Jan. 1 – June 30)	62,258,167	62,258,129	0%
Earnings per share in €	2.22	2.66	-17%
Earnings per share in €, adjusted[2)3)]	*2.83*	*2.40*	*+18%*

1) Adjustments of the currency and portfolio effects are presented exclusively as adaptations of the previous year's sales. Currency adjustments of the previous year's sales is carried out using 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 Interim 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®.

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H1/2019

COMBINED INTERIM GROUP MANAGEMENT REPORT OF THE EXECUTIVE BOARD

Overview

Business development in the first half of 2019 was in line with STADA Group's expectations.

Reported group sales increased by 11% to €1,263.4 million in the first six months of the current financial year (1-6/2018: €1,137.5 million). After deducting effects on sales resulting from changes in the Group portfolio and currency effects, adjusted Group sales increased by 8% to €1,263.4 million (1-6/2018: €1,168.7 million).

Reported EBITDA grew by 7% in the reporting period, to €277.9 million (1-6/2018: €260.6 million). Adjusted EBITDA showed an increase of 13% to €294.5 million (1-6/2018: €261.7 million).

At the Annual General Meeting held on May 29, 2019, the STADA shareholders approved by a large majority all agenda items presented for a vote by the administration.[1)] A total of 94.7% of the share capital with voting rights was represented.

On May 31, 2019, STADA announced that the company would expand the strategic partnership with XBrane Biopharma AB for the development of biosimilars.[2)]

On June 7, 2019, STADA announced that the company, through its British subsidiary Thornton & Ross, and GlaxoSmithKline had signed a contract for the purchase of five skin care brands and a pediatric cough remedy in Europe as well as selected markets in APAC and Latin America.[3)]

STADA Group sales development

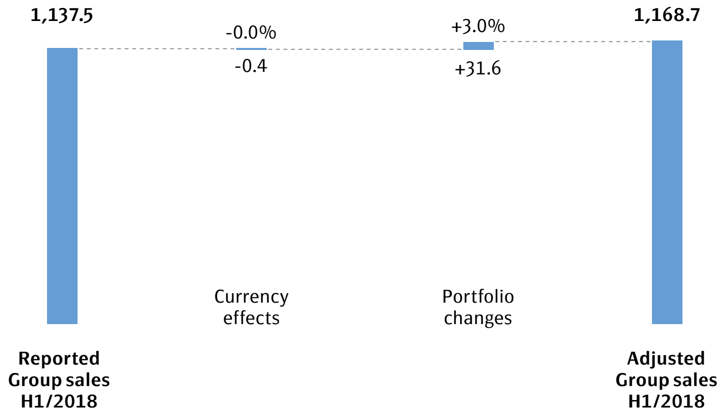
Reported Group sales increased in the first half of 2019 by 11% to €1,263.4 million (1-6/2018: €1,137.5 million). This development was particularly attributable to the introduction in the second quarter of 2019 of Bortezomib STADA®.[1)]

After deducting effects on sales based on changes in the **Group portfolio and currency effects**, **adjusted Group sales** increased by 8% to €1,263.4 million in the first six months of the current financial year (1-6/2018: €1,168.7 million).

Adjustments to the currency effects show themselves exclusively as adjustments to sales in the first half of 2018. The currency adjustments from the first six months of 2018 were carried out using the exchange rates of the reporting period. The portfolio effects relate to both sales from the relevant prior-year period as well as sales from the reporting period – whereby the adjustment was undertaken only for the relevant prior-year period. The reconciliation of reported sales from the first half of 2018 to sales from the first half of 2018 adjusted for currency and portfolio effects was as follows:

1) See the company's website at www.stada.com.
2) See company press release of May 31, 2019.
3) See company press release of June 7, 2019.

Reconciliation of reported sales from the first half of 2018 to adjusted sales from the first half of 2018 in € million



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

Portfolio changes as adjustment for the relevant period of the previous year amounted to a total of €31.6 million. This represents 3.0%. The portfolio changes were mainly due to the consolidation of BIOCEUTICALS Arzneimittel AG since September 30, 2018 as well as the sales contribution from the acquired product portfolio Nizoral.

Applying the exchange rates of the first half of 2019 compared with the first half of 2018 for the translation of local sales contributions into the Group currency euros, STADA recorded a negative **currency effect** on Group sales of €0.4 million or 0.0 percentage points.

The most important national currencies for STADA, the British pound, Russian ruble, and Serbian dinar in relation to the Group currency euro developed as follows in the reporting period compared with the corresponding period of the previous year.

Significant currency relations in local currency to 1 euro	Closing rate on June 30 in local currency			Average rate for the reporting period		
	H1/2019	H1/2018	±%	H1/2019	H1/2018	±%
British pound	0.89655	0.88605	+1%	0.87348	0.87973	-1%
Russian ruble	71.59750	73.15820	-2%	73.71301	71.98021	+2%
Serbian dinar	117.91210	118.06760	0%	118.09619	118.29891	0%

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

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

Earnings development of the STADA Group

Reported operating profit decreased by 1% to €189.4 million in the first six months of 2019 (1-6/2018: €190.4 million). **Adjusted operating profit** increased by 13% to €231.0 million (1-6/2018: €204.7 million). **Reported EBITDA** recorded growth of 7% to €277.9 million (1-6/2018: €260.6 million). This development was particularly attributable to the introduction in the second quarter of 2019 of Bortezomib STADA®. **Adjusted EBITDA** grew by 13% to €294.5 million (1-6/2018: €261.7 million).

In the **first half of 2019**, **special items** resulted in a burden on earnings of €41.6 million before taxes and a burden on earnings of €37.9 million after taxes. The following overview shows the reconciliation of the reported financial key performance indicators to those adjusted for special items and further important STADA Group key earnings figures:

in € million[1]	H1/2019 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Severance payments	*H1/2019 adjusted*
Operating profit	**189.4**	**12.4**	**15.0**	**14.2**	***231.0***
Result from investments measured at equity	0.0	–	–	–	*0.0*
Investment income	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**189.3**	**12.4**	**15.0**	**14.2**	***231.0***
Financial income and expenses	-20.8	–	–	–	*-20.8*
Earnings before taxes (EBT)	**168.6**	**12.4**	**15.0**	**14.2**	***210.2***
Income taxes	26.2	0.1	1.3	0.5	*28.1*
Result distributable to non-controlling shareholders	4.0	–	1.8	–	*5.8*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**138.3**	**12.3**	**11.9**	**13.7**	***176.2***
Earnings before interest and taxes (EBIT)	**189.3**	**12.4**	**15.0**	**14.2**	***231.0***
Balance from depreciation/amortization and impairments/write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	88.6	-12.4	-12.6	–	*63.5*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**277.9**	**–**	**2.4**	**14.2**	***294.5***

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 a basis.

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

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

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

Further important Group key earnings figures and the resulting margins are shown in the following tables, both on a reported and adjusted basis for the first half of 2019, together with the corresponding periods of the previous year:

Development of the STADA Group's reported earnings figures

in € million	H1/2019	H1/2018	±%
Operating profit	189.4	190.4	-1%
• Generics	173.9	156.2	+11%
• Branded Products	95.2	85.1	+12%
Operating profit margin[1]	15.0%	16.7%	
• Generics	23.3%	23.2%	
• Branded Products	18.4%	18.3%	
EBITDA	277.9	260.6	+7%
• Generics	216.8	183.8	+18%
• Branded Products	134.5	120.2	+12%
EBITDA margin[1]	22.0%	22.9%	
• Generics	29.1%	27.3%	
• Branded Products	26.0%	25.8%	
EBIT	189.3	196.1	-3%
EBIT margin[1]	15.0%	17.2%	
EBT	168.6	178.3	-5%
EBT margin[1]	13.3%	15.7%	
Net income	138.3	165.3	-16%
Net income margin[1]	11.0%	14.5%	
Earnings per share in €	2.22	2.66	-17%

Development of the STADA Group's adjusted[2] earnings figures

in € million	*H1/2019*	*H1/2018*	*±%*
Adjusted operating profit	*231.0*	*204.7*	*+13%*
• Generics	*189.2*	*158.6*	*+19%*
• Branded Products	*107.3*	*95.5*	*+12%*
Adjusted operating profit margin[1]	*18.3%*	*18.0%*	
• Generics	*25.4%*	*23.6%*	
• Branded Products	*20.7%*	*20.5%*	
Adjusted EBITDA	*294.5*	*261.7*	*+13%*
• Generics	*219.4*	*183.6*	*+20%*
• Branded Products	*134.3*	*120.0*	*+12%*
Adjusted EBITDA margin[1]	*23.3%*	*23.0%*	
• Generics	*29.4%*	*27.3%*	
• Branded Products	*25.9%*	*25.8%*	
Adjusted EBIT	*231.0*	*210.3*	*+10%*
Adjusted EBIT margin[1]	*18.3%*	*18.5%*	
Adjusted EBT	*210.2*	*192.6*	*+9%*
Adjusted EBT margin[1]	*16.6%*	*16.9%*	
Adjusted net income	*176.2*	*149.7*	*+18%*
Adjusted net income margin[1]	*14.0%*	*13.2%*	
Adjusted earnings per share in €	*2.83*	*2.40*	*+18%*

1) Related to relevant Group sales.

2) Adjusted for special items.

Cost of sales increased in the first half of the current financial year to €597.9 million (1-6/2018: €544.9 million). **Gross profit** increased to €665.5 million (1-6/2018: €592.6 million). The gross margin improved to 52.7% (1-6/2018: 52.1%) – particularly due to the introduction of Pemetrexed STADA® in the third quarter of 2018 and the introduction of Bortezomib STADA® in the second quarter of 2019.

In the first six months of 2019, **selling expenses** increased to €293.0 million (1-6/2018: €256.2 million). This development was primarily attributable to investments in sales in the generics and branded products areas in Belgium, Italy, Spain and Germany.

General and administrative expenses increased in the reporting period to €104.7 million (1-6/2018: €86.3 million).

Other income decreased in the first half of 2019 to €16.0 million (1-6/2018: €25.6 million).

Other expenses increased in the reporting period to €60.0 million (1-6/2018: €50.2 million).

Financial income decreased in the first six months of 2019 to €2.6 million (1-6/2018: €3.5 million).

Financial expenses increased in the first half of 2019 to €23.4 million (1-6/2018: €21.2 million).

Income tax expenses increased in the reporting period to €26.2 million (1-6/2018: €10.7 million). The reported tax rate was 15.6% (1-6/2018: 6.0%).

Earnings per share were €2.22 (1-6/2018: €2.66) in the first half of 2019.

Sales and earnings development of the Generics segment

Reported sales of the **Generics** segment increased by 11% to €745.2 million in the first half of 2019 (1-6/2018: €672.4 million). **Sales** in the **Generics** segment **adjusted** for portfolio and currency effects showed an increase of 8% to €745.2 million (1-6/2018: €691.5 million). Generics contributed 59.0% to Group sales (1-6/2018: 59.1%).

Reported operating profit in the **Generics** segment increased in the first six months of 2019 by 11% to €173.9 million (1-6/2018: €156.2million). **Reported EBITDA** in the **Generics** segment grew by 18% to €216.8 million (1-6/2018: €183.8 million). The **reported operating profit margin** in the **Generics** segment amounted to 23.3% (1-6/2018: 23.2%). The **reported EBITDA margin** in the **Generics** segment was 29.1% (1-6/2018: 27.3%).

Adjusted operating profit in the **Generics** segment increased by 19% in the reporting period to €189.2 million (1-6/2018: €158.6 million). **Adjusted EBITDA** in the **Generics** segment rose by 20% to €219.4 million (1-6/2018: €183.6 million). The **adjusted operating profit margin** in the **Generics** segment was 25.4% (1-6/2018: 23.6%). The **adjusted EBITDA margin** in the **Generics** segment amounted to 29.4% (1-6/2018: 27.3%).

Sales and earnings development of the Branded Products segment

Reported sales in the **Branded Products** segment rose in the reporting period by 11% to €518.2 million (1-6/2018: €465.1 million). **Sales** in the **Branded Products** segment **adjusted** for portfolio and currency effects showed an increase of 9% to €518.2 million (1-6/2018: €477.2 million). Branded Products contributed 41.0% to Group sales (1-6/2018: 40.9%).

Reported operating profit in the **Branded Products** segment increased in the first half of 2019 by 12% to €95.2 million (1-6/2018: €85.1 million). **Reported EBITDA** of **Branded Products** recorded an increase of 12% to €134.5 million (1-6/2018: €120.2 million). The **reported operating profit margin** in the **Branded Products** segment was 18.4% (1-6/2018: 18.3%). The **reported EBITDA margin** in the **Branded Products** segment was 26.0% (1-6/2018: 25.8%).

Adjusted operating profit in the **Branded Products** segment increased by 12% in the reporting period to €107.3 million (1-6/2018: €95.5 million). **Adjusted EBITDA** in the **Branded Products** segment showed an increase of 12% to €134.3 million (1-6/2018: €120.0 million). The **adjusted operating profit margin** in the **Branded Products** segment amounted to 20.7% (1-6/2018: 20.5%). The **adjusted EBITDA margin** in the **Branded Products** segment was 25.9% (1-6/2018: 25.8%).

Development, production, procurement and supply chain

In the first six months of the current financial year, research and development expenses totaled €34.3 million (1-6/2018: €34.9 million). In addition, STADA capitalized development expenses for new products in the amount of €9.3 million (1-6/2018: €9.1 million).

STADA continually invests in the Group's own manufacturing facilities and test laboratories. In the first half of 2019, €12.8 million was invested in the expansion and renovation of production facilities, manufacturing plants and test laboratories (1-6/2018: €9.8 million).

Net assets, financial position and cash flow

Development of the net assets and financial position of the STADA Group was positive in the reporting period. As of the reporting date of June 30, 2019, the **equity ratio** improved to 34.1% (December 31, 2018: 33.1%). **Net debt** amounted to €1,034.8 million as of June 30, 2019 (December 31, 2018: €1,079.5 million). The figure also includes a shareholders' loan of €929,6 million. For the total figures including Nidda, please refer to the Group Reporting for the first half of 2019 of Nidda German Topco GmbH (see: www.niddahealthcare-offer.com).

The remaining financing of nominal €1,289.9 million as of June 30, 2019 was comprised as follows:

Financial instruments following the exercise of put right and additional repayment in € million	Nominal Value	Maturity
Promissory note loans	4.0	November 7, 2019
Promissory note loans	41.5	April 26, 2021
Bond	267.4	April 8, 2022
Promissory note loans	7.0	April 26, 2023
	319.9	
Further bank loans	40.4	rolling
Total financial liabilities	**360.3**	
Loan from Nidda Healthcare Holding GmbH	929.6	
Total financing	**1,289.9**	

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 that were raised and/or secured by Nidda and its affiliated companies.[1] The granting of such in rem securities gave 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, the final expiration date of which was June 19, 2019.[2] On June 21, 2019, STADA announced that, since its announcement on January 8, 2019, bonds in the nominal amount of €6,676,000 had been repurchased.[2]

For the refinancing of the Group, there was a bond in the amount of €267.4 million as of June 30, 2019 (December 31, 2018: €274.1 million) with an interest rate of 1.75% p.a. As of June 30, 2019, the Group also had promissory note loans with a nominal value totaling €52.5 million (December 31, 2018: €178.0 million).

1) See company press release of December 20, 2018.
2) See https://www.stada.com/investor-relations/bonds/bond-2015/disclaimer.html.

Intangible assets recorded an increase to €1,710.2 million as of June 30, 2019 (December 31, 2018: €1,707.2 million). As of the same reporting date, intangible assets included €394.5 million of goodwill (December 31, 2018: €388.8 million).

Property, plant and equipment was at €412.2 million as of June 30, 2019 (December 31, 2018: €351.5 million).

Financial investments as of June 30, 2019 were €6.5 million (December 31, 2018: €2.3 million). This change relates primarily to shares in the acquired Swedish company XBrane Biopharma AG, which were measured at fair value.

Investments measured at equity amounted to €2.0 million as of the balance sheet date (December 31, 2018: €24.6 million).

Inventories totaled €535.6 million as of the balance sheet date (December 31, 2018: €515.3 million).

Trade accounts receivable increased to €539.4 million as of June 30, 2019 (December 31, 2018: €516.0 million).

Income tax receivables grew to €13.1 million as of June 30, 2019 (December 31, 2018: €8.5 million).

Other financial assets increased to €102.1 million as of June 30, 2019 (December 31, 2018: €13.6 million).

Non-current assets and disposal groups held for sale rose to €20.1 million as of June 30, 2019 (December 31, 2018: €0.1 million).

Retained earnings including net income comprise the net income of the first half of 2019 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined pension benefit plans, recognized through other comprehensive income, after the consideration of deferred tax liabilities, are also shown in this position.

Other reserves include the results directly considered in **equity**. This relates, inter alia, to the foreign exchange gain and loss resulting from currency translation – with no effect on income – of the financial statements of the companies included in the Group, which are shown in the currency translation reserve in the statement of changes in equity. The increase in other reserves as of June 30, 2019 was attributable in particular to the revaluation of the Russian ruble since December 31, 2018 and to the resulting income recognized in equity from currency conversion for companies that report in this currency.

As of June 30, 2019, the Group's **current and non-current financial liabilities** in the amount of €44.2 million and €1,244.7 million (December 31, 2018: €444.9 million and €978.4 million) particularly include a shareholder's loan in the amount of €929.6 million (December 31, 2018: €929.6 million), promissory note loans with a nominal value in the amount of €52.5 million (December 31, 2018: €178.0 million) and a bond with a nominal value in the amount of €267.4 million (December 31, 2018: a bond with a nominal value in the amount of €274.1 million). The reduction of current financial liabilities and the increase in non-current financial liabilities is based on the reclassification of the STADA bond 2022 from current to non-current. Following expiration of the tender offer of January 8, 2019 on June 19, 2019, there is no longer a termination right or a potential termination right is forfeited. For this reason, the bond was once again reclassified as non-current pursuant to its original term. The reduction in current financial liabilities also results from the repayment of further promissory note loans.

Trade accounts payable decreased to €308.5 million as of June 30, 2019 (December 31, 2018: €315.1 million).

Deferred tax liabilities rose to €94.2 million as of the balance sheet date (December 31, 2018: €83.9 million).

Other financial liabilities increased to €443.5 million as of June 30, 2019 (December 31, 2018: €292.9 million).

Other liabilities were €147.5 million as of June 30, 2019 (December 31, 2018: €129.7 million).

Cash flow from operating activities, which comprises positions not covered by investments, financing, currency differences from the translation of foreign transactions and transactions in foreign currencies or by changes in the scope of consolidation and measurement-related changes, improved to €141.6 million in the first half of 2019 (1-6/2018: €95.0 million).

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€67.8 million in the first six months of the current financial year (1-6/2018: -€194.7 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets and property, plant and equipment.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, was €73.8 million in the reporting period (1-6/2018: -€99.6 million). The **free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to €91.7 million (1-6/2018: €61.6 million).

Cash flow from financing activities amounted to -€163.8 million in the first half of the current financial year (1-6/2018: €102.7 million).

Cash flow of the current period was -€89.7 million in the first six months of 2019, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-6/2018: €3.9 million).

Acquisitions and disposals

On May 31, 2019, STADA announced that it was expanding the company's strategic partnership with XBrane Biopharma AB for the development of biosimilars.[1] This allows both companies to explore potential development and marketing cooperations related to the pre-clinical biosimilars Xcimzane and Xdivane from XBrane as well as further biosimilars that fit the portfolios of both companies.

On June 7, 2019, STADA announced that the company, through its British subsidiary Thornton & Ross, and GlaxoSmithKline had signed a contract for the purchase of five skin care brands and a pediatric cough remedy in Europe as well as selected markets in APAC and Latin America.[2] The contract took effect on July 31, 2019. With the acquisition, STADA further expands its consumer health business in the markets mentioned.

STADA share

At the end of the first half of 2019, the price of STADA share was €83.30 (end of the first half of 2018: €80.44). Market capitalization at the end of the first half of 2019 was €5.2 billion (end of the first half of 2018: €5.0 billion).

As of June 30, 2019, subscribed share capital of STADA Arzneimittel AG amounted to €162,090,344.00 (December 31, 2018: €162,090,344.00) in 62,342,440 registered shares each with an arithmetical share in share capital of €2.60 (December 31, 2018: 62,342,440 registered shares).

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

At the Annual General Meeting held on May 29, 2019, the STADA shareholders approved by a large majority all agenda items presented for a vote by the administration.[3] A total of 94.7% of the share capital with voting rights was represented.

Report on expected developments and associated material opportunities and risks

From today's perspective, the Executive Board expects to meet the growth targets for financial year 2019 as published in the 2018 Annual Report. Taken together with the additions and updates included in this interim report, in the opinion of the Executive Board, an up-to-date overall picture of the expected developments and of the opportunities and risks for the remainder of the financial year for the STADA Group emerges.

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

1) See company press release of May 31, 2019.
2) See company press release of June 7, 2019.
3) See the company's website at www.stada.com.

In this connection, however, there are also operating risks and challenges based in particular on changed or additional state regulation (e.g. additional statutory requirements for clinical studies that could result in longer development periods for products such as biosimilars) and/or intensive competition. The Group will thus 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 associated sanctions against Russia. Furthermore, the potentially negative macroeconomic consequences in connection with the United Kingdom's decision to leave the EU could have an impact.

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

In light of the transformation process, including the broad range of initiatives for efficiency enhancement, the further developed corporate strategy and the strategic success factors, however, positive prospects should outweigh the negative.

Peter Goldschmidt | Mark Keatley | Miguel Pagan Fernandez

Interim Consolidated Financial Statements

STADA INTERIM CONSOLIDATED FINANCIAL STATEMENTS ON THE FIRST HALF OF 2019 (ABRIDGED)

H1/2019

Consolidated Income Statement

Consolidated Income Statement in k €	Q2/2019	Q2/2018	H1/2019	H1/2018
Sales	655,552	579,354	1,263,374	1,137,460
Cost of sales	304,884	273,914	597,868	544,906
Gross profit	**350,668**	**305,440**	**665,506**	**592,554**
Selling expenses	144,657	131,329	293,037	256,234
General and administrative expenses	55,108	40,973	104,744	86,312
Research and development expenses	17,527	18,687	34,326	34,909
Other income	8,056	13,165	15,990	25,559
Other expenses	19,115	25,105	60,039	50,209
Operating profit	**122,317**	**102,511**	**189,350**	**190,449**
Result from investments measured at equity	-18	2,923	-18	3,183
Investment income	–	2,455	–	2,455
Financial income	1,266	2,134	2,600	3,477
Financial expenses	11,658	11,832	23,376	21,231
Financial result	**-10,410**	**-4,320**	**-20,794**	**-12,116**
Earnings before taxes	**111,907**	**98,191**	**168,556**	**178,333**
Income taxes	15,432	-11,715	26,223	10,722
Earnings after taxes	**96,475**	**109,906**	**142,333**	**167,611**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	94,365	108,600	138,344	165,314
• distributable to non-controlling shareholders	2,110	1,306	3,989	2,297
Transfer of profits to Nidda Healthcare GmbH	72,302	–	83,737	–
Earnings per share in € (basic/diluted)	1.51	1.75	2.22	2.66

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in k €	Q2/2019	Q2/2018	H1/2019	H1/2018
Earnings after taxes	**96,475**	**109,906**	**142,333**	**167,611**
Items to be recycled to the income statement in future:				
Currency translation gains and losses	**-11,223**	**-11,455**	**39,022**	**-16,607**
thereof				
• income taxes	-35	89	-285	157
Gains and losses on financial assets (FVOCI)	**239**	**-17**	**230**	**-37**
thereof				
• income taxes	-2	-4	-2	4
Items not to be recycled to the income statement in future:				
Revaluations of net debt from defined benefit plans	**-5,221**	**–**	**-5,221**	**–**
thereof				
• income taxes	936	–	936	–
Other comprehensive income	**-16,205**	**98,434**	**34,031**	**-16,644**
thereof				
• attributable to disposal groups held for sale in accordance with IFRS 5		–		–
Consolidated comprehensive income	**80,270**	**98,434**	**176,364**	**150,967**
thereof				
• distributable to shareholders of STADA Arzneimittel AG	78,628	95,774	172,333	148,294
• distributable to non-controlling shareholders	1,642	2,660	4,031	2,673

Consolidated Balance Sheet

Consolidated Balance Sheet in k € Assets	June 30, 2019	Dec. 31, 2018
Non-current assets	**2,161,298**	**2,113,845**
Intangible assets	1,710,177	1,707,205
Property, plant and equipment	412,248	351,467
Financial assets	6,455	2,281
Investments measured at equity	1,981	24,568
Other financial assets	906	823
Other assets	1,203	1,164
Deferred tax assets	28,328	26,337
Current assets	**1,512,459**	**1,446,281**
Inventories	535,566	515,251
Trade accounts receivable	539,434	516,011
Return assets	576	620
Income tax receivables	13,118	8,545
Other financial assets	101,213	12,755
Other assets	48,297	49,255
Cash and cash equivalents	254,135	343,794
Non-current assets and disposal groups held for sale	20,120	50
Total assets	**3,673,757**	**3,560,126**

Equity and liabilities	June 30, 2019	Dec. 31, 2018
Equity	**1,253,590**	**1,177,985**
Share capital	162,090	162,090
Capital reserve	514,206	514,206
Retained earnings including net income	908,028	858,606
Other reserves	-436,767	-475,941
Treasury shares	-1,403	-1,403
Equity attributable to shareholders of the parent	**1,146,154**	**1,057,558**
Shares held by non-controlling shareholders	107,436	120,427
Non-current borrowings	**1,413,831**	**1,102,439**
Other non-current provisions	38,484	33,490
Financial liabilities	1,244,646	978,386
Other financial liabilities	34,182	4,168
Other liabilities	2,363	2,460
Deferred tax liabilities	94,156	83,935
Current borrowings	**1,006,336**	**1,279,702**
Other provisions	17,688	22,543
Financial liabilities	44,246	444,943
Trade accounts payable	308,502	315,080
Contract liabilities	921	1,491
Income tax liabilities	80,574	79,723
Other financial liabilities	409,305	288,718
Other liabilities	145,100	127,204
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	–
Total equity and liabilities	**3,673,757**	**3,560,126**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in k €	H1/2019	H1/2018
Net income	142,333	167,611
Depreciation and amortization net of write-ups of non-current assets	88,573	64,556
Income tax expenses	26,223	10,722
Income tax paid	-21,993	-29,941
Interest income and expenses	20,776	17,755
Interest and dividends received	713	1,176
Interest paid	-28,135	-24,317
Result from investments measured at equity	18	-3,183
Result from the disposal of non-current assets	-893	312
Additions to / reversals of other non-current provisions	1,695	1,628
Currency translation income and expenses	1,715	-3,214
Other non-cash expenses and gains[1]	190,455	166,704
Gross cash flow	**421,480**	**369,809**
Changes in inventories	-26,427	-16,200
Changes in trade accounts receivable	-8,440	4,012
Changes in trade accounts payable	-14,872	-66,150
Changes in other net assets, unless attributable to investing or financing activities[1]	-230,153	-196,426
Cash flow from operating activities	**141,588**	**95,045**
Payments for investments in		
• intangible assets	-35,959	-182,202
• property, plant and equipment	-34,366	-16,768
• financial assets	-4,503	-48
• business combinations in accordance with IFRS 3	–	–
Proceeds from the disposal of		
• intangible assets	552	714
• property, plant and equipment	2,725	564
• financial assets	–	–
• shares in consolidated companies	3,787	3,062
Cash flow from investing activities	**-67,764**	**-194,678**
Borrowing of funds	8,829	844,810
Settlement of financial liabilities	-143,507	-731,667
Settlement of finance lease liabilities	-12,098	-855
Dividend distribution	-17,022	-8,944
Capital increase from share options	–	–
Changes in non-controlling interests	–	-662
Changes in treasury shares	–	–
Cash flow from financing activities	**-163,798**	**102,682**
Changes in cash and cash equivalents	**-89,974**	**3,049**
Changes in cash and cash equivalents due to the scope of consolidation	–	–
Changes in cash and cash equivalents due to exchange rates	315	838
Net change in cash and cash equivalents	**-89,659**	**3,887**
Balance at beginning of the period	**343,794**	**243,195**
Balance at end of the period	**254,135**	**247,082**

1) Non-cash additions to accruals for discounts to health insurance organizations in the first six months of 2019 in the amount of €150.8 million (1-6/2018: €126.0 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 €

2019	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of June 30, 2019	**62,342,440**	**162,090**	**514,206**	**908,028**
Various changes[1]				-83,737
Dividend distribution				
Capital increase from share options				
Changes in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Other comprehensive income				-5,185
Net income				138,344
Balance as of Jan. 1, 2019	**62,342,440**	**162,090**	**514,206**	**858,606**
Previous year				
Balance as of June 30, 2018	**62,342,440**	**162,090**	**514,206**	**874,093**
Dividend distribution				-6,848
Capital increase from share options				
Changes in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Other comprehensive income				-18
Net income				165,314
Balance as of Jan. 1, 2018, adjusted	**62,342,440**	**162,090**	**514,206**	**715,645**
Adjustments under IFRS 15				446
Adjustments under IFRS 9				-2,165
Balance as of Jan. 1, 2018	**62,342,440**	**162,090**	**514,206**	**717,364**

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

Currency translation reserve	Reserve FVOCI	Treasury shares	Equity attributable to shareholders of the parent	Shares held by non-controlling shareholders	Group equity
-436,982	**215**	**1,403**	**1,146,154**	**107,436**	**1,253,590**
			-83,737		-83,737
			–	-17,022	-17,022
			–		–
			–		–
			–		–
			–		–
			–		–
38,944	230		33,989	42	34,031
			138,344	3,989	142,333
-475,926	**-15**	**-1,403**	**1,057,558**	**120,427**	**1,177,985**
-446,978	**-75**	**-1,405**	**1,101,931**	**44,634**	**1,146,565**
			-6,848	-3,530	-10,378
			–		–
			–		–
			–		–
			–	1,435	1,435
			–		–
-16,965	-37		-17,020	376	-16,644
			165,314	2,297	167,611
-430,013	**-38**	**-1,405**	**960,485**	**44,056**	**1,004,541**
			446		446
	-38		-2,203	-108	-2,311
-430,013	**–**	**-1,405**	**962,242**	**44,164**	**1,006,406**

Notes

1. General

1.1. Accounting policies

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

The abridged interim group management report and the abridged consolidated interim management report has been subjected to neither a review nor was it audited in accordance with Section 317 of the German Commercial Code (HGB).

The Interim Group Management Report was prepared in observance of the applicable regulations of the German Securities Trading Act. The Interim Consolidated Financial Statements as of June 30, 2019 were prepared in observance of the regulations of International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of report as compared to the Consolidated Financial Statements as of December 31, 2018 was selected.

All IFRS adopted by the International Accounting Standards Board (IASB) and endorsed by the EU, which are required to be applied from January 1, 2019 onwards, were observed by STADA.

With the exception of the changes in accounting policies shown under point 1.2., the same accounting policies and calculation methods are used in these Interim Consolidated Financial Statements as in the Consolidated Financial Statements of the 2018 financial year. In this respect, with regard to the principles and methods applied in the Group financial reporting, reference is made in general to the Notes to the Consolidated Financial Statements in the Annual Report 2018.

1.2. Changes in accounting policies

In the first half of 2019, STADA observed and, where relevant, applied, the announcements or modified announcements published by the IASB and endorsed by the EU with an initial application date of January 1, 2019. To the extent that these changes had any significant effects on the presentation of STADA's net assets, financial position and results of operations or cash flow, they are discussed in detail below.

In January 2016, the IASB published a new standard, IFRS 16 "Leases", which generally prescribes that lessees recognize the contractual rights (assets) and responsibilities (liabilities) associated with leases in the balance sheet. Classification into finance leases or operating leases is consequently no longer required of the lessee. IFRS 16 must be applied to financial years starting on or after January 1, 2019. Early application is permitted. STADA applied the new standard for the first time from January 1, 2019 modified retroactively, i.e. an adjustment of the prior-year figures has been waived. Rights of use are therefore assimilated to leasing liabilities at the time of conversion.

The amortized cost of the right of use is calculated as the present value of future lease payments, initial direct costs as well as the estimated costs that would arise in the course of the disassembly and removal or restoration of the leasing object. Leasing incentives received are deducted. Use is made of the option to consider non-leasing components generally as leasing payments. First-time application of the leasing liabilities is carried out at the present value of the lease liability to be paid. In subsequent measurement, the leasing liabilities are compounded and reduced by the leasing payments made.

Use is made of the option granted by IFRS 16 to waive application of a right of use and the leasing liability for (short-term) leases with a term of up to twelve months or for leases of low-value assets.

In the transition to IFRS 16, current findings in the determination of the terms of leases with extension and termination options have been incorporated. For the measurement of the right of use, the initial direct costs at the time of initial application were not taken into account.

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 in the amount of €52.2 million and a corresponding increase in current and non-current leasing liabilities occurred which are reported in the balance sheet item other financial liabilities. The difference between the other financial obligations from leases as of December 31, 2018, which were discounted at the incremental borrowing rate, and the leasing liabilities reported in the balance sheet at the time of the initial application of IFRS 16 as of January 1, 2019, results primarily through the evaluation to be made in accordance with IFRS 16 on the exercise of termination and extension options.

Instead of leasing expenses for operating leases, as a result of the changes from IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement – with a corresponding impact on EBITDA. Amortization for these leases amounted to €10.3 million in the first half of 2019. In addition, STADA reported interest expenses in the amount of €1.4 million in the reporting period. In financial year 2018, In accordance with the requirements of IAS 17 "Leases" that were to be applied in the previous year, these expenses were fully recognized in operating profit as a leasing expense and as a reduction of EBITDA. In addition to the recognition of the expenses in the income statement, the changed recognition of the expenses in the cash flow statement led to an improvement in cash flow from operating activities in the amount of €11.2 million in the first half of 2019. This was countered by higher repayments for the reduction of liabilities from finance leases within the cash flow from financing activities.

At STADA, the conversion effect mainly concerns leased properties and company vehicles.

The effects of first-time application of the new IFRS 16 standard as of January 1, 2019 on STADA's consolidated balance sheet are described in condensed form below:

Consolidated balance sheet in k € **Assets**	Dec. 31, 2018 (reported)	Adjustments under IFRS 16	Jan. 1, 2019 (adjusted)
Non-current assets	**2,113,845**	**52,210**	**2,166,055**
Intangible assets	1,707,205	3,920	1,711,125
Property, plant and equipment	351,467	48,290	399,757
Financial assets	2,281		2,281
Investments measured at equity	24,568		24,568
Other financial assets	823		823
Other assets	1,164		1,164
Deferred tax assets	26,337		26,337
Current assets	**1,446,281**	**–**	**1,446,281**
Inventories	515,251		515,251
Trade accounts receivable	516,011		516,011
Return assets	620		620
Income tax receivables	8,545		8,545
Other financial assets	12,755		12,755
Other assets	49,255		49,255
Cash and cash equivalents	343,794		343,794
Non-current assets and disposal groups held for sale	50		50
Total assets	**3,560,126**	**52,210**	**3,612,336**

Equity and liabilities	Dec. 31, 2018 (reported)	Adjustments under IFRS 16	Jan. 1, 2019 (adjusted)
Equity	**1,177,985**	**–**	**1,177,985**
Share capital	162,090		162,090
Capital reserve	514,206		514,206
Retained earnings including net income	858,606		858,606
Other reserves	-475,941		-475,941
Treasury shares	-1,403		-1,403
Equity attributable to shareholders of the parent company	**1,057,558**	**–**	**1,057,558**
Shares held by non-controlling shareholders	120,427		120,427
Non-current borrowings	**1,102,439**	**34,171**	**1,136,610**
Other non-current provisions	33,490		33,490
Financial liabilities	978,386		978,386
Other financial liabilities	4,168	34,171	38,339
Other liabilities	2,460		2,460
Deferred tax liabilities	83,935		83,935
Current borrowings	**1,279,702**	**18,039**	**1,297,741**
Other provisions	22,543		22,543
Financial liabilities	444,943		444,943
Trade accounts payable	315,080		315,080
Contract liabilities	1,491		1,491
Income tax liabilities	79,723		79,723
Other financial liabilities	288,718	18,039	306,757
Other liabilities	127,204		127,204
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–		–
Total equity and liabilities	**3,560,126**	**52,210**	**3,612,336**

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

1.3. Scope of consolidation

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

In the reporting period the merger of the Swiss parent company Pegach AG and Spirig HealthCare AG was carried out retroactively as of January 1, 2019.

Thus, on the balance sheet date, June 30, 2019, the scope of consolidation included a total of 76 subsidiaries and four associates in STADA's Interim Consolidated Financial Statements.

1.4. Business combinations

No material business combinations as defined in IFRS 3 took place in the first six months of 2019.

2. Information on the Consolidated Income Statement

2.1. Sales

Reported Group sales increased by 11% to €1,263.4 million in the first six months of the current financial year (1-6/2018: €1,137.5 million). After deducting effects on sales resulting from changes in the Group portfolio and from currency effects, adjusted Group sales grew by 8% to €1,263.4 million (1-6/2018: €1,168.7 million).

2.2. Cost of sales and gross profit

Cost of sales decreased in the first half of 2019 to €597.9 million (1-6/2018: €544.9 million). Gross profit in the reporting period rose to €665.5 million (1-6/2018: €592.6 million). The gross margin improved to 52.7% (1-6/2018: 52.1%).

2.3. Selling expenses

In the first six months of 2019, selling expenses recorded an increase to €293.0 million (1-6/2018: €256.2 million).

2.4. General and administrative expenses

General and administrative expenses increased in the reporting period to €104.7 million (1-6/2018: €86.3 million).

2.5. Other income

Other income decreased in the first half of 2019 to €16.0 million (1-6/2018: €25.6 million).

2.6. Other expenses

Other expenses rose in the reporting period to €60.0 million (1-6/2018: €50.2 million).

2.7. Financial income

Financial income decreased in the first six months of 2019 to €2.6 million (1-6/2018: €3.5 million).

2.8. Financial expenses

Financial expenses increased in the first six months of 2019 to €23.4 million (1-6/2018: €21.2 million).

2.9. Income taxes

Income tax expenses increased in the reporting period to €26.2 million (1-6/2018: €10.7 million). The reported tax rate was 15.6% (1-6/2018: 6.0%).

2.10. Earnings per share

Earnings per share were at €2.22 (1-6/2018: €2.66) in the first half of 2019.

3. Information on the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets recorded an increase to €1,710.2 million as of June 30, 2019 (December 31, 2018: €1,707.2 million). As of the same reporting date, intangible assets included €394.5 million of goodwill (December 31, 2018: €388.8 million).

3.2. Property, plant and equipment

Property, plant and equipment was at €412.2 million as of June 30, 2019 (December 31, 2018: €351.5 million).

3.3. Financial assets

Financial assets were at €6.5 million as of June 30, 2019 (December 31, 2018: €2.3 million). This change relates primarily to shares in the acquired Swedish company XBrane Biopharma AG, which were measured at fair value.

3.4. Investments measured at equity

Investments measured at equity amounted to €2.0 million on the balance sheet date (December 31, 2018: €24.6 million). This decrease is based primarily on the reclassification from investments measured at equity of shares in STADA Vietnam J.V. Co. Ltd. to non-current assets and disposal groups held for sale.

3.5. Inventories

Inventories amounted to €535.6 million on the balance sheet date (December 31, 2018: €515.3 million).

3.6. Trade accounts receivable

Trade accounts receivable increased to €539.4 million as of June 30, 2019 (December 31, 2018: €516.0 million).

3.7. Income tax receivables

Income tax receivables were €13.1 million as of the balance sheet date (December 31, 2018: €8.5 million).

3.8. Other financial assets

Other financial assets increased to €102.1 million as of June 30, 2019 (December 31, 2018: €13.6 million).

3.9. Non-current assets and disposal groups held for sale

Non-current assets and disposal groups held for sale increased to €20.1 million as of June 30, 2019 (December 31, 2018: €0.1 million). This increase is based primarily on the reclassification from investments measured at equity of shares in STADA Vietnam J.V. Co. Ltd. to non-current assets and disposal groups held for sale.

Due to a contract concluded in the fourth quarter of 2017 for the sale of the shares held by STADA in STADA Vietnam J.V. Co. Ltd., as of December 2017 this company is no longer consolidated as a subsidiary pursuant to IFRS 10, but is considered a unit measured at equity pursuant to IAS 28. Because the sale of the shares in STADA Vietnam are, as of the balance sheet date

June 30, 2019, expected within twelve months, reporting in the balance sheet item non-current assets and disposal groups held for sale in the amount of €21.4 million was undertaken. The reporting as non-current assets and disposal groups held for sale did not lead to the recognition of an impairment loss.

3.10. Retained earnings and other reserves

Retained earnings including net income comprise the net income of the first half of 2019 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined pension benefit plans, recognized through other comprehensive income, after the consideration of deferred tax liabilities, are also shown in this position.

Other reserves include results directly considered in equity. This concerns, among other things, the foreign exchange gain and loss resulting from currency translation – with no effect on income – of the financial statements of the companies included in the Group, which are shown in the currency translation reserve in the statement of changes in equity. The increase in other reserves as of June 30, 2019 was attributable in particular to the revaluation of the Russian ruble since December 31, 2018 and to the resulting income recognized in equity from currency conversion for companies that report in this currency.

3.11. Financial liabilities

As of June 30, 2019, the Group's current and non-current financial liabilities in the amount of €44.2 million and €1,244.7 million (December 31, 2018: €444.9 million and €978.4 million) particularly include a shareholder's loan in the amount of €929.6 million (December 31, 2018: €929.6 million), promissory note loans that have a nominal value in the amount of €52.5 million (December 31, 2018: €178.0 million) and a bond with a nominal value in the amount of €267.4 million (December 31, 2018: a bond with a nominal value in the amount of €274.1 million).

3.12. Trade accounts payable

Trade accounts payable decreased to €308.5 million as of June 30, 2019 (December 31, 2018: €315.1 million).

3.13. Deferred tax liabilities

Deferred tax liabilities increased to €94.2 million as of the balance sheet date (December 31, 2018: €83.9 million).

3.14. Other financial liabilities

Other financial liabilities increased to €443.5 million as of June 30, 2019 (December 31, 2018: €292.9 million).

3.15. Other liabilities

Other liabilities totaled €147.5 million as of June 30, 2019 (December 31, 2018: €129.7 million).

4. Information on the Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities, which comprises positions not covered by investments, financing, currency differences from the translation of foreign transactions and transactions in foreign currencies or by changes in the scope of consolidation and measurement-related changes, improved to €141.6 million in the first half of 2019 (1-6/2018: €95.0 million).

4.2. Cash flow from investing activities

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€67.8 million in the first six months of the current financial year (1-6/2018: -€194.7 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets and property, plant and equipment.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to -€163.8 million in the first half of the current financial year (1-6/2018: €102.7 million). In this regard, the cash flow from financing activities was influenced, among other things, by the repayment of financial liabilities from leasing agreements which now also inlcude the leasing relationships identified in connection with the first-time application of the new IFRS 16 standard as of January 1, 2019.

4.4. Cash flow of the current period

Cash flow of the current period was -€89.7 million in the first six months of 2019, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-6/2018: €3.9 million).

5. Segment Reporting

5.1. General information

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

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

5.2. Information by operating segment

in k €		H1/2019	H1/2018
Generics	**External sales**	**745,223**	**672,345**
	Sales with other segments	111	121
	Total sales	745,334	672,466
	Operating profit	173,877	156,197
	Depreciation/amortization	31,802	24,158
	Impairment losses	12,462	3,904
	Reversals	1,275	501
	EBITDA	216,848	183,785
	Special items within EBITDA	2,587	-197
	thereof		
	• effects from purchase price allocations and product acquisitions	2,587	-197
	• severance payments	–	–
	• consulting services	–	–
	EBITDA adjusted	*219,435*	*183,588*
	Other significant non-cash items within operating profit	-159,046	-146,870
Branded Products	**External sales**	**518,151**	**465,115**
	Sales with other segments	–	–
	Total sales	518,151	465,115
	Operating profit	95,235	85,125
	Depreciation/amortization	38,069	31,774
	Impairment losses	1,166	3,204
	Reversals	–	–
	EBITDA	134,470	120,215
	Special items within EBITDA	-202	-188
	thereof		
	• effects from purchase price allocations and product acquisitions	-202	-188
	• severance payments	–	–
	• consulting services	–	–
	EBITDA adjusted	*134,268*	*120,027*
	Other significant non-cash items within operating profit	-5,728	-12,327

in k €		H1/2019	H1/2018
Reconciliation Group holdings/other and consolidation	**External sales**	**–**	**–**
	Sales with other segments	-111	-121
	Total sales	-111	-121
	Operating profit	-79,762	-50,873
	Depreciation/amortization	6,349	2,017
	Impairment losses	–	–
	Reversals	–	–
	EBITDA	-73,413	-43,357
	Special items within EBITDA	14,253	1,436
	thereof		
	• effects from purchase price allocations and product acquisitions	–	–
	• severance payments	14,253	1,436
	• consulting services	–	–
	EBITDA adjusted	*-59,160*	*-41,921*
	Other significant non-cash items within operating profit	-27,396	-4,310
Group	**External sales**	**1,263,374**	**1,137,460**
	Sales with other segments	–	–
	Total sales	1,263,374	1,137,460
	Operating profit	189,350	190,449
	Depreciation/amortization	76,220	57,949
	Impairment losses	13,628	7,108
	Reversals	1,275	501
	EBITDA	277,905	260,643
	Special items within EBITDA	16,638	1,051
	thereof		
	• effects from purchase price allocations and product acquisitions	2,385	-385
	• severance payments	14,253	1,436
	• consulting services	–	–
	EBITDA adjusted	*294,543*	*261,694*
	Other significant non-cash items within operating profit	-192,170	-163,507

5.3. Reconciliation of segment results to net profit

in € k	H1/2019	H1/2018
Adjusted EBITDA for segments	353,703	303,615
Special items within EBITDA	2,385	-385
Reconciliation Group holdings/other and consolidation	-73,413	-43,357
Depreciation, amortization, impairment losses and reversals	88,573	64,556
Financial income	2,600	3,477
Financial expenses	23,376	21,231
Earnings before taxes, Group	**168,556**	**178,333**

6. Disclosures about fair value measurements and financial instruments

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

Fair values according to hierarchy level in k € on a recurring basis	Stage 1 Listed prices on active markets		Stage 2 Valuation methods with input parameters observable on the market		Stage 3 Valuation methods with input parameters not observable on the market	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Financial assets (FVOCI)						
• Financial assets	4,217	–	–	–	–	–
• Factorable receivables	–	–	8,545	54,914	–	–
Financial assets (FVPL)						
• Currency forwards	–	–	–	40	–	–
Derivative financial assets with a hedging relationship						
• Fair value hedges	–	–	163	–	–	–
Financial liabilities (FVPL)						
• Currency forwards	–	–	335	178	–	–
• Interest/currency swaps	–	–	–	–	–	–
Derivative financial liabilities with a hedging relationship						
• Fair value hedges	–	–	396	908	–	–

Financial assets recognized at fair value through other comprehensive income (FVOCI) include factorable receivables. These financial assets, which are still included in trade accounts receivable, are recognized at fair value through other comprehensive income and are therefore included in the table above. Changes in the fair value of these receivables – which differs from the measurement at amortized cost to only a minor extent – are recognized through other comprehensive income in the FVOCI reserve. Newly included in this category are the shares acquired in the reporting period from the Swedish company XBrane. Because the company's shares are traded on the stock exchange, they have been classified in Stage 1.

In preparing the financial statements, STADA verifies the assignment to the respective hierarchy levels based on the information available on the determination of the fair values. If a need for reclassification is found in this regard, the reclassification takes place at the start of the reporting period.

The fair values are analyzed when preparing the financial statements. For this purpose, market comparisons and change analyses are carried out.

Financial assets and financial liabilities measured at fair value through profit or loss (FVPL) include positive and negative market values of derivative financial instruments which are not in a hedging relationship. The fair values of currency forwards were determined in the Group's own system according to standardized procedures and using customary financial mathematical methods based on current data such as spot prices and swap rates provided by a recognized information service.

STADA designates currency forwards as fair value hedges that are used to hedge the currency risk associated with intercompany loans. Changes in the value of the underlying transactions – which result from changes in the respective currency exchange rates – are offset by the changes in value of the currency forwards. The purpose of the fair value hedges is therefore to hedge the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective.

For financial assets and liabilities whose fair value deviates from the carrying amount, the following information as of June 30, 2019 was provided:

in K €	Carrying amount June 30, 2019	Fair value June 30, 2019	Carrying amount Dec. 31, 2018	Fair value Dec. 31, 2018
Liabilities to banks	40,433	40,433	42,951	42,951
Liabilities to shareholders	929,609	948,080	929,609	929,609
Promissory note loans	52,436	54,162	177,882	179,060
Bonds	266,414	268,819	272,887	273,941
Financial liabilities	**1,288,892**	**1,311,494**	**1,423,329**	**1,425,561**

The financial liabilities presented in the table are assigned to the measurement category “Financial liabilities measured at amortized cost” pursuant to IFRS 9.

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

7. Contingent liabilities and other financial obligations

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

For the calculation of potential obligations from patent risks, within the scope of the reporting on contingent liabilities, the expiration date of the underlying patent has been used since the beginning of financial year 2019. Had this calculation logic already been used as of December 31, 2018, contingent liabilities in the amount of €50.8 million would have been reported (instead of €31.0 million which was published as of December 31, 2018).

In comparison with the contingent liabilities described above in the amount of €50.8 million as of the end of 2018, material contingent liabilities in the amount of €7.6 million in the first six months of 2019 declined mainly as a result of the elimination of patent risks.

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

in k €	June 30, 2019	Dec. 31, 2018
Obligations from leasing relationships	3,817	48,743
Other financial obligations	80,076	84,408
Total	**82,320**	**133,151**

The reduction of obligations from leasing as compared to the previous year relates to the first-time application of IFRS 16 as of January 1, 2019 which means that obligations from (operating) leases are to be generally recognized as a liability in the balance sheet. In the information on future obligations from leasing relationships as of June 30, 2019, for example, short-term leasing relationships as well as leases for low-value assets are included.

In other financial obligations, long-term obligations for logistics services providers are reported. Furthermore, contingent liabilities and further guarantees assumed by the STADA Group are included in other financial liabilities,.

8. Related party transactions

As part of ordinary business activity, there are business relationships with related persons and companies between STADA Arzneimittel AG and/or their consolidated companies. In accordance with IAS 24, "related parties" refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. Generally, all transactions with related companies and persons are settled at conditions in line with the market.

No significant changes occurred with regard to related companies in the first half of 2019 compared with the situation as described in the Annual Report 2018.

9. Significant events after the closing date

An injunction initiated by original manufacturer Eli Lilly against the IFA GmbH (Informationsstelle für Arzneispezialitäten – information services provider for the pharmaceutical market), which was definitively confirmed with the decision of the higher regional court in Munich (OLG München) of July 11, 2019, has, since August 1, 2019, been effectively blocking the marketing of STADA's cytostatic drug Pemetrexed STADA®. STADA, with Pemetrexed STADA®, as well as other generic competitors, is at least indirectly affected by this injunction, whereupon the IFA, until the maximum end of the patent expiry from Eli Lilly in June 2021 or earlier until the legal declaration that this patent is invalid, cannot include any more Pemetrexed products in its database. The consequence of the injunction is namely that STADA and the other generic competitors cannot list their Pemetrexed products as commercially viable in the Lauer-Taxe with IFA which, however, is a precondition of reimbursement for these pharmaceuticals. This applies although STADA can continue to freely sell the product Pemetrexed STADA® due to a lack of a judicially determined patent violation and the product from a pharmaceutical law perspective remains commercially viable. Regardless of the injunction, STADA considers the patent that is also the basis for the final decision of the OLG München as not legally valid. This was also the view followed by the German Federal Patent Court in the first instance on July 17, 2018, and the court declared the German portion of the European patent EP 1 313 508 from Eli Lilly which runs until June 2021 invalid on the basis of an action for annulment from STADA, among others.

Further Information

FURTHER INFORMATION

H1/2019

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for orderly consolidated interim financial reporting, we assert that the Consolidated Interim Financial Statements give a true and fair view of the Group's business, financial and earnings situation, that the Interim Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, and that the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year are described.

Bad Vilbel, August 13, 2019

Peter Goldschmidt | Mark Keatley | Miguel Pagan Fernandez

Publishing Information

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

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

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

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