STADA

Our Mission – Your Health

STADA KEY FIGURES

Key figures for the Group in € million	2019	2018	±%
Group sales	2,608.6	2,330.8	+12%
• Generics	1,534.7	1,382.8	+11%
• Branded Products	1,073.9	948.0	+13%
Portfolio effects[1]	–	60.2	–
Operating profit	385.8	378.1	+2%
• Generics	345.8	291.9	+18%
• Branded Products	175.6	165.0	+6%
EBITDA	612.8	530.6	+15%
• Generics	436.2	359.2	+21%
• Branded Products	297.8	242.5	+23%
Group sales adjusted for currency and portfolio effects[1]	*2,608.6*	*2,410.7*	*+8%*
• Generics	*1,534.7*	*1,424.2*	*+8%*
• Branded Products	*1,073.9*	*986.5*	*+9%*
Operating profit, adjusted[2][3]	*489.0*	*392.7*	*+25%*
• Generics	*372.7*	*307.9*	*+21%*
• Branded Products	*237.4*	*189.4*	*+25%*
EBITDA, adjusted[2][3]	*625.5*	*503.5*	*+24%*
• Generics	*436.8*	*359.6*	*+21%*
• Branded Products	*296.0*	*240.6*	*+23%*
Gross profit	1,369.3	1,191.3	+15%
Gross margin	52.5%	51.1%	
Cash flow from operating activities	444.1	320.3	+39%
Investments	282.2	422.2	-33%
Depreciation and amortization (net of write-ups)	227.0	148.8	+53%
Employees (average number – based on full-time employees)[4]	10,626	10,247	+4%
Employees (as of the reporting date – based on full-time employees)	11,100	10,416	+7%

1) Adjustments for currency and portfolio effects are shown solely as an adjustment to previous year sales. Previous year sales were adjusted for currency effects by applying the exchange rates of the reporting year.
2) The elimination of effects which have an impact on the presentation of STADA's results of operations and the derived key figures improves the comparability of key figures from previous years. To achieve this, STADA uses adjusted key figures, which are not governed by the accounting requirements in accordance with IFRS. Since other companies may not calculate these figures presented by STADA in the same way, STADA's figures are comparable only to a limited extent with similarly designated disclosures by other companies.
3) Whenever adjustments are identified in connection with key earnings figures in this Annual Report, they fundamentally relate to special items.
4) This average number includes changes in the scope of consolidation on a pro-rata time basis.

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LETTER TO SHAREHOLDERS FROM THE STADA CEO

Dear Shareholders, Ladies and Gentlemen,

2019 was an exceptionally successful financial year for STADA with double-digit growth in sales and earnings. Group sales increased by 12% to €2.61 billion – with strong organic growth of 8% which was well above the level of the market. Both business segments – Generics and Consumer Healthcare – grew by more than 10%. Adjusted EBITDA increased at a disproportionately high rate of 24% to €625.5 million. The primary factors contributing to this increase included, in particular, a significantly higher gross margin which was improved by successful cost measures in the supply chain and in production in addition to a better product mix.

On top of strong sales increases and substantial market share gains in our European core markets, we were also able to successfully close the key acquisitions Walmark in Central Europe and the purchase of the Takeda portfolio in Russia in the first quarter of 2020. The outstanding results we achieved in the past financial year support our long-term growth journey which is based on our operationalized company values "Agility", "Entrepreneurship", "Integrity" and "One STADA". These developments have positioned STADA as *the* go-to partner for Generics and Consumer Healthcare in Europe and in the emerging markets.

Because we would never be able to achieve these results without our committed and highly-motivated employees, I would like to thank them on behalf of the entire Executive Board for their excellent work. In addition, I would like to thank the Supervisory Board and the Advisory Board for their support in the growth journey we have embarked on.

Regardless of the success we have achieved, we still have a lot of work to do. We have ambitious goals. I am optimistic that we will be able to continue the successful journey in 2020. By building on our strengths and focusing clearly on our top priorities as well as the fabulous spirit and commitment in the Group, we will pave the way for a sustainable, successful future for STADA. Our five strategic priorities "leading marketing and sales capabilities", "superior growth through pipeline acceleration", "benchmark low-cost operating model", "highly efficient and reliable supply chain" and "growth culture" will all provide key contributions to this development. This is how we will successfully meet our objective of looking after people's health as a reliable partner both today and in the future.

Peter Goldschmidt
Chairman of the Executive Board/CEO

REPORT OF THE SUPERVISORY BOARD

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

Dear Shareholders,

In the reporting year, the Supervisory Board carefully executed the duties incumbent upon it in accordance with the law and the Articles of Incorporation. It continuously monitored the management of the Company and regularly advised the Executive Board, particularly on the course of business and business policy, corporate planning including financial, investment and personnel planning, accounting and the position and strategy of the Company and the Group. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental importance for the Company.

Cooperation with the Executive Board and monitoring

With the exception of specific Supervisory Board issues, the members of the Executive Board regularly participated in the total of five meetings of the Supervisory Board in financial year 2019. In an intensive exchange with the Executive Board, the Supervisory Board examined the business development of the Company and the Group, the fundamental positioning of the corporate strategy, corporate planning of the Company and the Group as well as the position of the Company and the Group, especially the net assets and financial position. The Supervisory Board talked regularly to the Executive Board about the Group's financial and liquidity situation, considering especially the investment plans and related financing in the Group, the financing structures and refinancing strategies as well as the development of the debt-to-equity ratio.

The Supervisory Board had the Executive Board report to it regularly on the market structures, development of demand, the competitive situation and price, conditions and discount development, in particular development of the Group's market share and that of its relevant competitors. In addition, the Supervisory Board regularly gained an overview of the product development and product portfolio of the Group. It discussed with the Executive Board the possibilities related to cost, tax and process optimizations. The Supervisory Board dealt with all relevant investments and acquisitions. The Executive Board also regularly informed the Supervisory Board in a timely and comprehensive manner on the risk situation, risk management, the internal control system and questions related to compliance. The Supervisory Board dealt with and reviewed matters presented to it in detail and discussed them with the Executive Board.

In the reporting year, the Supervisory Board also dealt with Executive Board matters as well as the search for a successor to Mark Keatley as new Chief Financial Officer.

Changes in the Executive Board and Supervisory Board

In financial year 2019, the Executive Board consisted of Peter Goldschmidt as Chairman of the Executive Board/CEO, Mark Keatley as Chief Financial Officer as well as Miguel Pagan Fernandez as Chief Technical Officer. With effect from February 1,2020, the Supervisory Board appointed Dr. Wolfgang Ollig as the Group's new Chief Financial Officer, succeeding Mark Keatley. Mark Keatley decided to step down from his Executive Board position for personal reasons. The Supervisory Board would like to thank Mark Keatley for his commitment on behalf of STADA.

At the end of the Annual General Meeting on May 29, 2019 there were – as a result of regular new elections held in May of this year – changes to the employee representatives in the Supervisory Board. The Supervisory Board now includes as employee representatives Jens Steegers as well as the newly-elected Markus Damm and Dr. Klaus Scheja. At the same time, Halil Duru stepped down from the Supervisory Board. At its Supervisory Board meeting directly following the conclusion of this General Meeting, Markus Damm was elected new Deputy Chairman of the Supervisory Board at STADA Arzneimittel AG. The Supervisory Board would like to thank Halil Duru for his many years of commitment on the Supervisory Board.

Annual and consolidated financial statements, audit; non-financial report

The Annual Financial Statements of STADA Arzneimittel AG and the Consolidated Financial Statements as of December 31, 2019 as well as the Combined Management Report for STADA Arzneimittel AG and the Group for financial year 2019 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion. The Audit Committee issued the audit contract for the Supervisory Board and determined the main areas for the audit with the auditor. The auditor submitted a declaration of independence to the Supervisory Board.

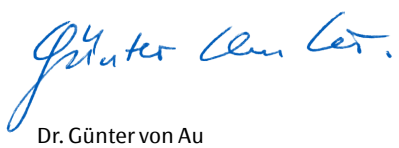
On the basis of the preparation by the Audit Committee, the Supervisory Board examined the Annual Financial Statements and the Consolidated Financial Statements prepared by the Executive Board, the Combined Management Report for STADA Arzneimittel AG and the Group on financial year 2019. It had all necessary documentation and audit reports from the auditor which were also the object of comprehensive discussions with the auditor and the Executive Board at the balance-sheet meeting in March 2020. Following the final results of its own audit, the Supervisory Board did not raise any objections and approved the results of the audit of the financial statements. It approved the Annual Financial Statements and the Consolidated Financial Statements prepared by the Executive Board and audited by the auditor.

Furthermore, the Audit Committee and the Supervisory Board dealt with the Combined Separate Non-Financial Report for STADA Arzneimittel AG and the Group prepared by the Executive Board for financial year 2019. Auditing firm Pricewaterhouse-Coopers GmbH conducted an audit to obtain limited assurance and issued an unqualified audit opinion. The documents were carefully reviewed by the Audit Committee and Supervisory Board at its balance sheet meetings in March 2020 and discussed in detail with the Executive Board and representatives of the auditor. Following their review, the Supervisory Board had no objections.

Expression of thanks

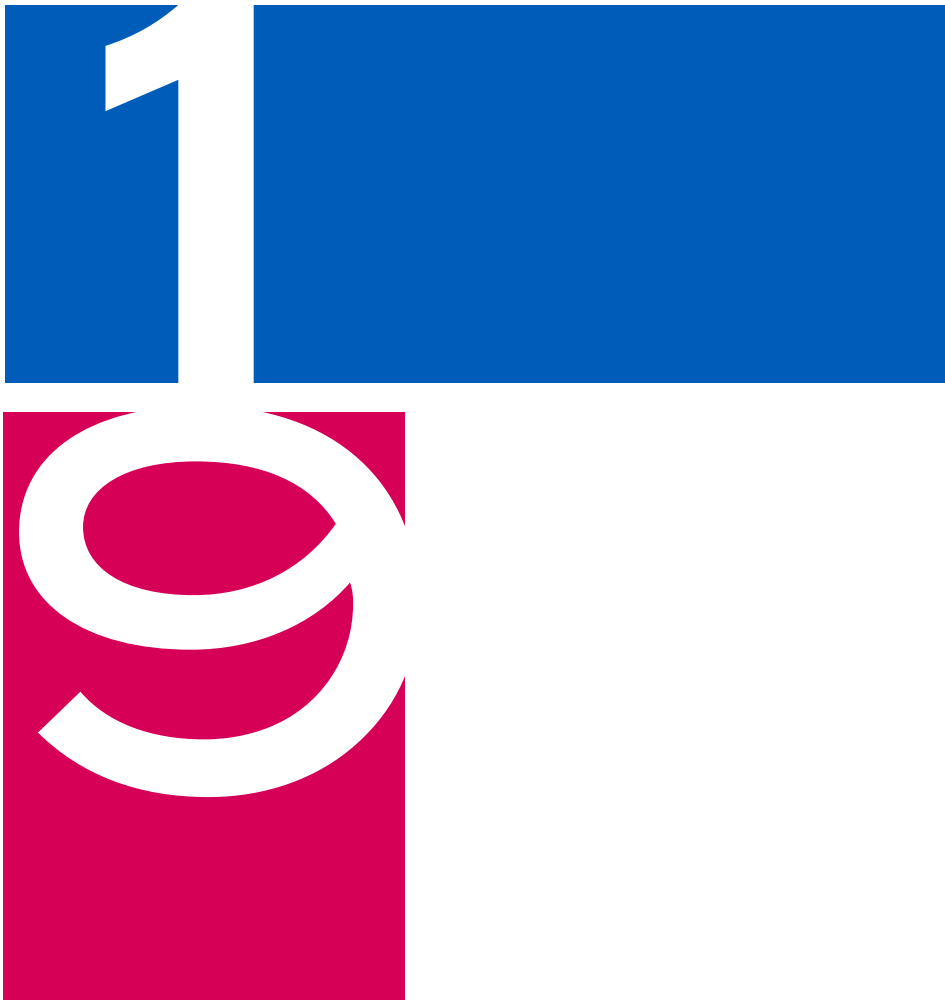
The Supervisory Board would like to thank the members of the Executive Board, management and all of the Group's employees across the globe for their great commitment and constructive collaboration in the past months.

Bad Vilbel, March 11, 2020



Dr. Günter von Au
Chairman of the Supervisory Board

COMBINED MANAGEMENT REPORT OF THE EXECUTIVE BOARD



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Fundamental Information about the Group

Introduction

In financial year 2019, the delisting of the shares of STADA Arzneimittel AG from the regulated market and from the not officially regulated markets ("free market") was completed.[1)] For this reason, the Group Management Report will no longer include, in particular, the share chapter, the corporate governance report, the corporate governance declaration including the declaration of compliance, the remuneration report or takeover-related disclosures.

The remaining listing on the open market of the Hamburg Stock Exchange is not due to the initiative of STADA Arzneimittel AG. Irrespective of this, STADA continues to be classified as a capital market-oriented Company, as the bond issued by the Company in 2015/2022 remains listed on the regulated market in Luxembourg.

Group's Business Model

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

STADA is an internationally-active health care Company organized as a stock corporation. The focus of the Company is on the two segments Generics and Branded Products. With respect to cost and risk factors, STADA does not concentrate on research and development of innovative active ingredients, but rather on the development and marketing of pharmaceutical products. These are no longer covered by commercial property rights, in particular patents and are known as generics. In financial year 2019, Generics had a share of approximately 59% and Branded Products approximately 41% of Group sales.

In light of the fact that **Generics** represent a more economical alternative to the often significantly more expensive original products and therefore make a significant contribution to the financial relief of health care systems, this area continues to have relevant growth potentials.

The **Branded Products** segment at STADA includes, in particular, non-prescription (OTC), prescription (RX) and discretionary prescription (OTX) products. With a view to existing growth opportunities, STADA pursues both the ongoing expansion of the branded products portfolio and the increasing internalization of successful brands.

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

Top 5 generic active ingredients

Active ingredient	Indication group	2019 sales in € million	Change from previous year
Epoetin zeta	Anemia	78.1	+>100%
Tilidin Naloxon	Pain	38.2	+1%
Atorvastatin	Elevated cholesterol level	28.6	+8%
Omeprazol	Gastric ulcer/reflux	22.5	+6%
Pantoprazol	Gastric ulcer/reflux	21.3	+13%
Total		188.7	**+41%**

1) Subsequent to the delisting from the Frankfurt Stock Exchange already completed in 2018, the delisting of the STADA shares from the Düsseldorf Stock Exchange was carried out as planned at the end of December 2, 2019. In addition, inclusion in the free market of the Munich Stock Exchange was halted at the end of the same day.

Top 5 branded products

Branded product	Indication group	2019 sales in € million	Change from previous year
Bortezomib STADA®	Cancer	78.5	-
APO-Go®	Parkinson's disease	74.5	+4%
Grippostad®	Colds	41.8	+4%
Zoflora®	Disinfection	41.4	+63%
Snup®	Head cold	31.8	-26%
Total		268.0	**+49%**

Operative positioning

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

Management and Control

The Executive Board of STADA Arzneimittel AG runs the businesses in accordance with the legal requirements, the Articles of Incorporation and the rules of procedure for the Executive Board. It is supported by an extended management team, management of the Company, however, lies with the Executive Board.

The Executive Board is appointed and dismissed by the Supervisory Board in accordance with legal regulations. The STADA Supervisory Board is composed in accordance with the German One-Third-Participation Act (Drittelbeteiligungsgesetz) and consists of nine members, including six members who are shareholder representatives and three members who are employee representatives. It monitors and advises the Executive Board in the management of the business.

On March 20, 2018, a domination and profit and loss transfer agreement between STADA Arzneimittel AG and Nidda Healthcare GmbH was entered into the commercial register at the district court in Frankfurt am Main which grants Nidda Healthcare GmbH the right to issue instructions to the Executive Board of STADA Arzneimittel AG with regard to the management of the Company. STADA, however, remains a legally independent entity with the previously described bodies. The STADA Executive Board also remains responsible for the management and representation of the Company. Insofar as no instructions are issued, the Executive Board of STADA can and must manage the Company on its own responsibility.

Product Development

Strategic orientation of development activities

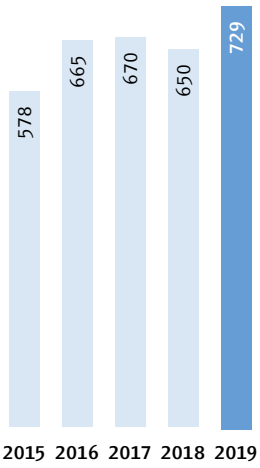
Within the scope of the Group's development activities, there is a focus on generics. Here, so-called "specialties" are also developed – generics which are particularly complex due to their technology or application form and the development of which is accordingly more expensive. As a result of the increasing growth potential of branded products, STADA has also been continuously expanding its development activities in this area for several years. This includes development activities for branded products, particularly non-prescription medications, nutritional supplements and cosmetics.

One example for the successful development and introduction of branded products is Bortezomib STADA®. In the second quarter of 2019, the Group introduced this product – used for the treatment of multiple myeloma – in 14 European countries.[1)] In contrast to the original product, the new product does not have to be dissolved before use and is available as a so-called "ready to use" solution. Thanks to this clear additional benefit, Bortezomib STADA® is one of the most important international product

1) See the Company's website at www.stada.com/media/press-releases/2019.

launches in STADA's history. With the development, the Group has managed to give patients early access to an affordable alternative to the original product and to offer pharmaceutical professionals an additional benefit.

5-year development: Number of product launches



High level of competence in development and approval

With the introduction of 729 individual products worldwide (previous year: 650), STADA once again demonstrated its strength with respect to development and approval. The Group continues to have a well-stocked product pipeline. As of December 31, 2019, STADA pursued over 1,200 approval procedures for more than 160 active pharmaceutical ingredients and ingredient combinations for more than 50 countries. These include, on the one hand, all relevant generics and, on the other hand, numerous branded products. The number of the approval applications was more than 730 in the reporting year. The number of new approvals was over 700.

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

In the Branded Products segment, STADA's focus is, on the one hand, on the expansion of existing product lines. One example is the innovative dissolving tablet from Hoggar night®. On the other hand, the focus is on the increasing internationalization of successful branded products. The Group is launching selected products in other markets that to date have been successful primarily at a regional level. Examples that can be mentioned in this connection in the reporting year include Hedrin®, Hoggar night®, Fultium® and Fructosin®.

Gradual expansion of the biosimilar portfolio

In light of the growth opportunities, the Group is continuously expanding its biosimilar portfolio. STADA is currently on the market with two biosimilars – SILAPO®, a erythropoeitin biosimilar, and Movymia®[1)], a teriparatide product. In addition, STADA as is known has in-licensed further biosimilars that are currently in the development phase. There is also a contract in place between STADA and Xbrane Biopharma AB, a Swedish biosimilar company, for the joint development of Xlucane, a biosimilar from Lucentis® (ranibizumab). In financial year 2019, STADA and Xbrane Biopharma expanded their strategic partnership for the development of biosimilars.[2)] This allows both companies to review potential development and marketing cooperations related to the pre-clinical biosimilars Xcimzane and Xdivane from XBrane Biopharma as well as further biosimilars that are suited to the portfolios of both companies. At the end of 2019, STADA announced that the Company had entered into an exclusive strategic partnership with Alvotech ehf, an international biopharmaceutical company, for the marketing of seven biosimilars in all European core markets and selected markets outside of Europe.[3)] The partnership initially includes biosimilar candidates for the treatment of auto-immune diseases, cancer and inflammatory diseases as well as in the area of ophthalmology for patients throughout the world. As part of this partnership, Alvotech is responsible for the development, approval and delivery of the biosimilars within the EU. STADA will exclusively market the products in most European core markets.

Procurement and Production

Central needs planning

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

1) See the Company's press release of August 20, 2019.
2) See the Company's press release of May 31, 2019.
3) See the Company's press release of November 4, 2019.

Ongoing investments

STADA continually invests in the Group's own production facilities and test laboratories. Investments in the expansion and modernization of production sites and facilities, as well as test laboratories, amounted to €61.2 million in the reporting year (previous year: €22.8 million).

Sales and Marketing

International Group structure with national-level distributors

The STADA Group has an international sales structure made up of nationally focused sales companies. In accordance with the operational positioning, the subsidiaries that are active in sales are organized centrally, but they nevertheless have a strong market proximity and thus also extraordinary sales strength. Including the export share, STADA sells its products in about 120 countries.

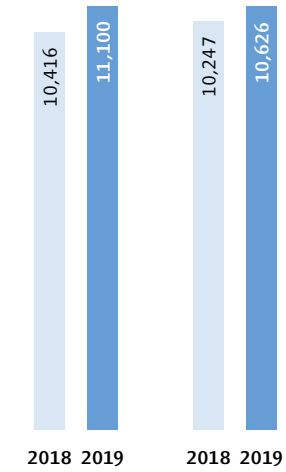
Employees

Global cooperation

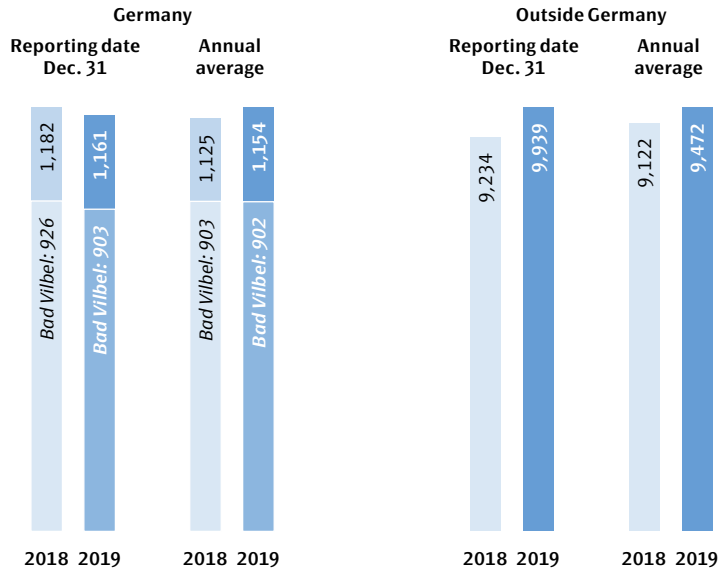
STADA's personnel policy is managed centrally by the Global Human Resources department at Group headquarters. In this regard, the global functional departments "Talent Management & People Development", "People Analytics, Talent Acquisition & Employer Branding" as well as "Compensation & Benefits" lay out the standards, guidelines and processes that are implemented by the international companies and supplemented in accordance with the conditions specific to the market. To strengthen the centrally managed international HR structure, in financial year 2019, functional reporting lines for all local personnel managers to global HR management were established.

Development in the number of employees and personnel expenses

Development in the number of employees



Regional distribution of Group employees



The average number of employees increased in the reporting year by 4% to 10,626 (previous year: 10,247), mainly due to the increase in the number of production employees in Serbia and Vietnam as well as the expansion of sales and marketing activities in Spain and Italy. As of the reporting date, the number of employees rose by 7% to 11,100 (previous year: 10,416). This increase was primarily based on the previously-mentioned development in the number of production and sales employees as well as on the initial consolidation of the Biopharma units as of December 31, 2019 with about 300 employees.

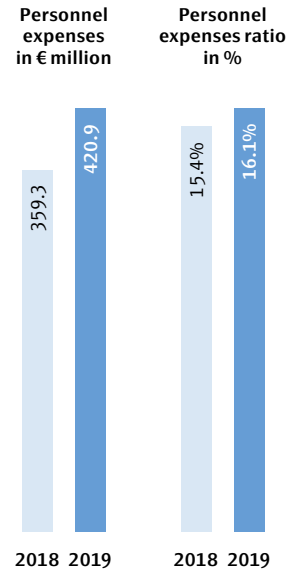
The proportion of women employed in management positions at the Group in financial year 2019 amounted to approximately 51% (previous year: approximately 52%).

Declaration in accordance with Section 289f Paragraph 4 of the German Commercial Code (HGB)

At the beginning of the 2019 financial year, the Executive Board set the target for the proportion of women in the first management level at at least 16.7% and at least 38.2% in the second management level pursuant to section 76 (4) of the German Stock Corporation Act (AktG) with a deadline for implementation of December 31, 2023.

In December 2017, the Supervisory Board set the target for the proportion of women on the Supervisory Board at at least one woman in accordance with section 111 (5) AktG, with a deadline for implementation of December 31, 2022. The Supervisory Board resolved to maintain the status quo of 0% for the proportion of women on the Executive Board until December 31, 2022.

Development of personnel expenses



Objectives and Strategies

Sustained profitable growth and long-term value enhancement

With its business model, the Group aims to achieve sustained profitable growth and enhance Company value over the long term (see "Fundamental Information about the Group – Internal Management System").

In order to achieve these goals, STADA continued to implement the transformation process in the reporting year, including numerous initiatives for increasing efficiency in the areas of procurement, supply chain, production, R&D as well as portfolio, among others. Overall, this serves to increase competitiveness, enhance innovative strength and create greater value over the long term.

As part of its corporate strategy, the Group relies on new marketing channels, efficiency enhancements in the area of marketing & sales, increased investments in the core markets as well as new product launches. In addition, STADA pursues strategic partnerships throughout the world in the areas of development and production which allow the Company, also in the future, to have a competitive product portfolio that generates sustainable growth.

Internal Management System

In financial year 2019, the performance indicators for **adjusted Group sales** and adjusted **EBITDA** were applied to operational management of corporate divisions. Management of the change of adjusted Group sales and adjusted EBITDA occurred at the segment level.

In order to ensure the Company's sustained success, the relative change in **Group sales adjusted for currency and portfolio effects**[1)] plays an important role. At STADA, **adjusted EBITDA**[2)] is understood as EBITDA adjusted for special items. Excluded from this are the special items that relate to impairment losses and write-ups on non-current assets. Using this indicator, STADA measures its operational performance and the results of the individual segments, adjusted for impacts from special items that distort year-on-year comparisons. This includes earnings from associates and income from investments.

1) Adjustments for currency and portfolio effects are shown solely as an adjustment to previous year sales. Previous year sales were adjusted for currency effects by applying the exchange rates of the reporting year. The current reporting year remains unchanged and corresponds to reported Group sales. The key figures calculated in this way are subsequently compared with one another in order to determine a relative change.

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

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

Financial performance indicators		Determination based on the consolidated income statement and the consolidated balance sheet in accordance with IFRS
Change in Group sales adjusted for currency and portfolio effects[1]		**Group sales**
	±	Portfolio effects[1]
	±	Currency effects[1]
	=	**Group sales adjusted for currency and portfolio effects**[1]
Adjusted EBITDA[2]		**Earnings before interest and taxes (EBIT)**
	±	Balance from depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets
	=	**Earnings before interest, taxes, depreciation and amortization (EBITDA)**
	±	Special items within operating profit excluding one-time special items that relate to impairments and write-ups of fixed assets
	=	**Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA)**

Disclosures pursuant to Section 315b HGB

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

1) Adjustments for currency and portfolio effects are shown solely as an adjustment to previous year sales. Previous year sales were adjusted for currency effects by applying the exchange rates of the reporting year. The current reporting year remains unchanged and corresponds to reported Group sales. The key figures calculated in this way are subsequently compared with one another in order to determine a relative change.

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

Economic Report

Macroeconomic and Sector-Specific Environment

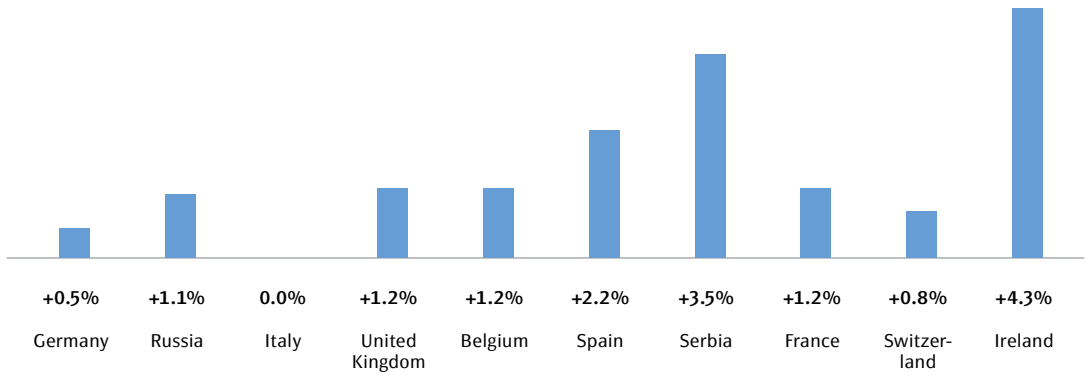
Macroeconomic development

According to the calculations of the International Monetary Fund (IWF), global economic growth in 2019 slowed significantly as compared with the previous year. While the growth rate for worldwide gross domestic product was at 3.7% in 2018, it was at 3.0% in 2019.[1)] The IWF sees the primary reasons for the decrease in growing trade and geopolitical tensions which, as a result of the uncertainties regarding the future of global trade and international cooperations, have an impact on confidence in the economy, investment decisions and worldwide trade.

Overall, STADA is active in markets whose growth rates in gross domestic product in 2019 – parallel to the slowing global economy - developed at times only moderately. Regardless of this situation, the Group was able to record a very positive business development (see "Economic Report – General Statements of the Executive Board on the Course of Business in 2019").

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

Growth rates gross domestic product 2019[1)] in %



Sector-specific development

In financial year 2019, sales in the international generics market increased as compared with the previous year by approximately 4.1% to approximately €234.8 billion.[2)] Generics thus had a share of the global pharmaceutical market of approximately 20.8%.[2)]

In 2019, sales in the global OTC market increased by approximately 2.1% to approximately €72.5 billion as compared to the previous year. [2)] The share of OTC products in the global pharmaceutical market was thus approximately 6.4%[2)].

1) Source: International Monetary Fund: World Economic Outlook October 2019.
2) IQVIA Syndicated Analytics Service; prepared for STADA February 2020.

Effects of the macroeconomic and sector-specific environment

Because the STADA Group is active in the health care market and therefore operates in a sector relatively unaffected by cyclical factors, its business development is generally less dependent on economic influences than it is on the regulatory environment in each respective health care system. In the reporting year there were no significant changes in the regulatory environment relating to health care in the countries in which STADA operates that would have had a substantive impact on Group performance.

Generally, there is a greater impact on STADA from economic factors in those countries that belong to so-called self-payer markets, because demand there also depends on the purchasing power of the population.

The British pound, the Russian ruble, and the Serbian dinar are key national currencies with respect to the currency translation of sales and earnings in relation to the Group currency, the euro. In addition, the Kazakh tenge, the Swiss franc, the Ukrainian hryvnia and the Vietnamese dong are also of importance. The currency relations in other countries of relevance to STADA only have a minor impact in this regard. In financial year 2019, the increase in value of the Russian ruble as well as the British pound in relationship to the euro had a positive impact on earnings.

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

Development of 2019 Compared to Outlook

In the Report on Expected Developments from the Annual Report 2018, the Executive Board anticipated further Group growth in financial year 2019 as compared with the previous year. In both segments, sales adjusted for currency and portfolio effects were expected to grow strongly and adjusted EBITDA was expected to grow significantly.

With the development achieved in 2019, **Group sales adjusted for currency and portfolio effects** and **adjusted EBITDA** were in line with the forecast.

Development of Financial Performance Indicators

Financial performance indicators for the STADA Group

In financial year 2019, the financial performance indicators of the STADA Group developed as follows:

Financial performance indicators in €million	2019	2018	±%
Group sales adjusted for currency and portfolio effects	**2,608.6**	**2,410.7**	**+8%**
• Generics	1,534.7	1,424.2	+8%
• Branded Products	1,073.9	986.5	+9%
EBITDA, adjusted	**625.5**	**503.5**	**+24%**
• Generics	436.8	359.6	+21%
• Branded Products	296.0	240.6	+23%

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

Results of Operations – Sales Development of the Group

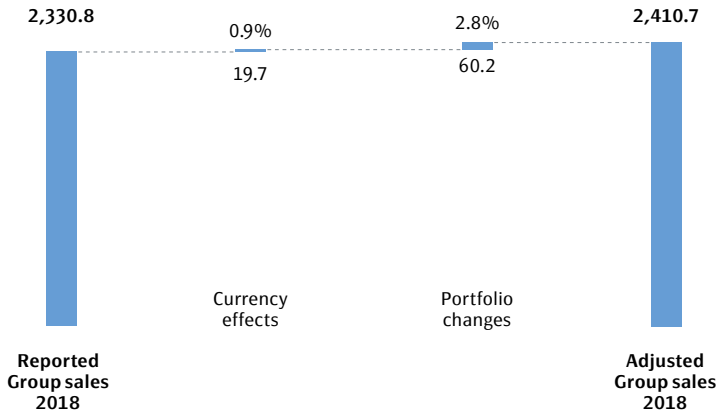
Increase in reported and adjusted Group sales

Reported Group sales increased in the reporting year by 12% to €2,608.6 million (previous year: €2,330.8 million). The increase was primarily attributable to growth in the German, American, Italian, Spanish and French generics segment as well as in the German, British and Italian branded products segment. The sales decrease in the Russian generics and branded products segment had a counter effect.

After deducting effects on sales resulting from changes in the **Group portfolio** and **currency effects**, **adjusted Group sales** increased by 8% to €2,608.6 million (previous year: €2,410.7 million). The growth resulted in particular from sales increases in Germany, the United States, Italy, Spain and France in the Generics segment and in Germany, the United Kingdom and Italy in the Branded Products segment.

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

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



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

The **changes to the portfolio** in the form of an adjustment of the previous year's figure totaled €60.2 million or 2.8% and were based for the most part on the consolidation of BIOCEUTICALS Arzneimittel AG since September 30, 2018 as well as on the sales contributions from the Nizoral® acquired product portfolio and the product portfolio acquired from Glaxo SmithKline.

Applying the exchange rates for financial year 2019 compared with those of the previous year in translating local sales contributions into the Group currency, the euro, STADA showed a positive **currency effect** amounting to €19.7 million or an adjustment of previous year's sales by 0.9%.

In 2019, the development of national currencies of greatest relevance to STADA – the British pound, Russian ruble and Serbian dinar – relative to the Group currency euros was as follows compared to the previous year:

Significant currency relations in local currency to €1	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2019	2018	±%	2019	2018	±%
British pound	0.85208	0.89453	-5%	0.87724	0.88475	-1%
Russian ruble	69.27810	79.71530	-13%	72.45524	74.05507	-2%
Serbian dinar	117.59280	118.19460	-1%	117.86094	118.27336	0%

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

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

Results of Operations – Earnings Development of the Group

Positive development of key earnings figures

Both the reported and the adjusted key earnings figures developed positively in 2019.

Reported operating profit in the reporting year increased by 2% to €385.8 million (previous year: €378.1 million) resulting primarily from the increase in the German, American, Italian, Belgian, Spanish and French generic segment as well as in the British and Italian branded products segment. Growth in **adjusted operating profit** of 25% to €489.0 million (previous year: €392.7 million) was primarily attributable to the previously-mentioned increases in operating profit in Germany, the United States, Italy, Belgium Spain, the United Kingdom and France. The 15% growth of **reported EBITDA** to €612.8 million (previous year: €530.6 million) was based on opposing effects. On the one hand, there were the aforementioned improvements in operating results in Germany, the United States, Italy, Belgium, Spain, France and the United Kingdom. On the other hand, the reported EBITDA was shaped by expenses for various transformation projects, among other things. The 24% increase in **adjusted EBITDA** to €625.5 million (previous year: €503.5 million) was mainly attributable to the effects already mentioned for the operating profit.

The reported tax rate in 2019 was 7.9% (previous year: 9.4%). The adjusted tax rate was 7.2% (previous year: 19.2%).

Effect of special items on earnings

STADA made different adjustments to the adjusted earnings figures in financial year 2018 than in financial year 2019 (see the following tables "Effect of special items on earnings").

In **financial year 2019**, **special items** resulted in a net burden on earnings of €103.2 million before taxes and €96.7 million after taxes. The following overview shows the reconciliation of the reported financial performance indicators and other significant earnings figures of the STADA Group to those adjusted for special items:

in € million[1]	2019 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Severance expenses	*2019 adjusted*
Operating profit	**385.8**	**66.5**	**22.4**	**14.3**	***489.0***
Result from investments measured at equity	0.0	–	–	–	*0.0*
Investment income	0.0	–	–	–	*0.0*
Earnings before interest and taxes (EBIT)	**385.8**	**66.5**	**22.4**	**14.3**	***489.0***
Financial income and expenses	45.1	–	–	–	*45.1*
Earnings before taxes (EBT)	**340.7**	**66.5**	**22.4**	**14.3**	***444.0***
Income taxes	26.9	3.7	1.1	0.1	*31.8*
Result distributable to non-controlling shareholders	11.1	0.3	1.4	–	*12.8*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**302.7**	**62.5**	**19.9**	**14.2**	***399.4***
Earnings before interest and taxes (EBIT)	**385.8**	**66.5**	**22.4**	**14.3**	***489.0***
Balance from depreciation/amortization and impairments/write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	227.0	-66.5	-24.0	–	*136.5*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**612.8**	**–**	**-1.6**	**14.3**	***625.5***

1) As a result of the presentation in € million, deviations due to rounding may occur in the tables.
2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.

In **financial year 2018**, **special items** resulted in a net burden on earnings of €14.7 million before taxes and €22.9 million after taxes. Reconciliation of reported financial performance indicators and other significant STADA Group earnings figures to those adjusted for special items was as follows:

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

1) As a result of the presentation in € million, deviations due to rounding may occur in the tables.
2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.

The following tables show further key earnings figures of the STADA Group and the resulting margins, on both a reported and adjusted basis for 2019 and for the previous year.

Development of the STADA Group's reported earnings figures

in € million	2019	2018	±%
Operating profit	385.8	378.1	+2%
• Generics	345.8	291.9	+18%
• Branded Products	175.6	165.0	+6%
Operating profit margin[1)]	14.8%	16.2%	
• Generics	22.5%	21.1%	
• Branded Products	16.4%	17.4%	
EBITDA	612.8	530.6	+15%
• Generics	436.2	359.2	+21%
• Branded Products	297.8	242.5	+23%
EBITDA margin[1)]	23.5%	22.8%	
• Generics	28.4%	26.0%	
• Branded Products	27.7%	25.6%	
EBIT	385.8	381.8	+1%
EBIT margin[1)]	14.8%	16.4%	
EBT	340.7	342.9	-1%
EBT margin[1)]	13.1%	14.7%	

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

in € million	*2019*	*2018*	*±%*
Adjusted operating profit	*489.0*	*392.7*	*+25%*
• *Generics*	*372.7*	*307.9*	*+21%*
• *Branded Products*	*237.4*	*189.4*	*+25%*
Adjusted operating profit margin[1)]	*18.7%*	*16.9%*	
• *Generics*	*24.3%*	*22.3%*	
• *Branded Products*	*22.1%*	*20.0%*	
Adjusted EBITDA	*625.5*	*503.5*	*+24%*
• *Generics*	*436.8*	*359.6*	*+21%*
• *Branded Products*	*296.0*	*240.6*	*+23%*
Adjusted EBITDA margin[1)]	*24.0%*	*21.6%*	
• *Generics*	*28.5%*	*26.0%*	
• *Branded Products*	*27.6%*	*25.4%*	
Adjusted EBIT	*489.0*	*396.5*	*+23%*
Adjusted EBIT margin[1)]	*18.7%*	*17.0%*	
Adjusted EBT	*444.0*	*357.6*	*+24%*
Adjusted EBT margin[1)]	*17.0%*	*15.3%*	

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

Income statement and cost development

Cost of sales increased in 2019 to €1,239.2 million (previous year: €1,139.5 million). This development was based on opposing effects. A positive impact came from improvements in purchasing conditions. An opposing effect was caused by increased depreciation due to, among other things, new product acquisitions. Overall, cost of sales developed at a lower rate than sales. The **cost of sales ratio thus** improved to 47.5% (previous year: 48.9%).

Gross profit rose to €1,369.3 million (previous year: €1,191.3 million). The gross margin thus improved to 52.5% (previous year: 51.1%) – due primarily to the introduction of Bortezomib STADA® in the second quarter of 2019.

Selling expenses rose to €581.6 million (previous year: €538.6 million). This development was primarily based on investments in sales in the generics and branded products areas in the United Kingdom, Italy and Spain. The **selling expenses ratio** was 22.3% (previous year: 23.1%).

General and administrative expenses showed an increase of €214.8 million (previous year: €183.7 million). Their share of Group sales amounted to 8.2% (previous year: 7.9%). The increase resulted, among other things, from expenses for various transformation projects.

Research and development expenses were €72.8 million (previous year: €72.3 million). The sales-related ratio of research and development expenses was 2.8% (previous year: 3.1%).

Development costs reported by STADA include non-capitalized development costs, which consist mainly of costs associated with regulatory requirements and the optimization of existing products. This cost item does not include payments for the development of new products, since STADA usually capitalizes these costs. Development costs for new products of €20.4 million were capitalized in financial year 2019 (previous year: €20.4 million). This corresponds to a capitalization rate of 21.9% (previous year: 22.0%). This does not include capitalized borrowing costs and the capitalization of software totaling €4.6 million (previous year: €3.3 million).

Other income decreased to €42.7 million (previous year: €84.4 million). The development was primarily attributable to the income included in this item in the previous year from the capital consolidation of BIOCEUTICALS Arzneimittel AG.

Other expenses decreased to €157.0 million (previous year: €103.1 million). This was based for the most part on recognized impairment losses on non-current assets excluding goodwill. In addition, this item also included personnel expenses which, in the reporting year, mainly resulted from severance payments for a BPO restructuring program as well as from expenses as a result of management changes.

Financial expenses increased to €48.6 million (previous year: €44.6 million) – due primarily to higher interest expenses.

The **financial result**, which is composed primarily of financial income and financial expenses, amounted to -€45.1 million (previous year: -€35.2 million). The largest operative-related individual item in this regard was the interest expense in the amount of €48.6 million (previous year: €44.6 million).

In financial year 2019, STADA Arzneimittel AG was financed at interest rates between 1.01% p.a. and 3.50% p.a. (previous year: 0.95% p.a. and 2.3% p.a.). In addition, the Group financed itself at interest rates of between 1.01% p.a. and 69.15% p.a. (previous year: 2.84% p.a. and 3.19% p.a.), whereby the high interest rate is attributable to the taking of loans in Argentina, the carrying amount of which is not significant for the Group. As of the reporting date December 31, 2019, the weighted average interest rate for non-current financial liabilities was approximately 3.07% p.a. (December 31, 2018: approximately 3.43% p.a.). As of the reporting date, the average weighted interest rate for current financial liabilities amounted to approximately 8.00% p.a. (December 31, 2018: 1.97% p.a.). The average weighted interest rate for all Group financial liabilities amounted to approximately 3.22% p.a. (December 31, 2018: approximately 2.97% p.a.).

Income tax expenses decreased to €26.9 million (previous year: €32.3 million). The reported tax rate was 7.9% (previous year: 9.4%). The adjusted tax rate was 7.2% (previous year: 19.2%).

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

Reported sales in the **Generics** segment rose in the reporting year by 11% to €1,534.7 million (previous year: €1,382.8 million). **Sales adjusted** for portfolio and currency effects for the **Generics** segment increased by 8% to €1,534.7 million (previous year: €1,424.2 million). This development was primarily based on sales increases in Germany, the United States, Italy, Spain and France. There were counter-developments in Russia. Generics had a 58.8% share in Group sales (previous year: 59.3%).

Within the Generics segment in financial year 2019, Europe, Germany and CIS were the strongest markets in terms of sales.

In **Europe**, sales generated with generics rose by 12% to €978.9 million (previous year: €870.4 million). The primary growth drivers in this regard were Italy, Spain and France – in particular as a result of positive volume effects and reduced discount burdens.

In **Germany**, sales of generics increased by 7% to €328.5 million (previous year: €306.6 million). This development was primarily attributable to product launches and low discount rates.

Currency-adjusted sales generated with generics decreased in **CIS** by 15% – mainly as a result of the sales decline in the Russian market. This development resulted mainly from high inventories with wholesalers. In light of the appreciation of the ruble, sales in euro decreased to by 12% to €96.1 million (previous year: €109.8 million).

In the reporting year, the Group achieved sales amounting to €188.7 million with products that contain the Group's top five active pharmaceutical ingredients in terms of sales (previous year: €135.7 million). These products thus contributed 12.3% to sales in the Generics segment (previous year: 9.8%). With generated sales of €78.1 million (previous year: €29.6 million), epoetin zeta (indication anemia) was the active pharmaceutical ingredient with the strongest sales in the Generics segment.

Reported operating profit in the **Generics** segment registered an increase in financial year of 18% to €345.8 million (previous year: €291.9 million). This development was primarily attributable to the increase in the operating result in the German, American, Italian, Belgian, Spanish and French generics segment. **Reported EBITDA** for **Generics** increased by 21% to €436.2 million (previous year: €359.2 million). This development was primarily based on the previously described development of the reported operating result for the segment in Germany, the United States, Italy, Belgium, Spain and France. The **reported operating profit margin** in the **Generics** segment amounted to 22.5% (previous year: 21.1%). The **reported EBITDA margin** for **Generics** was 28.4% (previous year: 26.0%).

Adjusted operating profit in the **Generics** segment registered an increase in 2019 of 21% to €372.7 million (previous year: €307.9 million). **Adjusted EBITDA** for **Generics** recorded growth of 21% to €436.8 million (previous year: €359.6 million). Both developments were especially attributable to the previously-mentioned operating result in Germany, the United States, Italy, Belgium, Spain and France. The **adjusted operating profit margin** in the **Generics** segment amounted to 24.3% (previous year: 22.3%). The **adjusted EBITDA margin** in the **Generics** segment amounted to 28.5% (previous year: 26.0%).

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

Reported sales in the **Branded Products** segment increased in the reporting year by 13% to €1,073.9 million (previous year: €948.0 million). **Sales adjusted** for portfolio and currency effects for the **Branded Products** segment rose by 9% to €1,073.9 million (previous year: €986.5 million). This development was mainly the result of increasing sales in Germany, the United Kingdom and Italy. Branded products contributed 41.2% of Group sales (previous year: 40.7%).

Within the Branded Products segment, Europe, Germany, the United Kingdom and CIS were the strongest markets in terms of sales in financial year 2019.

Sales generated with branded products increased in **Europe** by 23% to €274.0 million (previous year: €223.4 million). Italy, Spain and France contributed to this development.

In **Germany**, sales generated with branded products rose by 28% to €232.4 million (previous year: €180.9 million). This development was mainly a result of the sales contributions from product launches and price effects.

In the **United Kingdom**, sales with branded products adjusted for currency effects rose by 21%. This increase in sales resulted mainly from new product launches and the expansion of the product portfolio. In light of an appreciation of the British pound, sales in euro rose by 23% to €219.6 million (previous year: €179.2 million).

In **CIS**, sales generated with branded products, adjusted for currency effects, showed a decrease of 15% – mainly as a result of the sales decline in the Russian market. This development resulted mainly from high inventories with wholesalers. In light of the appreciation of the ruble, sales in euro decreased by 12% to €233.6 million (previous year: €266.0 million).

In 2019, STADA achieved sales amounting to €268.0 million with the Group's top five branded products in terms of sales (previous year: €215.8 million). These products thus contributed 25.0% to sales in the Branded Products segment (previous year: 22.8%). With sales of €78.5 million the cancer treatment Bortezomib®, which was newly-launched in 2019, was the branded product with the strongest sales in the segment.

Reported operating profit in the **Branded Products** segment registered an increase in the reporting year of 6% to €175.6 million (previous year: €165.0 million). This development was due in particular to an increase in operating profit in the branded products segment in the United Kingdom and Italy. **Reported EBITDA** for **Branded Products** recorded growth of 23% to €297.8 million (previous year: €242.5 million). This development was primarily due to the previously mentioned improvements in the operational segment earnings in the United Kingdom and Italy as well as an improved EBITDA in Germany. The **reported operating profit margin** for **Branded Products** amounted to 16.4% (previous year: 17.4%). The **reported EBITDA margin** for **Branded Products** was 27.7% (previous year: 25.6%).

Adjusted operating profit for the **Branded Products** segment registered an increase in financial year 2019 of 25% to €237.4 million (previous year: €189.4 million). **Adjusted EBITDA** for **Branded Products** increased by 23% to €296.0 million (previous year: €240.6 million). Both developments were mainly attributable to the increased operating result in the British and Italian as well as the EBITDA in the German branded products segment. The **adjusted operating profit margin** of **Branded Products** amounted to 22.1% (previous year: 20.0%). The **adjusted EBITDA margin** for **Branded Products** was 27.6% (previous year: 25.4%).

Financial Position

Stable financial position

The financial position of the STADA Group in financial year 2019 was stable. This is demonstrated both by several items in the cash flow statement and by a variety of indicators that are presented in various parts of this chapter, including liquidity analysis.

Principles and goals of STADA financial management

The financing strategy of STADA in the reporting year was characterized by the securing of financial flexibility. The financing needs of the Group was covered by loans from Nidda, promissory note loans, a bond and factoring.

The Group reduced financial risks to the extent possible via natural hedging and derivative financial instruments. In principle, STADA did not issue or hold derivative financial instruments for speculative purposes in 2019. The "Opportunities and Risk Report" contains details on managing individual financial risks.

Financing structure

The financing in the nominal amount of €1,285.6 million as of December 31, 2019 was comprised of the following:

Financial instruments following exercising of put-rights and additional repayment in € million	Nominal Value	Maturity
Promissory note loans	41.5	April 26, 2021
Bond	267.4	April 8, 2022
Promissory note loans	7.0	April 26, 2023
	315.9	
Further bank loans	40.1	rolling
Total financial liabilities	356.0	
Loan from Nidda Healthcare Holding GmbH	929.6	
Total financing	1,285.6	

On December 20, 2018, STADA announced that it and certain of its significant subsidiaries – in line with the instruction received from Nidda – granted certain in rem security to secure certain capital markets indebtedness and other debt financing which is borrowed and/or guaranteed by Nidda and its affiliates.[1)] The grant of such in rem security gave the right for holders of the STADA €300,000,000 1.75% fixed rate notes due 2022 to demand repayment of their principal and accrued interest on such STADA Notes. On January 8, 2019, STADA published a relevant tender offer the expiry of which was dated June 19, 2019.[2)] On June 21, 2019, STADA announced that under the tender offer, since its announcement on January 8, 2019, bonds in a nominal amount of €6,676,000 had been repurchased.[2)]

For the refinancing of the Group, there was a corporate bond as of December 31, 2019 with a nominal value of €267.4 million (December 31, 2018: €274.1 million) with an interest rate of 1.75% p.a. In addition, as of December 31, 2019 the Group held promissory note loans with a total nominal value of €48.5 million (December 31, 2018: €178.0 million) and further bank loans in the amount of €40.1 million (December 31, 2018: €43.0 million).

In financial year 2019, STADA Arzneimittel AG was refinanced at interest rates between 1.01% p.a. and 3.5% p.a. (previous year: 0.95% p.a. and 2.3% p.a.). In addition, the Group financed itself at interest rates of between 1.01% p.a. and 69.15% p.a. (previous year: 2.84% p.a. and 3.19% p.a.), whereby the high interest rate is attributable to the taking of loans in Argentina, the carrying amount of which is not significant for the Group. As of the balance sheet date December 31, 2019, the weighted average interest rate for non-current financial liabilities was approximately 3.07% p.a. (December 31, 2018: approximately 3.43% p.a.). As of the reporting date, the average weighted interest rate for current financial liabilities amounted to approximately 8.00% p.a. (December 31, 2018: approximately 1.97% p.a.). The average weighted interest rate for all Group financial liabilities amounted to approximately 3.22% p.a. (December 31, 2018: approximately 2.97% p.a.).

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

Remaining maturities of financial liabilities as of Dec. 31, 2019 in k €	< 1 year	1–3 years	3–5 years	> 5 years	Total	thereof as of Dec. 31, 2019 > 1 year in %
Promissory note loans	–	41.5	7.0	–	48.5	100%
Bond	–	266.6	–	–	266.6	100%
Liabilities to banks	40.1	0.1	–	–	40.2	0.3%
Liabilities to shareholders	–	–	929.6	–	929.6	100%
Total	**40.1**	**308.2**	**936.6**	**–**	1,284.9	**97%**

1) See the Company's press release of December 20, 2018.
2) See www.stada.com/investor-relations/bonds/bond-2015/disclaimer.html.

Liquidity analysis

The Group's liquidity was guaranteed at all times in the reporting year. It was based primarily on cash inflows from operating activities as well as the borrowing of funds. Cash inflows from operating activities were affected by the profitability of business activities and the net working capital, in particular receivables. In financial year 2019, STADA had current and non-current borrowings from Nidda, a bond, promissory note loans and factoring available for financing.

Cash flow analysis

Cash flow statement (abridged) in k €	2019	2018
Cash flow from operating activities	444,080	320,288
Cash flow from investing activities	-264,988	-300,284
Free cash flow	**179,092**	**20,004**
Cash flow from financing activities	-316,697	79,726
Non-cash changes to cash and cash equivalents	-150	869
Cash flow	**-137,755**	**100,599**

Cash flow from operating activities consists of changes in items not covered by investments, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to €444.1 million in the reporting year (previous year: €320.3 million). This development was mainly attributable to a significantly higher gross cash flow resulting from a significant increase in EBITDA. There were also cash inflows in connection with the increase in trade accounts payable. This was countered by higher cash outflows from the increase in inventories and trade accounts receivable.

Cash flow from investing activities, which includes cash outflows for investments reduced by the inflows from disposals, amounted to -€265.0 million for financial year 2019 (previous year: -€300.3 million).

The cash flow from investing activities was influenced in financial year 2019 in particular by payments for significant investments in intangible assets for the short-term expansion of the product portfolio in the amount of €135.1 million. Of that amount, €84.2 million was accounted for by the acquisition of a branded product portfolio in the United Kingdom. Within the scope of business combinations, the were net payments made from the acquisition of the Biopharma Group in the amount of €47.5 million.

In 2019, STADA thus spent a total of €182.6 million for **acquisitions** – as part of business combinations in accordance with IFRS 3 and significant investments in intangible assets for the short-term expansion of the product portfolio (previous year: €236.2 million).

Investments in other intangible assets, i.e. investments in intangible assets in the context of ongoing operating business and thus without consideration of significant investments or acquisitions for the short-term expansion of the product portfolio, amounted to €26.6 million in the reporting year (previous year: €24.9 million). These comprise, in particular, individual insignificant payments for the development and acquisition of approvals or approval dossiers.

Payments for **investments in property, plant and equipment** in 2019 amounted to €82.7 million (previous year: €48.1 million). This also includes investments in production sites, manufacturing facilities and test laboratories, mainly in Vietnam and Serbia, for which additions amounting to a total of €61.2 million were recorded in 2019 (previous year: €22.8 million).

Payments for **investments in financial assets** in the reporting year were €4.5 million (previous year: €0.3 million).

As a result of **disposals**, STADA recorded an inflow of payments totaling €31.5 million in cash flow from investing activities in financial year 2019 (previous year: €9.2 million). Proceeds from the disposal of shares in consolidated companies as well as from the disposal of non-current assets held for sale related to dividends of Stellapharm J.V. (formerly STADA Vietnam J.V.), which was previously accounted for using the equity method, which represent partial payments in connection with the agreement concluded in the fourth quarter of 2017 to sell the shares in this company held by STADA as of December 31, 2019, as well as the final purchase price payment.

Cash flow from financing activities in 2019 were -€316.7 million (previous year: €79.7 million). This development was primarily attributable to the settlement of liabilities, presented in the dividend distributions, to shareholders from a profit transfer agreement in the amount of €134.2 million. In addition, there were dividend distributions to non-controlling interests in the amount of €17.0 million. Furthermore, scheduled repayments of promissory note loans were recorded which were countered by only limited assumption of financial liabilities. Cash flow from financing activities was also influenced by the repayment of financial liabilities from leases which now also include the leases identified within the scope of the new standard IFRS 16 which was applied for the first time as of January 1, 2019. In the previous year there were the following effects: Significantly higher financial liabilities resulted from the loans granted to STADA by Nidda Healthcare Holding GmbH. This was also countered by higher repayments of financial liabilities. Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled in accordance with the financing conditions to prematurely terminate bonds, promissory note loans and bank loans. Among other things, a partial amount of €360.2 million made due prematurely in the first quarter of 2018 in this context. Another material item in the second quarter of 2018 was the scheduled repayment of a bond in the amount of €347.1 million.

Free cash flow, i.e. cash flow from ongoing operating activities plus cash flow from investing activities, was €179.1 million in the financial year (previous year: €20.0 million) as a result of the still high payments for investments. **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals was €336.9 million (previous year: €249.6 million).

Cash flow for financial year 2019 net of all inflows and outflows from cash flow from operating activities, cash flows from investing and financing activities as well as changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation amounted to -€137.8 million (previous year: €100.6 million).

Investments

Investment volume for the Group in the reporting year amounted to €282.2 million (previous year: €422.2 million). In this regard, investments in property, plant and equipment (not including rights of use in accordance with IFRS 16) totaled €80.0 million (previous year: €53.3 million). In financial year 2019, this did not include any amounts in connection with business combinations in accordance with IFRS 3 (previous year: €0.3 million). In relation to Group sales, the share of investments in property, plant and equipment amounted to 3.1% (previous year: 2.3% of Group sales). Investments in intangible assets amounted to €197.7 million (previous year: €368.6 million). Of this, €31.9 million was attributable to business combinations in accordance with IFRS 3 (previous year: €81.9 million). In 2019, 28% of the total investment volume was used for for property, plant and equipment (previous year: 13%) and 70% for intangible assets (previous year: 87%).

Acquisitions, cooperations and in-licensings

The Group continued to make progress in financial year 2019 in terms of its acquisitions policy, which is aimed at accelerating organic growth through selected acquisitions.

On June 7, 2019, STADA announced that the Company, through its British subsidiary Thornton & Ross, and GlaxoSmithKline had signed a contract to acquire five skin care brands as well as a pediatric cough remedy in Europe and selected markets in APAC and Latin America.[1)] The contract took effect as of July 31, 2019. With the acquisition, STADA further expands the consumer health business in the markets mentioned.

1) See the Company's press release of June 7, 2019.

On November 4, 2019, STADA announced that it would acquire Walmark a.s., a leading manufacturer of consumer health products in Eastern Europe.[1)] Walmark has a portfolio of well-established Consumer Health brands across multiple categories. These include Vitamins and Minerals, Children's Health, Women's Health, Men's Health, Joint Care, Digestive and Intestinal, as well as Cough and Cold and are set to generate continued growth. Walmark was founded in 1990 and is headquartered in the Czech Republic. The company has a direct presence across nine European Union countries, including: the Czech Republic, Slovakia, Poland, Hungary, Bulgaria, Romania, Lithuania, Latvia and Estonia, and sells its products to more than 40 countries worldwide. Walmark employs more than 540 employees. In the course of the transaction, STADA will integrate Walmark's manufacturing facility in Trinec into STADA's global production network. With Walmark, the Group strengthens its global branded product portfolio and its presence in Eastern Europe – especially in the Czech Republic, Slovakia, Romania, Bulgaria and Hungary. The transaction was concluded in the first quarter of 2020.

On November 5, 2019, STADA announced that it would acquire a portfolio of selected products from Takeda Pharmaceutical Company Limited for a total value of $660 million.[2)] The portfolio consists of approximately 20 selected over-the-counter ('OTC') and prescription pharmaceutical assets sold in countries including Russia, Georgia, Azerbaijan, Belarus, Kazakhstan and Uzbekistan. The portfolio includes OTC-vitamins and food supplements, plus selected products within the cardiovascular, diabetes, general medicine, and respiratory therapeutic areas. The acquired products complement STADA's already existing portfolio in Russia. The acquisition is the largest to date in the history of STADA. The transaction will enable the Group to more intensively expand its consumer health business in Russia and the CIS and to further internationalize the business. In the course of the transaction, approximately 500 sales and marketing employees will move from Takeda to STADA. In further manufacturing of supply contracts, it was agreed that Takeda will continue to deliver the products to STADA in the future. The acquisition was financed by new debt financing. Conclusion of the transaction was carried out in the first quarter of 2020.

On December 2, 2019, STADA announced that it had acquired the pharmaceutical prescription and consumer health business from Biopharma, one of the most important pharmaceutical manufacturers in Ukraine.[3)] As a result of the acquisition, STADA becomes an important player in the Ukrainian pharmaceutical market with a strong local presence in production. In the course of the acquisition, STADA also takes over the production facilities in Bila Tserkva, near Kiev, as well as about 300 employees. Conclusion of the transaction was in December 2019.

In addition to acquisitions, STADA relies on targeted cooperations and in-licensings to expand the existing product portfolio.

The Group made further progress in this regard in the reporting year.

On May 31, 2019, STADA announced that the Company and XBrane Biopharma had expanded their strategic partnership for the development of biosimilars.[4)] This allows both companies to review potential development and marketing cooperations related to the pre-clinical biosimilars Xcimzane and Xdivane from XBrane Biopharma as well as further biosimilars that are suited to the portfolios of both companies.

On November 4, 2019, STADA announced that the Group had entered into an exclusive strategic partnership with Alvotech ehf, an international biopharmaceutical company, for the marketing of seven biosimilars in all European core markets and selected markets outside of Europe.[5)] The partnership initially includes biosimilar candidates for the treatment of auto-immune diseases, cancer and inflammatory diseases as well as in the area of ophthalmology for patients throughout the world. As part of this partnership, Alvotech is responsible for the development, approval and delivery of the biosimilars within the EU. STADA will exclusively market the products in most European core markets. In 2019, there were no significant effects on the results of operations, financial position or net assets in this regard.

Beyond this, STADA was also able to record further successes in 2019 with more than 50 in-licensings for future product launches.

1) See the Company's press release of November 4, 2019.
2) See the Company's press release of November 5, 2019.
3) See the Company's press release of December 2, 2019.
4) See the Company's press release of May 31, 2019.
5) See the Company's press release of November 4, 2019.

Net Assets

Development of the balance sheet

Balance sheet (abridged) Assets	Dec. 31, 2019 in k €	Dec. 31, 2019 in %	Dec. 31, 2018 in k €	Dec. 31, 2018 in %
Non-current assets	**2,284,014**	**59.2%**	**2,113,845**	**59.4%**
Intangible assets	1,785,969	46.3%	1,707,205	48.0%
Property, plant and equipment	453,385	11.7%	351,467	9.9%
Other assets	44,660	1.2%	55,173	1.5%
Current assets	**1,575,412**	**40.8%**	**1,446,281**	**40.6%**
Inventories	638,237	16.5%	515,251	14.5%
Trade accounts receivable	615,090	15.9%	516,011	14.5%
Other assets	112,917	2.9%	71,175	1.9%
Cash and cash equivalents	206,039	5.3%	343,794	9.7%
Non-current assets and disposal groups held for sale	3,129	0.1%	50	0.0%
Total assets	**3,859,426**	**100.0%**	**3,560,126**	**100.0%**

Equity and liabilities	Dec. 31, 2019 in k €	Dec. 31, 2019 in %	Dec. 31, 2018 in k €	Dec. 31, 2018 in %
Equity	**1,195,468**	**31.0%**	**1,177,985**	**33.1%**
Non-current borrowed capital	**1,411,807**	**36.6%**	**1,102,439**	**31.0%**
Other non-current provisions	41,006	1.1%	33,490	0.9%
Financial liabilities	1,244,788	32.3%	978,386	27.5%
Other liabilities	126,013	3.3%	90,563	2.6%
Current borrowed capital	**1,252,151**	**32.4%**	**1,279,702**	**35.9%**
Other provisions	18,261	0.5%	22,543	0.6%
Financial liabilities	40,082	1.0%	444,943	12.5%
Trade accounts payable	414,024	10.7%	315,080	8.9%
Other liabilities	779,784	20.2%	497,136	13.9%
Non-current liabilities and associated liabilities of disposal groups held for sale	–	–	–	–
Total equity and liabilities	**3,859,426**	**100.0%**	**3,560,126**	**100.0%**

The assets situation of the STADA Group recorded a positive development in financial year 2019. This is apparent on the basis of the items reported in the balance sheet.

As of December 31, 2019, **net debt** amounted to €1,078.8 million (December 31, 2018: €1,079.5 million). The figure includes a shareholders' loan of €929.6 million.

The **equity ratio** was 31.0% as of the balance sheet date (December 31, 2018: 33.1%).

The balance sheet total increased to €3,859.4 million as of December 31, 2019 (December 31, 2018: €3,560.1 million). Significant changes in assets are described below.

Intangible assets increased by €78.8 million to €1,786.0 million as of December 31, 2019 (December 31, 2018: €1,707.2 million). This development primarily resulted from the additions that are included here from business combinations in accordance with IFRS 3 which relate to the acquisition of the Biopharma Group.. This led to addition to goodwill in the Branded Products segment from the initial consolidation in the amount of €31.2 million. Furthermore, STADA acquired a branded products portfolio in the United Kingdom for €84.2 million.

As of December 31, 2019, intangible assets included goodwill in the amount of €429.3 million (December 31, 2018: €388.8 million). The change is attributable to additions from business combinations in accordance with IFRS 3 and to currency fluctuations. In addition, in 2019, development costs amounting to €20.4 million were capitalized as internally created intangible assets (December 31, 2018: €20.4 million). Amortization of capitalized development costs amounted to approximately €12 million (December 31, 2018: approx. €11 million). In total, STADA recognized impairments, net of write-ups, on intangible assets totaling €65.9 million in 2019 (previous year: €26.1 million).

Property plant and equipment increased as of the reporting date to €453.4 million (December 31, 2018: €351.5 million). This increase was primarily based on the initial application of IFRS 16 as of January 1, 2019 and the additions from business combinations that relate to the BIOPHARMA Group which was included in the scope of consolidation.

As of December 31, 2019, **inventories** amounted to €638.2 million (December 31, 2018: €515.3 million). The development was primarily attributable to the sales growth, the new introduction of product portfolios and acquisitions.

In specific situations STADA puts – following the principle of market proximity – certain range considerations deliberately aside in favor of possible operating opportunities. In individual cases this – if the utilization of opportunities cannot be realized as expected – can lead to value allowances for inventories which burden earnings. Total burdens in the amount of €40.9 million as of December 31, 2019 were incurred due to impairments net of reversals (December 31, 2018: €35.7 million).

Trade accounts receivable increased to €615.1 million as of the reporting date (December 31, 2018: €516.0 million).

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

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

Financial assets as of the balance sheet date were €6.4 million (December 31, 2018: €2.3 million).

Investments measured at equity decreased to €3.1 million as of December 31, 2019 (December 31, 2018: €24.6 million). The decrease resulted predominantly from the reclassification of the shares held by STADA in Stellapharm J.V. (formerly STADA Vietnam J.V.) into non-current assets held of sale (IFRS 5).

Deferred tax assets rose to €33.5 million (December 31, 2018: €26.3 million).

Other financial assets in the amount of €60.1 million (December 31, 2018: €13.6 million) include, among other things, positive market values of derivative financial instruments which were €0.4 million as of the reporting date (December 31, 2018: €2.2 million) and which consisted of currency forwards. In addition, this item includes receivables from factoring transactions, which for German Group companies amounted to €4.4 million (December 31, 2018: €4.6 million) and receivables from cash pooling with Nidda Healthcare Holding GmbH in the amount of €44.1 million.

Other assets decreased to €48.1 million as of December 31, 2019 (December 31, 2018: €50.4 million).

Cash and cash equivalents, which include cash and call deposits as well as current financial investments, registered an decrease as of the balance sheet date to €206.0 million (December 31, 2018: €343.8 million). This was attributable to the effects described as part of the explanations on the Consolidated Cash Flow Statement. Additional details on the development of cash and cash equivalents can be found in the Consolidated Cash Flow Statement.

As of December 31, 2019, there were **assets and disposal groups held for disposal** in the amount of €3.1 million (December 31, 2018: €0.1 million).

As of December 31, 2019, **equity** rose to €1,195.5 million (December 31, 2018: €1,178.0 million).

Retained earnings including net income comprise net income for financial year 2019 as well as the earnings achieved in previous periods, provided these were not distributed, including the amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account. In the context of measuring the defined benefit obligations as of December 31, 2019, net expense in the amount of €5.3 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. This is based primarily on the reduction in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2019 as compared with December 31, 2018. In addition, this item also includes currency translation differences related to the revaluation of net debt recognized in equity from performance-oriented pension plans as well as the deferred taxes they incur, which, in financial year 2019, amounted to expenses recognized in equity of €0.1 million.

Other reserves include results recognized directly in equity. This relates, among other things to foreign exchange gains and losses resulting from currency translation with no effect on income of the financial statements of the companies included in the Group, which are shown in the statement of changes in equity under the currency translation reserve. The increase in other reserves in the reporting year was attributable in particular to the appreciation of the Russian ruble and the British pound since December 31, 2018 which led to earnings from currency translation with no effect on income of companies reporting in the Russian ruble and the British pound.

The **Group's current and non-current financial liabilities** of €40.1 million and €1,244.8 million as of December 31, 2019, (December 31, 2018: €444.9 million and €978.4 million) mainly comprise a shareholder loan in the amount of €929.6 million, promissory note loans with a nominal value of €48.5 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).

Trade accounts payable increased to €414.0 million as of December 31, 2019 (December 31, 2018: €315.1 million). In addition to reporting date effects, this development was particularly attributable to inventory settlements in the course of inventory build-up and consulting settlements as part of the transformation process.

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

Deferred tax liabilities increased to €87.0 million as of December 31, 2019 (December 31, 2018: €83.9 million). This development was primarily attributable to higher taxable temporary differences from property, plant and equipment and other assets.

Other financial liabilities of €618.7 million (December 12, 2018: €292.9 million) include liabilities from discount agreements of German STADA companies in the amount of €150.9 million (December 31, 2018: €128.1 million) and a liability from the domination and profit and loss transfer agreement with the Nidda Healthcare GmbH in the amount of €349.6 million (December 31, 2018: €134.2 million). The increase in other financial liabilities compared with the balance sheet date of previous year was mainly the result of the development of these items.

Income tax liabilities decreased to €59.4 million as of the reporting date (December 31, 2018: €79.7 million). This development was primarily attributable to the reversal of tax provisions.

Other liabilities rose to €139.1 million as of December 31, 2019 (December 31, 2018: €129.7 million). This mainly resulted from an increase in tax liabilities and personnel liabilities at STADA AG.

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

Introduction

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

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

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

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

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

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

Results of Operations

Results of operations in k €	2019	2018
Revenue	566,727	475,009
Net profit before profit transfer	349,550	**134,189**

In financial year 2019, **STADA Arzneimittel AG's sales** increased by 19% to €566.7 million (previous year: €475.0 million).

In this regard, sales to third parties increased slightly as compared with the previous year. This was primarily attributable to increased royalties.

Internal Group sales developed positively. The development was primarily attributable to an increased volume of product deliveries.

Other operating income decreased to €63.2 million (previous year: €65.8 million) – particularly as a result of lower income from write-ups in the amount of €21.1 million (previous year: €27.0 million) and a decrease exchange rate gains in the amount of €13.4 million (previous year: €24.4 million), with a countervailing rise in income from the reversal of provisions by €6.3 million to €9.3 million.

As a result of the increase in sales, the cost of materials and supplies and goods purchased increased to €176.1 million (previous year: €159.6 million). Personnel expenses rose to €114.4 million (previous year: €91.4 million). Amortization/deprecation of non-current intangible assets and property, plant and equipment recorded an increase to €93.7 million (previous year: €49.0 million). This increase resulted for the most part from higher unscheduled amortization on approvals and brands. Depreciation of

financial assets declined to €1.1 million (previous year: €17.2 million). Other operating expenses decreased to €192.1 million (previous year: €221.7 million) – especially due to lower intra-Group charges.

Income from profit transfer agreements and associates recorded an increase to €96.7 million as a result of positive earnings development in the German sales companies (previous year: €83.0 million). Investment income showed an increase to €181.8 million (previous year: €50.3 million). Income from intercompany loans to associates declined to €31.5 million (previous year: €31.9 million). Other interest and similar income decreased to €11.4 million (previous year: €12.6 million). Interest and similar expenses increased to €42.1 million (previous year: €35.1 million), particularly due to the funds from Nidda Healthcare GmbH.

STADA Arzneimittel AG's net profit was, due to the domination and profit and loss transfer agreement, completely transferred to Nidda Healthcare GmbH. Prior to the profit transfer, net profit amounted to €349.6 million (previous year: €134.2 million). In the reporting year there was tax income of €14.8 million (previous year: tax expense of €12.3 million).

Financial Position

STADA Arzneimittel AG's cash flow from operating activities increased to €160.1 million in financial year 2019 (previous year: €138.1 million). This increase was particularly the result of increased liabilities to associates, particularly as a result of the domination and profit and loss transfer agreement with Nidda Healthcare GmbH.

Cash flow from investing activities amounted to -€121.3 million (previous year: -€252.1 million) and was based primarily on lower investments in intangible current assets.

Cash flow from financing activities was -€108.6 million (previous year: €177.2 million). The net change in financial liabilities (loans, promissory note loans and a bond) declined to -€136.2 million (previous year: -€748.9 million). Inflows resulted in particular from intercompany loans.

As a result of the cash flow executed in advance, cash and cash equivalents declined to €91.5 million (previous year: €161.3 million). The primary goal of financial management is constant securing of liquidity and the limitation of risks associated with the financing. In the reporting year, current debt financing was geared toward the capital markets and was primarily based on current and non-current funds from Nidda, promissory note loans, a bond and factoring. The average capital-weighted interest rate on the interest-bearing financial liabilities of STADA Arzneimittel AG on December 31, 2019 was 3.07% (December 31, 2018: 2.97%).

Net Assets

Net assets in € million	2019	2018
Non-current assets	2,416.3	2,362.8
Current assets	733.2	592.3
Equity	886.8	886.8
Provisions	115.9	107.0
Liabilities	2,153.5	1,969.0

In financial year 2019, **STADA Arzneimittel AG's non-current assets** increased to €2,416.3 million (previous year: €2,362.8 million). This development was based primarily in the increase in financial assets to €1,902.5 million (previous year: €1,811.9 million). By contrast, intangible assets decreased to €460.5 million (previous year: €496.6 million). Intercompany loans to associates, which were primarily used to finance acquisitions in the Central Europe region, also decreased to €479.6 million (previous year: €488.5 million).

In 2019, **STADA Arzneimittel AG's current assets** increased to €733.2 million (previous year: €592.3 million). The primary reason for this was attributable to the increase in receivables from associates to €582.1 million (previous year: €380.7 million). This was mainly related to an increase in current loans to subsidiaries. This was countered by a reduction in bank balances to €91.5 million (previous year: €161.3 million. Inventories increased to €48.4 million (previous year: €35.0 million).

STADA Arzneimittel AG's equity remained unchanged in the reporting year at €886.8 million. The equity ratio decreased to 28.1% (previous year: 29.9%).

STADA Arzneimittel AG's provisions increased to €115.9 million (previous year: €107.0 million). The development was mainly the result of an increase in provisions for outstanding invoices, primarily for consulting services.

STADA Arzneimittel AG's liabilities amounted to €2,153.5 million (previous year: €1,969.0 million). The development resulted for the most part from the liability due to the earnings transfer agreement to the parent company with an opposing effect from the repayment of liabilities to banks. Trade accounts payable increased to €36.7 million (previous year: €24.9 million). Other liabilities decreased to €7.2 million (previous year: €13.0 million). In addition to the assets recognized in the balance sheet, STADA took advantage of off-balance sheet assets. These primarily include leased or rented items within the usual framework such as company cars and rented building space.

The **balance sheet total** of **STADA Arzneimittel AG** rose to €3,156.3 million (previous year: €2,962.9 million).

General Statements of the Executive Board on the Course of Business in 2019

2019, STADA recorded a very successful financial year. In addition to increasing sales and key earnings figures, the Group also made further significant progress in its transformation process. It was possible to achieve the forecast published in the Annual Report 2018.

Group sales adjusted for currency and portfolio effects increased in the reporting year by 8% to €2,608.6 million. **Adjusted EBITDA** rose by 24% to €625.5 million.

Report on Post-Balance Sheet Date Events

This report on post-balance sheet date events includes events that occurred between the end of financial year 2019 and the date of signing of the Combined Management Report and the Consolidated Financial Statements for 2019 and which have a significant, or possibly significant effect on the net assets, financial position and results of operations of the STADA Group.

These were as follows:

On February 7, 2020 STADA announced that the Company is acquiring the FERN-C portfolio, a well-established range of vitamin C food supplements, in the Philippines.[1)] The purchase price amounts to approximately €18 million.

On February 24, 2020, STADA announced that it agreed to acquire 15 well-established consumer healthcare products from GlaxoShmithKline across more than 40 countries, predominantly in Europe, and multiple therapeutic areas.[2)] The purchase price is between €311 million and €321 million.

On March 3, 2020 the acquisition of selected products from Takeda Pharmaceutical Company Limited was completed. The purchase price amounts to approximately USD 610 million (see Note "8. Business combinations").

The acquisition of Walmark, a leading manufacturer of consumer health products in Eastern Europe was completed on March 4, 2020. The purchase price amounts to approximately €140 million (see Note "8. Business combinations").

1) See the Company's press release of February 7, 2020.
1) See the Company's press release of February 24, 2020.

Report on Expected Developments

Business model with long-term growth prospects

STADA's business model will, also in the future, remain concentrated on the health care market with a focus on pharmaceuticals. The Group will thus continue to be active in one of the international growth industries. Notwithstanding the unchanged positioning toward areas with long-term growth opportunities, the sales and earnings development of the Group will be subject to partially opposing factors also in financial year 2020. Economic, regulatory and competitive framework conditions can vary from country to country and from year to year. More detailed descriptions of the risks can be found in the "Opportunities and Risk Report". Overall, the Executive Board expects, with a view to the transformation process that has been launched including the broad range of initiatives for efficiency enhancement, the further-developed corporate strategy and the comprehensive opportunities management, to achieve further growth, also in the future. Details on the Group's opportunities management are also available in the "Opportunities and Risk Report."

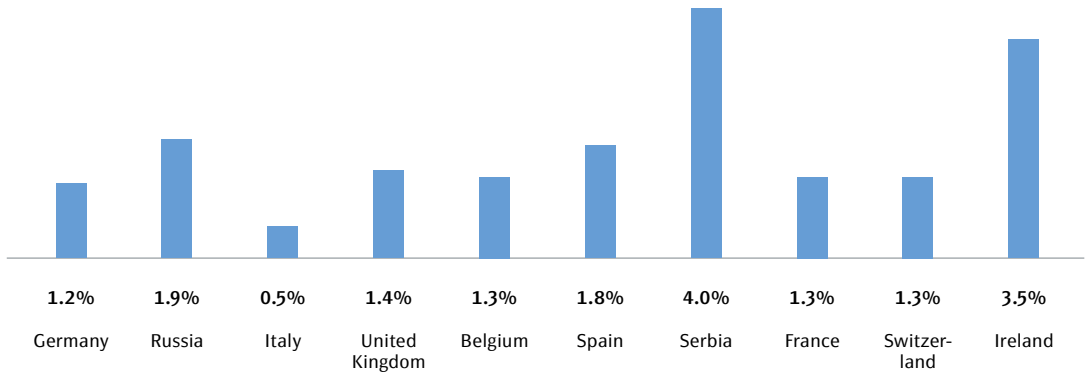
In the course of the successful product development and active acquisition policy, STADA will continuously expand the Group portfolio in both the Generics and Branded Products segments with acquisitions. Within Generics, there are promising growth opportunities exist in the expansion in markets with relatively low penetration rates in particular. In the Branded Products segment, in addition to expansion, STADA is targeting the increasing internationalization of successful brands.

Macroeconomic outlook

For 2020, the IMF has forecast a growth rate of 3.4% for global gross domestic product.[1)] In this regard, a recovery is expected, especially for the USA, the Euro zone, China and Japan which contribute roughly one half of the global gross domestic product.

The following chart shows the economic forecast for the most important STADA markets. The countries are arranged in descending order by sales achieved by STADA in financial year 2019.

Forecast growth rates for gross domestic product 2020[1)] in %



Sector-specific outlook

In consideration of the general growth drivers such as the global population increase, an increasingly aging society in industrialized nations and further medical progress, many health care and pharmaceutical markets will also in future offer strong and relatively non-cyclical growth opportunities. Because generics represent a more affordable alternative to the often much more expensive original products and thus help to ease the financial burden on health care systems, there are further growth poten-

1) Source: International Monetary Fund: World Economic Outlook October 2019.

tials within the pharmaceutical market, especially in this area. Additional growth opportunities result from the continuous expiration of patents and other commercial property rights. Substantial growth opportunities are also attributed to biosimilars because, in comparison with cost-intensive biopharmaceuticals, they can make a significant contribution to cost reductions.

With a view to these growth potentials, the international market research institute IQVIA forecast average annual sales growth of 4–5% for the global pharmaceutical market between 2020 and 2024.[1)]

The experts from IQVIA forecast an average annual increase in sales for the global generics market in the amount of 7.0% between 2020 and 2024.[1)] It should, however, be taken into account that the actual growth rates of reported sales in markets where significant discounts must be granted, should be substantially below gross sales generally recorded by the market research institutions before discounts.

The average annual sales volume for the newly available active pharmaceutical ingredients (including biologics) introduced into generics competition between 2020 and 2024 in the largest European pharmaceutical markets of Germany, France, Italy, the United Kingdom and Spain will be more than €22.1 billion.[2)]

This forecast is supported by estimates from IQVIA, according to which annual generics growth in the EU (EU28) from 2020 to 2024 should be 5.1%[1)] on average. For selected markets in Eastern Europe[3)], IQVIA estimates average annual generics growth in this period at 9.3% [1)]. In this regard, growth rates in the Russian generics market will amount to an annual average of 9.2%[1)].

According to experts, the average annual growth rates for sales in the global OTC market will be at 4.2%[1)] between 2020 and 2024. Forecasts for the average annual sales growth in the European OTC market (EU28) will be at 1.9% in this period, according to information from IQVIA.[1)]

Basis of the outlook

The outlook for financial year 2020 was made taking into account the events known when this Annual Report was prepared. It is also based on the details of the overall economic outlook and the sector-specific outlook.

The outlook is also supported by the following assumptions:

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

Outlook for STADA Arzneimittel AG

For financial year 2020 the Executive Board assumes sales for STADA Arzneimittel AG at a nearly unchanged level as compared to the previous year as well as an annual net profit before profit transfer of at least €250 million.

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

1) IQVIA Syndicated Analytics Service; prepared for STADA February 2020.
2) STADA's estimate of sales volume in 2019 on ex-factory prices for active pharmaceutical ingredients (including biologics) for which, from a current perspective, STADA expects a patent or other commercial property rights relevant for generics competition to expire by 2024, based on information from various international market research institutes. STADA's expectation of when an active pharmaceutical ingredient will be available for generics competition is subject to continuous legal review and may change considerably in future compared to the information underlying the current expectation (as of: March 1, 2020). The actual new sales volume that is becoming available for generic competition at the relevant dates is subject to fluctuations that may depend inter alia on a change in market profit, legal framework conditions or market structures.
3) Russia, Serbia, Ukraine, Kazakhstan and Bosnia and Herzegovina.

Summarizing outlook

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

There are, however, also associated operative risks and challenges that are due in particular to amended or additional government regulations (e.g. additional official requirements for clinical studies which could lead to extended development times for biosimilars) and/or intense competition. As a result, STADA will also face non-operational influence factors in future, such as negative Group-relevant currency relations and the effects of the ongoing conflict in Ukraine and the associated sanctions against Russia. Furthermore, the potentially negative macroeconomic consequences in connection with the United Kingdom's departure from the EU may have an effect.

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

With a view to the transformation process that has been launched, including the broad range of initiatives for efficiency enhancement, the further-developed corporate strategy and the comprehensive opportunities management, the positive prospects are expected to prevail.

The Executive Board expects further Group growth for financial year 2020 as compared to the prior year. In this context, Group sales adjusted for currency and portfolio effects in based on both segments will grow strongly and adjusted EBITDA will increase significantly.

Opportunities and Risk Report

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

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

Comprehensive opportunities management to take advantage of existing growth opportunities

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

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

Important strategic success factors of the STADA Group

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

Risk management

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

The goal of risk management is to ensure, throughout the Group, that risks are recognized at an early stage, evaluated, managed and minimized using targeted measures and to ensure that all relevant regulatory requirements of the risk management system

are fully complied with. The company-wide standard and integrated approach to risk management is intended to ensure the efficiency of Group-wide risk management and make it possible to aggregate risks and provide transparent reporting.

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

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

1. the **Risk Management & Database department**, which is vertically and horizontally integrated in the Company and is responsible for the planning and further development of the risk management system (including the Group-wide establishment of the risk management software "R2C – Risk to Chance"), as well as the methods and procedures used to identify and assess risks and support the local risk managers;

2. the local **risk officers** who identify and assess risks (including measures) and document and update them in the risk management system and who are integrated in all corporate units and subsidiaries throughout the Group.

3. **Review and coordination by** the Risk Management & Database department with the locally responsible risk officers on current issues and on the identified risk situation in the individual divisions in the Group (especially with regard to risk aggregates);

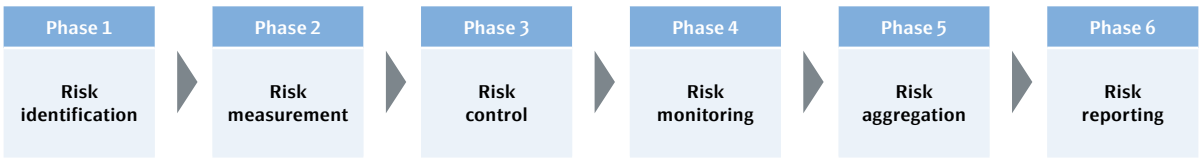
4. The Company-specific **risk management guide**, which defines the risk management terms, risk policy and the risk management system including the risk management process and responsibilities.

5. **Risk reporting** at Group and individual-company level.

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

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

At STADA, the **risk management process** comprises the phases of risk identification, risk measurement, risk control, risk monitoring, risk aggregation and risk reporting. Based on the requirements of the new majority shareholders of the STADA Group, the existing risk management system was reviewed in 2018. This review led to the start of a realignment of the risk management system in 2018. As part of this process, in the year under review, among other things, processes for reporting risks were adapted with regard to the reporting structure in the sales companies and the assessment periods were changed from cumulative periods to additive periods. These periods are oriented toward calendar years.



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

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

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

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

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

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

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

The relevant period for internal regular reporting to the Executive Board is the current year plus two additional years. In addition, there is an area-related internal recording and monitoring of long-term risks beyond this relevant period. The assessment of the individual risks as well as the overall risk situation of STADA in the Combined Management Report relates to December 31, 2019. There were no relevant changes after the balance-sheet date that would have necessitated an amended presentation of STADA's risk situation. There is, however, no way to fully identify and manage risks with absolute certainty.

Internal Control and Risk Management System for the Group accounting process (report in accordance with Sections 289 [4], 315 [4] HGB)

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

It includes, among other things:

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

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

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

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

Evaluation of risk categories

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

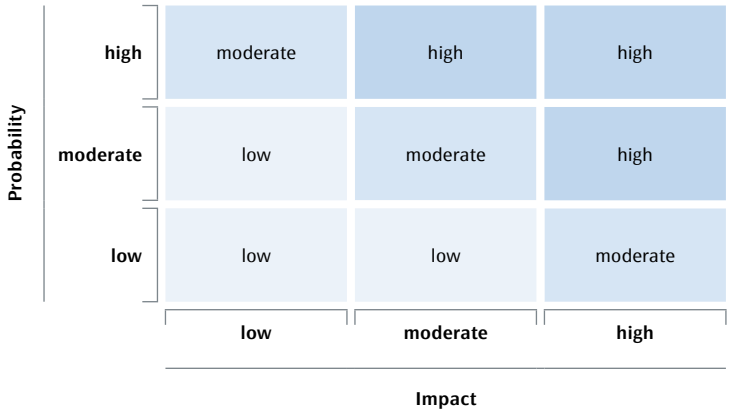
Within the risk management process described above, at STADA individual risks are evaluated on the basis of the probability of occurrence and a potentially negative impact on the forecast financial targets in relation to adjusted EBITDA.

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

Scale for the classification of risk categories	low	moderate	high
Probability	> 0% to ≤ 30%	> 30% to ≤ 70%	> 70% to 100%
Impact over 36 months	up to ≤ €5 million	> €5 million up to ≤ €10 million	> €10 million

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

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



STADA classifies the identified risks in the risk reporting in accordance with the risk categories presented below. The chart shows all relevant risk categories in accordance with the STADA evaluation scheme. Individual risks and aggregate risks that were classified as "high" as of the balance-sheet date December 31, 2019 are to be considered particularly relevant.

Risk category	Risk sub-category (individual risk or aggregate risk)	Probability	Net impact
Sector risks	no relevant risks	no relevant risks	no relevant risks
Regulatory risks	health policy (price change)	moderate	high
Economic risks	no relevant risks	no relevant risks	no relevant risks
Product portfolio risks	licenses & approvals (prescription status)	high	high
	licenses & approvals (in-licensing)	moderate	high
Legal risks	patents (patent violation)	moderate	high
Corporate strategy risks	no relevant risks	no relevant risks	no relevant risks
Performance-related risks	production & purchasing (supply interruption)	moderate	high
Personnel risks	no relevant risks	no relevant risks	no relevant risks
Compliance risks	no relevant risks	no relevant risks	no relevant risks
Risks in relation to information technology	no relevant risks	no relevant risks	no relevant risks
Financial risks	taxes (company audit)	moderate	high
Other risks	no relevant risks	no relevant risks	no relevant risks

As a supplement to the tabular presentation and regardless of the degree of evaluation, the current main risk categories for the STADA business model, based on the general risk reporting from Risk Management as of December 31, 2019 are explained in detail below.

Business-related risks

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

Industry risks, regulatory and economic risks

a) Industry risks

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

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

Since the beginning of the conflict between Russia and Ukraine in 2014, business development of STADA has been impaired in both the Russian and Ukrainian markets. In financial year 2019, too, the partial reluctance to buy remained noticeable. As a result of the continued lack of momentum in the development of real income, the buying power of the Russian population remained limited in 2019, and pressure on the pricing thus remained accordingly.

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

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

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

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

b) Regulatory risks

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

The national markets in which STADA is active are characterized by a large number of regulations. The changing, lifting or passing of new regulations could have significant economic and strategic impacts on STADA and the economic success of individual products or investments. Regulations at a national or supranational level are highly significant if, for example, they affect the

market structure, pricing, reimbursement or approvals of pharmaceutical products. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms concerning discounts, reduction or exclusion of cost reimbursement). Furthermore, direct costs for the fulfillment of requirements (e.g. during approval) or increased indirect costs (e.g. through evasive action by competitors or consumers) can be incurred. This can reduce the profitability of products affected in the markets and prevent the market launch of a product in individual cases. STADA assumes that the extent of price regulation and pricing pressure will remain, primarily in the Generics segment. STADA counters these risks, among other things, through a targeted expansion of the product portfolio in less regulated areas.

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

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

c) Economic risks

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

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

In the referendum decision held on June 23, 2016, a majority of voters in the United Kingdom voted in favor of the United Kingdom leaving the EU ("Brexit"). Notwithstanding the departure on January 31, 2020 with a transition phase until December 31, 2020, the negotiations are underway on the future cooperation between the EU and the United Kingdom are proceeding slowly and it is not yet foreseeable what the conditions of the departure will be or even if there will be an orderly departure. Up to this point, the British economy has proven relatively robust. There is, however, the risk that an economic downturn will occur during the course of or following negotiations, potentially increasing cost pressure in the health care system and, for example, resulting in price reduction measures. There is also the risk, in the case of a downturn, that it could cause hesitation on the part of consumers in the self-payer area.

Product portfolio risks

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

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

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

Legal risks

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

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

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

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

Operational risks

a) Corporate strategy risks

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

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

b) Performance-related risks

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

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

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

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

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

c) Personnel risks

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

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

d) Compliance risks

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

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

e) Risks in relation to information technology

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

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

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

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

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

Financial risks

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

a) Liquidity risks

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

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing of Nidda, or fluctuation in the operational development of business. The goal of the liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by way of maintaining a sufficient supply of liquidity reserves. In 2019, STADA financed itself with current and non-current borrowings from Nidda, promissory note loans, bonds, a revolving credit facility and factoring.

b) Currency risks

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

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

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

A currency sensitivity analysis on the basis of the outstanding foreign currency items as of December 31, 2019 showed that in financial year 2019, an appreciation or devaluation of the functional currency compared with the ruble by 10% with otherwise unchanged conditions would change the EBITDA by approximately €2.0 million (previous year: €0.2 million) (translation risk). At the same time, an appreciation or devaluation of the functional currency in relation to the British pound of 10% with otherwise unchanged conditions would lead to a change in EBITDA of approximately €6.5 million (previous year: €0.3 million) (translation risk).

c) Interest rate risks

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

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

A sensitivity analysis has shown that an increase in market interest rates of 100 basis points in financial year 2019 would have led to a burden on earnings in the amount of €6.2 million (previous year: €4.5 million) and a decrease in market interest rates of 100 basis points would have led to a relief on earnings in the amount of €0.4 million (previous year: €0.4 million).

d) Default risks

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

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

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

e) Tax risks

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

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

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

f) Impairment risks

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

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

Other risks

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

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

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

Summary evaluation of risks

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

The process of realigning the risk management system, which was started in 2018, has led to a reduction in the number of individual risks to be reported, and the impairment of this reduction has a disproportionately low effect on the overall risk position of the STADA Group. The changes in the high areas of the evaluation scale in 2019 (within the tabular overview under "evaluation of risk categories") are due to the conversion of the valuation periods carried out by the system in 2019.

In the context of the corona virus, which has been spreading globally since January 2020, the Chinese authorities have generally closed down production facilities. Since only a limited number of the active ingredients sold by STADA come from China and in many cases there is another source of supply outside of China (dual source system), a resulting significant supplier risk for STADA is currently considered low. In addition, any delays in delivery can be absorbed by existing inventories.

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

COMBINED SEPARATE NON-FINANCIAL REPORT

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

While topics such as product safety and quality, portfolio development, human resources (HR) as well as internal control and risk management are regulated centrally by corporate policies that are valid throughout the Group, the individual national companies assume responsibility for other CSR matters as part of what is mainly a decentralized approach. In light of this, the reporting that follows distinguishes between the circumstances that are described and their concepts for the Group, its parent company or individual national companies. If no other information is provided, the information presented generally relates to the STADA Group.

STADA established processes for reporting on non-financial aspects in order to survey these globally and collect the information centrally. A next step was taken by starting to implement systems to record and later monitor CSR issues. In the reporting year, with a view to the increasing importance of the topic of "CSR", the Group for the first time introduced non-financial key figures. These key figures are "Climate change: CO_2 balance", "Health and safety: accident rate", and "Gender diversity".

As part of its business activities as an internationally active health care Company, STADA has been assuming responsibility for employees, society and the environment for more than 120 years. Because responsible behavior as well as social and ecologically sustainable business operations are the foundation for the long-term success of the Company. In this Non-Financial Report, STADA provides information on significant non-financial aspects for financial year 2019, on the aspects that are necessary for an understanding of business operations as well as the earnings and position of the Group. Furthermore, the effects of business activities on the aspects as well as their impact on business activities are taken into account. The reporting period is January 1, 2019 through December 31, 2019. The contents of the report are based exclusively on the definition of materiality and the content requirements of the HGB. In light of the fact that the Group introduced non-financial key figures for the first time in financial year 2019, in terms of non-financial reporting STADA is currently in a coordination process for a framework to be applied in the future in accordance with Section 289d HGB. For this reason, no framework has been applied at this time.

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

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

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

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

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

More than 120 years of corporate responsibility

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

Business Model and Strategy

STADA is an internationally active health-care Company organized as a stock corporation and that sells its products in about 120 countries. STADA Arzneimittel AG, based in Bad Vilbel, is the parent company of the Group. In financial year 2019, STADA's two segments, Generics and Branded Products, achieved adjusted Group sales of €2,608.6 million and adjusted EBITDA of €625.5 million.

Sustained profitable growth and long-term value enhancement

With its business model, the Group aims to achieve sustained profitable growth and enhance Company value over the long term (see "Fundamental Information about the Group – Internal Management System").

In order to achieve these goals, STADA introduced its transformation process in the reporting year, including numerous initiatives for increasing efficiency. The measures taken will increase competitiveness, enhance innovative strength and create greater value over the long term.

As part of its corporate strategy, the Group relies on new marketing channels, efficiency enhancements in the area of marketing and sales, increased investments in the core markets as well as new product launches. In addition, STADA pursues strategic partnerships throughout the world in the areas of development and production which allow the Company, also in the future, to have a competitive product portfolio that generates sustainable growth.

Focus on growth markets

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

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

The Branded Products segment benefits particularly from a change in demographics and increasing health awareness associated with the willingness and desire to personally make provisions for one's own health. Through individual health management, people's need to live happier, healthier and longer lives grows accordingly.

Product Safety and Quality

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

Good Clinical Practice

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

Good Manufacturing Practices

Within the scope of the manufacture of pharmaceutical products, STADA also follows the so-called Good Manufacturing Practice (GMP) standards for its quality assurance and control. They represent the guidelines for quality assurance in terms of both the processes and the environment in the production of pharmaceuticals and active ingredients as well as cosmetics. STADA is also certified in accordance with external, international quality assurance systems and, at its numerous production sites, not only focuses on GMP standards, but also on all relevant ISO standards. Group-wide quality assurance is carried out centrally through STADA Arzneimittel AG, whereby individual, national companies are supported by regional quality assurance officers. The focuses in 2019 were on the area of harmonization, consisting of a standardization of the organization as relates to the topic of “quality” as well as the introduction of a global workflow system along with new performance indicator and reporting systems.

For GMP audits, quality assurance regularly reviews both compliance with the quality standards set by the Group for its production sites and the facilities of suppliers and contract manufacturers. In addition, inspections are conducted at the locations of the STADA production network at regular intervals by the responsible national regulatory authorities – within the EU these take place every two to three years. Within the audits carried out in financial year 2019, no critical findings were identified. STADA requests additional EU GMP compliance inspections for production sites outside of the EU.

Good Pharmacovigilance Practices

As part of a Group-wide global pharmaceutical safety system – the so-called STADA Global Pharmacovigilance System – the safety of all STADA pharmaceuticals worldwide is monitored and ensured through the collection and evaluation of all reported pharmaceutical risks. Here, STADA’s subsidiaries work in accordance with standard operating procedures (SOPs) issued by the central department of Corporate Pharmacovigilance. In accordance with Good Pharmacovigilance Practices (GVP) and as part of the Global Pharmacovigilance Quality System, adherence to legal requirements and STADA standard operating procedures is monitored globally by means of a pharmacovigilance auditing system. Pharmacovigilance audits required in accordance with GVP are conducted by auditors from the Medical Affairs/Corporate Pharmacovigilance department. Additionally, STADA’s GVP conformity is regularly inspected by authorities such as the German Federal Institute for Drugs and Medical Devices (BfArM). The inspections made in financial year 2019 were concluded without critical results.

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

Contributions to Society

In view of the fact that STADA, with its generics and biosimilar portfolio, provides society with access to affordable medical care and thus reduces the cost pressure on the health care systems, the Company makes a fundamental social contribution. At the same time, with its Branded Products portfolio, STADA contributes not only to health care in general, but also to preventive health care.

Product portfolio and development

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

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

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

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

STADA as a health partner

STADA believes that it is not only responsible for providing society with access to safe and affordable health care, but also further considers its role as a health-care partner. In this way, the Company also aims to increase society's health competence and create awareness for dealing responsibly with one's own health. In this context, the publication of high-quality health-care information has for many years made a contribution to the education of society. STADA has established a health blog (www.yourhealth.stada) and is present in the social networks. Both channels deal with a range of health topics with the aim of improving physical and mental well-being – in accordance with the self-image: "STADA: Caring for people's health as a trusted partner".

In addition, the Group launched the STADA Health Report in 2014. The core of this report, which is supported by experts from the world of medicine, science, sport and lifestyle, is an annual study. Surveys carried out among the population on their attitudes, desires, behaviors and knowledge related to the topic of health form the basis of the respective studies. In 2018, the survey was conducted for the first time in various countries. In this context, 18,000 people in nine European countries were surveyed. The results of the survey conducted in 2018 appeared in the STADA Health Report for 2019 in various languages.

Responsible Corporate Governance and Compliance

As an internationally-active Group, STADA is subject to a wide range of legal framework conditions. Adherence to these conditions forms the foundation of responsible, sustainable and successful corporate governance – because unlawful behavior or even the appearance of a breach of the law can damage the reputation and market position of the Company in a lasting manner and cause significant financial loss. For this reason, the principles of transparent, responsible and value-oriented corporate governance determine the actions of STADA's Executive and Supervisory Boards. Furthermore, in addition to legal requirements and further

regulations, the regulatory framework in which the Company operates encompasses the provisions of its Internal Control and Risk Management System, the STADA Code of Conduct and corporate policies on specific topics derived from it.

STADA's Code of Conductis published on the Company's website at www.stada.com/de or www.stada.com.

STADA Code of Conduct

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

In financial year 2019, internal communication measures regarding compliance issues and the values of STADA were further expanded and stepped up at a global and local level, e.g. through regular newsletters and intranet contributions. In addition, in the reporting year, a number of global policies, such as the anti-bribery and antitrust policy, were approved or updated to further strengthen the Compliance Management System.

For financial year 2020, among other things, a further intensification of cooperation and the exchange of ideas and information within the global compliance organization is planned, for example with a global meeting.

Compliance Management

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

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

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

Through a regular review of the existing Compliance Management System, it is continuously optimized and the international exchange between compliance officers is intensified. In financial year 2017, an expanded reporting system from the subsidiaries to the Compliance Office was set up which is developed on an ongoing basis. As part of this system, disclosures from subsidiaries regarding individual compliance topics are collected and evaluated in order to, in turn, derive new optimization measures from them. This reporting was also developed further in financial year 2019. At the same time, an assessment and systematic review of the situation at individual locations regarding their positioning within the area of compliance – for example using so-called "Readiness Assessments" or audits in the Compliance department take place on an ongoing basis with the goal of gradually strengthening the Group-wide compliance organization. Following implementation of the German Data Protection Regulation (GDPR) in financial year 2018, the focus in 2019 was especially on a review of the implementation of this regulation in addition to general compliance reviews.

Internal Control and Risk Management System

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

The Internal Control and Risk Management System is subject to the annual audit, as well as to audits by Internal Auditing at regular intervals. The Internal Auditing department also supports the Executive Board as an independent body outside of daily business operations by evaluating Group-wide internal procedures and processes from an objective perspective and with the necessary distance. The goal is to optimize business processes, reduced costs, realize efficiency increases and to achieve internally determined goals by way of improved internal controls (see "Opportunities and Risk Report – Internal Control and Risk Management System for the Group accounting process [report in accordance with Sections 289 [4], 315 [4] HGB]").

Employee Matters

STADA's personnel policy is managed centrally by the Global Human Resources department at Group headquarters. In this regard, the global functional departments "Talent Management & People Development", "People Analytics, Talent Acquisition & Employer Branding" as well as "Compensation & Benefits" lay out the standards, guidelines and processes that are implemented by the international subsidiaries and supplemented in accordance with the conditions specific to the market. To strengthen the centrally managed international HR structure, in financial year 2019, functional reporting lines for all local personnel managers to global HR management were established.

In the reporting year, two HR Leadership conferences took place, bringing together HR representatives from headquarters and those responsible for personnel from the larger subsidiaries in order to improve international cooperation. The focus of the event, which in the future will take place twice a year in different countries in which STADA is active, is especially the presentation of global projects.

The measures initiated globally in financial year 2019 included, among others, the establishment of the global department "Talent Management & People Development", which in the future will be responsible for the areas of "Culture and Values", "Change Management", "Talent Management", as well as "Succession Planning and Executive Development". Furthermore, in the reporting year, the process of creating and implementing the new SAP-based HR IT environment was continued, enabling the standardization and digitalization of Group-wide HR processes. In two countries in which the Company is active, the basis module will now be used for the recording of employee core data and organizational structures. In Germany, the modules for personnel recruitment and time recording are also already being used. In addition, a global project team led by the Compensation & Benefits department began working on a global compensation structure in the reporting year.

Employee recruitment and retention

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

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

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

In order to deal responsibly with the labor of each individual employee – one of the Company's key resources – STADA has, among other things, established Company health management at its headquarters in Bad Vilbel, which supports the workforce in staying physically fit. These include, for example, a fitness room, yoga courses, massage programs and sports groups as well as a health day held annually at two locations in Bad Vilbel.

In order to continue to be perceived as an attractive global employer in the future, the Human Resources department is, on the one hand, constantly developing the above-mentioned programs and framework conditions. On the other hand, in financial year 2019 it began to further expand communication with internal and external target groups. Internal communication takes place in particular through regular reporting on the global intranet and the global newsletter. LinkedIn and the fully-revised global career website are now also used for external communication.

Training and development

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

In the reporting year, STADA introduced a global program for the promotion of talent aligned with the corporate culture and the goal of future growth. In three development cycles, participants are given a comprehensive understanding of STADA's purpose, values and strategy.

With the goal of recruiting and promoting young talent, STADA also initiated the introduction of a global trainee program called "IMPACT" which will start in financial year 2020. Ten trainees in four functional areas will be trained at STADA for 24 months within the framework of the program and prepared for a potential long-term position in the STADA Group.

In 2019, nine people successfully completed their training or dual studies at STADA in Germany. Six additional persons were still undergoing training in different areas of the Company during this period. As part of its development program, the Company also offers students the opportunity to collect practical experience in the pharmaceutical industry with an internship or clerkship.

Employee communication

In the reporting year, internal communication assumed a decisive role in the communication of the various growth and transformation initiatives at STADA. The various channels were used on the one hand to provide background information on acquisitions or to explain the overall Group strategy and, on the other hand, to strengthen corporate culture.

This becomes particularly clear on the Group's newly established intranet that, in line with one of the four corporate values, bears the name @ONESTADA. After various local platforms had made the central flow of information more difficult for years, there is now for the first time a central contact point that combines international information from the Company's headquarters and countries with national news. A common "Look & Feel" based on Sharepoint, which fits seamlessly into the Group's existing IT landscape, facilitated the establishment of the new site and creates a sense of togetherness among the participating country organizations both visually and in terms of content. The intranet was initially launched in the Group's four main languages English, German, Russian and Serbian. The intranet was initially launched in the Group's four main languages English, German, Russian and Serbian. An expansion to other languages and subsidiaries is planned.

The employee magazine was also further internationalized in financial year 2019. In spring, STADA published the jacket section, which is identical in all languages and contains the most important information at Group level – for the first time also in Vietnamese. The publication now appears in nine different languages and in ten countries.

In order to integrate communication topics even better in the future, an international meeting was held for the first time in 2019 with around 40 communication managers from the various countries, which is to be repeated annually. In the meantime, regular telephone conferences ensure the exchange and flow of information with the countries.

A constant on the agenda is the communication of values across the entire STADA Group. As a blueprint for other countries, a concept for a poster campaign was developed at the Company's headquarters that presents employees as ambassadors of values. It was possible to attract more than forty participants for this. In the future, the images will be used both for internal communication and for all measures relating to the topic of "employer branding". There are also numerous local value initiatives that can be shared in the form of best practices and adapted if desired.

With regard to direct communication, an ever-increasing degree of internationalization can also be observed. For the first time in the reporting year, a global employee meeting was held outside Group headquarters. Similar to the last events, the one in Belgrade, Serbia, was transmitted to the entire organization via livestream and simultaneously translated into German, Spanish, Russian and Serbian.

Employee rights and occupational safety

Throughout the Group, STADA respects the rights of its employees in compliance with local laws.

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

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

With a view to the safety of employees, the prevention of accidents and emergency situations as well as the planning of emergency measures take on great importance. Within this framework, the Group ensures their safety in the workplace in compliance with current standards. You can find more detailed information on this topic in the sub-chapter "Health, safety and environmental protection".

Fostering equal opportunity

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

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

In relation to the STADA Group's total workforce, the proportion of women as of December 31, 2019 was approximately 57%.

In 2019, a new global definition for gender diversity was introduced. The new breakdown replaces the previous indicators of female share "1st management level" with 11% and "2nd management level" with 28% (as of December 31, 2018). For 2019, the new global definition for gender diversity calls for a breakdown in "upper, middle and lower management levels". The "upper management level" includes all members of the STADA Global Leadership Team. In this Group, women have a share of 21%. For the "middle and lower management levels", the share of women was 53%. A breakdown of these level was not yet possible in the reporting year but will be conducted in the current financial year 2020. In the category "middle and lower management levels", all employees to whom at least one employee reports were counted.

Important non-financial performance indicators

Gender diversity	2019	2018
Senior management level	21%	–[1]
Middle and junior management level	53%	–[1]

Health, Safety and Environmental Protection

Management processes

The corporate values defined by STADA in financial year 2019 serve as a guideline for corporate action and are the basis for Company management's commitment to health, safety and environmental protection, which are anchored in the internal HSE Policy.

Good corporate governance means not only aligning its decisions and actions with the legal framework, but also taking measures that go well beyond the legal requirements that promote sustainable and responsible action.

For this reason, STADA has established corresponding responsibilities and processes both at Group and location-related levels. To this end, globally valid HSE guidelines are defined at Group level, their implementation is accompanied at the location level and verified by internal or external audits. In the reporting year, external HSE legal conformity audits were carried out at all larger STADA production sites with more than 100 employees.

At individual production locations, local HSE guidelines and procedures were, in turn, defined that ensure compliance with legal requirements and guarantee continuous improvement in accordance with the principles of Plan-Do-Check-Act. In order to have these processes monitored externally on a regular basis, HSE Management Systems with certification in accordance with the relevant ISO standards have been introduced at approximately 80% of the larger production sites.

Locations with certified ISO management systems (as of the end of 2019):

Location	ISO 45001	ISO 14001
Vrsac, Serbia	X	X
Dubovac, Serbia	X	X
Sabac, Serbia	X	X
Podgorica, Montenegro	X	X
Banja Luka, Bosnia-Herzegovina	X	X
Huddersfield, UK	X	X
Nizhny Novgorod[2], Russia	X	X
Obninsk, Russia		X

The effectiveness and success of the local management systems are also regularly acknowledged through external awards. In financial year 2019, the British location in Huddersfield was presented with the "RoSPA Silver Achievement Award". The Russian location in Obninsk received the nomination from the Kaluga Region Government as "Environmental responsibility for production organization".

1) No information possible due to a different breakdown.
2) GOST 12.0.230.1-2015 occupational safety and health protection GOST 12.0.230-2007.

Health and occupational safety

Safety and health protection at work are of tremendous importance for STADA. For this reason, the respective local legal provisions represent the minimum standard for the Group. Their implementation and ongoing improvement is ensured by the local HSE management systems.

In financial year 2019, the Hemofarm sites in Podgorica and Banja Luka launched occupational safety management systems in accordance with ISO 45001 within the framework of a matrix certification. At the Huddersfield location, the existing occupational safety management system was also certified in accordance with ISO 45001 for the first time.

In addition, in the reporting year, programs were established at all locations to further improve responsibility and awareness of occupational safety at all hierarchical levels and to enhance the occupational safety culture. These include the introduction of "Near Miss" programs and the establishment of integrated HSE/Gemba Walks.

Important non-financial performance indicators

In the reporting year, as a result of the broad range of measures, it was possible to significantly reduce the number of accidents (accidents > 1 lost work day) as compared to 2018:

Health and safety: Accident rate	**2019**	**2018**
Accident rate[1)2)]	0.6	0.7

STADA employees are offered a broad range of programs for general health protection. Coordination of the measures is carried out locally by the respective locations. These include, for example, health days, flu vaccinations, anti-smoking informational events.

Environmental protection

For STADA, responsible entrepreneurship means – in addition to compliance with local environmental regulations – continuously reducing environmental impact and increasing resource efficiency.

Even though the direct environmental impact of the locations are relatively low compared to other industries, management systems certified in accordance with ISO 14001 have been introduced at approximately 80% of the larger locations. As part of the local environmental programs, measures relating to in particular to energy, water/wastewater and waste were planned and implemented accordingly. Where necessary, there is support in the form of legally required energy audits. In 2019, for example, external energy audits were conducted at the Bad Vilbel and Huddersfield locations.

In the course of planning new production facilities, environmental and occupational safety requirements are defined in the manufacturer's specifications during the concept phase and evaluated throughout the tendering process.

In 2019, the reporting of environmental key figures was further expanded. For this purpose, both absolute and relative, related to production volume, key figures were determined. Compared to financial year 2018, energy consumption and the resulting CO_2 emissions were as follows in the reporting year:

Important non-financial performance indicators

Climate change: Carbon footprint[3)]	**2019**	**2018**
Energy consumption – total (MWh)	252,000	242,000
Scope 1: CO_2 emissions[4)] (tons CO_2 eq.)	30,000	29,000
Scope 2: CO_2 emissions[5)] (tons CO_2 eq.)	95,000	87,000

1) All production locations; accident rate calculated for every 200,000 working hours for accidents > 1 lost day (not including commuting accidents).
2) Work-related accidents with lost time > 24 h per 200,000 working hours.
3) All production locations.
4) Scope 1: Direct emissions (production locations).
5) Scope 2: Indirect emissions from energy purchasing (production locations).

Even though absolute energy consumption and CO_2 emissions increased in 2019, production-volume related energy efficiency improved by more than 1%. The main reasons for this are the more efficient use of production and building technology (e.g. heating and air-conditioning technology) with increased production volumes and the implementation of technical energy-saving measures.

Observance of Human Rights

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

Contracts negotiated since financial year 2016 pursuant to the Corporate Policies and which have been negotiated in connection with the production of finished goods include additional clauses on the topic of social responsibility within the scope of which STADA and its suppliers are increasingly obligated to comply with the ten principles of the UN Global Compact. This is associated with an obligation to, among other things, support and respect the protection of international human rights and ensure that neither party is complicit in any violations of human rights and commits to the removal of all forms of compulsory labor and to the elimination of child labor.

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Consolidated Income Statement

Consolidated Income Statement in k €	2019	2018	Note
Sales	2,608,563	2,330,824	11.
Cost of sales	1,239,225	1,139,493	12.
Gross profit	**1,369,338**	**1,191,331**	
Selling expenses	581,593	538,587	13.
General and administrative expenses	214,830	183,714	14.
Research and development expenses	72,782	72,256	15.
Other income	42,661	84,380	16.
Other expenses	156,994	103,104	17.
Operating profit	**385,800**	**378,050**	
Result from investments measured at equity	-6	3,722	
Investment income	0	43	
Financial income	3,571	5,624	
Financial expenses	48,634	44,565	
Financial result	**-45,069**	**-35,176**	18.
Earnings before taxes	**340,731**	**342,874**	
Income tax expenses	26,888	32,342	19.
Earnings after taxes	**313,843**	**310,532**	
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	302,697	306,927	
• distributable to non-controlling shareholders	11,146	3,605	20.
Profit transfer to Nidda Healthcare GmbH	349,550	134,189	
Earnings per share in € (basic/diluted)	4.86	4.93	21.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income in k €	2019	2018	Note
Earnings after taxes	**313,843**	**310,532**	
Items to be recycled to the income statement in future:			
Currency translation gains and losses	**75,412**	**-45,380**	35.
thereof			
• income taxes	-387	397	19.
Gains and losses on financial assets (FVOCI)	**-7**	**23**	47.
thereof			
• income taxes	2	-11	19.
Items not to be recycled to the income statement in future:			
Gains and losses on financial assets (FVOCI)	**130**	**–**	26.
Revaluations of net debt from defined benefit plans	**-5,323**	**739**	36.
thereof			
• income taxes	734	-162	19.
Other comprehensive income	**70,212**	**-44,618**	
Consolidated comprehensive income	**384,055**	**265,914**	
thereof			
• distributable to shareholders of STADA Arzneimittel AG	372,334	261,750	
• distributable to non-controlling shareholders	11,721	4,164	

Consolidated Balance Sheet

Consolidated Balance Sheet in k € Assets	Dec. 31, 2019	Dec. 31, 2018	Note
Non-current assets	**2,284,014**	**2,113,845**	
Intangible assets	1,785,969	1,707,205	24.
Property, plant and equipment	453,385	351,467	25.
Financial assets	6,393	2,281	26.
Investments measured at equity	3,067	24,568	27.
Other financial assets	340	823	30.
Other assets	1,328	1,164	31.
Deferred tax assets	33,532	26,337	
Current assets	**1,575,412**	**1,446,281**	
Inventories	638,237	515,251	32.
Trade accounts receivable	615,090	516,011	28.
Return assets	689	620	29.
Income tax receivables	5,659	8,545	
Other financial assets	59,808	12,755	30.
Other assets	46,761	49,255	31.
Cash and cash equivalents	206,039	343,794	33.
Non-current assets and disposal groups held for sale	3,129	50	34.
Total assets	**3,859,426**	**3,560,126**	

Equity and liabilities	Dec. 31, 2019	Dec. 31, 2018	Note
Equity	**1,195,468**	**1,177,985**	35.
Share capital	162,090	162,090	35.1.
Capital reserve	514,206	514,206	35.2.
Retained earnings including net income	806,278	858,606	35.3.
Other reserves	-400,829	-475,941	35.4.
Treasury shares	-1,403	-1,403	35.5.
Equity attributable to shareholders of the parent	**1,080,342**	**1,057,558**	
Shares held by non-controlling shareholders	115,126	120,427	35.6.
Non-current borrowings	**1,411,807**	**1,102,439**	
Other non-current provisions	41,006	33,490	36.
Financial liabilities	1,244,788	978,386	37.
Other financial liabilities	36,333	4,168	40.
Other liabilities	2,635	2,460	41.
Deferred tax liabilities	87,045	83,935	
Current borrowings	**1,252,151**	**1,279,702**	
Other provisions	18,261	22,543	42.
Financial liabilities	40,082	444,943	37.
Trade accounts payable	414,024	315,080	38.
Contract liabilities	1,590	1,491	39.
Income tax liabilities	59,364	79,723	
Other financial liabilities	582,368	288,718	40.
Other liabilities	136,462	127,204	41.
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	–	
Total equity and liabilities	**3,859,426**	**3,560,126**	

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement in k €	2019	2018	Note
Net income	313,843	310,532	
Depreciation and amortization net of write-ups of non-current assets	227,001	148,799	23.
Income tax expense	26,888	32,342	19.
Income tax paid	-47,879	-46,542	
Interest income and expenses	45,063	38,941	18.
Interest and dividends received	1,065	4,726	
Interest paid	-51,324	-46,375	
Result from investments measured at equity	6	-3,722	27.
Result from the disposal of non-current assets	-920	1,421	16./17.
Additions to / reversals of other non-current provisions	5,353	2,673	36.
Currency translation income and expenses	964	1,888	16./17.
Other non-cash expenses and gains[1)]	215,628	165,785	
Gross cash flow	**735,688**	**610,468**	
Changes in inventories	-145,778	-44,867	32.
Changes in trade accounts receivable	-60,294	485	28.
Changes in trade accounts payable	85,470	-51,511	38.
Changes in other net assets, unless attributable to investing or financing activities[1)]	-171,006	-194,287	
Cash flow from operating activities	**444,080**	**320,288**	43.
Payments for investments in			
• intangible assets	-161,694	-280,284	24.
• property, plant and equipment	-82,718	-48,063	25.
• financial assets	-4,504	-280	26.
• business combinations in accordance with IFRS 3	-47,538	19,185	8.
Proceeds from the disposal of			
• intangible assets	53	1,278	24.
• property, plant and equipment	6,755	1,655	25.
• financial assets	–	–	26.
• shares in consolidated companies	1,903	6,225	33.
• Non-current assets held for sale	22,755	–	33.
Cash flow from investing activities	**-264,988**	**-300,284**	43.
Borrowing of funds	12,905	944,599	37.
Settlement of financial liabilities	-152,093	-820,883	37.
Settlement of liabilities from leases	-26,298	-1,699	
Dividend distribution	-151,211	-8,944	35.
Changes in non-controlling interests	–	-33,349	35.
Changes in treasury shares	–	2	35.
Cash flow from financing activities	**-316,697**	**79,726**	43.
Changes in cash and cash equivalents	**-137,605**	**99,730**	43.
Changes in cash and cash equivalents due to the scope of consolidation	–	-40	
Changes in cash and cash equivalents due to exchange rates	-150	909	
Net change in cash and cash equivalents	**-137,755**	**100,599**	33.
Balance at beginning of the period	**343,794**	**243,195**	
Balance at end of the period	**206,039**	**343,794**	

1) Non-cash additions to accruals for discounts to health insurance organizations in 2019 in the amount of €150.5 million (previous year: €131.6 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 € 2019	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of Dec. 31, 2019	**62,342,440**	**162,090**	**514,206**	**806,278**
Profit transfer to Nidda Healthcare GmbH				-349,550
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				-5,475
Net income				302,697
Balance as of Jan. 1, 2019	**62,342,440**	**162,090**	**514,206**	**858,606**
Previous year				
Balance as of Dec. 31, 2018	**62,342,440**	**162,090**	**514,206**	**858,606**
Profit transfer to Nidda Healthcare GmbH				-134,189
Dividend distribution				-6,848
Capital increase from share options				
Changes in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				-23,336
Changes in the scope of consolidation				-306
Other comprehensive income				713
Net income				306,927
Balance as of Jan. 1, 2018, adjusted	**62,342,440**	**162,090**	**514,206**	**715,645**
Adjustments under IFRS 15				446
Adjustments under IFRS 9				-2,165
Balance as of Jan. 1, 2018	**62,342,440**	**162,090**	**514,206**	**717,364**

Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-400,937	**108**	**-1,403**	**1,080,342**	**115,126**	**1,195,468**
			-349,550		-349,550
			–	-17,022	-17,022
			–		–
			–		–
			–		–
			–		–
			–		–
74,989	123		69,637	575	70,212
			302,697	11,146	313,843
-475,926	**-15**	**-1,403**	**1,057,558**	**120,427**	**1,177,985**
-475,926	**-15**	**-1,403**	**1,057,558**	**120,427**	**1,177,985**
			-134,189		-134,189
			-6,848	-3,530	-10,378
			–		–
		2	2		2
			–		–
			-23,336	-8,350	-31,686
			-306	84,087	83,781
-45,913	23		-45,177	559	-44,618
			306,927	3,605	310,532
-430,013	**-38**	**-1,405**	**960,485**	**44,056**	**1,004,541**
			446		446
	-38		-2,203	-108	-2,311
-430,013	**–**	**-1,405**	**962,242**	**44,164**	**1,006,406**

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General Information

1. Corporate information

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

The Consolidated Financial Statements of STADA Arzneimittel AG for financial year 2019 were approved for publication by the Executive Board on March 11, 2020.

2. Basis of preparation of the financial statements

The Consolidated Financial Statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2019, were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315e (1) of the German Commercial Code (HGB).

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

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

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

3. Consequences of new or amended standards and interpretations

In financial year 2019, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2019. Insofar as these changes have material effects on the presentation of STADA's net assets, financial position and results of operations or cash flows, these are described in detail below:

In January 2016, the IASB published the new standard IFRS 16 "Leases", which determines the recognition of contractual rights (assets) and obligations (financial liabilities) associated with leases in the balance sheet for lessees. Lessees must therefore no longer classify leases as finance leases or operating leases. IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. STADA applied the new standard for the first time from January 1, 2019 and was modified retroactively, i.e. an adjustment of the prior-year figures was waived. In this context, the rights of use were equated with lease liabilities at the time of the change.

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. If an interest rate specific to the contract is known for the calculation of the present value, this shall be applied. Otherwise, an incremental borrowing rate will be used which, in terms of its calculation considers currency and country-specific factors as well as credit risks. For the initial application date of January 1, 2019, this amounted to 5.8% for the Group. Liabilities from finance leases, which were already recognized under IAS 17, were not remeasured at the date of first-time application of IFRS 16 and were therefore taken over at their corresponding carrying amount (€ 5.3 million) as of January 1, 2019.

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 amortized cost 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, while the option to waive the assessment of whether an agreement constitutes or contains a lease was not exercised at the time of initial application. No use was made of the "grandfathering" option. As a consequence, IFRS 16 was applied on January 1, 2019 to all existing contracts within this area of application.

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 €59.0 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 in the amount of €43.9 million, 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 as well as the evaluation as of January 1, 2019 of leases to identified and, consequently, accounted for in accordance with IFRS 16.

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 the EBITDA. Depreciation and amortization for these leasing contracts amounted to €23.9 million in financial year 2019. In addition, STADA reported interest expenses in the amount of €3.3 million in the reporting period. In accordance with the previous year's requirements of IAS 17 "Leases", these expenses would have been fully recognized in operating profit as a leasing expense and as a reduction of EBITDA. In addition, there were payments in connection with leases in accordance with IFRS 16 in the amount of €26.3 million which are now fully reflected in cash flow from financing activities.

The changeover effect relates at STADA for the most part to leased real estate and company vehicles.

The effects of initial 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**	**58,979**	**2,172,824**
Intangible assets	1,707,205	7,062	1,714,267
Property, plant and equipment	351,467	51,917	403,384
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	**58,979**	3,619,105

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**	**38,912**	**1,141,351**
Other non-current provisions	33,490		33,490
Financial liabilities	978,386		978,386
Other financial liabilities	4,168	38,912	43,080
Other liabilities	2,460		2,460
Deferred tax liabilities	83,935		83,935
Current borrowings	**1,279,702**	**20,067**	**1,299,769**
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	20,067	308,785
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	**58,979**	3,619,105

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

From today's perspective, no or no significant effects on the Consolidated Financial Statements are expected from the future application of the further standards and interpretations not yet applied.

4. Changes in accounting policies

There were no changes to accounting policies with significant consequences for the presentation of STADA's net assets, financial position and results of operations or cash flow in financial year 2019 besides the previously-mentioned effects from the application of the new standard IFRS 16.

5. Scope of consolidation

All significant subsidiaries, joint ventures and associates are included in the Consolidated Financial Statements. Subsidiaries are companies that are directly or indirectly controlled by STADA and are therefore fully consolidated. Control exists if STADA Arzneimittel AG or its subsidiaries are in control of an investee, are exposed to variable backflows and, due to control over existing rights, are able to substantially influence the investee's variable backflows. Control is usually substantiated by a share of voting rights of more than 50%.

Joint arrangements are characterized by joint control by two or more parties and should be classified as either joint operations or as joint ventures. In joint operations, the parties that exercise joint control possess the rights to assets and liabilities included in the agreement. In joint ventures, however, the parties involved possess rights to the Company's net assets. Joint ventures are to be included in the Consolidated Financial Statements using the equity method.

Associates are companies over which STADA can have significant influence and which are not subsidiaries or joint ventures. They are included in the Consolidated Financial Statements using the equity method.

Subsidiaries, joint ventures and associates whose influence, both individually and as a whole, on the net assets, financial position and results of operations of the STADA Group is insignificant, are not consolidated or accounted for using the equity method. Investments in these companies are accounted at amortized cost under financial assets. Accumulated, the sales and balance sheet total of these companies make up about 1% of total Group sales and/or the balance sheet total.

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associates included in financial year 2019 and are as follows:

Number of companies in the scope of consolidation	Germany	International	Total
January 1, 2019	**10**	**71**	**81**
Acquisitions	–	3	3
Disposals	–	4	4
December 31, 2019	**10**	**70**	**80**

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

In addition, the merger of the Italian Crinos S.p.A with the Italian EG S.p.A. was carried out as of November 1, 2019.

As of December 31, 2019, initial consolidation was carried out for three acquired Ukrainian subsidiaries, Biopharma-Invest LLC, Pharmaceutical Plant Biopharma LLC as well as the at equity managed PharmTechService LLC.

The sale of the Vietnamese company STADA Vietnam J.V., which has now been renamed Stellapharm J.V. and the deconsolidation of the Irish company STADA Financial Investments Limited were also carried out in December of 2019.

In the Consolidated Financial Statements of the STADA Group, 76 companies were consolidated as subsidiaries and four companies as associates as of the reporting date on December 31, 2019.

The following condensed financial information is given for these four associates:

in € million	2019	2018
Share of result from continuing operations	-0.1	1.9
Share of result from discontinued operations	–	–
Share of other comprehensive income	–	–
Share of comprehensive income	**-0.1**	**1.9**
Reclassification of the shares held by STADA in Stellapharm J.V. (IFRS 5)	-21.4	
Status change of BIOCEUTICALS Arzneimittel AG in 2018	–	-15.0
Aggregate carrying amount	**3.1**	**24.6**

Significant non-controlling interests exist in the STADA Group as of December 31, 2019 in the Vietnamese subsidiaries Pymepharco Joint Stock Company as well as in the German BIOCEUTICALS Arzneimittel AG.

The influence of other shareholders in Pymepharco Joint Stock Company as of December 31, 2019 is presented below:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2019 in k €	Accumulated non-controlling shares as of Dec. 31, 2019 in k €
Pymepharco	Vietnam	28%	2,759	26,776

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2018 in k €	Accumulated non-controlling shares as of Dec. 31, 2018 in k €
Pymepharco	Vietnam	28%	3,726	25,064

In the following, the combined financial information of Pymepharco as of December 31, 2019 and for financial year 2019 is presented:

	Assets as of Dec. 31, 2019		Liabilities as of Dec. 31, 2019	
in k €	current	non-current	current	non-current
Pymepharco	71,025	46,847	5,338	12,085

		Earnings after taxes in 2019			
in k €	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2019	Dividends to non-controlling interests in 2019
Pymepharco	68,129	7,096	2,759	12,142	1,612

For the previous year, the following disclosures are made regarding the summarized financial information for Pymepharco:

	Assets as of Dec. 31, 2018		Liabilities as of Dec. 31, 2018	
in k €	current	non-current	current	non-current
Pymepharco	54,975	55,967	5,553	11,330

		Earnings after taxes in 2018			
in k €	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2018	Dividends to non-controlling interests in 2018
Pymepharco	61,409	5,247	3,726	11,212	3,343

In the following, information on the cash flow for Pymepharco for financial years 2019 and 2018 is presented.

	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities	
in k €	2019	2018	2019	2018	2019	2018
Pymepharco	5,627	7,021	-18,613	-12,035	-5,786	–

In the following, the influence of other shareholders on BIOCEUTICALS Arzneimittel AG as of December 31, 2019 is presented:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2019 in k €	Accumulated non-controlling shares as of Dec. 31, 2019 in k €
BIOCEUTICALS Arzneimittel AG	Germany	48.66%	3,487	64,744

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2018 in k €	Accumulated non-controlling shares as of Dec. 31, 2018 in k €
BIOCEUTICALS Arzneimittel AG	Germany	48.66%	-1,438	72,769

In the following, the financial information for BIOCEUTICALS Arzneimittel AG as of December 31, 2019 and for financial year 2019 is summarized:

	Assets as of Dec. 31, 2019		Liabilities as of Dec. 31, 2019	
in k €	current	non-current	current	non-current
BIOCEUTICALS Arzneimittel AG	88,615	72,191	5,800	22,856

		Earnings after taxes in 2019			
in k €	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2019	Dividends to non-controlling interests in 2019
BIOCEUTICALS Arzneimittel AG	50,085	11,008	3,487	14,495	11,512

For the previous year, the following information is provided in addition to the combined financial information for BIOCEUTICALS since its consolidation as a subsidiary as of September 30, 2018:

	Assets as of Dec. 31, 2018		Liabilities as of Dec. 31, 2018	
in k €	current	non-current	current	non-current
BIOCEUTICALS Arzneimittel AG	114,361	79,368	24,102	28,311

		Earnings after taxes in 2018			
in k €	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2018	Dividends to non-controlling interests in 2018
BIOCEUTICALS Arzneimittel AG	3,796	-1,517	-1,438	-2,955	–

In the following, information on the cash flow of BIOCEUTICALS Arzneimittel AG for financial year 2019 and the previous year since the consolidation as a subsidiary as of September 30, 2018 is presented:

	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities	
in k €	2019	2018	2019	2018	2019	2018
BIOCEUTICALS Arzneimittel AG	33,072	8,636	-9,120	–	-47,749	-25,000

Subsidiaries, joint ventures and associates as well as all non-consolidated and other investments pursuant to the regulations of Section 313 (2) HGB are included in the Consolidated Financial Statements as investments and listed below.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
AO Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	51.34%	subsidiary
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
Crinos S.p.A., Milan, Italy	100%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France	100%	subsidiary
EG S.p.A., Milan, Italy	100%	subsidiary
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
Laboratorio Vannier S.A., Buenos Aires, Argentina	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany	100%	subsidiary
Natures Aid Deutschland GmbH, Bad Vilbel, Germany (formerly: Socialites Retail Germany GmbH)	100%	subsidiary/ not included
OOO Hemofarm, Obninsk, Russia	100%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria	100%	subsidiary
Spirig HealthCare AG, Egerkingen, Switzerland	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia	100%	subsidiary
STADA d.o.o., Zagreb, Croatia	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt[1)]	100%	subsidiary/not included
STADA LUX S.à R.L., Luxembourg, Luxembourg	100%	subsidiary/not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria	100%	subsidiary
STADA PHARMA CZ s.r.o., Prague, Czech Republic	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India	100%	subsidiary/not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA Pharmaceuticals Australia Pty. Ltd., Sydney, Australia	100%	subsidiary
STADA Poland Sp. z o.o., Piaseczno, Poland	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, Netherlands	100%	subsidiary
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China	100%	subsidiary/not included
STADA (Thailand) Company, Ltd., Bangkok, Thailand	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom	100%	subsidiary
XBrane Biopharma AB, Solna, Sweden	8.15%	investment

1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint-Brieuc, France	20%	associate
ALIUD PHARMA GmbH, Laichingen, Germany	100%	subsidiary
Biopharma-Invest LLC, Bila Tserkva, Ukraine	100%	subsidiary
Britannia Pharmaceuticals Ltd., Reading, United Kingdom	100%	subsidiary
Brituswip Ltd., Reading, United Kingdom	50%	joint venture/ not included
Centrafarm B.V., Etten-Leur, Netherlands	100%	subsidiary
Centrafarm Nederland B.V., Etten-Leur, Netherlands	100%	subsidiary
Centrafarm Services B.V., Etten-Leur, Netherlands	100%	subsidiary
Clonmel Healthcare Ltd., Clonmel, Ireland	100%	subsidiary
CNRD 2009 Ireland Ltd., Dublin, Ireland	50%	joint venture/not included
Crosspharma Ltd., Belfast, United Kingdom	100%	subsidiary
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam	43%	investment
Fresh Vape Electronic Cigarettes Ltd., Huddersfield, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Huddersfield, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Healthypharm B.V., Etten-Leur, Netherlands	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia	100%	subsidiary
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia[1)]	99.18%	subsidiary/not included
Hemofarm S.à R.L., Constantine, Algeria	40%	investment
Hemomont d.o.o., Podgorica, Montenegro	71.02%	subsidiary
Hemopharm GmbH, Bad Vilbel, Germany	100%	subsidiary
Internis Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China	35.50%	investment
LAS Trading Ltd., Huddersfield, United Kingdom	100%	subsidiary
LCM Ltd., Huddersfield, United Kingdom	100%	subsidiary
Lowry Solutions Ltd., Huddersfield, United Kingdom	100%	subsidiary
Natures Aid Ltd., Huddersfield, United Kingdom	100%	subsidiary
Nextgen360 Ltd., Huddersfield, United Kingdom (formerly BSMW Ltd.)	100%	subsidiary
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan	100%	subsidiary
NorBiTec GmbH, Uetersen, Germany	66.66%	subsidiary
OOO Aqualor, Moscow, Russia	100%	subsidiary
OOO Dialogfarma, Moscow, Russia	50%	associate
Pharmaceutical Plant Biopharma LLC, Bila Tserkva, Ukraine	100%	subsidiary
Pharm Ortho Pedic SAS, Trélazé, France	30%	associate
PharmTechService LLC, Bila Tserkva, Ukraine	50%	associate
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam	20%	investment
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam	72%	subsidiary
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam	49%	investment
Quatropharma Holding B.V., Etten-Leur, The Netherlands[1)]	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium	100%	subsidiary
Slam Trading Ltd., Huddersfield, United Kingdom	100%	subsidiary
Socialites E-Commerce Ltd., Huddersfield, United Kingdom	100%	subsidiary
Socialites Retail Ltd., Huddersfield, United Kingdom	100%	subsidiary

1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG

Name of the company, registered office	Share in capital	Form of consolidation
STADA Aesthetics AG, Egerkingen, Switzerland	100%	subsidiary/not included
STADA CEE GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Consumer Health Deutschland GmbH, Bad Vilbel, Germany (formerly: STADA Medical GmbH)	100%	subsidiary
STADA Corp., New Jersey, USA	100%	subsidiary/not included
STADA Financial Investments Ltd., Clonmel, Ireland[1)]	100%	subsidiary/not included
STADA Genéricos, S.L., Barcelona, Spain	100%	subsidiary/not included
STADA GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA HEMOFARM S.R.L., Temeswar, Romania	100%	subsidiary
STADA Hungary LLC, Budapest, Hungary	100%	subsidiary
STADA IT Solutions d.o.o., Vrsac, Serbia	100%	subsidiary
STADA, LDA, Paco de Arcos, Portugal	100%	subsidiary/not included
STADA M&D S.R.L., Bucharest, Romania	100%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates	100%	subsidiary
STADA Nordic ApS, Herlev, Denmark	100%	subsidiary
STADAPHARM GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China	83.351%	subsidiary
STADA Philippines Inc., Manila, Philippines	100%	subsidiary
STADA-Ukraine DO., Kiev, Ukraine	100%	subsidiary
Sundrops Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ireland Ltd., Clonmel, Ireland	100%	subsidiary
UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania	100%	subsidiary
Velefarm A.D., Belgrade, Serbia	19.65%	investment
Velexfarm d.o.o., Belgrade, Serbia	100%	subsidiary
Vetfarm A.D., Belgrade, Serbia	15%	investment
Well Light Investment Company Limited, Ho Chi Minh City, Vietnam	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom	100%	subsidiary

The exemption rule in Section 264 (3) HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Hemopharm GmbH, Mobilat Produktions GmbH, Natures Aid Deutschland GmbH, STADA CEE GmbH, STADA GmbH, STADA Consumer Health Deutschland GmbH and STADAPHARM GmbH.

6. Principles for the consolidation of subsidiaries, joint ventures and associates

In accordance with IFRS, business combinations are to be accounted for using the acquisition method. Assets, liabilities and contingent liabilities from business combinations are generally recognized in full – irrespective of the amount of the shareholding – as of the acquisition date at their fair values. If the historical costs of the subsidiary acquired exceed the proportionate newly-measured net assets of the acquiree, STADA recognizes the positive difference as goodwill. After critical examination of the premises underlying the purchase price allocation, a negative difference is recognized through profit or loss in the period of the acquisition. In a business combination achieved in stages, it is necessary to carry out a revaluation through profit or loss of the shares previously held at the date control was achieved. The shares of non-controlling interests are disclosed in the amount of their share in the net assets of the subsidiary.

1) Currently in the process of liquidation.

The acquisition of additional shares from an existing controlling position in a subsidiary is recognized through other comprehensive income in accordance with IFRS 10, as it is a transaction between the equity investors.

Subsidiaries are generally included in the Consolidated Financial Statements from the acquisition date to the end of control by the parent company. Receivables, liabilities, expenses, income and earnings between the companies included in the Consolidated Financial Statements are eliminated, intercompany value adjustments and provisions are released. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, deferred tax liabilities are recognized.

Shares in associates are recognized according to the equity method at acquisition cost on the date when joint control is established (joint ventures) or when significant influence was established (associates) and carried forward from this date in the amount of the proportionate share of earnings in the financial year. A positive difference determined during the purchase price allocation is recognized as goodwill in the carrying amount of the investment in the associate. A negative difference is recognized in income in the period of the acquisition in the results from associates. Profit and loss from transactions with associates is recognized in the Consolidated Financial Statements only according to the share of minority interests.

If indications arise from the application of IFRS 9 that the carrying amount determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associate.

7. Currency translation

The functional currency of STADA Arzneimittel AG is the euro and represents the reporting currency of the Group.

In the separate financial statements of companies included in the Consolidated Financial Statements, foreign currency transactions are translated into the functional currency at the exchange rate applicable at the time of the transactions. On every reporting date, monetary items are translated using the closing rate and non-monetary items are translated using the transaction rate. Resulting currency translation differences are recognized in income as exchange gains or losses.

The translation of the companies with a functional currency other than the euro included in the Consolidated Financial Statements into the Group functional currency is carried out using the closing rate method. Assets and liabilities are generally translated using the closing rate, while individual components of equity are translated using the historical rates at their respective dates of inflow from the Group's perspective. The income and expenses of the income statements are translated – and thereby also the resulting translation of the annual results to be entered in equity – using the average exchange rate of the period.

Currency translation differences arising from the use of different exchange rates are recognized directly in equity in "Provisions for currency translation". These provisions are released and recognized in income if Group companies leave the scope of consolidation.

The exchange rate development of currencies important to STADA to the euro can be seen in the following chart:

Significant currency relations in local currency to 1 euro	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2019	2018	±%	2019	2018	±%
Pound sterling	0.85208	0.89453	-5%	0.87724	0.88475	-1%
Swiss franc	1.08710	1.12690	-4%	1.11270	1.15488	-4%
Russian ruble	69.27810	79.71530	-13%	72.45524	74.05507	-2%
Serbian dinar	117.59280	118.19460	-1%	117.86094	118.27336	0%
Ukrainian hryvnia	26.58330	31.73620	-16%	28.92892	32.11569	-10%
US dollar	1.11890	1.14500	-2%	1.11959	1.18149	-5%

8. Business combinations

In financial year 2019, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in greater detail below.

Assumption of control over the Ukrainian Biopharma Group

As of December 20, 2019, STADA obtained control over the Ukrainian Biopharma Group, Bila Tserkva. The company markets prescription pharmaceuticals and consumer health products. The Biopharma Group has been included as a subsidiary in the Consolidated Financial Statements since December 31, 2019. The purchase price for the acquisition in the amount of €49.4 million was paid entirely in cash.

The preliminary purchase price allocation, which had not yet been completed at the time of publication of the Annual Report, resulted in an indicative allocation that approximately 80% of the purchase price is attributable to the fair value of the acquired intangible assets for the branded products. Corresponding adjustments to deferred taxes are to be expected.

As no reliable market values could be determined due to the very short period of time between the completion of the acquisition at the end of December 2019 and the balance sheet date, the entire difference between the purchase price and the equity acquired was recognized as goodwill in the amount of €31.2 million, which was calculated as follows:

in € million	
Purchase price for 100% of the shares of the company approximately	49.4
Proportionate fair value of the acquired assets and liabilities approx.	18.2
Goodwill	31.2

In this regard, goodwill resulted for the most part from an expansion of the presence and the sales activities in the branded products segment in Ukraine.

The following balance sheet values were applied at the acquisition date as preliminary figures for the assets acquired and liabilities assumed in the context of business combinations:

Fair values in € million	
Intangible assets	0.7
Property, plant and equipment	9.2
Financial assets	1.2
Deferred tax assets	0.6
Inventories	3.4
Trade accounts receivable	5.4
Other financial assets	0.6
Other non-current assets	0.5
Cash and cash equivalents	1.8
Assets	**23.4**
Trade accounts payable	3.1
Deferred tax liabilities	0.3
Other financial liabilities	1.2
Other liabilities	0.6
Liabilities	5.2

The preliminary values of the acquired assets and liabilities correspond to the carrying amounts of the company.

The gross value of the trade accounts receivable is €5.5 million, which were deemed fully recoverable. Trade accounts receivable were recorded at their fair value in the amount of €5.4 million.

Sales of the Biopharma Group amounted to about €25 million in the reporting year. Earnings after taxes of this business combination amounted to approximately €5 million in financial year 2019.

In financial year 2020, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in greater detail below.

Assumption of control over the Czech group Walmark

STADA obtained control over the Czech Walmark Group, a leading manufacturer of consumer health products in Eastern Europe, as of March 4, 2020. The company markets prescription pharmaceuticals and consumer health products. The Walmark Group has been included as a subsidiary in the Consolidated Financial Statements from March 1, 2020.

The purchase price for the acquisition in the amount of €140.2 million was paid entirely in cash and is composed of the following components: On the one hand, a payment of €89.7 million was made to the seller as the base purchase price. A further payment made to the seller amounted to €8.3 million and was used to repay the shareholder loan existing at the time of purchase. In addition, €42.2 million was transferred to the Walmark group for repayment of the bank loan existing at the time of purchase.

Due to the short period of time between obtaining control and preparing the financial statements, the preliminary purchase price allocation resulted in goodwill of € 98.5 million from this business combination, which was calculated as follows:

in € million	
Purchase price for 100% of the shares of the company approximately	140.2
Proportionate fair values of the assets and liabilities acquired approximately	41.7
Goodwill	**98.5**

In this regard, goodwill resulted primarily from the strengthening of the global branded products portfolio and from an expansion of the presence in Eastern Europe – particularly in the Czech Republic, Slovakia, Romania, Bulgaria and Hungary.

The following balance sheet values were applied on January 31, 2020 at the acquisition date as preliminary values for the assets acquired and liabilities assumed in the context of business combinations:

Fair values in € million	
Intangible assets	21.4
Property, plant and equipment	17.5
Deferred tax assets	0.4
Inventories	10.8
Trade accounts receivable	12.7
Other receivables	1.1
Other current assets	1.8
Income tax receivables	0.3
Cash and cash equivalents	4.1
Assets	**70.1**
Trade accounts payable	17.7
Other liabilities	10.7
Liabilities	**28.4**

The preliminary values of the acquired assets and liabilities correspond to the carrying amounts of the company.

The gross value of the trade accounts receivable was €12.7million, which were deemed fully recoverable. Trade accounts receivable were recognized at their fair value in the amount of €12.7 million.

Sales of the Walmark Group amounted to about €44 million in the reporting year. Earnings after taxes of this business combination amounted to approximately -€8 million in financial year 2019.

Acquisition of pharmaceutical products from the Takeda Group along with associated processes

STADA acquired pharmaceutical products and associated processes from the Takeda Group as of March 3, 2020. The products will be included in the Consolidated Financial Statements from March 1, 2020. The purchase price for the acquisition in the amount of €550.0 million was paid entirely in cash.

Due to the short period of time between obtaining control and preparing the financial statements, the preliminary purchase price allocation resulted in goodwill of €550.0 million from this business combination.

In this regard, goodwill resulted primarily from the strengthening of the global branded products portfolio and from an expansion of the presence in Eastern Europe – particularly in Russia.

Sales of the acquired Takeda portfolio amounted to approximately €186 million financial year 2018. No information is available on earnings after taxes.

9. Accounting policies

STADA's Consolidated Financial Statements are based on uniform accounting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the Consolidated Financial Statements and which are described in more detail below insofar as they are significant for the Consolidated Financial Statements of STADA or for which option rights are exercised.

Sales are recorded when the power of disposition over delimitable goods is transferred to the customer so that the customer has the ability to determine the use of the delimitable goods and essentially derive economic benefit from them. This requires that a contract with enforceable rights and duties be in place and that, among other things, receipt of a consideration is highly likely. The customer's creditworthiness should be taken into consideration. The amount of sales is based on the transaction price to which STADA is presumptively entitled. The anticipated transaction price is affected by variable considerations, which should, however, be taken into consideration exclusively if it is highly likely that there will be no significant retraction of sales upon elimination of uncertainty with respect to the variable consideration. The amount of the variable consideration is determined by applying the anticipated value method.

Expenses from the creation of provisions for returns are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

All STADA license agreements either are bound to the sales generated by the licensee or further activities of STADA are required which enable the licensee to use his or her right. As a consequence, sales are realized over the terms of the contract period.

Income and expenses from the same transactions are generally recognized in the same period. Expenses related to deferrals for future revenue reductions are thus recorded in the period in which the sales are realized.

Cost of sales includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. The expense is recognized in the period in which the associated income is realized. In addition, cost of sales also includes costs directly attributable to the commercial goods (e.g. cost of materials and personnel expenses), overhead costs (e.g. scheduled depreciation of production equipment and regulatory drug approvals and licenses) as well as value adjustments of excess or obsolete inventories.

Development costs consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Downstream from the development process is an evaluation process at the end of which a decision on the actual execution of a development is made. Within the development process itself, development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- The intention and ability, as well as the necessary resources, exist to complete the asset and to use (i.e. usually to market it oneself) or sell it in the future.
- The intangible asset provides the Group with a future economic benefit.
- It is possible to reliably calculate the development costs of the intangible asset.

STADA immediately recognizes development costs not eligible for capitalization as expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance of products marketed.

Goodwill is not amortized over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units aggregated into operating segments, where a cash-generating unit corresponds to a market region within the two operating segments of the STADA Group for the purpose of an impairment test of goodwill.

STADA carries out impairment tests for capitalized goodwill at least once a year. Additional reviews also take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. Significant assumptions made in order to determine the value in use include assumptions regarding sales development, regulatory conditions, investments, the discount rate, currency relations as well as the growth rate. These assumptions are made individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions that both reflect past experience and include external market data.

Other intangible assets with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of their useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 30 years. Expenses from scheduled amortization of intangible assets are allocated to the relevant functional costs and generally reported within cost of sales. If on the reporting date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell is determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group, the umbrella brand Pymepharco capitalized in the context of achieving

control over Pymepharco, and the umbrella brand Vannier capitalized in the context of the acquisition of Laboratorio Vannier. Impairment tests are carried out for the umbrella brands with indefinite useful lives at the level of the individual company or, for the umbrella brand Hemofarm, at the level of the individual companies that generate sales under the Hemofarm umbrella brand. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Internal development costs are capitalized in accordance with the criteria in IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs, external services and directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years).

Property, plant and equipment is reported at cost less depreciation and any impairment losses plus write-ups. Depreciation begins when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized. Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, 8 to 20 years in the case of technical facilities and 4 to 10 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives, must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the intangible asset or property, plant and equipment. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the respective functional currency, subsequent changes in exchange rates have no impact on the recording of original historical costs.

Impairments on other intangible assets and property, plant and equipment exist when the recoverable amount of an asset is lower than its carrying amount. At each reporting date, STADA assesses whether indications for impairment are apparent. If this is the case, e.g. if certain defined critical values are exceeded, the asset's recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for two operating segments with specific parameters. Expenses arising from impairments are recognized under "Other expenses".

For the purpose of impairment tests of other intangible assets and property, plant and equipment, cash-generating units within the STADA Group are defined at the level of individual assets within the reportable segments of Branded Products and Generics.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item "Other income".

Inventories include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Historical costs or costs of sales are determined based on weighted average costs. Costs of sales include both costs that are directly incurred in production and

overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets can be divided into the following categories in accordance with IFRS 9: Measurement at amortized cost ("AC"), financial assets at fair value through profit or loss ("FVPL") and financial assets at fair value through other comprehensive income ("FVOCI"). Financial assets are accounted for and measured in accordance with IFRS 9. This involves classifying a financial asset (debt instrument) on the basis of its contractual cash flow characteristics and business model. Under IFRS 9, a financial asset is carried at cost if the underlying business model is to hold the assets in order to collect contractual cash flows (business model condition). In addition, the cash flow condition must be satisfied. This is the case when the contractual features of the financial asset at specified times only provide for interest and principal payments on the outstanding principal amount.

Receivables eligible for factoring are included in trade accounts receivable. Based on the present business model, they are measured at fair value recorded directly in equity. Changes in the fair value of these receivables are therefore recognized directly in equity in the FVOCI reserve. In this context, financial assets measured at fair value through other comprehensive income are generally subject to the same impairment model as financial assets measured at amortized cost.

In accordance with IFRS 9, expected losses are accounted for on the basis of the expected credit loss model. STADA has applied the simplified approach for trade accounts receivable. The general approach is usually applied to other financial assets.

Trade accounts receivable are measured at amortized cost less impairments using the effective interest rate method. Impairments are made in the form of individual impairments and general individual impairments for specific defaults and expected default risks resulting from the insolvency of customers. To quantify the expected default risk, STADA determines the expected future cash flows from receivables grouped by debtor. To this end, the maturity structures of net receivables and experience relating to derecognition of receivables in the past, the creditworthiness of the customers as well as changes in payment conditions are taken into account. In addition, a trade credit insurance that covers part of the loss in case of default is to be taken into consideration for various Group companies. The required impairment determined reduces the assets' carrying amounts through recognition of an impairment account.

The loss is recognized in profit and loss under "Other expenses". Bad debts are derecognized against the impairment account. Subsequent cash receipts for receivables already derecognized are presented net of expenses.

Financial liabilities are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values. STADA reports these financial liabilities in the "Other financial liabilities" item.

Fair value hedges serve to hedge against the risk of market value fluctuations. The results from the hedging instruments are generally recognized in income statement items in which the hedged underlying transaction is also reflected. Within the scope of fair value hedge accounting, in addition to the fair value change in the derivative, the opposing fair value change in the underlying transaction is recognized in profit or loss, insofar as it is attributable to the hedged risk.

STADA has so far not made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

Leases in which the Group is the lessee are recognized as rights of use within non-current assets and as corresponding lease liabilities within other financial assets. Excepted from this are short-term leases with a maximum term of 12 months as well as leases for low-value assets with a value of below €5,000. Here, STADA applies the option to recognize such leases as expenses at the time of the lease payment. Upon initial recognition, the lease liability is measured at the present value of the outstanding lease payments, discounted at the interest rate underlying the lease. If the interest rate underlying the lease cannot be determined, STADA uses a marginal debt rate. STADA also makes use of the lease provision not to separate non-lease components from lease components and recognizes corresponding leases as a single agreement.

10. Estimates, assumptions and discretion in the application of accounting principles

The presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements is determined by recognition and valuation methods. To a certain extent, STADA makes estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets evaluated according to IFRS 3 and the consideration transferred plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this that are primarily based on estimates and assumptions.

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units, aggregated into operating segments, which are based on certain assumptions, are to be determined for this purpose. In this regard, both an allocation from "Corporate Assets" to the carrying amounts of the respective cash-generating units and an allocation from "Corporate Costs" are carried out in the calculation of the respective value in use on the basis of individual appropriate distribution keys. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment requirement may be necessary in subsequent years.

For items of property plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets, estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are reported as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

STADA makes valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' creditworthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial position of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in CEE countries.

STADA operates in various countries and is obliged to pay respective income tax expenses in each tax jurisdiction. In order to calculate the income tax provisions and the deferred taxes in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain items according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on actual and deferred taxes and thus on the business, financial and earnings situation of the Group in the respective period. Furthermore, increasing importance within the STADA Group is being allotted to a comprehensive tax transfer-pricing model for the payment of intercompany services. Potential risks of non-recognition of these transfer prices for tax purposes is limited by way of the introduction of corresponding agreement procedures and a comprehensive definition of transfer prices in the form of a Group guideline. If it is probable that the amounts recognized in the tax returns cannot be realized, tax liabilities are recognized that are measured at the most probable amount or the expected value.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows, which are already fixed or calculated by means of the current yield curve using so-called "forward rates", are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the reporting date.

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. This procedure is based upon assumptions, among other things, regarding the discount rate, life expectancy and future salary and pension increases. Changes to these assumptions can significantly influence the amount of future pension costs. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2018G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on long-term rates of return on high quality corporate bonds with fixed interest rates at the reporting date. In countries where there is no liquid market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. STADA creates provisions if there is a present external obligation and a probable outflow of resources, i.e. if it is more likely to occur than not. Provisions in relation to pending legal disputes are created based on how STADA estimates the prospects of success of these methods. The determination of provisions for damages is also associated with substantial estimates and can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for returns may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements. These are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

Notes to the Consolidated Income Statement

11. Sales

Sales at STADA primarily resulted from the supply of products and, to a much lesser extent, from license revenues. For information on the reporting of sales, please refer to the details included in the Accounting Policies.

The increase in sales in financial year 2019 was based for the most part on good sales development in the German, Italian, Spanish and French generics segment as well as in the German, British and Italian branded products segment. Development in the Russian generics segment and the Russian branded products segment had an opposing effect. Exchange rate effects and portfolio changes as an adjustment to the previous year's figure had a total influence of €79.9 million on sales in the reporting year. For information on how sales are broken down according to segments, please refer to "Segment reporting" in Note 44.

12. Cost of sales

Cost of sales is divided into the following items:

in k €	2019	2018
Material expenses	966,949	906,940
Impairment, depreciation and amortization	123,203	106,505
Expenses from inventory write-downs	40,914	35,658
Remaining cost of sales	108,159	90,390
Total	**1,239,225**	**1,139,493**

Impairment, depreciation and amortization in the amount of €123.2 million (previous year: €106.5 million) mainly included amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured – in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value netted with reversals. The reversals amounted to €11.9 million in financial year 2019 (previous year: €9.4 million).

13. Selling expenses

In addition to the costs for sales departments and the sales force, selling expenses also comprise the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages, so-called discounts in kind – insofar as this is possible under the legal regulations in a national market – are not included. The resulting expenses are reported as a part of cost of sales.

In the reporting year, marketing expenses in the amount of €265.3 million (previous year: €239.0 million) corresponded to a share of 46% in selling expenses (previous year: 44%). In addition, selling expenses included depreciation in the amount of €17.0 million (previous year: €7.4 million).

14. General and administrative expenses

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

In 2019, the general and administrative expenses included depreciation in the amount of €15.8 million (previous year: €6.1 million).

General and administrative expenses showed an increase of €214.8 million (previous year: €183.7 million). Their share of Group sales amounted to 8.2% (previous year: 7.9%). The increase resulted, among other things, from expenses for various transformation projects.

15. Research and development expenses

For information on the composition of research and development expenses, please refer to the details included in the Accounting Policies.

In financial year 2019, research and development expenses increased by €0.5 million compared to the previous year.

The research and development expenses included depreciation in the amount of €4.4 million (previous year: €2.4 million). Development costs for new products in the amount of €20.4 million (previous year: €20.4 million) were capitalized in financial year 2019 (see the Notes on the item "Intangible assets").

16. Other income

Other income is divided into the following items:

in k €	2019	2018
Income from write-ups	8,579	15,899
Income from the reversal of impairments on receivables	10,237	10,636
Income from received insurance compensations	72	9,874
Income from the disposal of non-current assets	2,616	720
Remaining other income	21,157	47,251
Total	**42,661**	**84,380**

Income from write-ups in financial year 2019 is made up of many individual items in the Group companies and related to the Generics segment with €2.5 million and the Branded Products segment with €6.1 million (previous year: €1.3 million in the Generics segment and €14.6 million in the Branded Products segment). The write-ups relate for the most part to various pharmaceutical approvals and trademarks, the scheduled amortization of which is reported within cost of sales.

The remaining other income includes, for the most part, compensation claims and other income not directly associated with functional costs, which comprises many insignificant individual items in the Group companies. In the previous year, this also included income from the capital consolidation of BIOCEUTICALS Arzneimittel AG which was considered a special item in the previous year.

17. Other expenses

Other expenses are broken down as follows:

in k €	2019	2018
Impairment losses on non-current assets excluding goodwill	75,125	42,166
Other personnel expenses	26,200	5,809
Expenses from valuation allowances in accounts receivable	1,469	15,523
Losses from the disposal of non-current assets	1,697	2,140
Currency translation expenses	964	1,888
Remaining other expenses	51,539	35,578
Total	**156,994**	**103,104**

Other expenses include impairment losses in the amount of €75.1 million (previous year: €42.2 million) that exclusively relate to impairment losses on non-current assets excluding goodwill in the reporting year. The impairments relate for the most part to various pharmaceutical approvals and trademarks, the scheduled amortization of which is reported within cost of sales. The impairments are mainly due to two approvals in the Branded Products segment (€24.8 million and €9.3 million) resulting from negative future business prospects as well as a project under development in Generics (€12.4 million) due to the discontinuation of development activities. In the previous year, there was a significant impairment of an approval in the Branded Products segment (€16.3 million) due to negative future business prospects.

In other expenses, in the reporting year there were expenses from impairments on receivables in the amount of €1.5 million (previous year: €15.5 million), primarily. In the previous year, these expenses related for the most part to impairments as a result of payment defaults on the part of customers in Russia.

Losses on the disposal of non-current assets decreased in the reporting year by €0.4 million and is composed of many insignificant individual items.

Net currency translation expenses in the amount of €1.0 million (previous year: €1.9 million) were reported, consisting of currency translation income of €28.4 million (previous year: €45.6 million) and currency translation expenses of €29.4 million (previous year: €47.5 million). This development was based on adverse developments in the significant currencies in various national currencies.

Additionally, the item "Remaining other expenses" included personnel expenses in the amount of €26.2 million (previous year: €5.8 million) which, in the reporting year, mainly result from severance payments for a BPO restructuring program as well as from expanses as a result of management changes (previous year: severance payments for former members of the Executive Board as well as expenses as a result of management changes). The regular personnel expenses are appropriately allocated to the respective specialist departments. Primarily, the severance payments relate to the severance payments for employees whose regular personnel costs are reported under administrative costs.

18. Financial result

The **result from investments measured at equity** in financial year 2019 relates to the companies AELIA SAS, Dialogfarma LLC as well as Pharm Ortho Pedic SAS accounted for using the equity method. BIOCEUTICALS Arzneimittel AG was consolidated in the previous year as an associate until September 30, 2018, following a successful increase in shareholdings, it has been consolidated as a subsidiary since September 30, 2018.

Investment income primarily relates to profit distributions from companies not included in the Consolidated Financial Statements.

Financial income and financial expenses are composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in k €	2019	2018
Interest income	3,571	5,624
Interest expense	48,634	44,565
Interest result	**45,063**	**38,941**
thereof from financial instruments of the valuation categories in accordance with IFRS 9:		
• loans and receivables (AC)	1,339	2,079
• financial assets at fair value through other comprehensive income (FVOCI)	-1,541	-1,564
• financial assets and liabilities at fair value through profit and loss (FVPL)	-2,817	-5,910
• financial liabilities measured at amortized costs (AC)	-43,451	-36,158

Interest income for the financial year 2019 includes, as was the case in the previous year, the compounding effect for the sale price contractually agreed for December 31, 2019 for the shares held in the company Stellapharm J.V. (formerly STADA Vietnam J.V.).

In addition, the interest result in financial year 2019 included a net interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of €0.8 million (previous year: €0.8 million).

The interest result includes the further interest expenses in connection with leases in accordance with IFRS 16 in the amount of €3.3 million.

In financial year 2019, STADA Arzneimittel AG was refinanced at interest rates between 1.01% p.a. and 3.5% p.a. (previous year: between 0.95% p.a. and 2.3% p.a.). In addition, the Group refinanced itself at interest rates between 1.01% p.a. and 69.15% p.a. (previous year: between 2.84% p.a. and 3.19% p.a.), whereby the high interest rate is attributable to the taking of loans in Argentina, the carrying amount of which is not significant for the Group overall. As of the reporting date December 31, 2019, the weighted average interest rate for non-current financial liabilities was approximately 3.07% p.a. (previous year: approximately 3.43% p.a.). The average interest rate for current financial liabilities was approximately 8.00% p.a. as of the balance sheet date (previous year: 1.97% p.a.) For the Group, the weighted average interest rate for financial liabilities was approximately 3.22% p.a. (previous year: approximately 2.97% p.a.).

Borrowing costs capitalized as part of the cost of qualifying assets amounted to €3.7 million in financial year 2019 (previous year: €2.6 million). A capitalization rate of 3.0% for intangible assets (previous year: 2.5%) was taken as a basis.

In financial year 2019, as was the case in the previous year, there was no other financial income or other financial expenses.

19. Income tax expenses

The item income tax expenses includes taxes on income and earnings paid or owed in the individual countries as well as deferred tax liabilities. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in other expenses.

Actual income tax expenses recognized in the income statement can be divided according to timing as follows:

in k €	2019	2018
Actual income tax expenses	**32,370**	**68,502**
Tax expense in the current period	45,857	54,932
Tax income (previous year: tax expense) from previous periods	13,487	13,570

Deferred taxes recognized in the income statement are made up of the following:

in k €	2019	2018
Deferred taxes	**-5,482**	**-36,160**
• from temporary differences	-4,918	-32,367
• from loss/interest carryforwards	-564	-3,793

The effective income tax rate amounted to 7.9% for financial year 2019. The effective income tax rate in the previous year was 9.4%. The nominal income tax rate amounted to 28.3% in financial year 2019 for STADA Arzneimittel AG in Germany. This includes corporate tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% as well as trade income tax with an assessment rate of 357%. The nominal income tax rate of STADA Arzneimittel AG is thus unchanged as compared to the previous year.

For temporary differences from undistributed earnings of subsidiaries in the amount of €15.7 million, no deferred tax liabilities were established, because these profits will be reinvested for an indefinite period.

The following overview explains how the effective income tax expense reported in the income statement was derived from the expected income tax expense. The expected income tax expense is calculated by applying the nominal tax rate of a corporation headquartered in Bad Vilbel to earnings before taxes. The tax effects of the respective tax rates to be applied locally depending on their applicable national and legal forms are reported in a separate reconciliation.

in k €	2019	2018
Earnings before taxes	**340,731**	**342,874**
Nominal income tax rate of STADA Arzneimittel AG (in %)	28.3%	28.3%
Expected income tax expense	**96,495**	**97,102**
Deviation in local tax rate	-28,875	-14,867
Tax effects from loss carryforwards, tax credits, interest carryforwards and prior-year taxes	-12,031	6,537
Effects from tax rate changes	–	22
Tax effects from non-deductible expenses and tax-free earnings	10,850	9,604
Tax effect of the negative difference according to IFRS 3	–	-7,829
Tax effect from the fiscal unity with the shareholder	-39,089	-56,597
Other tax effects	-462	-1,630
Income tax expense shown on the income statement	**26,888**	**32,342**
Effective income tax rate (in %)	7.9%	9.4%

Without the tax effect from the fiscal unity with the shareholder in the amount of -€39.1 million (previous year: -€56.6 million), the effective tax rate would have been 19.4% (previous year: 25.9%).

As in the previous year, tax effects from loss/interest carryforwards resulted for the most part from unusable interest expenses due to the interest barrier rule that was newly-introduced in the United Kingdom. From the previous years' taxes, there was income in the reporting year from the reversal of tax provisions.

The tax effect from the negative difference from IFRS 3 is attributable to the acquisition of control and the associated change of status of BIOCEUTICALS AG.

The tax expense of STADA Arzneimittel AG, as in the previous year, was mainly influenced by the conclusion of a domination and profit and loss transfer agreement with the shareholder Nidda Healthcare GmbH. This resulted in a change in the tax status of STADA Arzneimittel AG, which has been included in the single tax entity of Nidda BondCo GmbH with its tax results since 2018 and must pay corporate tax exclusively for 20/17 of the compensation payment to be made to the outside shareholders. No tax allocation agreement was concluded with Nidda Healthcare GmbH as the direct parent company and/or Nidda BondCo GmbH as the indirect parent company. Income taxes are therefore reported in accordance with the formal approach. Accordingly, all deferred taxes of the former German controlling Company STADA Arzneimittel AG were transferred to the new controlling company Nidda BondCo GmbH. Nidda BondCo GmbH also has to pay corporation tax, solidarity surcharge and trade tax on the taxable income of STADA Arzneimittel AG, while STADA Arzneimittel AG is responsible for the taxation of recurring compensation payments.

The actual income tax expenses and deferred taxes recognized in the balance sheet were as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Income tax receivables	5,659	8,545
Income tax liabilities	59,364	79,723

in k €	2019	2018
Deferred tax assets	33,532	26,337
Deferred tax liabilities	87,045	83,935
Deferred taxes as of December 31	-53,513	-57,598
Difference compared to previous year	-4,085	-31,312
thereof		
• recognized in income	-5,482	-36,160
• recognized through other comprehensive income	-349	-235
• acquisitions/disposals/changes in the scope of consolidation	-628	5,728
• reclassifications as a result of the implementation of the new standards IFRS 9 and IFRS 15	–	-220
• currency translation differences	2,374	-425

Deferred taxes result from the following balance sheet items and loss carryforwards:

in € k	Dec. 31, 2019 Deferred tax assets	Dec. 31, 2018 Deferred tax assets	Dec. 31, 2019 Deferred tax liabilities	Dec. 31, 2018 Deferred tax liabilities
Intangible assets	1,125	528	97,017	99,589
Property, plant and equipment	2,157	1,435	8,301	6,814
Financial assets	543	454	–	10
Inventories	13,749	12,511	510	995
Receivables	374	2,037	809	249
Other assets	2,398	919	804	13
Other non-current provisions	3,023	2,501	–	–
Other provisions	5,564	3,391	4,362	7,288
Liabilities	12,859	13,817	864	851
Loss carryforwards	17,362	20,618	–	–
Total	**59,154**	**58,211**	**112,667**	**115,809**
Offsetting	25,622	31,874	25,622	31,874
Deferred taxes as per balance sheet	**33,532**	**26,337**	**87,045**	**83,935**

Deferred tax liabilities reported by STADA resulted, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. The reduction in deferred tax liabilities from intangible assets compared with the previous year was primarily a result of scheduled amortization of intangible assets with purchase price allocations measured in accordance with IFRS 3, as well as from impairments on such assets. Overall, deferred tax liabilities increased as of December 31, 2019 to €87.0 million (December 31, 2018: €83.9 million). This development was attributable to taxable temporary differences from property, plant and equipment and other assets. The reduction in loss carryforwards resulted in particular from the use of tax loss carryforwards.

Tax advantages that are expected from the future utilization of tax loss carryforwards are reported under "Tax loss carryforwards", insofar as their utilization is probable. Tax loss carryforwards capitalized as of December 31, 2019 amounted to €57.9 million in financial year 2019 (December 31, 2018: €72.7 million).

Tax effects from loss and interest carryforwards led in the financial year to an increase in the income tax expense in the amount of €0.3 million (previous year: €1.2 million). This development was primarily influenced by British tax law which, from April 1, 2017 for the first time limits the deduction of operating expenses for interest (interest barrier) which led to an interest carryforward for which no deferred tax assets were established.

The future usable tax loss carryforwards and similar items are listed in the following chart according to their expiry date:

in k €	Dec. 31, 2019	Dec. 31, 2018
Loss carryforwards expiry date within		
• 1 year	–	–
• 2 years	–	–
• 3 years	–	–
• 4 years	–	–
• 5 years	1,598	1,802
• more than 5 years	–	–
• unlimited carryforward	56,294	70,885

No deferred taxes were recognized for the following tax loss carryforwards and similar items as it is not probable that they will be realized in the foreseeable future:

in k €	Dec. 31, 2019	Dec. 31, 2018
Expiry date for loss carryforwards and similar items within		
• 1 year	–	14
• 2 years	–	–
• 3 years	–	–
• 4 years	–	–
• 5 years	–	54
• more than 5 years	76	–
• unlimited carryforward	17,667	13,147
Temporary differences	–	–

20. Income attributable to non-controlling interests

in k €	Dec. 31, 2019	Dec. 31, 2018
Earnings after taxes	**313,843**	**310,532**
• thereof distributable to shareholders of STADA Arzneimittel AG (net income)	302,697	306,927
• thereof distributable to non-controlling interests	11,146	3,605

Profit distributable to non-controlling shareholders pertains to the subsidiaries BIOCEUTICALS Arzneimittel AG, NorBiTec GmbH, Hemofarm Banja Luka, Hemomont, NorBiTec GmbH, Pymepharco, and STADA Pharmaceuticals (Beijing).

21. Earnings per share

The basic earnings per share were as follows:

Earnings per share	2019	2018
Net income (in k €)	302,697	306,927
Adjustment	–	–
Adjusted net income (basic) (in k €)	**302,697**	**306,927**
Average number of registered shares issued (in unit shares)	62,342,440	62,342,440
Average number of treasury shares (in unit shares)	84,273	84,298
Adjusted average number of shares (basic) (in unit shares)	**62,258,167**	**62,258,142**
Basic/diluted earnings per share (in €)	**4.86**	**4.93**

Basic/diluted earnings per share are calculated by dividing the adjusted net income distributable to the shareholders of STADA Arzneimittel AG by the time-weighted average number of registered shares with restricted transferability outstanding.

22. Number of employees and personnel expenses

The average number of employees at STADA by functional area is as follows:

	2019	2018
Technical Operations (Production/Quality Assurance/Logistics/Procurement/Supply Chain)	5,489	5,363
Marketing/Sales	3,294	3,175
Administration with Finance/IT	1,200	1,139
Product Development	643	570
Entire Group	**10,626**	**10,247**
Personnel expenses (in € million)	**420.9**	**359.3**

The average number of employees increased in the reporting year by 4% to 10,626 (previous year: 10,247), mainly due to the increase in the number of production employees in Serbia and Vietnam as well as the expansion of sales and marketing activities in Spain and Italy. As of the reporting date, the number of employees rose by 7% to 11,100 (previous year: 10,416). This increase was primarily based on the previously mentioned development in the number of production and sales employees as well as on the initial consolidation of the Biopharma units as of December 31, 2019 with about 300 employees.

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, increased in financial year 2019 to €420.9 million (previous year): €359.3 million). The increase resulted for the most part from the expansion of sales and marketing activities in Spain and Italy as well as from the increased number of production employees in Serbia and Vietnam.

23. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses were incurred on intangible assets and property plant and equipment as follows:

in k €	2019	2018
Depreciation/amortization	**160,455**	**122,531**
Intangible assets	103,794	87,984
Property, plant and equipment	56,661	34,547
Impairment losses	**75,124**	**42,166**
Intangible assets	74,480	41,957
thereof		
• goodwill	–	–
Property, plant and equipment	49	209
thereof		
• land and buildings	–	3
• plant and machinery	13	95
• other fixtures and fittings, tools and equipment	36	7
• down payments	–	104
Financial assets	595	–
thereof		
• investments	595	–

While depreciation and amortization are included in expenses of the individual functional areas according to their functional relevance, there is a presentation within other expenses for impairment losses.

The impairment of intangible assets concerns various drug approvals and trademarks, the scheduled amortization of which is reported within cost of sales.

Depreciation and amortization increased by 31.0% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

Notes to the Consolidated Balance Sheet

24. Intangible assets

Intangible assets developed as follows in financial year 2019:

2019 in k €	Regulatory drug approvals, trademarks, customer relation-ships, software, licenses and similar rights	Rights of use	Goodwill	Advance payments made and capitalized develop-ment costs for current projects	Total
Costs as of Jan. 1, 2019	**2,214,297**	**–**	**461,468**	**253,333**	**2,929,098**
Adjustments under IFRS 16	–	7,062	–	–	7,062
Costs as of Jan. 1, 2019, adjusted	**2,214,297**	**7,062**	**461,468**	**253,333**	**2,936,160**
Currency translation	54,473	–	11,434	4,165	70,072
Changes in the scope of consolidation	-251	–	–	–	-251
Additions	102,381	739	–	64,330	167,450
Additions from business combinations in accordance with IFRS 3	698	–	31,216	–	31,914
Disposals	1,272	7	–	1,157	2,436
Reclassifications to non-current assets and disposal groups held for sale	-11,609	–	–	-2,505	-14,114
Transfers	58,118	–	–	-58,142	-24
Costs as of Dec. 31, 2019	**2,416,834**	**7,794**	**504,119**	**260,024**	**3,188,771**
Accumulated depreciation as of Jan. 1, 2019	**1,069,778**	**–**	**72,716**	**79,399**	**1,221,893**
Currency translation	21,138	–	2,089	1,623	24,850
Changes in the scope of consolidation	-251	–	–	–	-251
Scheduled depreciation	100,399	3,395	–	–	103,794
Impairment losses	55,462	–	–	19,018	74,480
Disposals	1,185	7	–	1,135	2,327
Write-ups	7,304	–	–	1,275	8,579
Reclassifications to non-current assets and disposal groups held for sale	-11,058	–	–	–	-11,058
Transfers	733	–	–	-733	0
Accumulated depreciation as of Dec. 31, 2019	**1,227,712**	**3,388**	**74,805**	**96,897**	**1,402,802**
Residual carrying amounts as of Dec. 31, 2019	**1,189,122**	**4,406**	**429,314**	**163,127**	**1,785,969**
Residual carrying amounts as of Jan 1, 2019, adjusted	**1,144,519**	**7,062**	**388,752**	**173,934**	**1,714,267**
Residual carrying amounts as of Dec. 31, 2018	**1,144,519**	**–**	**388,752**	**173,934**	**1,707,205**

Additions from business combinations in accordance with IFRS 3, which relate to the fair value calculated in the context for the purchase price allocations, resulted in the reporting year from the acquisition of the Biopharma Group.

The umbrella brand Hemofarm which was capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in capitalized trademarks recognized as an intangible asset with an indefinite useful life, because STADA intends to make continuing use of it. As of December 31, 2019, this umbrella brand has a carrying amount of €39.2 million (previous year:

€39.0 million). In the context of the impairment test of December 31, 2019, a royalty rate of 2% (previous year: 2%) and a discount rate of 12.9% (previous year: 13.7%) were used. There was no necessity for impairment for the reporting year. In addition, the change compared to the previous year figure of €0.2 million is attributable to different exchange rates.

Furthermore, in the context of the control achieved over Pymepharco in 2013, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinite useful life as a trademark, as STADA intends to continue to use the trademark. As of December 31, 2019, it has a carrying amount of €9.2 million (previous year: €8.8 million). The change is a result of differing exchange rates. In the context of the impairment test of December 31, 2019, a royalty rate of 2% (previous year: 2%) and a discount rate of 13.7% (previous year: 14.3%) were used. There was no necessity for impairment for the reporting year.

As part of the acquisition of Laboratorio Vannier, the umbrella brand Vannier was capitalized as an intangible asset with an indefinite useful life as a trademark as STADA intends to continue to use the trademark. The umbrella brand remains completely written off and has a carrying amount of €0.0 million (previous year: €0.0 million).

Borrowing costs capitalized in 2019 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to €3.7 million (previous year: €2.6 million). In financial year 2019, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 3.0% (previous year: 2.5%).

Development costs of €25.0 million were capitalized in the reporting year (previous year: €23.7 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years). STADA immediately recognizes development costs that do not qualify for capitalization as expense in the period in which they are incurred (see Note 15.). In financial year 2019, these development costs amounted to €72.8 million (previous year: €72.3 million).

Amortization of intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of €103.8 million (previous year: €88.0 million).

In financial year 2019, impairments on intangible assets were recognized in the total amount of €74.5 million (previous year: €42.0 million). As in the previous year, no valuation allowances on goodwill were recorded in the reporting year.

Details on changes in the scope of consolidation can be found in the Note on the scope of consolidation (see Note 5.).

Intangible assets developed as follows in the previous year:

2018 in k €	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
Costs as of Jan. 1, 2018	**1,912,869**	**470,338**	**219,261**	**2,602,468**
Currency translation	-26,897	-8,870	-2,532	-38,299
Changes in the scope of consolidation	–	–	–	–
Additions	224,308	–	62,472	286,780
Additions from business combinations in accordance with IFRS 3	87,186	–	–	87,186
Disposals	6,734	–	2,298	9,032
Transfers	23,565	–	-23,570	-5
Costs as of Dec. 31, 2018	**2,214,297**	**461,468**	**253,333**	**2,929,098**
Accumulated depreciation as of Jan. 1, 2018	**975,238**	**73,861**	**79,027**	**1,128,126**
Currency translation	-9,891	-1,145	-965	-12,001
Changes in the scope of consolidation	–	–	–	–
Scheduled depreciation	87,984	–	0	87,984
Impairment losses	37,501	–	4,456	41,957
Disposals	6,577	–	1,698	8,275
Write-ups	14,674	–	1,224	15,898
Transfers	197	–	-197	–
Accumulated depreciation as of Dec. 31, 2018	**1,069,778**	**72,716**	**79,399**	**1,221,893**
Residual carrying amounts as of Dec. 31, 2018	**1,144,519**	**388,752**	**173,934**	**1,707,205**
Residual carrying amounts as of Dec. 31, 2017	**937,631**	**396,477**	**140,234**	**1,474,342**

Additions from business combinations in accordance with IFRS 3, which relate to the fair value calculated in the context of the purchase price allocations, resulted in 2018 from the acquisition of BIOCEUTICALS AG and NorBiTec GmbH.

The following amortization expense is expected for intangible assets in the next five years:

in k €	Expected amortization
2020	99,143
2021	99,431
2022	101,704
2023	104,935
2024	106,565

The following table shows which cash-generating units the capitalized goodwill can be attributed to:

Residual carrying amount as of Dec. 31, 2019 in € million	
Generics	186.8
Branded Products	242.5
Total	429.3

In the previous year, the capitalized goodwill for cash-generating units was as follows:

Residual carrying amount as of Dec. 31, 2018 in € million	
Generics	182.3
Branded Products	206.5
Total	388.8

In comparison with the previous year, there were changes in the carrying amounts of goodwill for the most part as a result of the acquisition of the Biopharma Group. This led to an increase in goodwill of the Branded Products segment from the initial consolidation in the amount of €31.2 million. In addition, there were insignificant exchange-rate related changes in both segments.

In the context of the regular impairment tests for capitalized goodwill of December 31, 2019, the discounted cash flow method was used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

According to segment, defined as cash-generating unit	Growth rates of the forward projection phase 2019 in %	WACCs 2019 in %
Generics	1.2%	12.0%
Branded Products	1.3%	11.8%

In the previous year, the applied parameters as of September 30, 2018 were as follows:

According to segment, defined as cash-generating unit	Growth rates of the forward projection phase 2018 in %	WACCs 2018 in %
Generics	1.4%	11.7%
Branded Products	1.6%	12.3%

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. This detailed planning period reflects the assumptions for short and medium-term market developments. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. In the previous year a specific estimated growth rate in the amount of the expected long-term inflation rate was assumed for the period after this three-year detailed planning horizon. The detailed planning phase for determining the value in use are based on assumptions from past experience expanded to include current developments and verified using external market data and analyses. The most important assumptions include the development of future sales prices, amounts and costs, the influence of the regulatory market environment, investments, market shares, exchange rates and growth rates. Significant changes to the assumptions described above would influence the determination of the value in use of the cash-generating units. The discount rates applied are determined on the basis of external factors derived from the market and adjusted for the respective predominant risks of the cash-generating units.

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. A sensitivity analysis was therefore carried out for the different cash-generating units with a 1.0 percentage points higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points. Using these assumptions, there was also no necessity for an impairment to any cash-generating unit.

25. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2019:

2019 in k €	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Rights of use	Advance payment and construction in progress	Total
Costs as of Jan. 1, 2019	**271,526**	**261,344**	**117,435**	**–**	**42,826**	**693,131**
Adjustments under IFRS 16	–	–	–	51,917	–	51,917
Costs as of Jan. 1, 2019, adjusted	**271,526**	**261,344**	**117,435**	**51,917**	**42,826**	**745,048**
Currency translation	3,865	7,935	2,876	1,626	1,782	18,084
Changes in the scope of consolidation	–	–	–	–	–	–
Additions	1,273	9,298	7,189	13,374	62,286	93,420
Additions from business combinations in accordance with IFRS 3	3,401	3,894	810	892	194	9,191
Disposals	1,945	5,510	8,332	3,993	15	19,795
Reclassifications to non-current assets and disposal groups held for sale	-45	–	–	–	–	-45
Transfers	2,484	27,328	-1,217	6,617	-35,187	25
Costs as of Dec. 31, 2019	**280,559**	**304,289**	**118,761**	**70,433**	**71,886**	**845,928**
Accumulated depreciation as of Jan. 1, 2019	**101,099**	**157,092**	**82,928**	**–**	**545**	**341,664**
Currency translation	872	4,481	1,548	248	16	7,165
Changes in the scope of consolidation	–	–	–	–	–	–
Scheduled depreciation	6,937	19,461	9,738	20,525	–	56,661
Impairment losses	–	13	36	–	–	49
Disposals	839	4,872	5,668	1,595	–	12,974
Write-ups	–	–	–	–	–	–
Reclassifications to non-current assets and disposal groups held for sale	-22	–	–	–	–	-22
Transfers	-112	-2	-1,152	1,266	–	0
Accumulated depreciation as of Dec. 31, 2019	**107,935**	**176,173**	**87,430**	**20,444**	**561**	**392,543**
Residual carrying amounts as of Dec. 31, 2019	**172,624**	**128,116**	**31,331**	**49,989**	**71,325**	**453,385**
Residual carrying amounts as of Jan. 1, 2019, adjusted	**170,427**	**104,252**	**34,507**	**51,917**	**42,281**	**403,384**
Residual carrying amounts as of Dec. 31, 2018	**170,427**	**104,252**	**34,507**	**–**	**42,281**	**351,467**

The additions from business combinations relate to the Biopharma Group, which was included in the scope of consolidation.

With the initial application of IFRS 16 as of January 1, 2019, rights of use are presented separately within property, plant and equipment. These rights of use relate for the most part to leases for buildings and vehicles. The average term of the leases is 5 years for buildings while vehicles are generally leased for a period of 3 years.

In the previous year, property, plant and equipment included assets from finance leases, primarily relating to cars and trucks, in the amount of €5.3 million which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since been subjected to scheduled depreciation. Within the scope of the initial application of IFRS 16 in 2019, these leases which are already accounted for in accordance with IAS 17 will also be presented in rights of use.

As in the previous year, no borrowing costs were capitalized for property, plant and equipment in financial year 2019.

Property, plant and equipment developed as follows in the previous year:

2018 in k €	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2018	**263,843**	**248,112**	**114,885**	**29,301**	**656,141**
Currency translation	-2,145	-4,913	-2,125	-868	-10,051
Changes in the scope of consolidation	–	–	-138	–	-138
Additions	3,249	6,893	6,025	36,814	52,981
Additions from business combinations in accordance with IFRS 3	1,432	5,794	936	374	8,536
Disposals	619	6,798	6,235	691	14,343
Transfers	5,766	12,256	4,087	-22,104	5
Cost as of Dec. 31, 2018	**271,526**	**261,344**	**117,435**	**42,826**	**693,131**
Accumulated depreciation as of Jan. 1, 2018	**95,452**	**148,183**	**79,327**	**441**	**323,403**
Currency translation	-444	-2,873	-832	–	-4,149
Changes in the scope of consolidation	–	–	-47	–	-47
Scheduled depreciation	6,721	17,811	10,015	–	34,547
Impairment losses	3	95	7	104	209
Disposals	610	6,463	5,226	–	12,299
Write-ups	–	–	–	–	–
Transfers	-23	339	-316	–	–
Accumulated depreciation as of Dec. 31, 2018	**101,099**	**157,092**	**82,928**	**545**	**341,664**
Residual carrying amounts as of Dec. 31, 2018	**170,427**	**104,252**	**34,507**	**42,281**	**351,467**
Residual carrying amounts as of Dec. 31, 2017	**168,391**	**99,929**	**35,558**	**28,860**	**332,738**

26. Financial assets

Financial assets developed as follows in financial year 2019:

2019 in k €	Shares in associates and other investments	Other financial assets	Total
Cost as of Jan. 1, 2019	**18,600**	**–**	**18,600**
Currency translation	177	–	177
Changes in the scope of consolidation	–	–	–
Acquisitions	4,465	–	4,465
Disposals	946	–	946
Change in the fair value (FVOCI)	130	–	130
Reclassifications from non-current assets and disposal groups held for sale	–	–	–
Transfers	–	–	–
Cost as of Dec. 31, 2019	**22,426**	**–**	**22,426**
Accumulated impairments as of Jan. 1, 2019	**16,319**	**–**	**16,319**
Currency translation	65	–	65
Changes in the scope of consolidation	–	–	–
Impairment losses	595	–	595
Disposals	946	–	946
Write-ups	–	–	–
Reclassifications from non-current assets and disposal groups held for sale	–	–	–
Transfers	–	–	–
Accumulated impairments as of Dec. 31, 2019	**16,033**	**–**	**16,033**
Residual carrying amounts as of Dec. 31, 2019	**6,393**	**–**	**6,393**
Residual carrying amounts as of Dec. 31, 2018	**2,281**	**–**	**2,281**

Financial assets are the carrying amounts of shares in non-consolidated investments. There is currently no intention to sell these financial assets.

The change in fair value (FVOCI) results from the exercising of the option in accordance with IFRS 9 to recognize changes in the fair value of equity instruments in other comprehensive income. In the reporting year, this related to the investment in XBrane Biopharma AB.

Financial assets developed as follows in the previous year:

2018 in k €	Shares in associates and other investments	Other financial assets	Total
Cost as of Jan. 1, 2018	**19,058**	**–**	**19,058**
Currency translation	57	–	57
Changes in the scope of consolidation	-790	–	-790
Acquisitions	280	–	280
Disposals	5	–	5
Reclassifications from non-current assets and disposal groups held for sale	–	–	–
Transfers	–	–	–
Cost as of Dec. 31, 2018	**18,600**	**–**	**18,600**
Accumulated impairments as of Jan. 1, 2018	**17,080**	**–**	**17,080**
Currency translation	30	–	30
Changes in the scope of consolidation	-791	–	-791
Impairment losses	–	–	–
Disposals	–	–	–
Write-ups	–	–	–
Reclassifications from non-current assets and disposal groups held for sale	–	–	–
Transfers	–	–	–
Accumulated impairments as of Dec. 31, 2018	**16,319**	**–**	**16,319**
Residual carrying amounts as of Dec. 31, 2018	**2,281**	**–**	**2,281**
Residual carrying amounts as of Dec. 31, 2017	**1,978**	**–**	**1,978**

27. Investments measured at equity

The disclosure as of the reporting date related to the accounting of shares in the associates PharmTechService LLC, Pharm Ortho Pedic SAS, AELIA SAS and Dialogfarma LLC using the equity method.

Investments measured at equity developed as follows in financial year 2019 compared with the previous year:

in k €	2019	2018
As of Jan. 1	**24,568**	**41,528**
Status change of BIOCEUTICALS Arzneimittel AG	–	-15,026
Reclassification of the shares held by STADA in Stellapharm J.V. (IFRS 5)	-21,356	–
Addition PharmTechService LLC	1,185	–
Interest rate effect Stellapharm J.V. (formerly STADA Vietnam J.V.)	551	3,442
Dividend distributions	-1,765	-9,098
Results from associates	-6	3,722
Currency translation	-110	-
As of Dec. 31	**3,067**	**24,568**

In financial year 2019, the decrease of the investments measured at equity resulted primarily from the reclassification of the shares held by STADA in Stellapharm J.V. (formerly STADA Vietnam J.V.) into non-current assets held for sale (IFRS 5).

Interest rate effects related exclusively to Stellapharm J.V. because the equity carrying amount of Stellapharm J.V. corresponds to the contractually agreed selling price for the sale on December 31, 2019 of the shares held by STADA under consideration of a relevant discounting effect.

Dividend distributions mainly included the dividends paid by Stellapharm J.V. for financial years 2018 and 2019, which represent partial payments in connection with the agreement concluded in the fourth quarter of 2017 to sell the shares in this company held by STADA.

28. Trade accounts receivable

Trade accounts receivable are composed as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Trade accounts receivable from third parties	707,302	634,721
Trade accounts receivable from non-consolidated companies	1,787	1,292
Valuation allowances vis-à-vis third parties	-108,849	-132,110
Financial assets (FVOCI)	14,850	12,108
Total	**615,090**	**516,011**

As of December 31, 2019, there were no trade accounts receivable due after one year.

Collateral exists for a portion of trade accounts receivable whose value was not impaired in the form of bank or corporate guarantees as well as pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers. These are taken into account in the calculation of the default risk.

The regulations on the classification of financial assets led to changes in the measurement and disclosure of factoring-capable receivables on the basis of the present business model. These financial assets, which remain under trade accounts receivable, are no longer measured at amortized cost within the scope of IFRS 9, but at fair value through other comprehensive income. Changes in the fair value of these receivables are recognized directly in equity in the FVOCI reserve. In this context, financial assets measured at fair value through other comprehensive income are generally subject to the same impairment model as financial assets measured at amortized cost.

Overall, valuation allowances on trade accounts receivable developed as follows:

in k €	2019	2018
As of Jan. 1	**132,110**	**145,828**
IFRS 9 adjustments	–	2,655
Status as of January 1 in accordance with IFRS 9	**132,110**	**148,483**
Added	1,785	14,653
Utilized	20,780	10,539
Reversed	7,685	9,269
Additions from business combinations in accordance with IFRS 3	121	–
Changes in the scope of consolidation and reclassifications in accordance with IFRS 5	–	-6,802
Currency translation differences	3,298	-4,416
As of Dec. 31	**108,849**	**132,110**

Value adjustment matrix

For financial year 2019 there were the following figures:

in k €	Credit default rate	Trade accounts receivable, net	ECL IFRS 9	IVA w/o ECL IFRS 9	Trade accounts receivable, gross
Trade accounts receivable					
Cluster 1 – low risk	0%–1.5%	488,099	1,901	99,630	587,728
Cluster 2 – medium risk	1.6%–3.0%	112,160	1,788	5,242	117,402
Cluster 3 – increased risk	3.1%–5.0%	0	0	0	0
Cluster 4 – high risk	> 5.0%	2,126	243	46	2,172
Total		**602,385**	**3,932**	104,918	707,302

The previous year resulted in the following presentation:

in k €	Credit default rate	Trade accounts receivable, net	ECL IFRS 9	IVA w/o ECL IFRS 9	Trade accounts receivable, gross
Trade accounts receivable					
Cluster 1 – low risk	0%–1.5%	323,575	1,359	32,562	356,137
Cluster 2 – medium risk	1.6%–3.0%	176,184	2,093	95,681	271,865
Cluster 3 – increased risk	3.1%–5.0%	6,539	234	180	6,719
Cluster 4 – high risk	> 5.0%	0	0	0	0
Total		**506,298**	**3,686**	128,423	634,721

For trade accounts receivable, an expected default on receivables is calculated over their terms on the basis of a portfolio-specific default rate. The default rate indicates the probability that a debtor will default within a period of one year. The default rates consider the industry risks and the economic environment of the respective country. Each cluster is allocated to a different bandwidth of expected default rates.

29. Return assets

As of December 31, 2019, return assets due after one year amounted to €0.7 million (previous year: €0.6 million). The return assets relate to anticipated returns in connection with contracts with customers for which reutilization is expected.

30. Other financial assets

Other financial assets were composed as follows:

in k €	Dec. 31, 2019 Total	Dec. 31, 2019 thereof: current	Dec. 31, 2018 Total	Dec. 31, 2018 thereof: current
Loan receivables	535	535	506	38
Derivative financial assets	418	418	2,237	2,237
Other financial assets	59,195	58,855	10,835	10,480
Total	**60,148**	**59,808**	**13,578**	**12,755**

The derivative financial assets included the positive market values of currency forwards (see Note 47.1.).

The remaining financial assets included receivables from the German factoring business in the amount of €4.4 million, receivables from factoring transactions in the United Kingdom in the amount of €1.3 million and receivables from cash pooling with Nidda Healthcare Holding GmbH in the amount of €44.1 million. In addition, other financial assets also comprise many insignificant individual items in the Group companies.

As of December 31, 2019, other financial assets included impairments in the amount of €9.5 million (previous year: €9.7 million). There were no outstanding amounts for non-impaired other financial assets.

31. Other assets

Other assets were composed as follows:

in k €	Dec. 31, 2019 Total	Dec. 31, 2019 thereof: current	Dec. 31, 2018 Total	Dec. 31, 2018 thereof: current
Other receivables due from the tax authorities	25,195	25,167	24,819	24,793
Prepaid expenses/deferred charges	17,563	17,392	18,152	17,964
Assets from overfunded pension plans	–	–	29	–
Other assets	5,331	4,202	7,419	6,498
Total	**48,089**	**46,761**	**50,419**	**49,255**

Other assets comprised many insignificant individual items in the Group companies.

As of December 31, 2019, other assets included write-downs in the amount of €6.5 million (previous year: €6.5 million).

32. Inventories

Inventories can be divided as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Materials and supplies	155,758	108,541
Work in progress	50,514	41,757
Finished goods and merchandise	418,147	354,484
Advance payments to suppliers	13,818	10,469
Total	**638,237**	**515,251**

In financial year 2019, impairments netted with reversals were made on the net realizable value of inventories in the amount of €40.9 million (previous year: €35.7 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2019, reversals here amounted to €11.9 million (previous year: €9.4 million).

33. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as current and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subject to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents amount to €5.0 million (previous year: €2.2 million) and, as in the previous year, exclusively relate to cash and cash equivalents in China.

The reduction in cash and cash equivalents from €343.8 million as of December 31, 2018 to €206.0 million as of December 31, 2019 resulted from the effects described as part of the explanations of the consolidated cash flow statement. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

34. Non-current assets and disposal groups held for sale as well as associated liabilities

As of December 31, 2019, in the STADA Group, an asset held for sale in the amount of €3.1 million presented in a separate line item in the balance sheet. This includes as a significant item an intangible asset of € 3.1 million that belongs to the Branded Products segment.

In the first quarter of 2019, the shares in Stellapharm J.V. (formerly STADA Vietnam J.V.) valued at equity were reclassified to non-current assets and disposal groups held for sale. Due to the declaration of sale signed in the fourth quarter of 2017 for the shares held by STADA in Stellapharm J.V., this company was no longer consolidated as a subsidiary in the meaning of IFRS 10 from December 2017, rather as a unit accounted for using the equity method in accordance with IAS 28. Because the sale of the shares in Stellapharm J.V. was completed in December 2019, there were no longer any non-current assets and disposal groups held for sale as of December 31, 2019.

In the previous year, assets held for sale in the amount of €0.1 million were presented as a separate line item in the balance sheet.

35. Equity

Group equity amounted to €1,195.5 million as of the balance sheet date (previous year: €1,178.0 million). This corresponds to an equity ratio of 31.0% (previous year: 33.1%).

35.1. Share capital

As of December 31, 2019, share capital amounted to €162,090,344.00 (December 31, 2018: €162,090,344.00) and was divided into 62,342,440 registered shares (December 31, 2018: 62,342,440), each with an arithmetical share of share capital of €2.60 per share, and is fully paid. Each share grants one vote in the General Meeting.

As of December 31, 2019, authorized capital was comprised as follows:

	Amount in €	Shares	Purpose
Authorized capital	81,045,159.00	31,171,215	Increase of share capital (until June 5, 2023)

35.2. Capital reserve

Changes in the capital reserve of the Group are shown in the consolidated statement of changes in shareholders' equity and particularly include the capital reserve of STADA Arzneimittel AG. Differences from the capital reserve determined in accordance with the provisions of German commercial law primarily result from the recognition at their market value of the shares of STADA Arzneimittel AG newly issued in 2003 as well as the associated treatment of issuing costs, which were deducted from the capital reserve.

35.3. Retained earnings including net income

Retained earnings including net income comprises net income for the financial year as well as earnings generated in previous periods, provided these were not distributed or transferred under a profit transfer agreement, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

In the context of measuring the defined benefit obligations as of December 31, 2019, a net expense in the amount of €5.3 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. It is mainly based on the reduction in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2019 in comparison with December 31, 2018. In addition, this position also includes currency translation differences related to the revaluation of net debt recognized in equity from performance-oriented pension plans as well as the deferred taxes they incur which, in financial year 2019, amounted to expenses recognized in equity of €0.1 million.

35.4. Other reserves

Other reserves include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the "currency translation reserve".

As part of the application of the IFRS 9 standard, other reserves also include the "FVOCI reserve". Changes in the fair value of receivables measured at fair value through other comprehensive income as well as the equity instruments measured at fair value through other comprehensive income are recorded here with no effect on profit or loss.

The increase in other reserves compared to the previous year primarily resulted from the appreciation of the Russian ruble and the British pound since December 31, 2018, which led to income from the currency translation of the companies that are accounted for in the Russian ruble and British pound.

35.5. Treasury shares

As of the balance sheet date, the Company held 84,273 treasury shares (December 31, 2018: 84,273), each with an arithmetical par value of €2.60, which is equivalent to 0.14% (December 31, 2018: 0.14%) of the share capital. In financial year 2019, no treasury shares were sold.

35.6. Shares relating to non-controlling shareholders

Shares held by non-controlling interests related as of December 31, 2019 to the minority interests of other shareholders in the subsidiaries BIOCEUTICALS Arzneimittel AG, Hemofarm Banja Luka, Hemomont, NorBiTec GmbH, Pymepharco, and STADA Pharmaceuticals (Beijing).

36. Other non-current provisions

Other non-current provisions made by STADA as of the reporting date in Germany and outside Germany include pension provisions and other non-current provisions in the form of anniversary provisions as well as provisions for working time accounts and early retirement as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Germany	19,166	15,397
International	21,840	18,093
Total	**41,006**	**33,490**

In Germany, STADA has plan assets in the form of reinsurance policies, which are used to serve the pension entitlements of a small number of former employees. In addition, there are plan assets for a pension obligation which was outsourced to a pension fund. All further pension entitlements are financed internally within the scope of pension provisions. In addition, there are plan assets in a few foreign subsidiaries in the form of, among other things, insurances, government bonds and securities funds.

In financial year 2019, at no subsidiaries did the plan assets exceed the pension obligations, with the result that for the current financial year there was no need to report under other assets as assets from overfunded pension plans (previous year: €0.03 million).

Plan assets were divided according to investment type as follows:

Share of plan assets in k €	2019	2018
Cash and cash equivalents	1,288	1,258
Equity securities	9,188	7,074
Debt securities	28,520	22,522
Real estate	2,543	1,945
Derivatives	–	–
Shares in investment funds	10,655	9,082
Insurance policies	52,529	72,444
Other	14	–
Total	**104,737**	**114,325**

The plan assets, which have a quoted market price, consist of the following:

Share of plan assets (quoted market price) in k €	2019	2018
Cash and cash equivalents	1,288	1,258
Equity securities	9,188	7,074
Debt securities	28,520	22,522
Real estate	2,543	1,945
Derivatives	–	–
Shares in investment funds	10,655	9,082
Insurance policies	–	–
Other	14	–
Total	**52,208**	**41,881**

For German Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in k €	2019	2018
As of Jan. 1	**53,307**	**54,277**
Current service cost	9	24
Past service cost	–	–
Plan settlements	–	–
Interest cost	1,047	1,016
Benefits paid from plan assets	-1,223	-1,216
Benefits paid by employer	-735	-622
Revaluations:		
• Gains (–) / losses (+) due to changed demographic assumptions	–	124
• Gains (–) / losses (+) due to changed financial assumptions	7,121	-891
• Gains (–) / losses (+) due to experience-based changes	-44	595
As of Dec. 31	**59,482**	**53,307**

For international Group companies, pension obligations developed as follows:

Projected benefit obligations (DBO) for pension commitments in k €	2019	2018
As of Jan. 1	**86,753**	**93,014**
Current service cost	2,807	2,725
Past service cost	-1,165	-542
Plan settlements	–	-139
Interest cost	1,982	1,898
Benefits paid from plan assets	-30,247	-5,549
Benefits paid by employer	-814	-925
Employee contributions	579	523
Insurance premiums for death and disability benefits	-234	-226
Business combinations	–	–
Disposals	–	–
Reclassifications	–	–
Revaluations:		
• Gains (–) / losses (+) due to changed demographic assumptions	-635	-400
• Gains (–) / losses (+) due to changed financial assumptions	14,002	-2,978
• Gains (–) / losses (+) due to experience-based changes	100	-947
Currency changes	2,090	383
Other	-87	-84
As of Dec. 31	**75,131**	**86,753**

The past service cost in the reporting year amounts to income of €1.2 million and is primarily attributable to the introduction of new plans in Russia (terminations) as an expense, as well as to income from the reversal of provision-funded pension plans in the Netherlands which in the future will be financed solely by employee and employer contributions. There were also further special events with an immaterial impact on the balance sheet.

The fair value of plan assets underlying the pension obligations developed as follows for German group companies:

Fair value of plan assets in k €	2019	2018
As of Jan. 1	**41,578**	**42,520**
Interest income	810	790
Employer contributions	66	142
Employee contributions	–	–
Pension payments	-1,223	-1,216
Actuarial gains (+) / losses (–) on plan assets (not included in interest result)	5,465	-658
Other	–	–
As of Dec. 31	**46,696**	**41,578**

The fair value of plan assets underlying the pension obligations developed as follows for international Group companies:

Fair value of plan assets in k €	2019	2018
As of Jan. 1	**72,747**	**76,413**
Interest income	1,624	1,504
Employer contributions	2,939	2,822
Employee contributions	579	523
Pension payments	-30,247	-5,549
Insurance premiums for death and disability benefits	-234	-226
Business combinations	–	–
Disposals	–	–
Reclassifications	–	–
Actuarial gains (+) / losses (-) on plan assets (not included in interest result)	9,023	-2,935
Currency changes	1,715	299
Other	-105	-104
As of Dec. 31	58,041	**72,747**

Net debt from defined benefit plans developed as follows for German Group companies:

Net debt from defined benefit plans in k €	2019	2018
As of Jan. 1	**11,729**	**11,757**
Expenses from pension plans recognized in the income statement	246	250
Revaluations		
• Gains (–) / losses (+) due to changes in demographic assumptions	–	124
• Gains (–) / losses (+) due to changes in financial assumptions	7,121	-891
• Gains (–) / losses (+) due to experience-related changes	-44	595
• Actuarial gains (+) / losses (-) on plan assets (not included in interest result)	-5,465	658
Employer contributions	-66	-142
Benefits paid by employer	-735	-622
Currency changes	–	–
As of Dec. 31	12,786	**11,729**

Net debt from defined benefit plans developed as follows for international Group companies:

Net debt from defined benefit plans in k €	2019	2018
As of Jan. 1	**14,006**	**16,601**
Expenses from pension plans recognized in the income statement	2,017	2,455
Revaluations		
• Gains (–) / losses (+) due to changes in demographic assumptions	-635	-400
• Gains (–) / losses (+) due to changes in financial assumptions	14,002	-2,978
• Gains (–) / losses (+) due to experience-related changes	100	-947
• Actuarial gains (+) / losses (-) on plan assets (not included in interest result)	-9,022	2,938
Employer contributions	-2,939	-2,822
Benefits paid by employer	-814	-925
Disposals	–	–
Reclassifications	–	–
Currency changes	375	84
As of Dec. 31	**17,090**	**14,006**

The amount of the pension provisions recognized as of the balance sheet date for companies with plan assets were as follows:

in k €	2019	2018
Projected benefit obligations for pension commitments	120,975	128,370
Fair value of plan assets	104,737	114,325
Net obligation	**16,238**	**14,045**
Effect from the limit on a defined benefit asset in accordance with IFRIC 14	–	–
Net liability recognized in the balance sheet	**16,238**	**14,045**

The amount of the pension provisions recognized as of the reporting date for companies without plan assets was therefore as follows:

in k €	2019	2018
Projected benefit obligations for pension commitments	13,638	11,690
Net liability recognized in the balance sheet	**13,638**	**11,690**

Expenses for defined benefit plans amounted to net expenses in the total amount of €2.3 million in financial year 2019 (previous year: €2.7 million) and consisted of the following components:

in k €	2019	2018
Current service cost	2,816	2,749
Past service cost	-1,165	-542
Plan settlements	–	-139
Net interest expense:		
• Interest expense (DBO)	3,029	2,914
• Interest income (plan assets)	-2,434	-2,294
• Interest income from reimbursement	–	–
• Interest expense (+) / interest income (–) from the limit on an asset	–	–
Administration costs	17	17
Other	–	–
Total	2,263	**2,705**

Gains from plan assets amounted to €6.3 million in financial year 2019 (previous year: €0.1 million) for German group companies and €10.6 million for international group companies (previous year: -€1.4 million).

The amount of the income of plan assets for German Group companies is mainly determined by an increase of the plan assets of an approval to the level of the gross obligation as a result of existing reinsurance; this rose as a consequence of the significant decrease in the actuarial interest rate in financial year 2019 an has therefore had an increasing effect on income. Income of the plan assets outside Germany is mainly attributable to a positive performance of the plan assets in the United Kingdom and Ireland as well as an increase in the income of the plan assets in the Netherlands. In the Netherlands, the amount of the plan assets is calculated on the basis of an actuarial measurement and thus depends decisively on the development of the actuarial interest rate. In financial year 2019, the actuarial interest rate decreased; this led to an increase of the obligation as well as assets and consequently of income. Due to the change of the pension plan to a purely contribution-financed solution at the end of this financial year, this effect will occur for the last time.

The following actuarial parameters were used as a basis for measuring the German pension obligations and pension costs:

Parameters for pension obligations for German Group companies (weighted)	Dec. 31, 2019	Dec. 31, 2018
Discount rate	1.3%	2.0%
Salary trend	3.0%	3.0%
Pension trend	1.4%	1.4%
Inflation	1.8%	1.8%

The following actuarial parameters were used as a basis for measuring the international pension obligations and pension costs:

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2019	Dec. 31, 2018
Discount rate	1.5%	2.3%
Salary trend	2.2%	2.1%
Pension trend	1.2%	0.8%
Inflation	1.7%	1.8%

The increase in the pension trend is mainly attributable to the fact that the pension plan in the Netherlands is no longer included for the calculation of the average - a pension trend of 0% was applied for this pension plan.

A sensitivity analysis was carried out in which only one assumption was changed in each case and all other assumptions were not changed. In the following, the change in the defined benefit obligation of the pension obligations (DBO) for German Group companies is presented according to a change in the discount rate, salary trend and pension trend:

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2019 (k €59,482) according to changed assumption in k €	Dec. 31, 2019	Dec. 31, 2018
Discount rate +0.5%	-5,403	-4,418
Discount rate -0.5%	6,282	5,034
Salary trend +0.5%	5	4
Salary trend -0.5%	-4	-5
Pension trend +0.5%	6,208	5,032
Pension trend -0.5%	-5,394	-4,410

The salary trend is largely insignificant, because all plan participants are close to reaching their regular pension age.

In the following, the change in the defined benefit obligation of the pension obligations (DBO) for international Group companies is presented according to a change in the discount rate, salary trends and pension trends:

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2019(k €75,131) according to changed assumption in k €	Dec. 31, 2019	Dec. 31, 2018
Discount rate +0.5%	-5,677	-6,618
Discount rate -0.5%	6,486	7,566
Salary trend +0.5%	793	680
Salary trend -0.5%	-756	-646
Pension trend +0.5%	2,118	3,574
Pension trend -0.5%	-2,036	-1,477

As of December 31, 2019, the weighted duration of the pension obligations amounted to 20 years (previous year: 18 years) for German Group companies and 18 years (previous year: 17 years) for international Group companies.

In the coming financial years, the following payments from the Company and from plan assets overall are expected for defined benefit plans:

Expected pension payments in accordance with maturity dates in k €	Germany	Outside Germany
Less than 1 year	2,024	2,644
Between 1 and 2 years	1,992	1,906
Between 2 and 3 years	1,989	2,019
Between 3 and 4 years	2,002	2,046
Between 4 and 5 years	1,999	2,167
Between 5 and 10 years	9,965	14,901

For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan assets, are expected in the amount of €0.8 million for German Group companies and €3.6 million for international Group companies.

The regulations of IAS 19 require a presentation of the benefit plans that generate obligations for the Company. For the STADA Group, pension plans in Germany, the United Kingdom and Switzerland account for the largest share of total obligations with 80%. Accordingly, the following details focus on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz – BetrAVG) in which minimum legal requirements are attached to company pension plans. Regulations and legal precedents within labor law must also be followed. The retirement benefit plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension. In the calculation of the amount of the pension obligations, the Heubeck 2018G mortality tables were used as a basis for consideration of mortality and fluctuation. There is also an early retirement arrangement for selected employees.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2019, plan assets amounted to €46.7 million and were composed of three different plans. There were no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the material obligation regarding its amount and including associated risks was outsourced externally. Furthermore, there is also the common risk of the interest rate development.

The pension commitment for the former Chairman of the Executive Board Hartmut Retzlaff was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as a defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly in the balance sheet. The existing plan assets lead to a provision of zero due to offsetting that must be carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

In the United Kingdom, STADA provides its employees with defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plans are subject to the UK Trust Law and the UK Pension Regulator. The pension plans are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and thereby ensuring sufficient assets to cover the technical provisions of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases, which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

As of December 31, 2019, plan assets amounted to €26.0 million. All assets have quoted market prices on an active market. In the calculation of the amount of the pension obligations, the mortality tables of the S2 Series (S2PA) were used as a basis for consideration of the mortality also including the projection table CMI 2018 as well as the long-term trend toward improved mortality of 1.25%. Fluctuation assumptions are no longer relevant for the pension plan.

In Switzerland, every employer must offer its employees a pension plan in accordance with federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG). Employees whose salary exceeds the entry limit are obliged to be insured – this is re-determined periodically. The BVG requires a minimum plan (the "BVG minimum") that must always be covered. STADA's Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the age of retirement. Plan participants can opt for a capital option. In the calculation of the amount of the pension obligations, the BVG 2015 GT mortality tables were used as a basis for consideration of mortality and fluctuation.

In the Netherlands, the pension plan was changed to a contribution-financed solution at the end of financial year 2019. In this context, all pension entitlements are fully guaranteed by insurance, so that no provisions are necessary from 2019.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to €28.6 million in financial year 2019 (previous year: €26.9 million).

The other non-current provisions developed as follows:

Other non-current provisions in k €	2019	2018
As of Jan. 1	**7,726**	**6,919**
Current service cost	597	519
Past service cost	3,105	86
Plan settlements	–	–
Interest cost	203	211
Benefits paid	-753	-630
Business combinations	–	–
Revaluations		
• gains (–) / losses (+) due to changed demographic assumptions	-416	10
• gains (–) / losses (+) due to changed financial assumptions	699	351
• gains (–) / losses (+) due to experience-based changes	-82	275
Currency changes	51	-15
Reclassifications	–	–
As of Dec. 31	**11,130**	**7,726**

The past service cost of €3.1 million relates to the introduction of an early retirement plan in Germany.

37. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the reporting date:

	Liabilities to shareholders		Liabilities from promissory note loans		Liabilities to banks		Liabilities from bonds		Total	
Dec. 31 in k €	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Remaining term up to 1 year	–	–	–	129,460	40,082	42,595	–	272,887	40,082	444,942
Remaining terms over 1 year up to 3 years	–	–	41,463	41,436	136	356	266,591	–	308,190	41,792
Remaining terms over 3 years up to 5 years	929,609	–	6,989	6,986	–	–	–	–	936,598	6,986
Remaining terms over 5 years	–	929,609	–	–	–	–	–	–	–	929,609
Financial liabilities	929,609	929,609	48,452	177,882	40,218	42,951	266,591	272,887	1,284,870	1,423,329

In 2018, STADA reported that it and certain of its significant subsidiaries – in line with the instruction received from Nidda – had granted certain in rem security to secure certain capital market liabilities and other debt financing which is borrowed and/or guaranteed by Nidda and its associates. The provision of these collateral securities meant that the holders of the STADA € 300,000,000 1.75% bond with maturity in 2022 had the right to redeem the nominal amount and accrued interest under the STADA bonds. The bond was therefore classified as current in the previous year.

On January 8, 2019, STADA published the relevant tender offer, whose final expiration date was June 19, 2019. On June 21, 2019, STADA announced that under the tender offer, since its announcement on January 8, 2019, bonds in a nominal amount of € 6,676,000 had been repurchased. The presentation as of December 31, 2019 is made in accordance with the maturity of the bond in 2022.

In addition, STADA received a loan in the amount of €929.6 million from Nidda Healthcare Holding GmbH intended, among other things, to refinance the repayment of financial liabilities.

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2019, from interest payments and repayment of financial liabilities for the coming years are presented in the following table:

	2020			2021			> 2022		
in k €	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	6,282	33,820	40,121	5,194	32,988	41,500	4,871	90,650	1,204,003

The following projection of cash flows from financial liabilities was generated in the previous year:

	2019			2020			> 2021		
in k €	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	12,050	33,939	431,946	555	33,236	12,950	707	123,728	978,109

For financial liabilities existing as of the reporting date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. The variable interest payments from the promissory note loans were determined based on the interest rate last fixed before December 31, 2019.

For financial liabilities the cash-effective changes of which included in cash flow from financing activities resulted in the reporting year in the following reconciliation:

2019 in k €	Financial liabilities
As of Jan. 1	**1,423,329**
Cash inflows from additions	12,905
Cash outflows from repayments	152,093
Changes in the scope of consolidation	–
Effects from currency translation	279
Reclassification from other financial liabilities	–
Other non-cash effective changes	450
As of Dec. 31	**1,284,870**

For financial liabilities, the cash changes of which are included in cash flow from financing activities, the following reconciliation was made in the previous year:

2018 in k €	Financial liabilities
As of Jan. 1	**1,257,921**
Cash inflows from additions	944,599
Cash outflows from repayments	820,883
Changes in the scope of consolidation	–
Effects from currency translation	-2,492
Reclassification from other financial liabilities	40,000
Other non-cash effective changes	4,184
As of Dec. 31	**1,423,329**

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the Notes on the capital management of liquidity risk (see Note 48.5.).

38. Trade accounts payable

Trade accounts payable are composed as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Trade accounts payable to third parties	269,530	220,829
Trade accounts payable to parent companies and non-consolidated Group companies	4,154	5,150
Advances received on orders from third parties	436	–
Liabilities from outstanding accounts	139,904	89,101
Total	**414,024**	**315,080**

Of the total amount of trade accounts payable, €0.5 million (previous year: €0.0 million) are due after one year.

For the most part, the changes were based on trade accounts payable on offsetting reporting date effects within the individual Group companies.

39. Contractual liabilities

Contractual liabilities in the reporting year amounted to €1.6 million (previous year: €1.5 million) and consisted exclusively of down payments received where it is assumed that performance will be rendered in 2020. No revenues from contractual obligations that were rendered in previous periods were recognized.

40. Other financial liabilities

Other financial liabilities are broken down as follows:

in k €	Dec. 31, 2019		Dec. 31, 2018	
	Total	thereof: current	Total	thereof: current
Outstanding purchase price liabilities	1,790	487	2,020	441
Liabilities from leases	55,476	20,553	4,012	1,435
Liabilities to shareholders from domination and profit and loss transfer agreement	349,550	349,550	134,189	134,189
Liabilities from derivative financial instruments	926	926	95	95
Other financial liabilities	210,959	210,852	152,570	152,558
Total	**618,701**	**582,368**	**292,886**	**288,718**

As of December 31, 2019, outstanding purchase price liabilities were based on product acquisitions in the United Kingdom, as in the previous year.

Liabilities from leases in accordance with IFRS 16 for buildings, cars and trucks, among other things, amounted to €55.5 million as of December 31, 2019. Considering interest in the amount of €6.8 million, lease installments payable in subsequent years total €62.2 million. STADA applied the new IFRS 16 standard for the first time modified retroactively as of January 1, 2019, i.e. an adjustment of the prior year figures was not conducted. For this reason, accounting of leases was carried out in the previous year using the IAS 17 standard which was applicable up to that point in time.

Lease liabilities are due as follows:

in k €	Lease installments		Interest		Lease liabilities	
	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2018 (IAS 17)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2018 (IAS 17)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2018 (IAS 17)
Remaining term up to 1 year	22,837	1,750	2,283	315	20,553	1,435
Remaining terms over 1 year	39,390	3,060	4,468	483	34,923	2,577
Total	**62,227**	**4,810**	**6,751**	**798**	**55,476**	**4,012**

The changeover to IFRS 16 as of January 1, 2019 led to an increase in lease liabilities in the amount of €59.0 million. The increase in lease liabilities in the course of the financial year dure to newly-recognized leases was countered by current lease payments which reduced them to a figure of €55.5 million as of the balance sheet date December 31, 2019.

For liabilities from finance leases the cash-effective changes of which are included in the cash flow from financing activities resulted in the following reconciliation in the previous year:

2018 in k €	Finance lease liabilities
As of Jan. 1	**3,419**
Payments	1,924
Additions	1,275
Initial consolidation of BIOCEUTCALS Arzneimittel AG	1,212
Effects from currency translation	30
Other non-cash effective changes	–
As of Dec. 31	**4,012**

Liabilities to shareholders from the domination and profit and loss transfer agreement relate exclusively to liabilities from the profit transfer in the amount of €349.6 million (previous year: €134.2 million) in accordance with the current domination and profit and loss transfer agreement with Nidda Healthcare GmbH.

In addition, negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2019, this related to currency forwards (see Note 47.1.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

	Derivative financial liabilities	
in k €	Dec. 31, 2019	Dec. 31, 2018
Remaining term up to 1 year	926	95
Remaining terms over 1 year up to 3 years	–	–
Remaining terms over 3 years up to 5 years	–	–
Remaining terms over 5 years	–	–
Total	**926**	**95**

Remaining financial liabilities primarily included liabilities from discount agreements of German STADA companies in the amount of €150.9 million (previous year: €128.1 million) and also comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of €210.9 million (previous year: €152.6 million) within one year, in the amount of €0.1 million (previous year: €0.0 million) after one year and up to five years.

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2019, from interest payments and repayment for liabilities from leases in accordance with IFRS 16 as well as from derivative financial instruments for the coming years are presented in the following table:

	2020			2021			> 2021		
in k €	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flow from leases	2,283	–	20,553	1,507	–	15,945	2,960	–	18,978
Cash flows from derivatives	–	–	–	–	–	–	–	–	–

The following projection of cash flows from finance lease liabilities in accordance with IAS 17 as well as derivatives was generated in the previous year:

in k €	2019			2020			2021–2023		
	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from finance lease liabilities	315	–	1,435	285	–	1,038	198	–	1,539
Cash flows from derivatives	–	–	–	–	–	–	–	–	–

Included were all financial instruments used by STADA which existed as of the respective reporting date and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the Notes on financial instruments Note 47. and Note 48.6.

41. Other liabilities

Other liabilities were comprised as follows:

in k €	Dec. 31, 2019		Dec. 31, 2018	
	Total	thereof: current	Total	thereof: current
Tax liabilities	18,248	18,248	8,259	8,259
Personnel related liabilities	65,305	65,295	50,639	50,635
Other liabilities	55,545	52,919	70,766	68,310
Total	**139,098**	**136,462**	**129,664**	**127,204**

The rise in other liabilities was attributable to increases in remaining tax liabilities and personnel liabilities while other liabilities decreased.

Remaining liabilities comprise many insignificant individual items in the Group companies.

42. Other provisions

Other provisions are composed as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Provisions for damages	4,628	5,113
Provisions for returns	13,633	17,430
Total	**18,261**	**22,543**

Provisions for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
As of Jan. 1	**5,113**	**1,393**
Added	1,324	3,868
Utilized	31	1
Reversed	1,649	100
Changes of the scope of consolidation	–	34
Currency translation differences	-129	-81
As of Dec. 31	**4,628**	**5,113**

Utilization is expected within the next twelve months.

Provisions for returns developed as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
As of Jan. 1	**17,430**	**22,114**
Added	8,122	7,827
Utilized	10,080	7,452
Reversed	1,841	5,059
Currency translation differences	2	
As of Dec. 31	**13,633**	**17,430**

Other Disclosures

43. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to €444.1 million in the reporting year (previous year: €320.3 million). This development was mainly attributable to a significantly higher gross cash flow resulting from a significant increase in EBITDA. There were also cash inflows in connection with the increase in trade accounts payable. This was countered by higher cash outflows from the increase in inventories and trade accounts receivable.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to -€265.0 million in the reporting year (previous year: -€300.3 million).

In financial year 2019, payments for investments in intangible assets in the amount of €161.7 million (previous year: €280.3 million) were made. Of this total, €135.1 million (previous year: €255.4 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio, €84.2 million of which relates to the acquisition of a branded products portfolio in the United Kingdom. Within the scope of business combinations, there were net payments from the acquisition of the Biopharma Group in the amount of €47.5 million.

Proceeds from the disposal of non-current assets amounted to €31.5 million (previous year: €9.2 million). Proceeds from the disposal of shares in consolidated companies and from the disposal of non-current assets held for sale related to dividends of Stellapharm J.V. (formerly STADA Vietnam J.V.), which was previously accounted for using the equity method, which represent partial payments in connection with the agreement concluded in the fourth quarter of 2017 to sell the shares in this company held by STADA as of December 31, 2019 as well as the final purchase price payment.

Cash flow from financing activities amounted to -€316.7 million in financial year 2019 (previous year: €79.7 million) and generally encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity. This development was primarily attributable to the settlement of liabilities, presented in the dividend distributions, to shareholders from a profit transfer agreement in the amount of €134.2 million. In addition, there were dividend distributions to non-controlling interests in the amount of €17.0 million. Furthermore, scheduled repayments of promissory note loans were recorded which were countered by only limited assumption of financial liabilities. Cash flow from financing activities was also influenced by the repayment of financial liabilities from leases which now also include the leases identified within the scope of the new standard IFRS 16 which was applied for the first time as of January 1, 2019. There were the following effects in the previous year: Significantly higher financial liabilities resulted from the loans granted to STADA by Nidda Healthcare Holding GmbH. This was also countered by higher repayments of financial liabilities. Due to the takeover in 2017, the creditors of STADA Arzneimittel AG were entitled, in accordance with the financing conditions, to prematurely terminate bonds, promissory note loans and bank loans. Among other things, a partial amount of €360.2 million made due prematurely in the first quarter of 2018 in this context. Another material item in the second quarter of 2018 was the scheduled repayment of a bond in the amount of €347.1 million.

Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to €179.1 million in financial year 2019 (previous year: €20.0 million)

Cash pursuant to IAS 7 is made up of cash and cash equivalents.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

in k €	2019	2018
Cash flow from operating activities	444,080	320,288
Cash flow from investing activities	-264,988	-300,284
+ payments for investments in business combinations in accordance with IFRS 3	47,538	-19,185
+ payments for significant investments in intangible assets for the short-term expansion of the product portfolio	135,071	255,384
– proceeds from disposals in significant disinvestments	145	375
– proceeds from disposals in consolidated companies	1,903	6,225
– Proceeds from the sale of non-current assets held for sale (IFRS 5)	22,755	–
Adjusted free cash flow	336,898	**249,603**

44. Segment reporting

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS Consolidated Financial Statements. Services between the segments are charged based on market prices.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

In accordance with the reporting structure, the Group is managed by operating segment, i.e. in accordance with the two segments Generics and Branded Products.

Generics are products for the health care market – usually with a pharmaceutical character – which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the three following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient
  or
- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have expired,
  or
- the product is sold under its international non-proprietary name (INN).

Branded products are products for the health care market which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,
  or
- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments, are recognized under the reconciliation Group holdings/other and consolidation.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the netting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

44.1. Information by operating segment

in k €		2019	2018
Generics	**External sales**	**1,534,678**	**1,382,833**
	Sales with other segments	239	301
	Total sales	1,534,917	1,383,134
	Operating profit	345,810	291,859
	Depreciation/amortization	66,596	51,059
	Impairment losses	26,323	17,466
	Reversals	-2,527	-1,265
	EBITDA	436,196	359,213
	Special items within EBITDA	608	436
	thereof		
	• effects from purchase price allocations and product acquisitions	340	436
	• severance payments	268	–
	• other	–	–
	EBITDA adjusted	*436,804*	*359,649*
	Other significant non-cash items within operating result	-177,143	-160,423
Branded Products	**External sales**	**1,073,885**	**947,991**
	Sales with other segments	–	–
	Total sales	1,073,885	947,991
	Operating profit	175,605	165,039
	Depreciation/amortization	80,084	67,252
	Impairment losses	48,177	24,700
	Reversals	-6,052	-14,634
	EBITDA	297,814	242,469
	Special items within EBITDA	-1,786	-1,897
	thereof		
	• effects from purchase price allocations and product acquisitions	-1,969	-1,897
	• severance payments	183	–
	• other	–	–
	EBITDA adjusted	*296,028*	*240,572*
	Other significant non-cash items within operating result	-18,384	-25,553

in k €		2019	2018
Reconciliation Group holdings/other and consolidation	**External sales**	**–**	**–**
	Sales with other segments	-239	-301
	Total sales	-239	-301
	Operating profit	-135,615	-78,848
	Depreciation/amortization	13,775	4,221
	Impairment losses	625	–
	Reversals	–	–
	EBITDA	-121,215	-71,068
	Special items within EBITDA	13,863	-25,672
	thereof		
	• effects from purchase price allocations and product acquisitions	–	–
	• severance payments	13,863	2,595
	• other	–	-28,267
	EBITDA adjusted	*-107,352*	*-96,740*
	Other significant non-cash items within operating result	-21,026	18,186
Group	**External sales**	**2,608,563**	**2,330,824**
	Sales with other segments	–	–
	Total sales	2,608,563	2,330,824
	Operating profit	385,800	378,050
	Depreciation/amortization	160,455	122,532
	Impairment losses	75,125	42,166
	Reversals	-8,579	-15,899
	EBITDA	612,795	530,614
	Special items within EBITDA	12,685	-27,133
	thereof		
	• effects from purchase price allocations and product acquisitions	-1,629	-1,461
	• severance payments	14,314	2,595
	• other	–	-28,267
	EBITDA adjusted	*625,480*	*503,481*
	Other significant non-cash items within operating result	-216,553	-167,790

44.2. Reconciliation of segment results to net profit

in k €	2019	2018
Adjusted EBITDA for segments	732,832	600,221
Special items within EBITDA	-1,178	-1,461
Reconciliation Group holding/other and consolidation	-121,215	-71,068
Depreciation, amortization, impairment losses and reversals	227,001	148,799
Financial income	3,571	5,624
Financial expenses	48,634	44,565
Earnings before taxes, Group	**340,731**	**342,874**

44.3. Information by country

	Sales development by location of the company		Non-current assets	
in k €	2019	2018	Dec. 31, 2019	Dec. 31, 2018
Germany	679,856	551,287	854,448	863,574
United Kingdom	310,850	260,243	465,965	380,020
Russian Federation	285,281	331,446	217,174	181,273
Italy	251,249	223,439	38,157	41,488
Serbia	153,449	147,951	295,326	289,317
Other countries	927,878	816,458	368,309	303,000
Total, Group	2,608,563	**2,330,824**	2,239,379	**2,058,672**

In the presentation of sales by location of the Company, sales to third parties are shown in accordance with the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

44.4. Information on important customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities with a single external customer or customer group amount to at least 10% of the company's total sales revenues. This applied to one customer in the reporting year. The sales revenues identified with this customer amounted to €338.4 million (previous year: €325.0 million). The sales revenues generated were attributable to the Generics segment and the Branded Products segment. The same information also applied to the previous year.

45. Contingent liabilities

Contingent liabilities describe possible obligations to third parties based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA's control. As of the reporting date, these contingent liabilities were considered improbable and are therefore not accounted. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated.

STADA has contingent liabilities in connection, among other things, with patent risks for certain active pharmaceutical ingredients and associated pending or impending proceedings. 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).

The possible obligations as of December 31, 2019 amounted to approximately €58.8 million (previous year: €50.8 million). The increase of €8.0 million as compared to the previous year is based primarily on possible obligations from legal disputes.

Provisions were not created for contingent liabilities as the probability of an outflow of assets is below 50%. Outflows potentially resulting from these risks would generally be short-term.

46. Other financial obligations

In addition to the contingent liabilities, there are also other future financial obligations which can be broken down as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Lease liabilities	5,265	48,743
Other financial obligations	99,998	84,408
Total	**105,163**	**133,151**

As a result of the introduction of IFRS 16 as of January 1, 2019, lease liabilities are recognized in the balance sheet within other financial liabilities, which is why these are not included in other financial obligations in the reporting year. In the information on future obligations from leasing relationships as of December 31, 2019, however, obligations from short-term leases as well as leases for low-value assets are included because these are not accounted for in other financial liabilities. Obligations from leases in accordance with IAS 17 related in the previous year to IT equipment and vehicles as well as long-term lease agreements for office buildings.

The total of future payments under leases as of the end of the previous financial year can be broken down according to remaining term as follows:

	Lease liabilities	
in k €	Dec. 31, 2019	Dec. 31, 2018
Remaining term up to 1 year	3,505	18,161
Remaining terms over 1 year to 5 years	1,336	27,649
Remaining terms over 5 years	424	2,933
Total	**5,265**	**48,743**

The obligations for short-term leases amount to €0.3 million as of December 31, 2019.

In financial year 2019, lease payments in the amount of €11.8 million (previous year: €34.6 million) were recognized as an expense. Included in this figure were expenses in the amount of €1.9 million for short-term leases and €0.6 million for leases for low value assets.

Other financial obligations include long-term obligations for logistics and accounting services. Furthermore, contingent liabilities in the amount of €33.7 million in Spain, Belgium and the United Kingdom, as well as additional guarantees assumed by the STADA Group are included in other financial liabilities, among other things.

47. Disclosures about financial instruments

47.1. Carrying amounts, valuation rates and fair values in accordance with valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IFRS 9: AC (at amortized cost) refers to loans and receivables, FVPL (fair value through profit and loss) refers to financial assets and liabilities held for sale, FVOCI (fair value through other comprehensive income) refers to assets and liabilities measured at fair value through other comprehensive income, AC (financial liabilities measured at amortized cost) refers to financial liabilities measured at amortized cost.

in k €	Category	Carrying amount Dec. 31, 2019	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IFRS 16	Fair Value Dec. 31, 2019
Assets							
Cash and cash equivalents	AC	206,039	206,039	–	–	–	206,039
Trade accounts receivable:							
at amortized cost	AC	600,240	600,240	–	–	–	600,240
at fair value through other comprehensive income	FVOCI	14,850	–	14,850	–	–	14,850
Other financial assets:							
at amortized cost	AC	59,730	59,730	–	–	–	59,730
Derivative financial assets:							
Derivative financial assets with hedge accounting	n/a	375	–	–	375	–	375
Derivative financial assets without hedge accounting	FVPL	43	–	–	43	–	43
Equity and liabilities							
Trade accounts payable	AC	414,024	414,024	–	–	–	414,024
Amounts due to banks	AC	40,218	40,218	–	–	–	40,218
Promissory note loans	AC	48,452	48,452	–	–	–	49,988
Bond	AC	266,591	266,591	–	–	–	271,881
Financial liabilities due to shareholders	AC	929,609	929,609	–	–	–	942,347
Other financial liabilities	AC	562,299	562,299	–	–	–	562,299
Lease liabilities	n/a	55,476	–	–	–	55,476	55,476
Derivative financial liabilities with hedge accounting	n/a	615	–	–	615	–	615
Derivative financial liabilities without hedge accounting	FVPL	311	–	–	311	–	311
Thereof aggregated							
Financial assets at amortized cost	AC	866,009	866,009	–	–	–	866,009
Financial assets FVOCI	FVOCI	14,850	–	14,850	–	–	14,850
Financial liabilities measured at amortized cost	AC	2,261,193	2,261,193	–	–	–	2,280,757

For the previous year, the following disclosures are made on carrying amounts, valuation rates and fair values by valuation category:

in k €	Category	Carrying amount Dec. 31, 2018	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IAS 17	Fair Value Dec. 31, 2018
Assets							
Cash and cash equivalents	AC	343,794	343,794	–	–	–	343,794
Trade accounts receivable:							
at amortized cost	AC	503,902	503,902	–	–	–	503,902
at fair value through other comprehensive income	FVOCI	12,109	–	12,109	–	–	12,109
Other financial assets:							
at amortized cost	AC	11,341	11,341	–	–	–	11,341
Derivative financial assets		–	–	–	–	–	–
Derivative financial assets with hedge accounting	n/a	1,850	–	–	1,850	–	1,850
Derivative financial assets without hedge accounting	FVPL	387	–	–	387	–	387
Equity and liabilities							
Trade accounts payable	AC	315,080	315,080	–	–	–	315,080
Amounts due to banks	AC	42,951	42,951	–	–	–	42,951
Promissory note loans	AC	177,882	177,882	–	–	–	179,060
Bonds	AC	272,887	272,887	–	–	–	273,941
Financial liabilities due to shareholders	AC	929,609	929,609	–	–	–	929,609
Other financial liabilities	AC	288,779	288,779	–	–	–	288,779
Financial leasing	n/a	4,012	–	–	–	4,012	4,012
Derivative financial liabilities with hedge accounting	n/a	80	–	–	80	–	80
Derivative financial liabilities without hedge accounting	FVPL	15	–	–	15	–	15
Thereof aggregated							
Financial assets at amortized cost	AC	859,037	859,037	–	–	–	859,037
Financial assets FVOCI	FVOCI	12,109	–	12,109	–	–	12,109
Financial liabilities measured at amortized cost	AC	2,027,188	2,027,188	–	–	–	2,029,421

Since cash and cash equivalents as well as trade accounts receivable mainly have short residual terms, their carrying amounts as of the closing date correspond approximately to their fair value.

Deviations of the fair values from the carrying amounts occur as shown in the chart above in the case of promissory note loans, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values for liabilities to credit institutes.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respective current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade payables as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

The table below shows how the valuation rates of financial instruments measured at fair value were determined for the respective valuation categories of financial instruments:

	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
Fair values by levels of hierarchy in k € on a recurring basis	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Financial assets (FVOCI)						
• Financial assets	4,165	–	–	–	–	–
• Receivables that can be factored	–	–	14,850	12,109	–	–
Financial assets held for trading (FVPL)						
• Currency forwards	–	–	43	387	–	–
Derivative financial assets with a hedging relationship						
• Fair value hedges	–	–	375	1,850	–	–
Financial liabilities held for trading (FVPL)						
• Currency forwards	–	–	262	15	–	–
Derivative financial liabilities with a hedging relationship						
• Fair value hedges	–	–	615	80	–	–

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 the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If a need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period. In the financial year, there were no reclassifications between the respective hierarchy levels.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market comparisons and change analyses are carried out.

Derivative financial assets (FVPL) and derivative financial liabilities (FVPL) include positive or negative market values of derivative financial instruments (currency forwards and currency swaps) not part of 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, the fair values were determined using appropriate valuation models by external third parties.

STADA designates currency forwards (EUR/RUB, EUR/DKK, EUR/CHF, EUR/AUD and EUR/GBP) as fair value hedges that are concluded to hedge the currency risks from intercompany loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates, are offset by the changes in value spot components of the currency forwards of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective.

Due to an individual circumstance, the underlying transactions for currency forwards with a nominal value of €4.4 million with a maturity by February 6, 2020, have ceased to exist in the short term. The currency forwards in other financial liabilities all have a negative market value of €0.2 million, which is recognized in other expenses.

In financial year 2019, as in the previous year, there were no financial assets or liabilities measured at fair value allocated to hierarchy level 3.

47.2. Net earnings from financial instruments by valuation category

Net earnings recognized through profit or loss from financial assets and liabilities can be broken down as follows:

		From subsequent measurement				Net earnings	
Net earnings by valuation category in k €	**From interest and dividends**	**At fair value**	**Currency translation**	**Value adjustment**	**From disposals**	**Dec. 31, 2019**	**Dec. 31, 2018**
Financial assets at amortized cost	1,339	–	-3,231	8,768	–	6,876	-13,936
Financial assets FVOCI	-720	–	–	-595	–	-1,315	-1,564
Financial assets held for trading FVPL	-49	-2,237	–	–	-537	-2,823	1,172
Financial liabilities measured at amortized cost	-45,019	–	-8,989	–	–	-54,008	-34,948
Financial liabilities held for trading (FLHfT)	-292	-8,400	–	–	-1,756	-10,448	-12,007
Total	**-44,741**	**-10,637**	**-12,220**	**8,173**	**-2,293**	**-61,718**	**-61,283**

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result. Dividends received are disclosed in investment income. With the exception of the valuation results from currency swaps recognized at fair value through profit or loss, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to the fulfillment of currency swaps.

Total interest income and expenses from financial instruments not measured at fair value through profit or loss

in k €	**2019**	**2018**
Interest income		
• from financial assets measured at amortized cost	-19	2,079
Interest expenses		
• from financial liabilities measured at amortized cost	2,920	36,158

47.3. Factoring

Factoring transactions with the transfer of essentially all opportunities and risks

There are revolving receivable selling agreements with banks and financial institutes (together "receivables buyers") with the transfer of essentially all opportunities and risks for two agreements without a general purchase limit and for two agreements with a purchase limit of €26.2 million. The agreements have an unlimited term with regular termination possibilities, whereby STADA is free to decide if and in what amount the revolving nominal volume is utilized. The risks that are relevant for the risk evaluation with regard to the sold receivables are the credit risk as well as the risk of delayed payment (late payment risk). In return for a fixed program fee and, for two programs, through payment of a monthly discount fee recognized in expenses at the time of derecognition, both risks are fully transferred to the buyer of the receivable.

The nominal volume of receivables sold by STADA but not yet paid under the factoring agreements amounted to €47.2 million on the reporting date.

Factoring transactions with distribution of essential opportunities and risks for which control of the asset remains with STADA

There are factoring agreements pursuant to which STADA, on a revolving basis, sells trade accounts receivable up to a total general purchase limit of €136.8 million to banks and financial institutes. The agreements have an unlimited term with regular termination possibilities, whereby STADA is free to decide if and in what amount the revolving nominal volume is utilized. The risks that are relevant for the risk evaluation with regard to the sold receivables are the credit risk as well as the risk of delayed payment (late payment risk). The credit risk is partially transferred to the buyer of the receivable. The late payment risk continues to be borne in its entirety by STADA. The maximum credit risk to be borne by STADA, translated into euro, amounted to €1.8 million as of the reporting date. The other credit-risk related defaults are assumed by the buyer. The late payment risk continues to be borne in its entirety by STADA. The maximum risk of loss for STADA resulting from the credit risk and the late payment risk from the receivables sold as of the reporting date, translated into euro, amounted to €1.9 million. The nominal volume of receivables sold by STADA but not yet paid under the factoring agreements amounted to €61.6 million on the reporting date. The ongoing commitment of STADA as of December 31, 2019, translated into euro, amounted to €1.9 million and the carrying amounts of the associated liability, translated into euro, amounted to €1.9 million.

48. Risk management, derivative financial instruments and disclosures on capital management

48.1. Principles of risk management

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

48.2. Currency risks

STADA's Group and balance sheet currency is the euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

However, STADA is only subject to this risk to a limited extent, as the Company counters currency-related risks through, in addition to natural hedges, the use of derivative financial instruments. These are used to hedge currency risks from operating activities, financial transactions and investments. In the reporting year, STADA made use of foreign-exchange futures contracts and currency swaps. The maturity dates of futures contracts is adjusted to the term of the underlying transaction. The residual term of the contracts is currently up to one year.

In the context of the Consolidated Financial Statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and depreciation is generally positive.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions, they are compared with the balances of assets or equity and liabilities from the aggregation. This results in the subsequent material outstanding foreign currency items as of the respective reporting dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% devaluation of the euro in comparison with respective functional currency are as follows:

	Dec. 31, 2019			Dec. 31, 2018		
in k €	British pound	Russian ruble	Ukrainian hryvnia	Serbian dinar	US dollar	Ukrainian hryvnia
Outstanding foreign currency item	+29,209	+18,147	-14,873	+24,575	+15,756	-23,193
Income (+) / expense (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-6,469	-2,021	-1,741	+2,458	-1,576	-2,319
Income (+) / expense (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	6,469	2,021	1,741	-2,458	+1,576	+2,319
Equity increase (+) / equity reduction (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-8,446	-19,326	-1,412	-15,325	-1,576	-1,862
Equity increase (+) / equity reduction (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	8,446	19,326	1,412	+15,325	+1,576	+1,862

In this regard, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in British pound, Russian ruble and Ukrainian hryvnia relate to a balance from international Group companies in euro and outstanding foreign currency reserves in British pound, Russian ruble and Ukrainian hryvnia. The reported outstanding foreign currency positions in the previous year in US dollar relate exclusively to foreign currency holdings in US dollars at German and international Group companies. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the reporting date, an appreciation or a devaluation of the respective functional currency by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of €13.8 million (previous year: €3.9 million) or in the amount of earnings of €13.8 million (previous year: €3.9 million).

48.3. Interest rate risks

STADA is subject to interest risks from the investment of financial assets as well as financial debts, primarily in the euro zone.

In 2019, an average of 25% (previous year: 33%) of financial liabilities denominated in euro had fixed interest rates.

In 2019, STADA did not enter into any interest rate hedging transactions.

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors – if relevant – are generally included in the calculation:

- Changes in the market interest rate of original financial liabilities with variable interest rates that were not hedged against interest rate risks

in € million	Dec. 31, 2019	Dec. 31, 2018
Income (+) / expense (-) from an increase in the market interest rate level of 100 basis points	-6.2	-4.5
Income (+) / expense (-) from a decrease in the market interest rate level of 100 basis points	+0.4	+0.4
Equity increase (+) / equity reduction (-) from an increase in the market interest rate level of 100 basis points	–	–
Equity increase (+) / equity reduction (-) from a decrease in the market interest rate level of 100 basis points	–	–

The interest rate risk is of secondary importance at STADA.

48.4. Default risks

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

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

STADA's maximum credit default risk is calculated from the carrying amount of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of €34.4 million (previous year: €29.0 million) as of the reporting date (see Note 46.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

48.5. Liquidity risks

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by maintaining a sufficient supply of liquidity reserves. STADA finances itself with short-term and long-term borrowings from banks, promissory note loans, bonds and factoring. Furthermore, STADA also has solid cash flow from operating activities.

48.6. Derivative financial instruments and hedging instruments

STADA counters currency risks with derivative financial instruments which are exclusively used to hedge currency risks resulting from operating activities and financial transactions. Derivative financial instruments are neither held nor issued for speculation purposes.

The total volume of currency rate related derivatives is comprised as follows:

in k €	Dec. 31, 2019		Dec. 31, 2018	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives without hedging relationship				
Currency swaps	11,469	-268	10,556	372
Derivatives with hedging relationship				
Currency swap	87,177	-240	68,422	1,770
Total	98,646	-508	**78,978**	**2,142**

STADA designates currency forwards (EUR/RUB, EUR/DKK, EUR/CHF, EUR/AUD and EUR/GBP) as fair value hedges that are concluded to hedge the currency risks from intercompany loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates, are offset by the changes in value spot components of the currency forwards of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective. In the reporting period, new fair value hedges with a nominal volume totaling €284.7 million were designated for reduction of the fair value risk (previous year: €681.5 million). At STADA, as of December 31, 2019, there were currency derivatives with a net fair value of -k €240 (December 31, 2018: k €1,770) which were designated as hedging instruments within the scope of fair value hedges. Gains recognized in currency translation of k €9,237 (previous year: losses of k €4,088) resulted in financial year 2019 from the carrying amount adjustment of the underlying transaction, from the changes in fair values of the spot components of the hedging transactions, losses of k €9,237 (previous year: gains of k €4,088) were recognized in the currency translation result.

in k €	Remaining term up to 1 year	Sum of nominal amounts Dec. 31, 2019	Sum of nominal amounts Dec. 31, 2018	Average hedging rate/ price
Hedging of currency risk				
• Currency forwards RUB	7,025	7,025	10,556	72.7549
• Currency swaps RUB	34,872	34,872	49,068	71.5217
• Currency swaps CHF	1,829	1,829	11,496	1.0936
• Currency swaps GBP	49,980	49,980	3,968	0.8503
• Currency swaps AUD	1,213	1,213	1,206	1.6489
• Currency swaps DKK	2,011	2,011	2,684	7.4584

in k €	Carrying amount Dec. 31, 2019	Balance sheet item Dec. 31, 2019	Fair value adjustments for measurement of inefficiencies Dec. 31, 2019	Nominal volumes Dec. 31, 2019
Hedging of currency risk				
• Currency forwards				
– derivative assets	375	other financial assets	–	49,173
– derivative liabilities	-615	other financial liabilities	–	38,004

Previous year:

in k €	Carrying amount Dec. 31, 2018	Balance sheet item Dec. 31, 2018	Fair value adjustments for measurement of inefficiencies Dec. 31, 2018	Nominal volumes Dec. 31, 2018
Hedging of currency risk				
• Currency forwards				
– derivative assets	1,850	other financial assets	–	15,465
– derivative liabilities	-80	other financial liabilities	–	52,957

48.7. Disclosures on capital management

The objectives of STADA's capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth as well as guaranteeing attractive dividend payments and the capital service. STADA capital management consistently aims for the Group companies to have an equity basis that corresponds with local requirements. When implementing and checking the Group's capital and liquidity, the legal requirements are taken into account.

An important key figure for capital management at STADA is the net debt to adjusted EBITDA ratio, which amounted to 1.7 in financial year 2019 (previous year: 2.1).

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Non-current financial liabilities	1,244,788	978,386
Current financial liabilities	40,082	444,943
Gross debt	**1,284,870**	**1,423,329**
Cash, cash equivalents and securities classified as available for sale	206,039	343,794
Net debt	**1,078,831**	**1,079,535**
EBITDA (adjusted)	625,481	**503,481**
Net debt to adjusted EBITDA ratio	1.7	**2.1**

The financing agreements stipulate a right of return for the bonds, promissory note loans or bank loans on the part of the respective investors in the case of a change of control and a change to STADA's rating. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH), as part of the takeover offer, agreed to provide STADA with financing for the financing amounts for which an early repayment of the STADA financing is upcoming. The loan of the shareholder amounts to €929.6 million as of December 31, 2019 (previous year: €929.6 million) and is reported under non-current financial liabilities. This loan was included in the calculation of net debt.

49. Related party transactions

The largest shareholder of STADA Arzneimittel AG is Nidda Healthcare GmbH with about 93.70% of STADA shares. The STADA Consolidated Financial Statements are included in the financial statements of the Nidda Group. There is a domination and profit and loss transfer agreement in place between Nidda Healthcare GmbH and STADA Arzneimittel AG.

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies as well as their parent companies have entered into related party transactions. In accordance with IAS 24, directly or indirectly controlled, for reasons of materiality not consolidated, subsidiaries, associates and joint ventures as well as parent companies and affiliated companies and persons in key positions and their close relatives are considered related parties. Generally, all transactions with related companies and persons are settled at conditions in line with the market.

49.1. Transactions with related persons

Persons in key positions are the board members of STADA Arzneimittel AG, the remuneration of whom, is presented as the summary in Note 50.

Share-based remuneration in the form of a share purchase plan

The main shareholders of Nidda German Topco GmbH's most senior parent company, Nidda Topco S.à r.l., Luxembourg, have offered a share purchase plan to selected managers of the Group, including all members of STADA's Executive Board and some members of its Supervisory Board (managers in key positions). Pursuant to the conditions of the offer, the managers in question are authorized to acquire a stake in a German limited partnership (GmbH & Co KG). The limited partnership stake in the partnership amounts to € 7.3 million and is held by managers in key positions (24%), other managers (48%) and the main shareholders of Nidda Topco S.à r.l., Luxembourg, as well as third parties (28%). Accordingly, the partnership holds 8.0% of ordinary shares issues of Nidda Topco S.à r.l., Luxembourg.

The purchase price of the limited partnership stake in the GmbH & Co KG is determined on each acquisition date on the basis of the fair value of the ordinary shares of Nidda Topco S.à r.l., Luxembourg, and the additional special features of the program. The fair value of the ordinary shares of Nidda Topco S.à r.l., Luxembourg, is determined on the basis of the discounted cash flow valuation taking into account the expected cash flow from the investment in STADA as well as for the financing instruments

issued by the Nidda Group companies. The purchase price calculation is considered to be the fair value of the limited partnership stake in the GmbH & Co KG, but not as the granting of additional remuneration for the management. In the event of continued employment by the company, the management will participate in the change in the fair value of the ordinary shares of Nidda Topco S.à r.l., Luxembourg, through this investment by ultimately selling the shares together with the other shareholders of Nidda Topco S.à r.l., Luxembourg.

Neither Nidda Topco S.à r.l., Luxembourg, nor Nidda German Topco GmbH or any other Group company is obligated to pay any amount to the management under this program. In accordance with IFRS 2, the program is treated as a share-based remuneration plan that does not grant any or no significant additional remuneration to managers.

49.2. Transactions with related companies

Bain Capital Investors, LLC, Wilmington, Delaware, USA, and Cinven (Luxco 1) S.A., Luxembourg, exercise direct joint control over the subsidiary Nidda Topco S.à r.l., which in turn indirectly over the following subsidiaries – Nidda Midco S.à r.l., Nidda German Topco GmbH, Nidda German Midco GmbH, Nidda BondCo GmbH and Nidda Healthcare Holding GmbH – through the direct shareholder Nidda Healthcare GmbH holds controlling interest in STADA Arzneimittel AG. The indirect subsidiary of Cinven (Luxco 1) S.A., Cinven Capital Management (VI) General Partner Limited, St. Peter Port, Guernsey, is the fund manager for certain entities of the Sixth Cinven Fund in the sense of an investment management company.

Trade accounts receivable and trade accounts payable of the STADA Group essentially relate to related party transactions as follows:

in k €	Dec. 31, 2019	Dec. 31, 2018
Trade accounts receivable		
Non-consolidated subsidiaries	-4	-9
Non-consolidated joint ventures	182	178
Associates	1,657	1,112
Joint ventures	–	–
Other financial receivables		
Non-consolidated subsidiaries	–	10
Non-consolidated joint ventures	–	–
Associates	–	–
Joint ventures	–	–
Trade accounts payable		
Non-consolidated subsidiaries	0	29
Non-consolidated joint ventures	–	–
Associates	2	1,779
Joint ventures	–	–
Other financial liabilities		
Non-consolidated subsidiaries	–	1,600
Non-consolidated joint ventures	–	–
Associates	–	–
Joint ventures	–	–

Income and expenses of the STADA Group essentially relate to related party transactions as follows:

in k €	2019	2018
Sales		
Non-consolidated subsidiaries	312	–
Non-consolidated joint ventures	–	–
Associates	2,637	2,217
Joint ventures	–	–
Interest income		
Non-consolidated subsidiaries	77	0
Non-consolidated joint ventures	–	–
Associates	–	–
Joint ventures	–	–
Interest expense		
Non-consolidated subsidiaries	–	–
Non-consolidated joint ventures	–	–
Associates	–	7
Joint ventures	–	–

In addition, there are business relationships between STADA and its affiliated companies from which outstanding trade accounts payable in the amount of €0.8 million arise as of the reporting date December 31, 2019 (previous year: €0.5 million). The transaction volume with these companies in 2019 amounted to a total of €8.2 million (previous year: €5.8 million).

In addition, the following disclosures on related party transactions are made:

As of December 31, 2019, STADA Arzneimittel AG has a financial obligation to Nidda Healthcare Holding GmbH in the amount of €929.6 million (December 31, 2018: €929.6 million) with an interest rate of EURIBOR +3.5% p.a. (December 31, 2018: EURIBOR +3,5% p.a.). Further details on financial liabilities are provided in Note 37.

In addition, there are business relationships between STADA and its parent company which consist, in particular, of a consulting contract for management services as well as an agency agreement. STADA Arzneimittel AG is invoiced for services within the scope of the agency agreement. Outstanding trade accounts payable as of the balance sheet date on December 31, 2019 were €3.8 million (December 31, 2018: €1.1 million). The transaction volume with these companies in 2019 amounted to a total of €3.8 million (December 31, 2018: €4.8 million).

50. Remuneration of the Executive Board and the Supervisory Board

The core elements of the system applied for members of the Executive Board include non-performance related remuneration that takes the tasks and performance of the member of the Executive Board into consideration along with a component that depends on the achievement of annual performance goals (“Short Term Incentive”, STI). In addition to the annual performance-related remuneration, members of the Executive Board receive a long-term planned remuneration component (“Long-Term Incentive”, LTI). The individual performance-related components are limited to a maximum amount.

The remuneration system for the Supervisory Board includes an annual fixed remuneration as well as a variable component, depending on an average performance figure from the last three years. The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount. In addition, Supervisory Board members receive a fixed remuneration for committee activities.

For explanations on share-based remuneration in the form of a stock purchase plan for persons in key positions, we refer to Note 49.1.

Presented below is the total remuneration of the Executive Board and Supervisory Board of STADA Arzneimittel AG pursuant to IAS 24. Insofar as there are deviations, separate disclosures are made in accordance with Section 314 (1) No. 6 HGB in conjunction with Section 315e HGB.

	Short-term remuneration current		Long-term remuneration non-current		Termination benefits		Expenses for pension commitments earned in the current year		Total remuneration	
in k €	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Members of the Executive Board	3,371	3,786	490	–	613	1,900	–	–	4,474	5,686
Members of the Supervisory Board	790	786	–	–	–	–	–	–	790	786

Total Executive Board remuneration in accordance with Section 315e HGB at STADA Arzneimittel AG amounted to €3.9 million (previous year: €3.8 million).

Remuneration to former members of the Executive Board amounted to a total of k €1,062 for financial year 2019.

As of December 31, 2019, there were outstanding liabilities to members of the Executive Board in office in the financial year from severance payments in the amount of €0.6 million (previous year: €0.0 million) as well as from bonuses of €2.1 million (previous year: €1.0 million). The outstanding liabilities to former members of the Executive Board from severance payments amounted to €0.6 million (previous year:€0.6 million) as well as for bonuses of €0.2 million (previous year: €0.5 million).

The fair value of pension commitments to former Executive Board members amounted to k €53,560 as of December 31, 2019.

There were no loans granted to members of the Executive Board or Supervisory Board at STADA Arzneimittel AG as of the reporting date. Nor has STADA taken on any contingent liabilities for the benefit of the members of governing bodies of STADA Arzneimittel AG.

51. Fees for the auditor

For the services provided by the auditors, PricewaterhouseCoopers GmbH, the following fees were recognized as expenses in financial year 2019 and in the previous year.

in k €	2019	2018
Fees for the auditor	775	1,021
• thereof for audits	693	648
• thereof for other confirmation services	17	104
• thereof for other services	65	269
• thereof for tax consultancy services	–	–

The fees for audits relate to payment for the audit of the Consolidated Financial Statements as well as the Financial Statements of STADA Arzneimittel AG and its German subsidiaries at the end of the financial year.

Fees recognized under other confirmation services relate to services in connection with a voluntary audit of the risk management system.

The other services primarily consist of consulting services in the course of a planned business process outsourcing project.

52. Events after the end of the financial year

After the closing date, the following events with significant or possibly significant effects on the net assets, financial position and results of operations of the STADA Group occurred:

On February 7, 2020 STADA announced that the Company is acquiring the FERN-C portfolio, a well-established range of vitamin C food supplements, in the Philippines.[1)] This is an asset acquisition. The purchase price is approximately €18 million.

On February 24, 2020, STADA announced that it agreed to acquire 15 well-established consumer healthcare brands from GlaxoShmithKline across more than 40 countries, predominantly in Europe, and multiple therapeutic areas.[2)] Due to the limited amount of time between the transaction and the preparation of the financial statements, there is not yet a final assessment as to whether the transaction is a business combination or an asset acquisition. The purchase price is between €311 million and €321 million.

On March 3, 2020 the acquisition of selected products from Takeda Pharmaceutical Company Limited was completed (see Note "8. Business combinations"). Due to the limited amount of time between the transaction and the preparation of the financial statements, there is not yet a final assessment as to whether the transaction is a business combination or an asset acquisition. The purchase price is approximately USD 610 million.

The acquisition of Walmark, a leading manufacturer of consumer health products in Eastern Europe was completed on March 4, 2020 (see Note "8. Business combinations"). The transaction is a business combination. The purchase price is approximately €140 million.

53. Dividend

In view of the domination and profit and loss transfer agreement dated December 19, 2017, an amount of €349,550,230.60 will be transferred to Nidda Healthcare GmbH. Due to the profit transfer, the annual result amounts to €0.00. Pursuant to the existing domination and profit and loss transfer agreement, STADA Arzneimittel AG no longer distributes dividends as of financial year 2018. Instead, Nidda Healthcare GmbH has undertaken to pay to the external shareholders of STADA Arzneimittel AG a compensation of €3.82 gross or €3.53 net under current taxation per STADA share for the duration of the agreement and accordingly also for financial year 2019. The compensation payment is due on the third banking day after the Annual General Meeting of STADA Arzneimittel AG for the financial year just ended, but no later than eight months after the end of the financial year in question.

Bad Vilbel, March 11, 2020

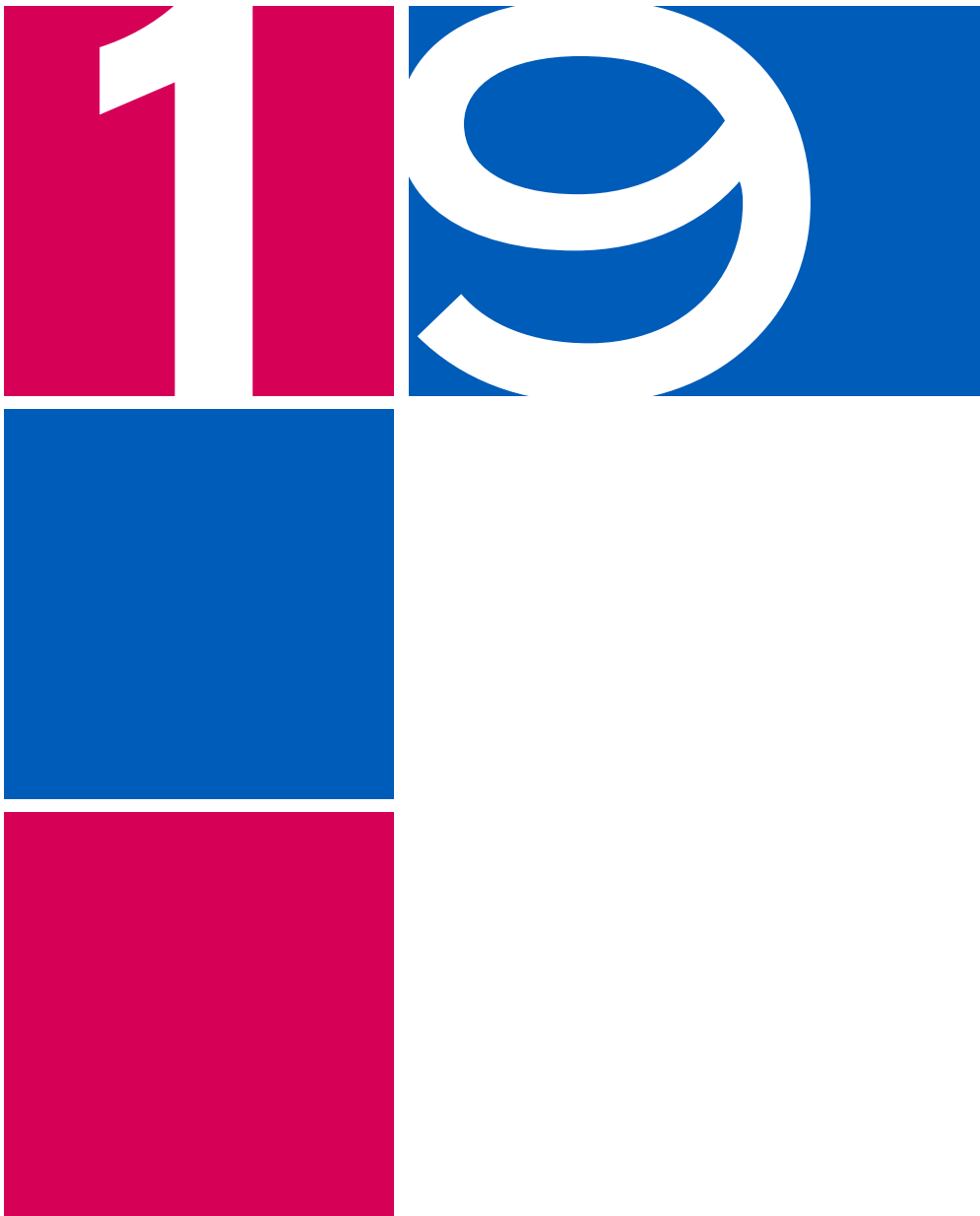
Peter Goldschmidt
Chairman of the Executive Board/CEO

Dr. Wolfgang Ollig
Chief Financial Officer/CFO

Miguel Pagan Fernandez
Chief Technical Officer/CTO

1) See the Company's press release of February 7, 2020.
2) See the Company's press release of February 24, 2020.

FURTHER INFORMATION



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Responsibility Statement

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the course of business and business performance and the net assets, financial position and results of operations of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 11, 2020

Peter Goldschmidt
Chairman of the Executive Board/CEO

Dr. Wolfgang Ollig
Chief Financial Officer/CFO

Miguel Pagan Fernandez
Chief Technical Officer/CTO

Independent Auditor's Report

To STADA Arzneimittel AG, Bad Vilbel

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of STADA Arzneimittel AG, Bad Vilbel, and its subsidiaries (the Group), which comprise the course of business and net assets, financial position and results of operations as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of STADA Arzneimittel AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019,

and

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

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to Tuesday, December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill and other intangible assets

2. Revenue recognition including expected revenue reductions

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill and other intangible assets

1. The "Intangible assets" balance sheet item reported in the Company's consolidated financial statements included EUR 429 million (11% of consolidated total assets) for "Goodwill" and EUR 1,189 million (31% of consolidated total assets) for "Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights". While goodwill and other intangible assets with indefinite useful lives must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for intangible assets with definite useful lives if there are indications of impairment ("triggering events").

   Goodwill is tested for impairment at the level of the group of cash-generating units to which the relevant goodwill is allocated. In an impairment test, the carrying amount of the respective cash-generating unit (including the affected goodwill) is compared against the higher of the value in use and the fair value less costs of disposal. In a first step, the Company generally conducts the test based on the value in use. For the umbrella brands with indefinite useful lives, the relief from royalty method is initially applied. The Company has identified certain indicators, which are monitored and in case of negative development trigger an impairment test for assets with definite useful lives. In the case of regulatory drug approvals, however, an impairment test is carried out in each instance at the end of the financial year. Brands and regulatory drug approvals are normally measured based on the present value of future cash flows generated by the affected asset from marketing the respective products. An impairment loss is recognized if the recoverable amount is less than the respective carrying amount. Present value is calculated using discounted cash flow models. The starting point is the Group's financial plan, which is projected forward using growth assumptions. The discount rate used is the weighted cost of capital for the relevant cash-generating unit or group of cash-generating units.

   The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background, and due to the complexity of the valuation, this matter was of particular significance for our audit.

2. As part of our audit, we reviewed the methodological procedure adopted for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. We verified the appropriateness of the future cash inflows used in the measurement, including by comparing these disclosures with the current budgets in the financial planning prepared by the executive directors and approved by the Supervisory Board, and by reconciling them against general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we reproduced the sensitivity analyses performed by the Company and carried out our own additional sensitivity analyses with respect to those cash-generating units with low headroom (recoverable amount compared with the carrying amount).

Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash flows. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill and intangible assets are contained in notes 9 "Accounting policies" and 24 "Intangible assets" to the consolidated financial statements.

1. Revenue recognition including expected revenue reductions

1. The EUR 2,609 million reported under "Sales" in the Company's consolidated financial statements relate primarily to the sale of products and provision of services. Since large-volume transactions are involved, the Company has established comprehensive processes and systems for recognizing and deferring sales. Revenue is recognized when the goods have been delivered or the services rendered. The transaction price is measured as the amount of consideration that is expected to be received by the Company in exchange for the promised goods or services. The transaction price takes into account variable components of consideration (e.g., discounts to health insurance organizations, other health sector institutions and customers, as well as expected returns). When recognizing revenue, material assumptions have to be made with respect to discounts that must subsequently be granted and returns that must subsequently be accepted, and the corresponding revenue adjustments have to be recognized. Particularly in Germany, discount arrangements with health insurance organizations are agreed for a specific pharmaceutical ingredient by means of tenders over a specific period of time. The corresponding drug is initially sold to patients at a binding sales price, which is then subject to a discount subsequently granted to the respective health insurance organization.

   The revenue adjustments are based to a large degree on the executive directors' estimates and assumptions and are therefore subject to considerable uncertainties. Against this background and due to the underlying complexity of the measurement underlying this material item, this matter was of particular significance for our audit.

2. Our audit included assessing the appropriateness and effectiveness of the processes and controls within the Company's internal control system established to realize revenue and make revenue adjustments, including the IT systems used. To this end, we also involved our specialists from Risk Assurance Services (RAS). With the knowledge that the complexity of the accounting treatment and the estimates and assumptions give rise to an increased risk of accounting misstatements, we assessed the appropriateness of the estimates made by the executive directors with respect to revenue adjustments. At the same time, we verified and assessed the methodology applied by the executive directors to make revenue adjustments. We also used the detailed information obtained to assess the relevant assumptions made by the executive directors as of the balance sheet date. In addition, we verified the consistency of the methods used by the Company to recognize revenue and make revenue adjustments. We also compared the revenue adjustments with contract documents.

   In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors concerning the recognition and measurement of revenue were sufficiently documented and that the estimates applied and the assumptions made by the executive directors were consistently derived.

3. The Company's disclosures relating to revenue recognition are contained in notes 9 "Accounting policies" and 11 "Sales" to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards) included in section "employees" of the combined management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit,

or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation, and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Based on the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 29, 2019. We were engaged by the supervisory board on December 16, 2019. We have been the group auditor of STADA Arzneimittel AG, Bad Vilbel, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Bernd Roese.

Frankfurt am Main, March 11, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Dr. Bernd Roese)	(sgd. ppa. Katrin Blumert)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1)]

To STADA Arzneimittel AG, Bad Vilbel

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of STADA Arzneimittel AG, Bad Vilbel (hereinafter the "Company") for the period from 1 January to 31 December 2019 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

1) PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent assurance report in German lan-guage, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in annual or consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 11 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke	ppa. Urata Biqkaj
Wirtschaftsprüfer	Wirtschaftsprüferin
German public auditor	German public auditor

Boards of the Company

The STADA Supervisory Board
(as of March 1, 2020)

Dr. Günter von Au, Munich, Germany (Chairman)
Markus Damm[1)], Wetter, Germany (Deputy Chairman)

Dr. Eric Cornut, Binningen, Switzerland
Jan-Nicolas Garbe, Frankfurt am Main, Germany
Benjamin Kunstler, London, United Kingdom
Dr. Klaus Scheja[1)], Ebersdorfergrund, Germany
Bruno Schick, Frankfurt am Main, Germany
Dr. Michael Siefke, Gräfelfing, Germany
Jens Steegers[1)], Frankfurt am Main, Germany

The Supervisory Board members can be contacted via STADA Arzneimittel AG's business address.

1) Employee representative.

The STADA Executive Board
(as of March 1, 2020)

Peter Goldschmidt
Chairman of the Executive Board/CEO (since September 1, 2018)
Executive Board member since 2018
Contract until August 31, 2021

Dr. Wolfgang Ollig
Chief Financial Officer/CFO (since February 1, 2020)
Executive Board member since 2020
Contract until January 31, 2023

Miguel Pagan Fernandez
Chief Technical Officer/CTO (since July 1, 2018)
Executive Board member since 2018
Contract until June 30, 2021

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

The STADA Advisory Board
(as of March 1, 2020)

The members of the STADA Advisory Board are appointed by the Executive Board. In accordance with the Company's Articles of Incorporation, the duty of the Advisory Board is to support and advise the Executive Board and make recommendations and suggestions. As of March 1, 2020, the Advisory Board appointed for a period of two years from 2019 until 2020 consisted of the following members:

Dr. Thomas Meyer, Seelze, Germany (Chairman)
Dr. Frank-R. Leu, Gießen, Germany (Deputy Chairman)

Rika Aschenbrenner, Mainburg, Germany
Dr. Maria Haas-Weber, Hanau, Germany
Dr. Stefan Hartmann, Gilching, Germany
Björn Kaufmann, Burscheid, Germany
Reimar Michael von Kolczynski, Stuttgart, Germany
Klaus Lieske, Waltrop, Germany
Dr. Achim Luckau, Frankfurt am Main, Germany
Dr. Wolfgang Schlags, Mayen, Germany

The Advisory Board members can be contacted via STADA Arzneimittel AG's business address.

Glossary A–Z

Active ingredient
The pharmaceutically effective component of a drug (also API).

Approval
Permission under drug laws to market a drug in a national market.

Audit
On the pharmaceutical market: control of equipment and documentation of manufacturers or their suppliers.

Biosimilars
A biosimilar is a drug with an active pharmaceutical ingredient produced in a biotechnological process that has been developed in comparison with an original product already on the market. It is so similar to the original product that it has proven therapeutic equivalence and is comparable in terms of safety and quality. Therefore, a biosimilar is an equivalent successor product of an off-patent biopharmaceutical product.

Commercial property rights
Provide inventors or companies with protection against competition for an invention for a limited time period. The best-known commercial property right is the patent.

Dossier
Includes all scientific and technical documentation required for an application for drug approval that describes the quality, safety, and efficacy of that drug.

Epoetin or Erythropoetin
Epoetin or erythropoietin is a biopharmaceutical active ingredient in protein form that is produced by living cell lines. The erythropoietin biosimilar developed by BIOCEUTICALS is epoetin zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hematopoieses as well as in cancer therapy.

GMP
Good Manufacturing Practice – international production standard in the pharmaceutical industry.

Indication
Diseases for which a certain drug is used.

Patent
In the pharmaceutical market: commercial property right granting active pharmaceutical ingredients market exclusivity for a limited period (in the EU 20 years, for example).

Prescription obligation
The legal requirement specifying that, depending on the potential risk involved, drugs may be dispensed to patients on prescription only.

Ranibizumab
Ranibizumab is a biotechnologically produced monoclonal antibody fragment used for the treatment of wet age-related macular degeneration (AMD) and impaired visual acuity associated with diabetic macular edema.

Teriparatide
Teriparatide is a fragment of the human parathormone for hypodermic injection which is produced biotechnologically. Teriparatide is used for the treatment of post-menopausal women with manifest osteoporosis and a high fracture risk, of men with osteoporosis and a high fracture risk, as well as for glucocorticoid-induced osteoporosis of adults with an elevated fracture risk.

Xcimzane
A biosimilar for Certolizumab Pegol (Cimzia®).

Xdivane
A biosimilar for Nivolumab (Opdivo®).

Publishing Information

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

Publication The complete Annual Report as well as current information on the STADA Group can be found on the Internet at www.stada.com/de and www.stada.com.

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The Annual Reports can be found on the Company website (www.stada.com/de and www.stada.com).

Forward-looking statements

This STADA Arzneimittel AG (hereinafter "STADA") annual report contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the Company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the net assets, financial position and results of operations, growth or performance being materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. STADA may, where appropriate, also make forward-looking statements in other reports, in presentations, in material delivered to stakeholders and in press releases. Furthermore, our representatives may from time to time make forward-looking statements verbally. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA does not assume any obligation to update these forward-looking statements.

Rounding

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Financial key figures in € million	2019	2018	2017	2016	2015
Total Group sales	2,608.6	2,330.8	2,313.9	2,139.2	2,115.1
• Generics	1,534.7	1,382.8	1,361.7	1,280.7	1,261.4[1)]
• Branded Products	1,073.9	948.0	952.2	858.5	853.6
Operating profit	385.8	378.1	192.3	178.1	223.7
EBITDA	612.8	530.6	363.8	361.5	377.1
Adjusted EBITDA	*625.5*	*503.5*	*433.9*	*398.0*	*389.4*
EBIT	385.8	381.8	194.6	178.9	225.3
Earnings before taxes (EBT)	340.7	342.9	147.7	127.4	157.8
Cash flow from operating activities	444.1	320.3	262.9	333.5	311.7

Asset/capital structure in € million	2019	2018	2017	2016	2015
Balance sheet total	3,859.4	3,560.1	3,204.5	3,440.4	3,287.4
Non-current assets	2,284.0	2,113.8	1,880.6	1,949.5	2,032.3
Current assets	1,575.4	1,446.3	1,323.9	1,490.9	1,255.1
Equity	1,195.5	1,178.0	1,006.4	1,047.1	1,018.5
Equity-to-assets ratio in percent	31.0%	33.1%	31.4%	30.4%	31.0%
Non-current liabilities	1,411.8	1,102.4	157.6	1,493.7	1,282.6
Current liabilities	1,252.1	1,279.7	2,040.5	899.6	986.3
Net debt	1,078.8	1,079.5	1,054.7	1,118.2	1,215.7

Capital expenditure/depreciation and amortization in € million	2019	2018	2017	2016	2015
Total capital expenditure	282.2	422.2	113.6	189.7	177.0
• on intangible assets	197.7	368.6	57.3	130.5	122.9
• on property, plant and equipment	80.0	53.3	56.0	54.3	53.5
• on financial assets/associates	4.5	0.3	0.3	4.9	0.6
Total depreciation and amortization	235.6	164.7	183.2	182.7	151.9
• on intangible assets	178.3	129.9	142.1	145.3	117.4
• on property, plant and equipment	56.7	34.8	40.7	33.9	34.4
• on financial assets	0.6	–	0.4	3.5	0.1

Employees	2019	2018	2017	2016	2015
Average number per year	10,626	10,247	10,832	10,839	10,441
Number as of the balance sheet date	11,100	10,416	10,176	10,923	10,532

1) Figures for the reporting year and previous years include the non-core activity Commercial Business which was previously presented separately.

Our Mission – Your Health

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