STADA
INTERIM REPORT ON THE FIRST THREE MONTHS OF 2018

STADA

STADA KEY FIGURES

Key figures for the Group in € million	Q1/2018	Q1/2017	±%
Group sales	558.1	566.3	-1%
• Generics	326.8	325.9	0%
• Branded Products	231.3	240.4	-4%
Operating profit	87.9	76.5	+15%
• Generics	68.5	55.2	+24%
• Branded Products	47.7	40.9	+17%
EBITDA	118.6	108.6	+9%
• Generics	82.4	69.5	+19%
• Branded Products	63.2	57.0	+11%
Net income	56.7	49.2	+15%
Group sales adjusted for currency and portfolio effects	*573.4*	*552.0*	*+4%*
• Generics	*332.8*	*319.0*	*+4%*
• Branded Products	*240.6*	*233.0*	*+3%*
Operating profit, adjusted[1)2)]	*92.9*	*81.7*	*+14%*
• Generics	*69.8*	*56.3*	*+24%*
• Branded Products	*51.4*	*45.5*	*+13%*
EBITDA, adjusted[1)2)]	*118.4*	*108.5*	*+9%*
• Generics	*82.3*	*69.4*	*+19%*
• Branded Products	*63.1*	*57.0*	*+11%*
Net income, adjusted[1)2)]	*60.9*	*53.3*	*+14%*
Cash flow from operating activities	80.6	59.5	+35%
Investments	28.4	27.6	+3%
Depreciation and amortization (net of write-ups)	30.4	30.9	-2%
Employees (average number – based on full-time employees)[3)]	10,126	11,020	-8%
Employees (as of the reporting date – based on full-time employees)	10,126	11,020	-8%

Key share figures	Q1/2018	Q1/2017	±%
Market capitalization (end of first quarter) in € million	5,214.3	3,577.8	+46%
Closing price (XETRA®) (end of first quarter) in €	83.64	57.39	+46%
Average number of shares (without treasury shares, Jan. 1 – Mar. 31)	62,258,129	62,257,816	0%
Earnings per share in €	0.91	0.79	+15%
Earnings per share in €, adjusted[1)2)]	*0.98*	*0.86*	*+14%*

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

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

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

STADA INTERIM REPORT ON THE FIRST THREE MONTHS OF 2018

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INTERIM GROUP MANAGEMENT REPORT

Overview

In the first quarter of 2018, the STADA Group recorded solid business development.

Reported Group sales decreased in the reporting period by 1% to €558.1 million (1-3/2017: €566.3 million). After deducting effects on sales attributable to changes in the Group portfolio and currency effects, adjusted Group sales increased by 4% to €573.4 million (1-3/2017: €552.0 million).

Reported EBITDA increased in the first three months of 2018 by 9% to €118.6 million (1-3/2017: €108.6 million). Adjusted EBITDA recorded an increase of 9% to €118.4 million (1-3/2017: €108.5 million). Reported net income recorded an increase of 15% to €56.7 million (1-3/2017: €49.2 million). Adjusted net income increased by 14% to €60.9 million (1-3/2017: €53.3 million).

The asset and financial position of the STADA Group developed positively in the reporting period. Net debt amounted to €1,006.5 million as of March 31, 2018 (December 31, 2017: €1,054.7 million). The net debt to adjusted EBITDA ratio in the first quarter of 2018 improved to 2.3 (1-3/2017: 2.6) including the funding provided by Nidda Healthcare Holding GmbH.[1)]

On February 2, 2018, an extraordinary general meeting of STADA Arzneimittel AG took place which, with a majority of 99%, approved the conclusion of the domination and profit and loss transfer agreement (DPLTA) of December 19, 2017 between Nidda Healthcare GmbH as controlling entity and STADA Arzneimittel AG as dependent company.[2)] The agreement came into effect on March 20, 2018 with its entry in the commercial register (see “STADA share”).

On April 12, 2018, Frankfurt Stock Exchange announced that – on application of STADA’s Executive Board – the admission of the STADA shares to the sub-segment of the regulated market that has additional obligations arising from the admission (Prime Standard) will be withdrawn with effect by the end of July 12, 2018. The admission to the regulated market (General Standard) remains unaffected and thus the start of trading (listing) in the regulated market (General Standard) will become effective as of July 13, 2018.

In early February 2018, the Supervisory Board of STADA Arzneimittel AG appointed Peter Goldschmidt as the new Chairman of the Executive Board with effect as of September 1, 2018. He will succeed Dr. Claudio Albrecht, who has held the office of the Chairman of the Executive Board since September 27, 2017.[3)]

On April 16, 2018, STADA announced that the appointment of Dr. Barthold Piening as Chief Technical Officer had been mutually cancelled with immediate effect and that the Supervisory Board had appointed Miguel Pagan as a full member of the Management Board for Technical Operations with effect from July 1, 2018.[4)]

STADA Group sales development

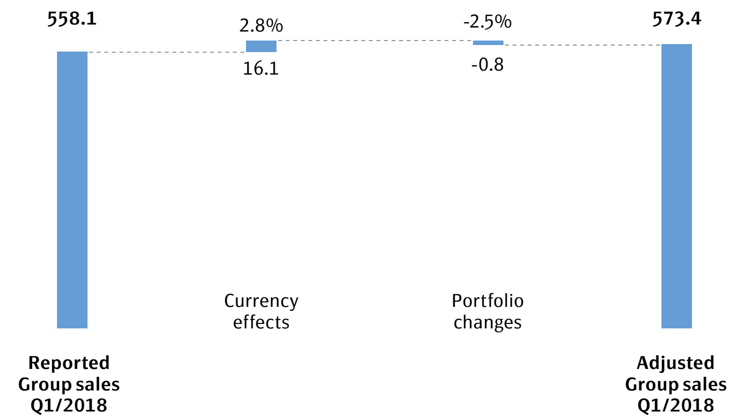
Reported Group sales decreased in the first quarter of the current financial year by 1% to €558.1 million (1-3/2017: €566.3 million). Sales generated by STADA Vietnam J.V. Co. Ltd. were no longer included.

After deducting effects on sales resulting from changes in the **Group portfolio and from currency effects**, **adjusted Group sales** increased by 4% to €573.4 million in the reporting period (1-3/2017: €552.0 million).

1) LTM; before on a full-year basis/on linear extrapolation.
2) See company investor news of February 2, 2018.
3) See company ad hoc release of February 1, 2018.
4) See company investor news of April 16, 2018.

The reconciliation of reported Group sales to Group sales adjusted for currency and portfolio effects is as follows:

Reconciliation of reported Group sales to adjusted Group sales in € million



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

Portfolio changes in the first three months of 2018 amounted to €0.8 million overall, relating to branded products in Argentina, and, looking backward, totaled €14.3 million as an adjustment for the corresponding period of the previous year overall – mainly as a result of the deconsolidation of STADA Vietnam J.V. Co. Ltd. This corresponds to 2.5%.

Applying the exchange rates of the first quarter of 2018 compared with the first quarter of 2017 for the translation of local sales contributions into the Group currency (euros) STADA recorded a negative **currency effect** on Group sales of €16.1 million or 2.8 percentage points.

The development of the most important national currencies for STADA – the British pound, Russian ruble and Serbian dinar – in relation to the Group currency (euros) was as follows in the reporting period, compared with the corresponding period in the previous year:

Important currency relations in the national currency to 1 euro	Closing rate March 31 in local currency			Average rate for the reporting period		
	Q1/2018	Q1/2017	±%	Q1/2018	Q1/2017	±%
British pound	0.87490	0.85553	+2%	0.88338	0.85977	+3%
Russian ruble	70.88970	60.31300	+18%	69.94641	62.51982	+12%
Serbian dinar	118.38530	123.96790	-5%	118.42601	123.87842	-4%

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 represented in this report.

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

STADA Group earnings development

Reported operating profit increased in the first three months of 2018 by 15% to €87.9 million (1-3/2017: €76.5 million). **Adjusted operating profit** rose by 14% to €92.9 million (1-3/2017: €81.7 million). **Reported EBITDA** grew by 9% to €118.6 million (1-3/2017: €108.6 million). **Adjusted EBITDA** increased by 9% to €118.4 million (1-3/2017: €108.5 million). **Reported net income** rose by 15% to €56.7 million (1-3/2017: €49.2 million. **Adjusted net income** grew by 14% to €60.9 million (1-3/2017: €53.3 million).

Special items added up to a burden on earnings of €4.9 million before taxes or €4.2 million after taxes in the **first quarter of 2018.** 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]	Q1/2018 reported	Impairment/ write-ups of non-current assets	Effects of purchase price allocations and product acquisitions[2]	*Q1/2018 adjusted*
Operating profit	**87.9**	**1.8**	**3.2**	***92.9***
Result from investments measured at equity	0.3	–	–	*0.3*
Investment income	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**88.2**	**1.8**	**3.2**	***93.1***
Financial income and expenses	-8.1	–	–	*-8.1*
Earnings before taxes (EBT)	**80.1**	**1.8**	**3.2**	***85.1***
Income taxes	22.4	0.5	0.4	*23.3*
Result distributable to non-controlling shareholders	1.0	–	-0.1	*0.9*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**56.7**	**1.3**	**2.9**	***60.9***
Earnings before interest and taxes (EBIT)	**88.2**	**1.8**	**3.2**	***93.1***
Balance from depreciation/amortization and impairment/write-ups of intangible assets (including goodwill), property, plant and equipment, and financial assets	30.4	-1.8	-3.3	*25.3*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**118.6**	**–**	**-0.2**	***118.4***

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

In the **first quarter of 2017**, STADA recorded a burden on earnings of €5.2 million before taxes or €4.1 million after taxes due to **special items**. The reconciliation of the reported financial key performance indicators to those adjusted for special items and further important STADA Group key earnings figures had the following effects:

in € million[1]	Q1/2017 reported	Impairment/ write-ups of non-current assets	Effects of purchase price allocations and product acquisitions[2]	*Q1/2017 adjusted*
Operating profit	**76.5**	**0.7**	**4.5**	***81.7***
Result from investments measured at equity	1.2	–	–	*1.2*
Investment income	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**77.7**	**0.7**	**4.5**	***82.9***
Financial income and expenses	-10.9	–	–	*-10.9*
Earnings before taxes (EBT)	**66.8**	**0.7**	**4.5**	***72.0***
Income taxes	15.1	0.3	0.7	*16.1*
Result distributable to non-controlling shareholders	2.5	–	0.1	*2.6*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**49.2**	**0.4**	**3.7**	***53.3***
Earnings before interest and taxes (EBIT)	**77.7**	**0.7**	**4.5**	***82.9***
Balance from depreciation/amortization and impairment/write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	30.9	-0.7	-4.6	*25.6*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**108.6**	**–**	**-0.1**	***108.5***

1) Due to the presentation in € millions, there may be rounding differences in the tables.
2) Relates to additional amortizations and other valuation effects due to purchase price allocations and significant product acquisitions taking financial year 2013 as 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 quarter of 2018 and the first quarter of 2017:

Development of reported STADA Group key earnings figures

in € million	Q1/2018	Q1/2017	±%
Operating profit	87.9	76.5	+15%
• Generics	68.5	55.2	+24%
• Branded Products	47.7	40.9	+17%
Operating profit margin[1]	15.8%	13.5%	
• Generics	21.0%	16.9%	
• Branded Products	20.6%	17.0%	
EBITDA	118.6	108.6	+9%
• Generics	82.4	69.5	+19%
• Branded Products	63.2	57.0	+11%
EBITDA margin[1]	21.2%	19.2%	
• Generics	25.2%	21.3%	
• Branded Products	27.3%	23.7%	
EBIT	88.2	77.7	+14%
EBIT margin[1]	15.8%	13.7%	
EBT	80.1	66.8	+20%
EBT margin[1]	14.4%	11.8%	
Net income	56.7	49.2	+15%
Net income margin[1]	10.1%	8.7%	
Earnings per share in €	0.91	0.79	+15%

Development of adjusted[2] STADA Group key earnings figures

in € million	*Q1/2018*	*Q1/2017*	*±%*
Adjusted operating profit	*92.9*	*81.7*	*+14%*
• Generics	*69.8*	*56.3*	*+24%*
• Branded Products	*51.4*	*45.5*	*+13%*
Adjusted operating profit margin[1]	*16.6%*	*14.4%*	
• Generics	*21.3%*	*17.3%*	
• Branded Products	*22.2%*	*18.9%*	
Adjusted EBITDA	*118.4*	*108.5*	*+9%*
• Generics	*82.3*	*69.4*	*+19%*
• Branded Products	*63.1*	*57.0*	*+11%*
Adjusted EBITDA margin[1]	*21.2%*	*19.2%*	
• Generics	*25.2%*	*21.3%*	
• Branded Products	*27.3%*	*23.7%*	
Adjusted EBIT	*93.1*	*82.9*	*+12%*
Adjusted EBIT margin[1]	*16.7%*	*14.6%*	
Adjusted EBT	*85.1*	*72.0*	*+18%*
Adjusted EBT margin[1]	*15.2%*	*12.7%*	
Adjusted net income	*60.9*	*53.3*	*+14%*
Adjusted net income margin[1]	*10.9%*	*9.4%*	
Adjusted earnings per share in €	*0.98*	*0.86*	*+14%*

1) Relating to relevant Group sales.
2) Adjusted for special effects.

Cost of sales decreased in the first three months of 2018 – along with decreased sales – to €271.0 million (1-3/2017: €288.3 million). However, cost of sales decreased disproportionately compared to the decrease in sales. As a result, **gross profit** increased in the reporting period to €287.1 million (1-3/2017: €278.1 million). The gross margin improved to 51.4% (1-3/2017: 49.1%).

Selling expenses in the first quarter of 2018 recorded an increase to €124.9 million (1-3/2017: €123.6 million).

General and administrative expenses decreased in the reporting period to €45.3 million (1-3/2017: €53.1 million). This development was mainly attributable to lower consulting expenses.

Other income rose in the first quarter of 2018 to €12.4 million (1-3/2017: €6.2 million).

Other expenses increased in the first three months of 2018 to €25.1 million (1-3/2017: €14.6 million).

Financial expenses decreased in the reporting period to €9.4 million (1-3/2017: €11.7 million), in particular due to lower interest expenses.

Income tax expenses increased in the reporting period to €22.4 million (1-3/2017: €15.2 million). The reported tax rate was 28.0% (1-3/2017: 22.7%). This development was mainly due to a changed allocation of earnings within the STADA Group.

Sales and earnings development of the Generics segment

Reported sales of the **Generics** segment in the first quarter of 2018 at €326.8 million were more or less on a par with the corresponding period of the previous year (1-3/2017: €325.9 million). Generics sales generated by STADA Vietnam J.V. Co. Ltd. were no longer included. **Sales** in the **Generics** segment **adjusted** by portfolio and currency effects showed an increase of 4% to €332.8 million (1-3/2017: €319.0 million). Generics contributed 58.6% to Group sales (1-3/2017: 57.5%).

The **reported operating profit** in the **Generics** segment increased in the reporting period by 24% to €68.5 million (1-3/2017: €55.2 million). The **reported EBITDA** of **Generics** increased by 19% to €82.4 million (1-3/2017: €69.5 million). The **reported operating profit margin** of **Generics** was 21.0% (1-3/2017: 16.9%). The **reported EBITDA margin** of **Generics** was 25.2% (1-3/2017: 21.3%).

The **adjusted operating profit** in the **Generics** segment increased in the first three months of the current financial year by 24% to €69.8 million (1-3/2017: €56.3 million). The **adjusted EBITDA** of **Generics** recorded growth of 19% to €82.3 million (1-3/2017: €69.4 million). The **adjusted operating profit margin** of **Generics** was 21.3% (1-3/2017: 17.3%). The **adjusted EBITDA margin** of **Generics** was 25.2% (1-3/2017: 21.3%).

Sales and earnings development of the Branded Products segment

Reported sales of the **Branded Products** segment decreased in the first quarter of 2018 by 4% to €231.3 million (1-3/2017: €240.4 million). In the **Branded Products** segment, **sales adjusted** for portfolio and currency effects increased by 3% to €240.6 million (1-3/2017: €233.0 million). Branded Products contributed 41.4% to Group sales (1-3/2017: 42.5%).

The **reported operating profit** in the **Branded Products** segment increased in the first three months of 2018 by 17% to €47.7 million (1-3/2017: €40.9 million). The **reported EBITDA** of **Branded Products** recorded growth of 11% to €63.2 million (1-3/2017: €57.0 million). The **reported operating profit margin** of **Branded Products** was 20.6% (1-3/2017: 17.0%). The **reported EBITDA margin** of **Branded Products** was 27.3% (1-3/2017: 23.7%).

The **adjusted operating profit** in the **Branded Products** segment increased in the reporting period by 13% to €51.4 million (1-3/2017: €45.5 million). The **adjusted EBITDA** of **Branded Products** showed an increase of 11% to €63.1 million (1-3/2017: €57.0 million). The **adjusted operating profit margin** of **Branded Products** was 22.2% (1-3/2017: 18.9%). The **adjusted EBITDA margin** of **Branded Products** was 27.3% (1-3/2017: 23.7%).

Development, production, procurement and supply chain

Research and development costs in the first quarter of the current financial year amounted to €16.2 million (1-3/2017: €16.5 million). In addition, STADA capitalized development expenses for new products in the amount of €4.4 million (1-3/2017: €5.0 million).

STADA continually invests in the Group's own manufacturing facilities and test laboratories. In the first three months of 2018, investment for expanding and renovating production facilities, manufacturing plants and test laboratories was €4.4 million (1-3/2017: €11.2 million).

Asset position, financial position and cash flow

The asset and financial position of the STADA Group developed positively in the reporting period. As of the reporting date of March 31, 2018, the **equity ratio** was 32.8% (December 31, 2017: 31.4%).

Net debt amounted to €1,006.5 million as of March 31, 2018 (December 31, 2017: €1,054.7 million). The **net debt to adjusted EBITDA ratio** in the first quarter of 2018 improved to 2.3 (1-3/2017: 2.6) including the funding provided by Nidda Healthcare Holding GmbH.[1)]

Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled to terminate bonds, promissory note loans, and bank loans prematurely under the financing conditions. In this context, a partial amount of €360.2 million became due prematurely in the first quarter of 2018. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH of €347.0 million and used its own cash. Furthermore, promissory note loans of €9.5 million from own cash were repaid.

The remaining financing of €1,277.8 million as of March 31, 2018 is comprised as follows:

Financial instruments following exercise of put rights and additional repayment in € million	Nominal Value	Maturity
Bond	347.1	June 5, 2018
Promissory note loans	86.5	January 23, 2019
Promissory note loans	18.5	November 7, 2019
Promissory note loans	70.5	April 26, 2021
Bond	289.7	April 8, 2022
Promissory note loans	19.0	April 26, 2023
	831.3	
Further bank loans	59.5	rolling
Total financial liabilities	**890.8**	
Loan from Nidda Healthcare Holding GmbH	387.0	
Total financing	**1,277.8**	

In the fourth quarter of 2017, there was an increase in current financial liabilities due to the reclassification of the promissory note loans, bonds and financial liabilities of STADA Arzneimittel AG with credit institutions. After expiry of the exercise option and the associated early repayment of the amounts due in the first quarter of 2018, the financial liabilities for which the options were not exercised were reclassified accordingly from current to current and non-current liabilities in the reporting period and therefore financing contracts that were not prematurely repaid were assigned to their original terms on the balance sheet (see discussion of current and non-current liabilities).

There were two corporate bonds as of March 31, 2018 in order to refinance the Group: a bond with a volume of €347.1 million (December 31, 2017: €350.0 million) and an interest rate of 2.25% p.a. and a bond of €289.7 million (December 31, 2017: €300 million) with an interest rate of 1.75% p.a. Furthermore, as of March 31, 2018 the Group had promissory note loans with an overall nominal value of €194.5 million (December 31, 2017: €526.0 million).

1) LTM; before on a full-year basis/on linear extrapolation.

Intangible assets decreased by €5.9 million to €1,468.4 million as of March 31, 2018 (December 31, 2017: €1,474.3 million). As of March 31, 2018, intangible assets included €395.0 million in goodwill (December 31, 2017: €396.5 million).

Property, plant and equipment amounted to €333.2 million as of the balance-sheet date (December 31, 2017: €332.7 million).

Inventories amounted to €499.4 million as of March 31, 2018 (December 31, 2017: €499.0 million).

Trade accounts receivable decreased to €490.5 million as of March 31,2018 (December 31, 2017: €520.4 million).

Income tax receivables increased to €23.2 million as of March 31, 2018 (December 31, 2017: €14.3 million).

Current other assets increased as of the reporting date by €19.2 million to €54.5 million (December 31, 2017: €35.3 million) .

Retained earnings including net income comprise the net income of the first quarter of 2018 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined benefit plans, recognized through other comprehensive income after the consideration of deferred tax liabilities, were also shown in this position.

Other reserves include the results directly considered in **equity**. This concerns, inter alia, the foreign exchange gain and loss resulting from currency translation – with no effect on income – of the financial statements of the companies included in the Group, which are shown in the currency translation reserve in the statement of changes in equity. The decline in other reserves as of March 31, 2018 was attributable in particular to the devaluation of the Russian ruble and the Vietnamese dong since December 31, 2017 and to the resulting expenses recognized in equity from currency conversion for companies that report in this currency. This development was partly offset by the increase in value of the British pound since December 31, 2017 and the resulting income recognized in equity from currency conversion for companies that report in this currency.

The Group's **current and non-current financial liabilities** as of March 31, 2018 of €492.5 million and €396.6 million (December 31, 2017: €1,257.1 million and €0.8 million) include, in particular, promissory note loans with a nominal value of €194.5 million (December 31, 2017: €526.0 million), a bond with a nominal value of €347.1 million and a bond with a nominal value of €289.7 million (December 31, 2017: a bond with a nominal value of €350.0 million and a bond with a nominal value of €300.0 million).

Income tax liabilities rose by €7.2 million to €76.9 million as of March 31, 2018 (December 31, 2017: €69.7 million).

Current other financial liabilities increased by €323.9 million to €550.0 million as of March 31, 2018 (December 31, 2017: €226.1 million), mainly as a result of a €387.5 million loan granted by Nidda Healthcare Holding GmbH. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) had undertaken, as part of the takeover offer, to make financing available to STADA for the financing amounts incurred in case of early repayment of the STADA financing.

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 due to the scope of consolidation and evaluation, amounted to €80.6 million in the first quarter of 2018 (1-3/2017: €59.5 million).

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€28.7 million in the first three months of the current financial year (1-3/2017: -€33.7 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, was €51.9 million in the reporting period (1-3/2017: €25.8 million). The **free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to €61.5 million (1-3/2017: €39.7 million).

Cash flow from financing activities in the first quarter of the current financial year amounted to -€24.1 million (1-3/2017: -€45.4 million). The repayment of financial liabilities and new borrowings, presented under cash flow from financing activities, are largely determined by the following factual situations: Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled to terminate bonds, promissory note loans, and bank loans prematurely under the financing conditions. In this context, a partial amount of €360.2 million became due prematurely in the first quarter of 2018. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH of €347.0 million and used its own cash. Furthermore, promissory note loans of €9.5 million were repaid from own cash.

Cash flow of the current period was €26.9 million in the first three months of 2018, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-3/2017: -€18.1 million).

Acquisitions and disposals

The Group did not make any significant acquisitions or disposals in the reporting period.

STADA share

The STADA share price declined by 5% in the first three months of 2018. While the closing share price was €88.23 at the end of 2017, it was €83.64 at the end of the first three months of 2018. Market capitalization declined in this period from €5.500 billion to €5.214 billion.

As of March 31, 2018, the subscribed share capital of STADA Arzneimittel AG of €162,090,344.00 (December 31, 2017: €162,090,344.00) was divided into 62,342,440 registered shares with a calculated interest in the share capital of €2.60 per share (December 31, 2017: 62,342,440 registered shares).

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During STADA's Extraordinary General Meeting which took place on February 2, 2018, a majority of 99% approved the conclusion of the domination and profit and loss transfer agreement (DPLTA) of December 19, 2017 between Nidda Healthcare GmbH as controlling entity and STADA Arzneimittel AG as dependent company.[1] The DPLTA provides for a recurring compensation payment for the remaining STADA shareholders of €3.82 gross or currently €3.53 net as well as a settlement payment in the amount of €74.40 per STADA share. The agreement came into effect on March 20, 2018 with its entry in the commercial register.

On April 12, 2018, Frankfurt Stock Exchange announced that – on application of STADA's Executive Board – the admission of the STADA shares to the sub-segment of the regulated market that has additional obligations arising from the admission (Prime Standard) will be withdrawn with effect by the end of July 12, 2018. The admission to the regulated market (General Standard) remains unaffected and thus the start of trading (listing) in the regulated market (General Standard) will take place as of July 13, 2018.

On March 8, 2018, the Executive Board and the Supervisory Board of STADA Arzneimittel AG decided to present to the ordinary STADA Annual General Meeting on June 6, 2018 the proposed resolutions to distribute a dividend of €0.11 per STADA share and to carry forward the remaining net profit of €54 million to the new period.[2] The dividend was therefore considerably lower than in previous years. In order to be able to hold its ground with regard to competition in the pharmaceutical market, STADA must be able to invest in R&D, new products and technologies, and markets. For this reason, the Executive Board and Supervisory Board believe it to be necessary to strengthen the company's equity capital. The recommended appropriation of profits must be approved by the Annual General Meeting.

Report on expected developments and associated material opportunities and risks

From today's perspective, the Executive Board expects to meet the growth targets for financial year 2018 as published in the 2017 Annual Report. Taken together with the additions and updates included in this interim report, in the opinion of the Executive Board, an up-to-date overall picture of the expected developments and of the opportunities and risks for the remaining financial year of the STADA Group emerges.

1) See company investor news of February 2, 2018.
2) See company ad hoc release of March 8, 2018.

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

There are, however, also associated operative risks and challenges that are mainly due to amended or additional government regulations (e.g. additional official requirements for clinical studies which could lead to extended development times for bio-similars) and/or intense competition. Overall, the Group will also face non-operational influence factors in future, such as negative Group-relevant currency relations and the effects of the ongoing conflict in the Ukraine and the associated sanctions against Russia. Furthermore, the potentially negative macroeconomic consequences in connection with the United Kingdom's decision to leave the EU will play a role.

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

In light of the ongoing transformation process, including numerous initiatives to increase efficiency, the realigned corporate strategy and culture and strategic success factors should outweigh the negative prospects.

Dr. Claudio Albrecht Mark Keatley


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STADA

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

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Consolidated Income Statement

Consolidated Income Statement in K €	Q1/2018	**Q1/2017**
Sales	558,106	566,313
Cost of sales	270,992	288,257
Gross profit	**287,114**	**278,056**
Selling expenses	124,905	123,582
General and administrative expenses	45,339	53,082
Research and development expenses	16,222	16,540
Other income	12,394	6,244
Other expenses	25,104	14,631
Operating profit	**87,938**	**76,465**
Result from investments measured at equity	260	1,237
Investment income	–	–
Financial income	1,343	838
Financial expenses	9,399	11,717
Financial result	**-7,796**	**-9,642**
Earnings before taxes	**80,142**	**66,823**
Income taxes	22,437	15,153
Earnings after taxes	**57,705**	**51,670**
thereof		
• distributable to shareholders of STADA Arzneimittel AG (net income)	56,714	49,195
• distributable to non-controlling shareholders	991	2,475
Earnings per share in € (basic)	0.91	0.79

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in K €	Q1/2018	Q1/2017
Earnings after taxes	**57,705**	**51,670**
Items to be recycled to the income statement in future:		
Currency translation gains and losses	**-5,152**	**18,918**
thereof		
• income taxes	68	-981
Gains and losses on hedging instruments (cash flow hedges)	**-20**	**–**
thereof		
• income taxes	8	–
Items not to be recycled to the income statement in future:		
Revaluation of net debt from defined benefit plans	**–**	**–**
thereof		
• income taxes	–	–
Other comprehensive income	**-5,172**	**18,918**
thereof		
• attributable to disposal groups held for sale in accordance with IFRS 5	–	-1,161
Consolidated comprehensive income	**52,533**	**70,588**
thereof		
• distributable to shareholders of STADA Arzneimittel AG	52,520	69,009
• distributable to non-controlling shareholders	13	1,579

Consolidated Balance Sheet

Consolidated Balance Sheet in K € Assets	Mar. 31, 2018	Dec. 31, 2017
Non-current assets	**1,868,221**	**1,880,574**
Intangible assets	1,468,376	1,474,342
Property, plant and equipment	333,235	332,738
Financial assets	1,991	1,978
Investments measured at equity	42,494	41,528
Other financial assets	1,217	1,087
Other assets	1,273	1,330
Deferred tax assets	19,635	27,571
Current assets	**1,351,883**	**1,323,952**
Inventories	499,434	499,012
Trade accounts receivable	490,543	520,441
Contractual assets	622	–
Income tax receivables	23,240	14,346
Other financial assets	11,604	9,809
Other assets	54,485	35,323
Cash and cash equivalents	270,128	243,194
Non-current assets and disposal groups held for sale	1,827	1,827
Total assets	**3,220,104**	**3,204,526**

Equity and liabilities	Mar. 31, 2018	Dec. 31, 2017
Equity	**1,056,122**	**1,006,406**
Share capital	162,090	162,090
Capital reserve	514,206	514,206
Retained earnings including net income	772,304	717,364
Other reserves	-434,190	-430,013
Treasury shares	-1,405	-1,405
Equity attributable to shareholders of the parent	**1,013,005**	**962,242**
Shares relating to non-controlling shareholders	43,117	44,164
Non-current borrowed capital	**553,149**	**157,572**
Other non-current provisions	34,873	35,293
Financial liabilities	396,595	816
Other financial liabilities	4,106	4,032
Other liabilities	995	950
Deferred tax liabilities	116,580	116,481
Current borrowed capital	**1,610,833**	**2,040,548**
Other provisions	23,780	23,507
Financial liabilities	492,531	1,257,105
Trade accounts payable	340,677	340,642
Contractual liabilities	–	–
Income tax liabilities	76,933	69,663
Other financial liabilities	549,956	226,108
Other liabilities	126,956	123,523
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	–
Total equity and liabilities	**3,220,104**	**3,204,526**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in K €	Q1/2018	Q1/2017
Net income	57,705	51,670
Depreciation and amortization net of write-ups of non-current assets	30,378	30,872
Income taxes	22,437	15,153
Income tax paid	-15,464	-9,281
Interest income and expenses	8,056	10,811
Interest and dividends received	368	820
Interest paid	-7,716	-9,475
Result from investments measured at equity	-260	-1,237
Result from the disposal of non-current assets	372	-185
Additions to / reversals of other non-current provisions	814	817
Currency translation income and expenses	-1,356	1,907
Other non-cash expenses and gains[1]	113,066	96,719
Gross cash flow	**208,400**	**188,591**
Changes in inventories	-8,914	-20,504
Changes in trade accounts receivable	12,687	23,302
Changes in trade accounts payable	-24,445	-12,560
Changes in other net assets, unless attributable to investing or financing activities[1]	-107,101	-119,306
Cash flow from operating activities	**80,627**	**59,523**
Payments for investments in		
• intangible assets	-18,458	-22,901
• property, plant and equipment	-10,574	-10,011
• financial assets	-48	–
• business combinations in accordance with IFRS 3	–	-1,609
Proceeds from the disposal of		
• intangible assets	302	390
• property, plant and equipment	51	408
• financial assets	–	–
• shares in consolidated companies	–	6
Cash flow from investing activities	**-28,727**	**-33,717**
Borrowing of funds	347,318	14,098
Settlement of financial liabilities	-370,162	-58,190
Settlement of finance lease liabilities	-313	-354
Dividend distribution	-952	-1,032
Capital increase from share options	–	–
Changes in non-controlling interests	–	–
Changes in treasury shares	–	30
Cash flow from financing activities	**-24,109**	**-45,448**
Changes in cash and cash equivalents	**27,791**	**-19,642**
Changes in cash and cash equivalents due to the scope of consolidation	–	477
Changes in cash and cash equivalents due to exchange rates	-857	1,041
Net change in cash and cash equivalents	**26,934**	**-18,124**
Balance at beginning of the period	**243,194**	**352,580**
Balance at end of the period	**270,128**	**334,456**

1) Non-cash additions to accruals for discounts to health insurance organizations in the first quarter of 2018 in the amount of €77.1 million (1-3/2017: €74.6 million) are recognized in gross cash flow and are therefore not included in changes in other net assets.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity in K € 2018	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of Mar. 31, 2018	**62,342,440**	**162,090**	**514,206**	**772,304**
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 income				-55
Net income				56,714
Balance as of Jan. 1, 2018, adjusted	62,342,440	162,090	514,206	715,645
Adjustments under IFRS 15				446
Adjustments under IFRS 9				-2,165
Balance as of Jan. 1, 2018	62,342,440	162,090	514,206	717,364
Previous year				
Balance as of Mar. 31, 2017	**62,342,440**	**162,090**	**514,206**	**723,430**
Dividend distribution				
Capital increase from share options				
Changes in treasury shares			17	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				983
Other income				-1
Net income				49,195
Balance as of Jan. 1, 2017	62,342,440	162,090	514,189	673,253

Reserve for currency translation	Reserve for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-434,132	**-58**	**-1,405**	**1,013,005**	**43,117**	**1,056,122**
			–	-952	-952
			–		–
			–		–
			–		–
			–		–
			–		–
-4,119	-20		-4,194	-978	-5,172
			56,714	991	57,705
-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**
-359,259	**–**	**-1,405**	**1,039,062**	**78,605**	**1,117,667**
			–	-1,032	-1,032
			–		–
		13	30		30
			–		–
			–		–
			983	-7	976
19,815			19,814	-896	18,918
			49,195	2,475	51,670
-379,074	**–**	**-1,418**	**969,040**	**78,065**	**1,047,105**

Notes

1. General

1.1. Accounting policies

STADA's Interim Report comprises Interim Consolidated Financial Statements and an Interim Group Management Report pursuant to the provisions of Section 53 (6) of the Stock Exchange Regulations of the Frankfurt Stock Exchange in connection with Sections 117 No. 2, 115 (2) No. 1 and No. 2, (3) and (4) of the German Securities Trading Act (WpHG). 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 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 March 31, 2018 were prepared in observance of the regulations of International Accounting Standard (IAS) 34. In accordance with the regulations of IAS 34, an abridged scope of the report compared to the Consolidated Financial Statements as of December 31, 2017 was selected.

All IFRS adopted by the International Accounting Standards Board (IASB) and endorsed by the EU, which are required to be applied from January 1, 2018 onwards, were observed by STADA.

With the exception of the changes in accounting policies shown under point 1.2., the same accounting policies and calculation methods are used in these Interim Consolidated Financial Statements as in the Consolidated Financial Statements of the 2017 financial year. In this respect, with regard to the principles and methods applied in the Group financial reporting, reference is made in general to the Notes to the Consolidated Financial Statements in the Annual Report 2017.

1.2. Changes in accounting policies

In the first quarter of 2018, STADA observed and, where relevant, applied, the announcements or modified announcements published by the IASB and endorsed by the EU with an initial application date of January 1, 2018. To the extent that these changes had any significant effects on the presentation of STADA's net assets, financial position and results of operations or cash flow, they are discussed in detail below.

In July 2014, the IASB published IFRS 9 "Financial Instruments". The standard replaces IAS 39 and introduces new guidelines on classifying, recognizing and valuing financial instruments. Furthermore, IFRS 9 includes regulations on accounting for hedging transactions. IFRS 9 must be applied to financial years starting on or after January 1, 2018. STADA applied the new standard for the first time on January 1, 2018. There will be no adjustment of the previous year's figures pursuant to the transitional provisions of IFRS 9. The accumulative effect from the first-time application of IFRS 9 as of January 1, 2018, was therefore recorded in equity with no effect on income.

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

First-time application of IFRS 9 has resulted in the following effects on the classification of financial assets and financial liabilities:

	IAS 39		Remeasurement			IFRS 9	
in K €	Category	Carrying amount as of Dec. 31, 2017	Reclassifi-cation	ECL	Other	Carrying amount as of Jan. 1, 2018	Category
Financial assets							
Cash and cash equivalents	LaR	243,195	–	–	–	243,195	AC
Trade accounts receivable	LaR	520,441	-14,140	-2,655	–	503,646	AC
to: Financial assets (FVOCI)		–	14,140	–	-50	14,090	FVOCI
Available-for-sale financial assets	AfS	1,978	-1,978	–	–	–	–
to: Financial assets (FVPL)		–	1,978	–	–	1,978	FVPL
Derivative financial assets with a hedging relationship	n/a	678	–	–	–	678	n/a
Derivative financial assets without a hedging relation-ship	FVPL	–	–	–	–	–	FVPL
Other financial assets	LaR	10,217	–	-2	–	10,215	AC
Non-financial assets							
Deferred tax assets	–	27,571	–	–	812	28,383	–
Total assets		**804,080**	**–**	**-2,657**	**762**	**802,185**	
Financial liabilities							
Trade accounts payable	AC	340,642	–	–	–	340,642	AC
Amounts due to banks	AC	84,823	–	–	–	84,823	AC
Promissory note loans	AC	525,112	–	–	–	525,112	AC
Bonds	AC	647,986	–	–	–	647,986	AC
Finance lease liabilities	n/a	3,419	–	–	–	3,419	n/a
Derivative financial liabilities with a hedging relationship	n/a	1,244	–	–	–	1,244	n/a
Derivative financial liabilities without a hedging relation-ship	FVPL	6	–	–	–	6	FVPL
Other financial liabilities	AC	225,471	–	–	–	225,471	AC
Non-financial liabilities							
Deferred tax liabilities	–	116,481	–	–	416	116,897	–
Total liabilities		**1,945,184**	**–**	**–**	**416**	**1,945,600**	

Under IFRS 9, a financial asset is recognized at fair value through other comprehensive income if the underlying business model consists of holding the assets to collect contractual cash flows and sell financial assets (business model condition). In addition, the cash flow condition must be met. This is the case when the contractual features of the financial assets at fixed times provide exclusively for interest and discharge payments toward the outstanding principal.

For receivables that can be factored, the new provisions for classifying financial assets lead to changes in their valuation and recognition due to the business model existing in this case. The same applies to continuing involvement, which is recorded in the course of a partial elimination of sold receivables. These financial assets , which remain under trade accounts receivable, are no longer recognized at amortized cost, but at fair value through other comprehensive income. Changes in the fair value of these receivables are therefore recognized in equity through other comprehensive income in the FVOCI reserve. Meanwhile, financial assets that are recognized at fair value through other comprehensive income are fundamentally subject to the same impairment model as the financial assets recognized at amortized cost.

Equity instruments and derivatives are generally to be recognized under IFRS 9 at fair value through profit or loss. For equity instruments, IFRS 9 offers the choice to record changes in fair value under other comprehensive income. STADA does not make use of this choice and recognizes equity instruments which exist in the form of equity holdings in other companies at fair value through profit or loss.

Due to the new provisions on impairment, losses expected under IFRS 9 will in future be recognized as expenses at an earlier stage. While under IAS 39 the incurred-losses model was relevant for formation of a risk provision, under IFRS 9 it is based on the expected-credit-losses model. STADA applied the simplified approach for trade accounts receivable as well as assets. For the other financial assets, the general approach is applied on principle. Through the first-time application of the impairment regulations under IFRS 9 as of January 1, 2018, the total amount of impairments increased by €2.7 million. The reconciliation of the risk provision under IAS 39 to expected credit losses under IFRS 9 is described below:

in K €	Risk provision per IAS 39 as of Dec. 31, 2017	Remeasure-ment	ECL per IFRS 9 as of Jan. 1, 2018
Valuation allowance for trade accounts receivable (AC)	145,828	2,655	148,483
Valuation allowance for other financial assets (AC)	11,414	2	11,416
Total valuation allowances	**157,242**	**2,657**	**159,899**

Country-specific loss probabilities are applied to determine expected credit losses under IFRS 9.

The changes made under IFRS 9 resulted in adjustments as of January 1, 2018 to the FVOCI reserve and to the profit carried forward (not taking into account the amounts for shares relating to non-controlling shareholders), which are described below:

in K €	FVOCI reserve
As of Dec. 31, 2017	**–**
Financial assets recognized through other comprehensive income (FVOCI)	-50
Deferred taxes	12
As of Jan. 1, 2018, per IFRS 9	**-38**

in K €	Profit brought forward
As of Dec. 31, 2017	**717,364**
Recognition ECL per IFRS 9 for financial assets (AC)	-2,523
Deferred taxes	358
As of Jan. 1, 2018, per IFRS 9	**715,199**

In May 2014, the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. In a five-stage model, IFRS 15 governs revenue recognition for contracts with customers, in particular replacing the existing IAS 11 standards “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 must be applied to financial years starting on or after January 1, 2018. STADA applied the new standard on January 1, 2018 for the first time. In doing so, STADA made use of its right to choose simplified first-time application. Contracts that have not yet been completely fulfilled as of January 1, 2018 shall therefore be accounted for as if the new IFRS 15 standard had already been applied at the start of these contracts, meaning that the cumulative effect from conversion shall be recognized in equity with no effect on income. There shall be no adjustment of the comparison figures from the previous periods.

First-time application of IFRS 15 as of January 1, 2018, produced an augmenting cumulative effect of €0.4 million that was recognized in retained earnings. The effect mainly results from the contractual assets to be accounted for, which are to be recorded in future in the context of product return regulations, and from the deferred taxes to be recognized for them. Furthermore, application resulted in reclassification of €0.6 million of advance payments from trade accounts payable to contractual liabilities. The new standard on revenue recognition therefore has barely any effects on sales accounting as the significant part of sales in the consolidated financial statements are generated from routine transactions. There are no agreements in the Group governing multiple services in a contract or in several contracts (multi-element arrangements). There were also no changes made in the accounting for license agreements, as they amounted to less than 2% of total sales in the 2017 financial year. All STADA license agreements either have a connection with the sales generated by the licensee or further activities are required of STADA which enable the licensee to use his or her right. If this were not the case in the existing license agreements, then, as a result of the new IFRS 15, in future sales would be generated in the amount of the entire license fee when the licenses are granted and therefore no longer distributed over the term of the license (as is currently the case).

The effects of first-time application of the new IFRS 9 and IFRS 15 standards as of January 1, 2018 on STADA's consolidated balance sheet are described in condensed form below:

Consolidated balance sheet in K € Assets	Dec. 31, 2017 (reported)	Adjustments per IFRS 9	Adjustments per IFRS 15	Jan. 1, 2018 (adjusted)
Non-current assets	**1,880,574**	**812**	**–**	**1,881,386**
Intangible assets	1,474,342			1,474,342
Property, plant and equipment	332,738			332,738
Financial assets	1,978			1,978
Investments measured at equity	41,528			41,528
Other financial assets	1,087			1,087
Other assets	1,330			1,330
Deferred tax assets	27,571	812		28,383
Current assets	**1,323,952**	**-2,707**	**622**	**1,321,867**
Inventories	499,012			499,012
Trade accounts receivable	520,441	-2,705		517,736
Contract assets	–		622	622
Income tax receivables	14,346			14,346
Other financial assets	9,809	-2		9,807
Other assets	35,323			35,323
Cash and cash equivalents	243,194			243,194
Non-current assets and disposal groups held for sale	1,827			1,827
Total assets	3,204,526	**-1,895**	**622**	3,203,253

Equity and liabilities	Dec. 31, 2017 (reported)	Adjustments as per IFRS 9	Adjustments as per IFRS 15	Jan. 1, 2018 (adjusted)
Equity	**1,006,406**	**-2,311**	**446**	**1,004,541**
Share capital	162,090			162,090
Capital reserve	514,206			514,206
Retained earnings including net income	717,364	-2,165	446	715,645
Other reserves	-430,013	-38		-430,051
Treasury shares	-1,405			-1,405
Equity attributable to shareholders of the parent company	**962,242**	**-2,203**	**446**	**960,485**
Shares held by non-controlling shareholders	44,164	-108		44,056
Non-current borrowings	**157,572**	**416**	**176**	**158,164**
Pension provisions	35,293			35,293
Financial liabilities	816			816
Other financial liabilities	4,032			4,032
Other liabilities	950			950
Deferred tax liabilities	116,481	416	176	117,073
Current borrowings	**2,040,548**	**–**	**–**	**2,040,548**
Other provisions	23,507			23,507
Financial liabilities	1,257,105			1,257,105
Trade accounts payable	340,642		-563	340,079
Contract liabilities	–		563	563
Income tax liabilities	69,663			69,663
Other financial liabilities	226,108			226,108
Other liabilities	123,523			123,523
Non-current liabilities and disposal groups held for sale	–			–
Total equity and liabilities	3,204,526	**-1,895**	**622**	3,203,253

The IASB has published the following IFRS standards that were not yet applied:

In January 2016, the IASB published a new standard, IFRS 16 "Leases", which generally prescribes that lessees recognize the contractual rights (assets) and responsibilities (liabilities) associated with leases in the balance sheet. Classification into finance leases or operating leases is consequently no longer required of the lessee. IFRS 16 must be applied to financial years starting on or after January 1, 2019. Early application is permitted. STADA will apply the new standard for the first time on January 1, 2019 and is expected to do so retrospectively in modified fashion, i.e. figures from the previous years will not be adjusted. Rights of use are therefore expected to be assimilated to leasing liabilities at the time of conversion.

Examination of the effects from the application of IFRS 16 on the consolidated financial statements has not yet been fully completed. Based on the prescribed accounting of assets and obligations in the lessee's balance sheet pursuant to IFRS 16, a considerable increase in total assets is expected at the time of the first application. Pursuant to the currently existing leases and examination results, STADA is expecting an accounting of rights of use of approximately €40 million and a recognition of leasing obligations of €40 million. Instead of leasing expenses, amortizations and interest expenses will in future be recorded in the income statement as a result of the changes of IFRS 16, with a corresponding positive effect on the EBITDA. Based on where the examinations currently stand, STADA assumes that the amortizations of the current leases will in future amount to approximately €40 million. Furthermore, STADA expects future interest expenses of approximately €10 million. Under the previous regulations of IAS 17, "Leases", these expenses had been fully recorded as lease expenses in the operating profit and as a reduction of the EBITDA. At STADA, the conversion effect mainly concerns leased properties, company vehicles and office and business equipment.

Furthermore, in May 2017 the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", which provided a clarification of the recognition and valuation requirements for uncertain income tax positions. In assessing the uncertainty, a company must therefore assess the likelihood of acceptance of the income tax treatment of business transactions in the relevant tax jurisdiction. The interpretation must be applied to financial years which begin on or before January 1, 2019, and early application is permitted. STADA is currently evaluating the effects of IFRIC 23 on the company's consolidated financial statements.

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

1.3. Scope of consolidation

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

Under a contract concluded in the fourth quarter of 2017, the shares held by STADA in STADA Vietnam J.V. Co. Ltd. are to be sold as of December 31, 2019. In light of this fact, as of December 2017 this company is no longer accounted for as a subsidiary pursuant to IFRS 10, but as an associate pursuant to IAS 28, and from that time on the financial information of this company shall no longer be considered.

In the reporting quarter, there were no changes in legal form within the STADA consolidated group with respect to acquisitions or disposals.

On the reporting date, March 31, 2018, the scope of consolidation was unchanged, with a total of 79 subsidiaries and five associates included 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 three months of 2018.

2. Information on the Consolidated Income Statement

2.1. Sales

Reported Group sales decreased in the reporting period by 1% to €558.1 million (1-3 2017: €566.3 million). After deducting effects on sales which were attributed to changes in the Group portfolio and currency effects, adjusted Group sales increased by 4% to €573.4 million (1-3/2017: €552.0 million).

2.2. Cost of sales and gross profit

Cost of sales decreased along with decreased sales in the first three months of 2018 to €271.0 million (1-3/2017: €288.3 million). However, cost of sales decreased disproportionately compared to the decrease in sales. As a result, gross profit increased in the reporting period to €287.1 million (1-3/2017: €278.1 million). The gross margin improved to 51.4% (1-3/2017: 49.1%)

2.3. Selling expenses

Selling expenses in the first quarter of 2018 increased to €124.9 million (1-3/2017: €123.6 million).

2.4. General and administrative expenses

General and administrative expenses decreased in the reporting period to €45.3 million (1-3/2017: €53.1 million). This development was mainly attributable to lower consulting expenses.

2.5. Other income

Other income rose in the first quarter of 2018 to €12.4 million (1-3/2017: €6.2 million).

2.6. Other expenses

Other expenses increased in the first three months of 2018 to €25.1 million (1-3/2017: €14.6 million).

2.7. Financial expenses

Financial expenses decreased in the reporting period to €9.4 million (1-3/2017: €11.7 million), in particular due to lower interest expenses.

2.8. Income taxes

Income tax expenses increased in the reporting period to €22.4 million (1-3/2017: €15.2 million). The reported tax rate was 28.0% (1-3/2017: 22.7%). This development was mainly due to a changed allocation of earnings within the STADA Group.

2.9. Earnings per share

Earnings per share increased in the first quarter of 2018 by €0.12 to €0.91 (1-3/2017: €0.79).

3. Information on the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets decreased by €5.9 million to €1,468.4 million as of March 31, 2018 (December 31, 2017: €1,474.3 million). As of March 31, 2018, intangible assets included €395.0 million in goodwill (December 31, 2017: €396.5 million).

3.2. Property, plant and equipment

Property, plant and equipment increased as of the reporting date to €333.2 million (December 31, 2017: €332.7 million).

3.3. Inventories

Inventories increased to €499.4 million as of March 31, 2018 (December 31, 2017: €499.0 million).

3.4. Trade accounts receivable

Trade accounts receivable decreased to €490.5 million as of March 31, 2018 (December 31, 2017: €520.4 million).

3.5. Income tax receivables

Income tax receivables increased to €23.2 million as of March 31, 2018 (December 31, 2017: €14.3 million).

3.6. Other assets

Current other assets increased as of the reporting date by €19.2 million to €54.5 million (December 31, 2017: €35.3 million).

3.7. Retained earnings and other reserves

Retained earnings including net income comprise the net income of the first quarter of 2018 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined pension benefit plans, recognized through other comprehensive income, after the consideration of deferred tax liabilities, were also shown in this position.

Other reserves include the results directly considered in equity. This concerns, for example, the foreign exchange gain and loss resulting from currency translation – with no effect on income – of the financial statements of the companies included in the Group, which are shown in the currency translation reserve in the statement of changes in equity. The decline in other reserves as of March 31, 2018 was attributable in particular to the devaluation of the Russian ruble and the Vietnamese dong since December 31, 2017 and to the resulting expenses recognized in equity from currency conversion for companies that report in this currency. This development was partly offset by the increase in value of the British pound since December 31, 2017 and the resulting income recognized in equity from currency conversion for companies that report in this currency.

Following first-time application of IFRS 9 as of January 1, 2018, other reserves also include the FVOCI reserve which, in turn, includes the results of those financial assets measured in equity without affecting profit or loss that are classified as “fair value through other comprehensive income” (FVOCI).

3.8. Financial liabilities

The Group’s current and non-current financial liabilities as of March 31, 2018 of €492.5 million and €396.6 million (December 31, 2017: €1,257.1 million and €0.8 million) include, in particular, promissory note loans with a nominal value of €194.5 million (December 31, 2017: €526.0 million), a bond with a nominal value of €347.1 million and a bond with a nominal value of €289.7 million (December 31, 2017: a bond with a nominal value of €350.0 million and a bond with a nominal value of €300.0 million). Since the financing contracts provided for a right of return of the bonds, promissory note loans and bank loans by the relevant investors if a change of control and a change of STADA’s rating occurred, promissory note loans, bonds and financial liabilities of STADA Arzneimittel AG from credit institutions were reclassified in the fourth quarter of 2017. This resulted in an increase of current financial liabilities and a decrease in non-current financial liabilities as of December 31, 2017. After expiry of the exercise option and the associated early repayment of the amounts due in the first quarter of 2018, the financial liabilities were reclassified accordingly from current to current and non-current liabilities in the reporting period and therefore financing contracts, which were not prematurely repaid, were assigned to the original terms on the balance sheet.

3.9. Income tax liabilities

Income tax liabilities rose by €7.2 million to €76.9 million as of March 31, 2018 (December 31, 2017: €69.7 million).

3.10. Other financial liabilities

Current other financial liabilities increased by €323.9 million to €550.0 million as of March 31, 2018 (December 31, 2017: €226.1 million), mainly as a result of a €387.5 million loan granted by Nidda Healthcare Holding GmbH. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) had undertaken, as part of the takeover offer, to make financing available to STADA for the financing amounts incurred in case of early repayment of the STADA financing.

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 due to the scope of consolidation and evaluation, amounted to €80.6 million in the first quarter of 2018 (1-3/2017: €59.5 million).

4.2. Cash flow from investing activities

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€28.7 million in the first three months of the current financial year (1-3/2017: -€33.7 million). Cash flow from investing activities was influenced in the reporting period above all by payouts for investments in intangible assets.

4.3. Cash flow from financing activities

Cash flow from financing activities in the first quarter of the current financial year amounted to -€24.1 million (1-3/2017: -€45.4 million). The repayment of financial liabilities and new borrowings, presented under cash flow from financing activities, are largely determined by the following factual situations: Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled to terminate bonds, promissory note loans, and bank loans prematurely under the financing conditions. In this context, a partial amount of €360.2 million became due prematurely in the first quarter of 2018. In order to refinance these transactions, STADA obtained loans from Nidda Healthcare Holding GmbH of €347.0 million and used its own cash. Furthermore, promissory note loans of €9.5 million were repaid from own cash.

4.4. Cash flow of the current period

Cash flow of the current financial period was €26.9 million in the first three months of 2018, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing activities and financing activity, in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-3/2017: -€18.1 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 under IFRS. The non-current assets per segment are not recognized, nor are segment liabilities, as this information is not used to manage the Group.

5.2. Information by operating segment

in K €		Q1/2018	Q1/2017
Generics	**External sales**	**326,847**	**325,884**
	Sales with other segments	23	700
	Total sales	826,870	326,584
	Operating profit	68,517	55,229
	Depreciation/amortization	12,150	13,160
	Impairment losses	1,724	1,079
	Reversals	–	–
	EBITDA	82,411	69,493
	Special items within EBITDA	-90	-125
	thereof		
	• effects from purchase price allocations and product acquisitions	-90	-125
	EBITDA adjusted	*82,321*	*69,368*
	Other significant non-cash items within operating result	-93,126	-80,431
Branded Products	**External sales**	**231,259**	**240,429**
	Sales with other segments	–	4
	Total sales	231,259	240,433
	Operating profit	47,712	40,902
	Depreciation/amortization	15,452	15,983
	Impairment losses	52	66
	Reversals	–	–
	EBITDA	63,216	56,951
	Special items within EBITDA	-89	4
	thereof		
	• effects from purchase price allocations and product acquisitions	-89	4
	EBITDA adjusted	*63,127*	*56,955*
	Other significant non-cash items within operating result	-9,559	-9,890

in K €		Q1/2018	Q1/2017
Reconciliation Group holdings/ other and consolidation	**External sales**	–	–
	Sales with other segments	-23	-704
	Total sales	-23	-704
	Operating profit	-28,291	-19,666
	Depreciation/amortization	1,000	991
	Impairment losses	–	–
	Reversals	–	-407
	EBITDA	-27,051	-17,870
	Special items within EBITDA	–	–
	EBITDA adjusted	*-27,051*	*-17,870*
	Other significant non-cash items within operating result	-8,872	3,599
Group	**External sales**	**558,106**	**566,313**
	Sales with other segments	–	–
	Total sales	558,106	566,313
	Operating profit	87,938	76,465
	Depreciation/amortization	28,602	30,134
	Impairment losses	1,776	1,145
	Reversals	–	-407
	EBITDA	118,576	108,574
	Special items within EBITDA	-179	-121
	thereof		
	• effects from purchase price allocations and product acquisitions	-179	-121
	EBITDA adjusted	*118,397*	*108,453*
	Other significant non-cash items within operating result	-111,557	-86,721

5.3. Reconciliation of segment results to net profit

in € k	Q1/2018	Q1/2017
Adjusted EBITDA for segments	145,448	126,323
Special effects within EBITDA	-179	-121
Reconciliation Group holding/other and consolidation	-27,051	-17,870
Depreciation, amortization, impairment losses and reversals	30,378	30,872
Financial income	1,343	838
Financial expenses	9,399	11,717
Earnings before taxes, Group	**80,142**	**66,823**

6. Disclosures about fair value measurements and financial instruments

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

	Stage 1		Stage 2		Stage 3	
	Listed prices on active markets		Valuation methods with input parameters observable on the market		Valuation methods with input parameters not observable on the market	
Fair values according to hierarchy level in K € on a recurring basis	**Mar. 31, 2018**	**Mar. 31, 2017**	**Mar. 31, 2018**	**Mar. 31, 2017**	**Mar. 31, 2018**	**Mar. 31, 2017**
Financial assets (FVOCI)						
• Factorable receivables	–	–	–	–	39,276	–
Financial assets (FVPL)						
• Currency forwards	–	–	34	–	–	–
• Interest/currency swaps	–	–	–	–	–	–
Derivative financial assets with hedging relationship						
• Fair value hedges	–	–	411	–	–	–
Financial liabilities (FVPL)						
• Currency forwards	–	–	11	14,873	–	–
• Interest/currency swaps	–	–	–	–	–	3,422
Derivative financial liabilities with hedging relationship						
• Fair value hedges	–	–	263	–	–	–

For receivables that can be factored, the new provisions for classifying financial assets under IFRS 9 lead to changes in their valuation and recognition due to the business model existing in this case. The same applies to the continuing involvement, which is recorded in the course of a partial elimination of sold receivables. These financial assets are no longer recognized at amortized cost, but at fair value through other comprehensive income, and are therefore included in the table above. Changes in the fair value of these receivables – which differs from the measurement at amortized cost to only a minor extent – are recognized through other comprehensive income in the FVOCI reserve.

In preparing the financial statements, STADA verifies the assignment to hierarchy levels based on the available information by determining the fair values. If a need for reclassification is found here, the reclassification will take place at the start of the reporting period.

The fair values are analyzed when preparing the financial statements. Market comparisons and change analyses are undertaken for this purpose.

Financial assets (FVPL) and financial liabilities measured at fair value through profit or loss (FVPL) include positive and negative market values of derivative financial instruments (currency swaps, and in the previous year both interest/cross-currency and currency swaps) which are not in a hedging relationship. The fair values of currency forwards were determined in the Group's own system according to standardized procedures and using customary financial mathematical methods based on current data such as spot prices and swap rates provided by a recognized information service. In the previous year, these fair values were determined on the basis of suitable measurement models by external third parties.

STADA designates currency forwards (EUR/RUB), (EUR/DKK), (EUR/CHF), (EUR/USD) and (EUR/GBP) as fair value hedges that are used to hedge the currency risk associated with intercompany loans. Changes in the value of the underlyings – which result from changes in the respective currency exchange rates – are offset by the changes in value of the currency forwards. The purpose of the fair value hedges is therefore to hedge the currency risk of these financial liabilities. Credit risks are not reflected in the hedge. The effectiveness of the hedging relationship is reviewed prospectively and retrospectively on each closing date. As of this balance-sheet closing date, all designated hedging relationships were sufficiently effective.

The financial assets and liabilities assigned to hierarchy level 3 and measured at fair value developed in the first quarter of 2018 as follows:

in K €	Financial assets measured at fair value	Financial liabilities measured at fair value
As of January 1, 2018	**–**	**–**
Adjustments per IFRS 9	14,090	
Reclassification from level 2	–	
Currency changes	22	
Comprehensive income		
• through profit or loss	–	
• with no effect on profit or loss	-28	
Additions	39,332	
Implementations	-14,140	
Reclassification to level 2	–	
As of March 31, 2018	**39,276**	**–**
Results recognized through profit or loss	**–**	**–**
Other income/other expenses	–	–
of which		
• attributable to assets/liabilities held as of the reporting date	–	–
Financial result	–	–
of which		
• attributable to assets/liabilities held as of the reporting date	–	–

The financial assets and liabilities assigned to hierarchy level 3 and measured at fair value developed in the first quarter of 2017 as follows:

in K €	Financial assets measured at fair value	Financial liabilities measured at fair value
As of January 1, 2017	**9,910**	**-3,362**
Reclassification from level 2	–	–
Currency changes	–	–
Comprehensive income	-268	-60
• through profit or loss	-268	-60
• with no effect on profit or loss	–	–
Additions	–	–
Implementations	-9,642	–
Reclassification to level 2	–	–
As of March 31, 2017	**–**	**-3,422**
Results recognized through profit or loss	**-268**	**-60**
Other income/other expenses	-151	-109
of which		
• attributable to assets/liabilities held as of the reporting date	–	-109
Financial result	-117	49
of which		
• attributable to assets/liabilities held as of the reporting date	–	49

For financial assets and liabilities whose fair value deviates from the carrying amount, the following information as of March 31, 2018 was provided:

in K €	Carrying amount on Mar. 31, 2018	Fair value on Mar. 31, 2018	Carrying amount on Dec. 31, 2017	Fair value on Dec. 31, 2017
Amounts due to banks	59,748	59,683	84,823	84,772
Promissory note loans	194,217	201,238	525,112	526,000
Bonds	635,161	644,122	647,986	655,656
Financial liabilities	**889,126**	**905,043**	**1,257,921**	**1,266,428**

The financial liabilities presented in the table are assigned to the measurement category “Financial liabilities measured at amortized cost” pursuant to IFRS 9. The assignment of financial assets and liabilities to valuation categories with effect from January 1, 2018, pursuant to IFRS 9 compared to December 31, 2017, pursuant to IAS 39 is explained in detail in Note 1.2. No further changes to the classification resulted in the first quarter of 2018.

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

7. Contingent liabilities and other financial obligations

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

In addition to the contingent liabilities described in the Annual Report 2017, significant potential new obligations of €3.4 million arose in the first three quarters of 2018 in connection with patent risks, which were partially offset by the elimination of potential obligations of €2.0 million relating to a ban on business activities between Russia and Ukraine.

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

in K €	Mar. 31, 2018	Dec. 31, 2017
Obligations from operating leases	109,330	121,317
Other financial obligations	93,208	69,085
Total	202,538	**190,402**

Other financial obligations as of March 31, 2018 mainly concern a guarantee of €25.0 million to Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associate BIOCEUTICALS Arzneimittel AG, accounted for according to the equity method.

As the guarantor STADA recognized this guarantee in the reporting period as a financial guarantee at its fair value pursuant to IAS 39 of only €0.3 million (December 31, 2017: €0.3 million), as STADA does not currently assume that this granted guarantee will be used.

Furthermore, further guarantees assumed by the STADA Group are included, among other things, in other financial obligations.

8. Related party transactions

As part of ordinary business activity, there are business relationships with related persons and companies between STADA Arzneimittel AG and/or their consolidated companies. Directly or indirectly managed associates and joint ventures, which are not consolidated subsidiaries for reasons of materiality, and persons in key positions and their relatives are understood as “related” in terms of IAS 24. Generally, all transactions with related companies and persons are settled at conditions in line with the market.

Compared to the relationships with related companies shown in the Annual Report 2017, there were the following significant changes in the first quarter of 2018:

On February 2, 2018, an extraordinary general meeting of STADA Arzneimittel AG took place which, with a majority of 99%, approved the conclusion of the domination and profit and loss transfer agreement (DPLTA) of December 19, 2017 between Nidda Healthcare GmbH as controlling entity and STADA Arzneimittel AG as dependent company. The agreement came into effect on March 20, 2018 with its entry into the commercial register.

As of March 31, 2018 STADA Arzneimittel AG disclosed a loan liability in the amount of €387.5 million towards Nidda Healthcare Holding GmbH. The financing contracts provide for a right of return of the bonds, promissory note loans and bank loans by the relevant investors, should there be a change of control and a change of STADA's rating. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) had undertaken, as part of the takeover offer, to make financing available to STADA for the financing amounts incurred in case of early repayment of the STADA financing. In this context, as of March 31, 2018 Nidda Healthcare Holding GmbH provided loans with an interest of 1.23% p.a.

9. Significant events after the closing date

After the closing date, there were no significant events that could have a significant impact on the net assets, financial position and results of operations of the Group.

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. However, although STADA believes that the expectations reflected in forward-looking statements are appropriate, it cannot guarantee that these expectations will actually be met. Risk factors in particular include: the influence of the regulation of the pharmaceutical industry, the difficulty in making advance statements on approvals from regulatory authorities and other supervisory authorities, the approval environment and other changes in health care policy and health care in different countries, acceptance of and demand for new pharmaceuticals and therapies, the results of clinical studies, the influence of the competition's products and prices, the availability and costs of ingredients used in the manufacturing of pharmaceutical products, uncertainty regarding market acceptance of innovative products that are newly introduced, currently sold or in development, the effect of changes in customer structure, the dependence on strategic alliances, variations in foreign exchange rates and interest rates, operating profit and additional factors which are explained in annual reports and in other explanations by the company. STADA does not assume any responsibility for updating forward-looking statements.

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

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

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