INTERIM REPORT ON THE FIRST HALF OF 2020

Caring for
people's health as a
trusted partner.

STADA

Our Mission – Your Health

STADA KEY FIGURES

in € million	H1/2020	H1/2019	±%
Key figures for the Group (reported)			
Group sales	1,465.3	1,263.4	+16%
• Generics	833.4	745.2	+12%
• Branded Products	631.9	518.2	+22%
Operating profit (EBIT)	157.8	189.4	-17%
• Generics	161.7	160.4	+1%
• Branded Products	112.9	108.7	+4%
EBITDA	273.8	277.9	-1%
• Generics	215.0	203.4	+6%
• Branded Products	170.0	147.9	+15%
Key figures for the Group (adjusted for special items[1])			
Group sales	1,465.3	1,263.4	+16%
• Generics	833.4	745.2	+12%
• Branded Products	631.9	518.2	+22%
Operating profit (EBIT)	267.6	231.0	+16%
• Generics	188.5	175.8	+7%
• Branded Products	167.7	120.7	+39%
EBITDA	336.9	294.5	+14%
• Generics	221.1	206.0	+7%
• Branded Products	198.8	147.7	+35%
Key figures for the Group (adjusted for special items[1] as well as currency and portfolio effects[2])			
Group sales	1,370.8	1,255.9	+9%
• Generics	825.3	743.6	+11%
• Branded Products	545.6	512.3	+6%
Operating profit (EBIT)	264.7	232.6	+14%
• Generics	190.0	176.6	+8%
• Branded Products	152.8	117.9	+30%
EBITDA	332.1	296.0	+12%
• Generics	222.3	206.9	+7%
• Branded Products	182.3	144.6	+26%
Gross profit from sales	742.0	665.5	+11%
Gross margin	50.6%	52.7%	
Cash flow from operating activities[3]	200.8	169.7	+18%
Investments[4]	1,075.3	76.1	>100%
Depreciation and amortization (net of write-ups)	115.9	88.6	+31%
Employees (average number – based on full-time employees)[5]	12,209	10,428	+17%
Employees (as of the reporting date – based on full-time employees)	12,339	10,435	+18%

1) 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.
2) The adjustment for currency effects is shown exclusively as an adjustment of the relevant prior-year period. The adjustment for currency effects in the first six months of 2019 was carried out using the exchange rates of the reporting year. In addition, the key earnings figures are adjusted for realized and unrealized exchange rate effects in both the reporting period and the corresponding prior-year period. The adjustment of portfolio effects for acquisitions is carried out as a subtraction in the first half of 2020, while disposals are subtracted in the first half of 2019 for those months in which they were no longer included in the Consolidated Financial Statements for the first half of 2020.
3) The prior-year figures were adjusted in accordance with IAS 8 as part of a change in the presentation of interest paid. Interest paid is no longer reported within cash flow from operating activities, but rather within cash flow from financing activities.
4) Investments were heavily influenced by the conclusion of acquisitions. In the first half of 2020, STADA made investments in the amount of €1,000.9 million for the acquisition of the Walmark Group, the Takeda product portfolio, the FERN-C product portfolio, the consumer healthcare product portfolio from GlaxoSmithKline as well as the product portfolio from Opti Pharm AG. No acquisitions were made in the corresponding period of the previous year. Adjusted for the acquisitions listed above, investments in the first half of 2020 amounted to €74.3 million (-€1.8 million compared to the corresponding period of the previous year).
5) This average number includes changes in the scope of consolidation on a pro-rata time basis.

To be the partner of choice in generics and consumer health as well as to outgrow the industry in terms of growth and profitability.

VISION

STADA
INTERIM REPORT ON THE FIRST HALF OF 2020

INTERIM GROUP MANAGEMENT REPORT OF THE EXECUTIVE BOARD

Overview

Regardless of the Covid-19 pandemic, good business development of the STADA Group was in line with expectations in the first half of 2020. Looking at the development over time, the pandemic had different consequences for the Group's business activities. The first quarter of 2020 was characterized by strong demand due, among other things, to stockpiling by wholesalers, pharmacies and patients. Development in the second quarter of 2020, on the other hand, was shaped by purchasing restraint in the area of prescription generics and branded products, especially in the self-payer markets. Decreasing demand for prescription generics was attributable to fewer visits by patients to doctors or hospitals during the pandemic. The decline in branded products in self-payer markets was based, in particular, on a significantly reduced frequency of visits to pharmacies.

In the course of the pandemic, the Group implemented a number of measures at its sites around the world to minimize the risk of employees contracting Covid-19. Overall, it has been shown that the Group, with its strongly diversified product portfolio, can operate successfully also under difficult framework conditions. It has remained possible to maintain global business operations, particularly in the areas of procurement, production and logistics as well as supplying customers and patients with sufficient STADA products throughout all phases of the crisis. In accordance with the self-image "caring for people's health as a trusted partner", STADA was thus able to achieve its primary objective of providing patients and consumers with essential medicines and other products as well as ensuring the well-being and safety of its employees even in a very challenging environment.

In the first 6 months of the current financial year, reported Group sales and Group sales adjusted for special items increased by 16% to €1,465.3 million (1-6/2019: €1,263.4 million). Group sales adjusted for special items as well as currency and portfolio effects (organic sales) rose by 9% to €1,370.8 million (1-6/2019: €1,255.9 million).

In the reporting period, reported key earnings figures were heavily burdened by high one-time special items. Contributing to this development were, in particular, provisions for damages and negative exchange rate expenses in connection with the acquisition of the Takeda product portfolio. Reported EBITDA decreased by 1% in the reporting period to €273.8 million (1-6/2019: €277.9 million). EBITDA adjusted for special items recorded an increase of 14% to €336.9 million (1-6/2019: €294.5 million). EBITDA adjusted for special items as well as currency and portfolio effects recorded growth of 12% to €332.1 million (1-6/2019: €296.0 million).

Cash flow from operating activities improved in the reporting period by €31.1 million or 18% to €200.8 million (1-6/2019[1)]: €169.7 million), supported by the strong sales development.

The following acquisitions were concluded in the first half of 2020:

- In the fourth quarter of 2019, STADA announced that it would acquire Walmark a.s., a leading manufacturer of consumer healthcare products in Eastern Europe.[2)] Conclusion of the transaction was carried out in the first quarter of 2020.[3)]
- In addition, in the fourth quarter of 2019, STADA announced that it would acquire a portfolio of selected products from Takeda Pharmaceutical Company Limited with a total value of $660 million.[4)] Conclusion of the transaction was carried out in the first quarter of 2020.[5)]

1) The prior-year figures were adjusted in accordance with IAS 8 as part of a change in the presentation of interest paid. Interest paid is no longer reported within cash flow from operating activities, but rather within cash flow from financing activities.
2) See the Company's press release of November 4, 2019.
3) See the Company's press release of March 5, 2020.
4) See the Company's press release of November 5, 2019.
5) See the Company's press release of March 4, 2020.

- In the first quarter of 2020, the Group announced that it would acquire the FERN-C portfolio in the Philippines, a leading brand in the growing local vitamin C market.[1] Conclusion of the transaction was carried out in the first quarter of 2020.

- In addition, in the first three months of 2020, STADA announced that it had agreed to acquire 15 well-established consumer healthcare brands from GlaxoSmithKline across more than 40 countries, predominantly in Europe including France, Germany, Italy, Poland, Russia, Spain and Switzerland, as well as multiple therapeutic areas.[2] Conclusion of the transaction was carried out in the second quarter of 2020.

- Also in the first quarter of 2020, STADA acquired the existing customer portfolio of Opti Pharm AG, a specialist in the trade and distribution of pharmaceutical products in Switzerland. The acquisition will strengthen sales activities in Switzerland. Conclusion of the transaction was carried out in the second quarter of 2020.

In the second quarter of 2020, the Group announced that Bausch + Lomb, a leading global eye health business of Bausch Health Companies Inc., had entered into an exclusive licensing agreement with STADA and its development partner XBrane Biopharma AB, a leading Nordic biosimilar developer, to market a biosimilar candidate for Lucentis (ranibizumab) in the USA and Canada.[3]

At the virtual Annual General Meeting held on May 14, 2020, STADA shareholders approved by a large majority all items on the agenda for which management required a vote.[4] A total of 97.5% of the share capital with voting rights was represented.

On June 5, 2020, Nidda Healthcare GmbH informed the STADA Executive Board that it holds a total of 60,886,128 shares and thus around 97.7% of STADA Arzneimittel AG.[5] Nidda Healthcare GmbH notified the Executive Board of the intention, by convening an Extraordinary General Meeting, to transfer shares from the company's remaining shareholders to Nidda Healthcare GmbH in return for fair cash compensation (squeeze-out under section 327a of the German Stock Corporation Act).

STADA Group sales development

Reported Group sales increased in the first half of 2020 by 16% to €1,465.3 million (1-6/2019: €1,263.4 million). The development was primarily attributable to sales increases in the German and European generics segment, in the British, Italian and Russian branded products segment as well as to the acquisitions that were made.

Group sales adjusted for special items also increased by 16% to €1,465.3 million (1-6/2019: €1,263.4 million). **Group sales adjusted for special items as well as currency and portfolio effects** (organic sales) rose by 9% to €1,370.8 million (1-6/2019: €1,255.9 million).

Reported Group sales and **Group sales adjusted for special items** amounted to €1,465.3 million in the first half of 2020. As a result of acquisitions, that were mainly based on sales contributions from the acquired product portfolios as well as the acquired Walmark Group, **portfolio changes** in the first six months of 2020 totaled €94.5 million or 6.9 percentage points. **Group sales adjusted for special items as well as currency and portfolio effects** was €1,370.8 million.

Portfolio reductions resulting from sales contributions from the sold Slam Group as well as the Argentinian company Vannier were at a mere €1.9 million in the first half of 2019.

Applying the exchange rates of the first half of 2020 compared with the first half of 2019 for the translation of local sales contributions into the Group currency euros, STADA recorded a negative **currency effect** on Group sales of €5.6 million or -0.1 percentage points. Currency development thus had only a marginal impact on the operating business.

1) See the Company's press release of February 7, 2020.
2) See the Company's press release of February 24, 2020.
3) See the Company's press release of May 6, 2020.
4) See the Company's website at www.stada.com.
5) See the Company's press release of June 8, 2020.

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 corresponding period in the previous year:

	Closing rate June 30 in local currency			Average rate for the reporting period		
Important currency relations in the national currency to 1 euro	H1/2020	H1/2019	±%	H1/2020	H1/2019	±%
Pound sterling	0.91243	0.89655	+2%	0.87432	0.87348	0%
Russian ruble	79.63000	71.59750	+11%	76.68252	73.71301	+4%
Serbian dinar	117.57600	117.91210	0%	117.57406	118.09619	0%

The British pound and Russian ruble thus depreciated as of the balance sheet date June 30, 2020.

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 euros, they are not presented separately in this report.

Where adjusted sales figures are shown below, they are adjusted for portfolio and currency effects.

Earnings development of the STADA Group

Reported key earnings figures were heavily burdened by high one-time special items in the first six months of 2020.

Reported operating profit (EBIT) decreased by 17% to €157.8 million in the first 6 months of 2020 (1-6/2019: €189.4 million). **Operating profit adjusted for special items (EBIT)** increased by 16% to €267.6 million (1-6/2019: €231.0 million). **Operating profit adjusted for special items as well as currency and portfolio effects (EBIT)** showed an increase of 14% to €264.7 million (1-6/2019: €232.6 million). The opposing developments between reported operating profit (EBIT) and operating profit adjusted for special items (EBIT) and operating profit adjusted for special items as well as currency and portfolio effects (EBIT) were due in particular to provisions for damages and significant exchange rate expenses in connection with the granting of a loan for the acquisition of the Takeda product portfolio, which were each adjusted as special items. The positive development of operating profit adjusted for special items (EBIT) was primarily based on sales increases in the German and European generics segment as well as in the British, Italian and Russian branded products segment, the earnings contributions from the acquisitions that were made as well as cost savings that were achieved. The good development of operating profit adjusted for special items as well as currency and portfolio effects (EBIT) resulted in particular from the sales increases described above as well as the cost savings achieved.

Reported EBITDA showed a decrease of 1% to €273.8 million (1-6/2019: €277.9 million). **EBITDA adjusted for special items** showed an increase of 14% to €336.9 million (1-6/2019: €294.5 million). **EBITDA adjusted for special items as well as currency and portfolio effects** increased by 12% to €332.1 million (1-6/2019: €296.0 million). The respective developments resulted primarily from the reasons already described in reported operating profit and adjusted operating profit.

In the **first half of 2020**, the Group recorded a burden on earnings of €109.8 million before taxes or €100.8 million after taxes due to **special items**. The following overview shows the reconciliation of the reported financial key performance indicators to those adjusted for special items and other significant key earnings figures of the STADA Group:

in € million[1]	H1/2020 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Effects from deconsoli-dation[3]	Exchange rate expenses[4]	Provisions for damages	*H1/2020 adjusted*
Operating profit (EBIT)	**157.8**	**22.2**	**25.1**	**12.0**	**27.3**	**23.2**	***267.6***
Financial income and expenses	-42.4	–	–	–	–	–	*-42.4*
Earnings before taxes (EBT)	**115.4**	**22.2**	**25.1**	**12.0**	**27.3**	**23.2**	***225.2***
Income taxes	19.0	0.3	2.5	–	5.4	0.0	*27.1*
Result distributable to non-controlling shareholders	7.8	–	0.8	–	–	–	*8.6*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**88.7**	**21.9**	**21.8**	**12.0**	**21.9**	**23.2**	***189.5***
Operating profit (EBIT)	**157.8**	**22.2**	**25.1**	**12.0**	**27.3**	**23.2**	***267.6***
Balance from depreciation/ amortization and impairments/ write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	115.9	22.2	24.5	–	–	–	*69.3*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**273.8**	**–**	**0.6**	**12.0**	**27.3**	**23.2**	***336.9***

1) As a result of the presentation in € millions, deviations due to rounding may occur in the tables.
2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.
3) Effects from the deconsolidation of the British Slam companies and the Argentinian Laboratorio Vannier as a result of their sale.
4) Exchange rate expenses in connection with a loan for the acquisition of the Takeda product portfolio.

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

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

Further important Group key earnings figures and the resulting margins are shown in the following tables, both on a reported and adjusted basis for the first half of 2020, together with the corresponding period of the previous year:

Development of the STADA Group's earnings figures (reported)

in € million	H1/2020	H1/2019	±%
Operating profit (EBIT)	157.8	189.4	-17%
• Generics	161.7	160.4	+1%
• Branded Products	112.9	108.7	+4%
Operating profit margin[3] (EBIT)	10.8%	15.0%	
• Generics	19.4%	21.5%	
• Branded Products	17.9%	21.0%	
EBITDA	273.8	277.9	-1%
• Generics	215.0	203.4	+6%
• Branded Products	170.0	147.9	+15%
EBITDA margin[3]	18.7%	22.0%	
• Generics	25.8%	27.3%	
• Branded Products	26.9%	28.5%	

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

Development of the STADA Group's earnings figures (adjusted for special items[1])

in € million	H1/2020	H1/2019	±%
Operating profit (EBIT)	267.6	231.0	+16%
• Generics	188.5	175.8	+7%
• Branded Products	167.7	120.7	+39%
Operating profit margin[2] (EBIT)	18.3%	18.3%	
• Generics	22.6%	23.6%	
• Branded Products	26.5%	23.3%	
EBITDA	336.9	294.5	+14%
• Generics	221.1	206.0	+7%
• Branded Products	198.8	147.7	+35%
EBITDA margin[2]	23.0%	23.3%	
• Generics	26.5%	27.6%	
• Branded Products	31.5%	28.5%	

Development of the STADA Group's earnings figures (adjusted for special items[1] as well as currency and portfolio effects[3])

in € million	H1/2020	H1/2019	±%
Operating profit (EBIT)	264.7	232.6	+14%
• Generics	190.0	176.6	+8%
• Branded Products	152.8	117.9	+30%
Operating profit margin[4] (EBIT)	19.3%	18.5%	
• Generics	23.0%	23.7%	
• Branded Products	28.0%	23.0%	
EBITDA	332.1	296.0	+12%
• Generics	222.3	206.9	+7%
• Branded Products	182.3	144.6	+26%
EBITDA margin[4]	24.2%	23.6%	
• Generics	26.9%	27.8%	
• Branded Products	33.4%	28.2%	

Cost of sales increased in the first half of the current financial year to €723.3 million (1-6/2019: €597.9 million). **Gross profit** rose to €742.0 million (1-6/2019: €665.5 million). The gross margin decreased to 50.6% (1-6/2019: 52.7%) – in particular due to a disadvantageous product and country mix.

In the first six months of 2020, **selling expenses** showed an increase to €317.3 million (1-6/2019: €293.0 million), which was underproportional compared to the sales increase and which was mainly attributable to the acquisitions that were made.

General and administrative expenses increased in the reporting period to €115.9 million (1-6/2019: €104.7 million). The increase was attributable to the acquisitions that were made, among other things.

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

3) The adjustment for currency effects is shown exclusively as an adjustment of the relevant prior-year period. The adjustment for currency effects in the first six months of 2019 was carried out using the exchange rates of the reporting year. In addition, the key earnings figures are adjusted for realized and unrealized exchange rate effects in both the reporting period and the corresponding prior-year period. The adjustment of portfolio effects for acquisitions is carried out as a subtraction in the first half of 2020, while disposals are subtracted in the first half of 2019 for those months in which they were no longer included in the Consolidated Financial Statements for the first half of 2020.
4) Based on relevant Group sales adjusted for special items as well as currency and portfolio effects.

Other income declined in the first half of 2020 to €9.6 million (1-6/2019: €16.0 million). The decrease was based for the most part on lower income from the reversal of impairments on trade receivables.

Other expenses rose in the reporting period to €120.1 million (1-6/2019: €60.0 million). The increase resulted in particular from the establishment of provisions for damages, higher exchange rate expenses, especially in connection with a loan for the acquisition of the Takeda product portfolio as well as expenses from deconsolidations in connection with the sale of the British subsidiaries Slam Trading Limited and LAS Trading Limited as well as the Argentinian subsidiary Laboratorio Vannier S.A.

Financial income fell to €0.4 million in the first six months of 2020 (1-6/2019: €2.6 million). The relatively high income in the corresponding period of the previous year resulted primarily from interest accrued on the purchase price receivable for STADA Vietnam J.V., the final sale of which took place in the previous year.

Financial expenses increased in the first half of 2020 to €42.9 million (1-6/2019: €23.4 million), in particular due to higher financial liabilities in connection with the acquisitions that were made.

Income tax expenses in the reporting period showed a decrease to €19.0 million (1-6/2019: €26.2 million) due to reduced earnings before taxes. The reported tax rate was 16.4% (1-6/2019: 15.6%).

Sales and earnings development of the Generics segment

Reported sales and sales adjusted for special items in the **Generics** segment increased by 12% to €833.4 million in the first half of 2020 (1-6/2019: €745.2 million). Sales adjusted for special items as well as currency and portfolio effects in the Generics segment showed growth of 11% to €825.3 million (1-6/2019: €743.6 million). The respective developments were primarily attributable to sales increases in Germany, Italy, Belgium and France. In addition, the sales contribution of the acquired Opti Pharm product portfolio contributed to reported sales of generics. Generics had a share of 56.9% of Group sales (1-6/2019: 59.0%).

Reported operating profit (EBIT) in the **Generics** segment increased by 1% to €161.7 million in the first 6 months of 2020 (1-6/2019: €160.4 million). **Reported EBITDA** in the **Generics** segment rose by 6% to €215.0 million (1-6/2019: €203.4 million). Both developments were mainly the result of sales increases in Germany, Italy, Belgium and France. The reported operating profit margin of Generics amounted to 19.4% (1-6/2019: 21.5%). The reported EBITDA margin of Generics was 25.8% (1-6/2019: 27.3%).

Operating profit adjusted for special items (EBIT) of **Generics** increased in the reporting period by 7% to €188.5 million (1-6/2019: €175.8 million). Operating profit adjusted for special items as well as currency and portfolio effects (EBIT) of Generics rose by 8% to €190.0 million (1-6/2019: €176.6 million). **EBITDA adjusted for special items** of **Generics** increased by 7% to €221.1 million (1-6/2019: €206.0 million). EBITDA adjusted for special items as well as currency and portfolio effects of Generics also recorded growth of 7% to €222.3 million (1-6/2019: €206.9 million). The respective developments were attributable to the reasons mentioned for the reported key earnings figures of the Generics segment. The operating profit margin adjusted for special items of Generics was at 22.6% (1-6/2019: 23.6%). The operating profit margin adjusted for special items as well as currency and portfolio effects of Generics amounted to 23.0% (1-6/2019: 23.7%). The EBITDA margin adjusted for special items of Generics amounted to 26.5% (1-6/2019: 27.6%). The EBITDA margin adjusted for special items as well as currency and portfolio effects of Generics was 26.9% (1-6/2019: 27.8%).

Within the Generics segment in the first half of 2020, Europe, Germany and CIS were the strongest markets in terms of sales.

Sales and earnings development of the Branded Products segment

Reported sales and sales adjusted for special items in the **Branded Products** segment increased by 22% to €631.9 million in the reporting period (1-6/2019: €518.2 million). Sales in the Branded Products segment adjusted for special items as well as portfolio changes and currency effects showed and increase of 6% to €545.6 million (1-6/2019: €512.3 million). In addition to the acquisitions, upon which growth of reported sales and sales adjusted for special items is based, these developments were particularly attributable to increased sales in the United Kingdom and Italy. Branded Products contributed 43.1% to Group sales (1-6/2019: 41.0%).

Reported operating profit (EBIT) of **Branded Products** increased in the first half of 2020 by 4% to €112.9 million (1-6/2019: €108.7 million). **Reported EBITDA** of **Branded Products** was up by 15% to €170.0 million (1-6/2019: €147.9 million). The increases resulted primarily from the positive development in Russia as a consequence of the acquisitions made as well as the positive development in the United Kingdom and Italy. The reported operating profit margin of Branded Products amounted to 17.9% (1-6/2019: 21.0%). The reported EBITDA margin of Branded Products was 26.9% (1-6/2019: 28.5%).

Operating profit adjusted for special items (EBIT) of **Branded Products** increased by 39% to €167.7 million in the first 6 months of the current financial year (1-6/2019: €120.7 million). Operating profit adjusted for special items as well as currency and portfolio effects (EBIT) of Branded Products showed growth of 30% to €152.8 million (1-6/2019: €117.9 million). **EBITDA adjusted for special items** of **Branded Products** increased by 35% to €198.8 million (1-6/2019: €147.7 million). EBITDA adjusted for special items as well as currency and portfolio effects of Branded Products increased by 26% to €182.3 million (1-6/2019: €144.6 million). With the exception of the acquisitions in the case of EBITDA of Branded Products adjusted for special items as well as currency and portfolio effects, the respective developments were based primarily on the reasons already mentioned for reported key earnings figures of the Branded Products segment. In addition, the reported key earnings figures of the Branded Products segment were burdened by provisions for damages, which were adjusted as a special item. The operating profit margin adjusted for special items of Branded Products was at 26.5% (1-6/2019: 23.3%). The operating profit margin adjusted for special items as well as currency and portfolio effects of Branded Products amounted to 28.0% (1-6/2019: 23.0%). The EBITDA margin adjusted for special items of Branded Products was 31.5% (1-6/2019: 28.5%). The EBITDA margin adjusted for special items as well as currency and portfolio effects of Branded Products was 33.4% (1-6/2019: 28.2%).

Within the Branded Products segment, Europe, CIS, the United Kingdom and Germany were the strongest markets in terms of sales in the first six months of 2020.

Development, production, procurement and supply chain

In the first six months of the current financial year, research and development expenses totaled €40.5 million (1-6/2019: €34.3 million). In addition, STADA capitalized development expenses for new products in the amount of €8.6 million (1-6/2019: €9.3 million).

STADA continually invests in the Group's own manufacturing facilities and test laboratories. In the first half of 2020, €15.6 million was invested in the expansion and renovation of production facilities, manufacturing plants and test laboratories (1-6/2019: €12.8 million).

Asset position, financial position and cash flow

As of June 30, 2020, the **equity ratio** was 21.8% (December 31, 2019: 30.9%). **Net debt** amounted to €2,454.7 million as of the balance sheet date (December 31, 2019: €1,078.8 million). Both developments were primarily attributable to the acquisitions that were made.

Financing in the nominal amount of €2,897.5 million as of June 30, 2020 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	329.0	Rolling
Total financial liabilities	**644.9**	
Loan from Nidda Healthcare Holding GmbH	2,252.6	
Total financing	**2,897.5**	

For the refinancing of the Group as of the balance sheet date, there was a corporate bond with a nominal value of €267.4 million (December 31, 2019: €267.4 million) and an interest rate of 1.75% p.a. In addition, as of the balance sheet date, the company had promissory note loans with a total nominal value in the amount of €48.5 million (December 31, 2019: €48.5 million) and further bank loans in the amount of €329.0 million (December 31, 2019: €40.1 million).

Intangible assets increased as of June 30, 2020 to €2,639.7 million (December 31, 2019: €1,782.4 million) as a result of the acquisitions that were made. As of this date, intangible assets included €491.4 million of goodwill (December 31, 2019: €408.8 million).

Property, plant and equipment rose to €463.4 million as of the balance sheet date (December 31, 2019: €461.1 million).

Financial assets increased to €12.8 million as of June 30, 2020 (December 31, 2019: €6.4 million).

Investments measured at equity were €2.9 million as of the balance sheet date (December 31, 2019: €3.1 million).

Inventories showed an increase to €742.9 million as of June 30, 2020 (December 31, 2019: €638.7 million). The increase was mainly attributable to the acquisitions that were made and an increase in the security stock.

Trade accounts receivable decreased to €599.9 million as of the balance sheet date (December 31, 2019: €615.1 million), particularly as a result of exchange-rate related translation effects as well as an increased factoring volume.

Income tax receivables increased as of June 30, 2020 to €17.2 million (December 31, 2019: €5.7 million).

Other financial assets recorded a decrease to €44.7 million as of the balance sheet date (December 31, 2019: €60.1 million).

Non-current assets and disposal groups held for sale decreased as of June 30, 2020 to €0.1 million (December 31, 2019: €3.1 million).

Retained earnings including net income comprise the net income of the first half of 2020 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined benefit plans, recognized through other comprehensive income after the consideration of deferred tax liabilities, were also shown in this position.

Other reserves include 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 decrease in other reserves as of June 30, 2020 was attributable in particular to the depreciation of the Russian ruble and the British pound since December 31, 2019 and to the resulting expenses recognized in equity from currency conversion for companies that report in this currency.

As of the balance sheet date, the Group's **current and non-current financial liabilities** in the amount of €357.1 million or €2,533.6 million (December 31, 2019: €40.1 million or €1,244.8 million) primarily include a shareholder's loan of €2,252.6 million (December 31, 2019: €929.6 million), promissory note loans with a nominal value of €48.5 million (December 31, 2019: €48.5 million) and a bond with a nominal value in the amount of €267.4 million (December 31, 2019: €267.4 million). The increase in current and non-current financial liabilities was based mainly on the assumption of financial liabilities for the purchase price payments of the acquisitions made.

Trade accounts payable increased to €429.0 million as of June 30, 2020 (December 31, 2019: €414.0 million), particularly as a result of the acquisitions made.

Deferred tax liabilities decreased as of the balance sheet date to €89.6 million (December 31, 2019: €91.6 million).

Other financial liabilities showed a decrease to €334.6 million as of June 30, 2020 (December 31, 2019: €618.7 million). The development was primarily attributable to payment of the liability to the shareholder from the domination and profit and loss transfer agreement for financial year 2019.

Other liabilities rose as of the balance sheet date to €164.7 million (December 31, 2019: €139.2 million).

Cash flow from operating activities, which 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, improved to €200.8 million in the reporting period (1-6/2019[1)]: €169.7 million). This resulted, among other things, from the strong sales development in the first half of 2020 as compared to the corresponding period in the previous year.

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€1,104.0 million in the first six months of the current financial year (1-6/2019: -€67.8 million). In the reporting period, cash flow from investing activities was mainly influenced by payments for business combinations in accordance with IFRS 3 which resulted from the acquisition of the Czech Walmark Group as well as from the purchase of pharmaceutical products of the Takeda Group and the associated processes. In addition, there were high payments for investments in intangible assets, particularly in connection with the acquisition of consumer healthcare products in more than 40 countries for various therapeutic areas from GlaxoSmithKline.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, amounted to -€903.2 million in the first half of 2020 (1-6/2019[1)]: €102.0 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals improved to €166.6 million (1-6/2019[1)]: €119.8 million).

Cash flow from financing activities amounted to €1,138.3 million in the reporting period (1-6/2019[1)]: -€191.9 million) and was shaped in particular by the high assumption of financial liabilities resulting primarily from the loan granted to STADA by Nidda Healthcare Holding GmbH. Opposing cash outflows resulted from the repayment of financial liabilities, particularly for the loan granted by Nidda Healthcare Holding GmbH as well as for the settlement of liabilities that were in place for financial year 2019 from the domination and profit and loss transfer agreement with Nidda Healthcare GmbH.

Cash flow of the current period as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation was €230.0 million in the first six months of 2020 (1-6/2019: -€89.7 million).

1) The prior-year figures were adjusted in accordance with IAS 8 as part of a change in the presentation of interest paid. Interest paid is no longer reported within cash flow from operating activities, but rather within cash flow from financing activities.

Acquisitions, cooperations and licensings

In the fourth quarter of 2019, STADA announced that it would acquire **Walmark a.s.**, a leading manufacturer of consumer healthcare products in Eastern Europe.[1)] Walmark has a portfolio of well-established consumer healthcare products across multiple categories. These include Vitamins and Minerals, Children's Health, Women's Health, Men's Health, Joint Care, Digestive and Intestinal, and Cough and Cold. 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. Conclusion of the transaction was carried out in the first quarter of 2020.[2)]

Also in the fourth quarter of 2019, STADA announced that it would acquire a portfolio of selected products from **Takeda Pharmaceutical Company Limited** for a total value of $660 million.[3)] The portfolio includes approximately 20 over-the-counter ('OTC') products and prescription pharmaceuticals. The acquisition is the largest to date in the history of STADA. The transaction will enable the Group to more intensively expand its branded products business in Russia/CIS and further internationalize the business. Conclusion of the transaction was carried out in the first quarter of 2020.[4)]

In the first quarter of 2020, the Group announced that it would acquire the **FERN-C portfolio** in the Philippines, a leading brand in the growing local vitamin C market.[5)] With the acquisition, the Group strengthens its portfolio in the Asia-Pacific region. STADA has been selling pharmaceutical products on the Philippines for a long time, previously through Croma Medic Inc., which was recently renamed STADA Philippines. Conclusion of the transaction was carried out in the first quarter of 2020.

In addition, in the first three months of 2020, STADA announced it had agreed to acquire 15 **well-established consumer healthcare products** from GlaxoSmithKline across more than 40 countries, predominantly in Europe including France, Germany, Italy, Poland, Russia, Spain and Switzerland, as well as multiple therapeutic areas.[6)] With the acquisition, the Group further expands its global branded products business. Conclusion of the transaction was carried out in the second quarter of 2020.

Further, in the first quarter of 2020, STADA acquired the existing customer portfolio of **Opti Pharm AG**, a Swiss company specialized in the trade and distribution of pharmaceutical products. The acquisition will strengthen sales activities in Switzerland. Conclusion of the transaction was carried out in the second quarter of 2020.

In addition to acquisitions, STADA relies on targeted **cooperations** and **in-licensings** to expand the existing product portfolio. With 40 in-licensings for future product introductions, the Group was able to record further successes in the first half of 2020.

In addition, in the second quarter of 2020, the Group announced that **Bausch + Lomb**, a leading global eye health business of Bausch Health Companies Inc., had entered into an exclusive licensing agreement with STADA and its development partner XBrane Biopharma AB, a leading Nordic biosimilar developer, to market a biosimilar candidate for Lucentis (ranibizumab) in the USA and Canada.[7)] The companies seek to maintain the approvals of all currently approved indications for Lucentis, both in the United States and in Canada.

1) See the Company's press release of November 4, 2019.
2) See the Company's press release of March 5, 2020.
3) See the Company's press release of November 5, 2019.
4) See the Company's press release of March 4, 2020.
5) See the Company's press release of February 7, 2020.
6) See the Company's press release of February 24, 2020.
7) See the Company's press release of May 6, 2020.

Report on expected developments and associated material opportunities and risks

The outlook for financial year 2020 published in the Annual Report 2019 could not consider the effects of the Covid-19 pandemic. It became apparent in the second quarter of 2020 that business development has been influenced by the pandemic. Overall economic growth including development of the healthcare market with impacts on the generics and OTC business in particular has been effected. From today's perspective, the Executive Board therefore expects that the 2020 financial year will continue to be clearly impacted by the Covid-19 pandemic. The Executive Board will nevertheless seek to achieve growth in Group sales adjusted for currency and portfolio effects and in EBITDA adjusted for special items.

Peter Goldschmidt　　Dr. Wolfgang Ollig　　Miguel Pagan Fernandez

STADA INTERIM CONSOLIDATED FINANCIAL STATEMENTS ON THE FIRST HALF OF 2020 (ABRIDGED)

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement in k €	**H1/2020**	**H1/2019**
Sales	1,465,259	1,263,374
Cost of sales	723,263	597,868
Gross profit from sales	**741,996**	**665,506**
Selling expenses	317,266	293,037
General and administrative expenses	115,878	104,744
Research and development expenses	40,459	34,326
Other income	9,569	15,990
Other expenses	120,145	60,039
Operating profit	**157,817**	**189,350**
Result from investments measured at equity	9	-18
Investment income	–	–
Financial income	447	2,600
Financial expenses	42,856	23,376
Financial result	**-42,400**	**-20,794**
Earnings before taxes	**115,417**	**168,556**
Income taxes	18,979	26,223
Earnings after taxes	**96,438**	**142,333**
thereof		
• distributable to shareholders of STADA Arzneimittel AG (net income)	88,684	138,344
• distributable to non-controlling shareholders	7,754	3,989
Transfer of profits to Nidda Healthcare GmbH	81,236	83,737
Earnings per share in € (basic/diluted)	1.42	2.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in k €	**H1/2020**	**H1/2019**
Earnings after taxes	**96,438**	**142,333**
Items to be recycled to the income statement in future:		
Currency translation gains and losses	**-76,486**	**39,022**
thereof		
• income taxes	341	-285
Gains and losses on financial assets (FVOCI)	**-42**	**6**
thereof		
• income taxes	16	-2
Items not to be recycled to the income statement in future:		
Gains and losses on financial assets (FVOCI)	**5,221**	**224**
Revaluations of net debt from defined benefit plans	**529**	**-5,221**
thereof		
• income taxes	-177	936
Other comprehensive income	**-70,778**	**34,031**
Consolidated comprehensive income	**25,660**	**176,364**
thereof		
• distributable to shareholders of STADA Arzneimittel AG (net income)	17,996	172,333
• distributable to non-controlling shareholders	7,664	4,031

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet in k €	June 30, 2020	Dec. 31, 2019[1)]
ASSETS		
Non-current assets	**3,167,006**	**2,288,235**
Intangible assets	2,639,651	1,782,432
Property, plant and equipment	463,445	461,143
Financial assets	12,767	6,393
Investments measured at equity	2,946	3,067
Other financial assets	741	340
Other assets	2,444	1,328
Deferred tax assets	45,012	33,532
Current assets	**1,985,444**	**1,575,848**
Inventories	742,924	638,673
Trade accounts receivable	599,869	615,090
Return assets	658	689
Income tax receivables	17,180	5,659
Other financial assets	43,999	59,808
Other assets	144,765	46,761
Cash and cash equivalents	435,999	206,039
Non-current assets and disposal groups held for sale	50	3,129
Total assets	**5,152,450**	**3,864,083**
EQUITY AND LIABILITIES		
Equity	**1,122,883**	**1,195,468**
Share capital	162,090	162,090
Capital reserve	514,206	514,206
Retained earnings including net income	814,367	806,278
Other reserves	-472,194	-400,829
Treasury shares	-1,403	-1,403
Equity attributable to shareholders of the parent company	**1,017,066**	**1,080,342**
Shares relating to non-controlling shareholders	105,817	115,126
Non-current borrowings	**2,699,541**	**1,416,347**
Other non-current provisions	39,262	41,006
Financial liabilities	2,533,606	1,244,788
Other financial liabilities	34,306	36,333
Other liabilities	2,792	2,635
Deferred tax liabilities	89,575	91,585
Current borrowings	**1,330,026**	**1,252,268**
Other provisions	17,410	18,261
Financial liabilities	357,108	40,082
Trade accounts payable	429,000	414,024
Contract liabilities	1,217	1,590
Income tax liabilities	63,092	59,364
Other financial liabilities	300,274	582,368
Other liabilities	161,925	136,579
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	–
Total equity and liabilities	**5,152,450**	**3,864,083**

1) The previous year's figures as of December 31, 2019 were adjusted in accordance with the now finalized purchase price allocation of the Biopharma Group. Details can be found in Note 1.4. "Business combinations".

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in k €	**H1/2020**	**H1/2019**[1)]
Earnings after taxes	96,438	142,333
Depreciation and amortization net of write-ups of non-current assets	115,949	88,573
Income taxes	18,979	26,223
Income tax paid	-38,400	-21,993
Interest income and expenses	42,408	20,776
Interest and dividends received	295	713
Result from investments measured at equity	-9	18
Result from the disposals of non-current assets	11,870	-893
Additions to/reversals of other non-current provisions	1,655	1,695
Currency translation income and expenses	36,137	1,715
Other non-cash expenses and gains[2)]	221,893	190,455
Gross cash flow	**507,215**	**449,615**
Changes in inventories	-134,298	-26,427
Changes in trade accounts receivable	-3,198	-8,440
Changes in trade accounts payable	7,094	-14,872
Changes in other net assets, unless attributable to investing or financing activities[2)]	-176,034	-230,153
Cash flow from operating activities	**200,779**	**169,723**
Payments for purchases of		
• intangible assets	-368,898	-35,959
• property, plant and equipment	-23,320	-34,366
• financial assets	-1,133	-4,503
• business combinations in accordance with IFRS 3	-643,224	–
• business combinations in accordance with IFRS 3 (VAT)	-71,853	–
Proceeds from the disposal of		
• intangible assets	739	552
• property, plant and equipment	3,900	2,725
• financial assets	–	–
• shares in consolidated companies	0	1,903
• non-current assets held for sale (IFRS 5)	-231	1,884
Cash flow from investing activities	**-1,104,020**	**-67,764**
Borrowing of funds	2,141,546	8,829
Settlement of financial liabilities	-584,383	-143,507
Settlement of finance lease liabilities	-17,263	-12,098
Interest paid	-35,240	-28,135
Dividend distribution	-366,335	-17,022
Changes in non-controlling interests	–	–
Cash flows from financing activities	**1,138,325**	**-191,933**
Changes in cash and cash equivalents	**235,084**	**-89,974**
Changes in cash and cash equivalents due to the scope of consolidation	16	–
Changes in cash and cash equivalents due to exchange rates	-5,140	315
Net change in cash and cash equivalents	**229,960**	**-89,659**
Balance at beginning of the period	**206,039**	**343,794**
Balance at end of the period	**435,999**	**254,135**

1) The prior-year figures were adjusted in accordance with IAS 8 as part of a change in the presentation of interest paid. Interest paid is no longer reported within cash flow from operating activities, but rather within cash flow from financing activities.

2) Non-cash additions to accruals for discounts to health insurance organizations in the first half of 2020 in the amount of €152.9 million (1-6/2019: €150.8 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 € 2020	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of June 30, 2020	**62,342,440**	**162,090**	**514,206**	**814,367**
Profit transfer to Nidda Healthcare GmbH				-81,236
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				-36
Other comprehensive income				677
Net income				88,684
Balance as of Jan. 1, 2020	**62,342,440**	**162,090**	**514,206**	**806,278**
Previous year				
Balance as of June 30, 2019	**62,342,440**	**162,090**	**514,206**	**908,028**
Profit transfer to Nidda Healthcare GmbH				-83,737
Dividend distribution				
Capital increase from share options				
Changes in treasury shares				
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Other comprehensive income				-5,185
Net income				138,344
Balance as of Jan. 1, 2019	**62,342,440**	**162,090**	**514,206**	**858,606**

Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholders of the parent	Shares held by non-controlling shareholders	Group equity
-477,481	**5,287**	**-1,403**	**1,017,066**	**105,817**	**1,122,883**
			-81,236		-81,236
			–	-16,973	-16,973
			–		–
			–		–
			–		–
			–		–
			-36		-36
-76,544	5,179		-70,688	-90	-70,778
			88,684	7,754	96,438
-400,937	**108**	**-1,403**	**1,080,342**	**115,126**	**1,195,468**
-436,982	**215**	**-1,403**	**1,146,154**	**107,436**	**1,253,590**
			-83,737		-83,737
			–	-17,022	-17,022
			–		–
			–		–
			–		–
			–		–
			–		–
38,944	230		33,989	42	34,031
			138,344	3,989	142,333
-475,926	**-15**	**-1,403**	**1,057,558**	**120,427**	**1,177,985**

NOTES

1. General

1.1. Accounting policies

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

The abridged Interim Consolidated Financial Statements and the abridged Interim Group Management Report have not been reviewed by an auditor, nor have they been audited in accordance with Section 317 HGB.

The Consolidated Interim Group Management Report has been prepared in consideration of the applicable WpHG regulations. The Consolidated Interim Financial Statements as of June 30, 2020 were prepared under consideration of the regulations outlined in the International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the Consolidated Financial Statements as of December 31, 2019 was selected.

All IFRS' published by the International Accounting Standards Board (IASB) and endorsed by the EU which are mandatory for financial years starting as of January 1, 2020 have been observed by STADA.

In these Consolidated Interim Financial Statements – with the exception of the changed accounting policies listed in Note 1.2. – the same accounting policies and methods of computation are applied as in the Consolidated Financial Statements for financial year 2019. In this respect, with regard to the principles and methods applied in the Group financial reporting, reference is made in general to the Notes to the Consolidated Financial Statements in the Annual Report 2019.

1.2. Changes in accounting policies

In the first six months of 2020, STADA observed and, where relevant, applied, the announcements or modified announcements published by the IASB and endorsed by the EU with an initial application date of January 1, 2020. These changes did not have any material effects on the presentation of STADA's net assets, financial position and results of operations or cash flows.

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.

A change in presentation has been made in the cash flow statement, according to which interest paid is now shown under cash flow from financing activities and no longer under cash flow from operating activities, in accordance with the option provided by IAS 7.33. Because the interest paid as financing expenses results directly from the assumption of financial liabilities, which is also included in cash flow from financing activities, from STADA's perspective the changed presentation results in the financial statements providing more relevant information about the effects of these transactions on STADA's cash flows. The figures for the previous year were adjusted accordingly. As a result of the change in presentation, cash flow from operating activities increased by €35.2 million in the first half of 2020, while the cash flow from financing activities decreased in the opposite direction. For the first half of 2019, there was an increase in cash flow from operating activities of €28.1 million, while cash flow from financing activities declined accordingly due to the increased cash outflows.

1.3. Scope of consolidation

The Consolidated Interim Financial Statements of STADA have been prepared for STADA Arzneimittel AG as a parent company.

In the first six months of 2020, the following significant changes occurred in STADA's scope of consolidation:

As of March 4, 2020, STADA achieved control over the Czech Walmark Group, a leading supplier of consumer healthcare products in Eastern Europe. The Walmark Group has been included as a subsidiary in the Consolidated Financial Statements since March 1, 2020.

In addition, the new Vietnamese company STADA Vietnam Ltd. was founded and included in the scope of consolidation in the first quarter of 2020.

The Argentinian subsidiary Laboratorio Vannier S.A., which had already been presented as held for sale as of March 31, 2020 in accordance with IFRS 5, was sold in the second quarter of 2020. The assets and liabilities of the company were reported as non-current assets and disposal groups held for sale and associated liabilities as of March 31, 2020. Within the scope of this presentation, there was already an impairment loss in the amount of €5.1 million in the first quarter of 2020, which is included in other expenses. In addition, the deconsolidation as of April 30, 2020 resulted in additional expenses in the amount of €6.4 million, which were also reported under other expenses.

The British subsidiaries Slam Trading Limited and LAS Trading Limited were sold in the second quarter of 2020. In this connection, the company Lowry Solutions Limited and the non-operating companies Socialites E-Commerce Limited, Socialites Real Limited and Fresh Vape Electronic Cigarettes Limited were also deconsolidated. These deconsolidations as of May 30, 2020 resulted in a total loss of €5.6 million, which was reported under other expenses.

In the second quarter of 2020, the American subsidiary STADA Corp. as of April 30, 2020 and the German subsidiary Natures Aid Germany GmbH as of May 1, 2020 were included in STADA's scope of consolidation.

In addition, the Slovakian subsidiary Walmark spol. s.r.o. was merged with the Slovakian subsidiary STADA PHARMA Slovakia s.r.o. as of June 1, 2020.

As of the balance sheet date, June 30, 2020, a total of 87 companies were included as subsidiaries (December 31, 2019: 76 companies) and four companies were included as associates (December 31, 2019: 4 companies) in STADA's Interim Consolidated Financial Statements.

1.4. Business combinations

In the first six months of 2020, the following material business combinations in accordance with IFRS 3 occurred or the following material business combinations from previous periods were finalized:

Achievement 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 first-time inclusion of the Biopharma Group in the Consolidated Financial Statements of STADA Arzneimittel AG was carried out as of December 31, 2019. The purchase price allocation was taken into account on a provisional basis in the Consolidated Financial Statements as of December 31, 2019. The purchase price allocation has now been finalized and accordingly included in the Interim Consolidated Financial Statements as of June 30, 2020. The adjustments required by the finalization also had an impact on the financial statement figures as reported in these Consolidated Financial Statements for the comparable period in 2019. This accounts for deviations from comparable figures in the Interim Consolidated Financial Statements for June 30, 2020 with information contained in the Consolidated Financial Statements prepared as of December 31, 2019. The adjustments as of December 31, 2019 in connection with the finalization of the purchase price allocation are as follows:

Consolidated Balance Sheet in k €	Dec. 31, 2019 (reported)	Adjustments in accordance with final purchase price allocation	Dec. 31, 2019 (adjusted)
ASSETS			
Non-current assets	**2,284,014**	**4,221**	**2,288,235**
Intangible assets	1,785,969	-3,537	1,782,432
Property, plant and equipment	453,385	7,758	461,143
Financial assets	6,393		6,393
Investments measured at equity	3,067		3,067
Other financial assets	340		340
Other assets	1,328		1,328
Deferred tax assets	33,532		33,532
Current assets	**1,575,412**	**436**	**1,575,848**
Inventories	638,237	436	638,673
Trade accounts receivable	615,090		615,090
Return assets	689		689
Income tax receivables	5,659		5,659
Other financial assets	59,808		59,808
Other assets	46,761		46,761
Cash and cash equivalents	206,039		206,039
Non-current assets and disposal groups held for sale	3,129		3,129
Total assets	**3,859,426**	**4,657**	**3,864,083**
EQUITY AND LIABILITIES			
Equity	**1,195,468**	**–**	**1,195,468**
Share capital	162,090		162,090
Capital reserve	514,206		514,206
Retained earnings including net income	806,278		806,278
Other reserves	-400,829		-400,829
Treasury shares	-1,403		-1,403
Equity attributable to shareholders of the parent company	**1,080,342**	**–**	**1,080,342**
Shares relating to non-controlling shareholders	115,126		115,126
Non-current borrowings	**1,411,807**	**4,540**	**1,416,347**
Other non-current provisions	41,006		41,006
Financial liabilities	1,244,788		1,244,788
Other financial liabilities	36,333		36,333
Other liabilities	2,635		2,635
Deferred tax liabilities	87,045	4,540	91,585
Current borrowings	**1,252,151**	**117**	**1,252,268**
Other provisions	18,261		18,261
Financial liabilities	40,082		40,082
Trade accounts payable	414,024		414,024
Contract liabilities	1,590		1,590
Income tax liabilities	59,364		59,364
Other financial liabilities	582,368		582,368
Other liabilities	136,462	117	136,579
Non-current assets and associated assets of disposal groups held for sale and disposal groups	–		–
Total equity and liabilities	**3,859,426**	**4,657**	**3,864,083**

The final purchase price allocation of this business combination resulted in goodwill in the amount of €10.3 million which was mainly attributable to the acquired sales structures and related sales expertise.

in € million	
Purchase price for 100% of the shares of the company approx.	49.4
Proportionate fair values of the assets and liabilities acquired approx.	39.1
Goodwill	**10.3**

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

Fair values in € million	
Intangible assets	18.0
Property, plant and equipment	17.1
Financial assets	1.2
Deferred tax assets	0.6
Inventories	3.9
Trade accounts receivable	5.4
Other financial assets	0.6
Other current assets	0.5
Cash and cash equivalents	1.8
Assets	**49.1**
Deferred tax liabilities	4.6
Trade accounts payable	3.1
Income tax liabilities	0.4
Other financial liabilities	1.2
Other liabilities	0.7
Liabilities	**10.0**

The gross value of the trade accounts receivable was €5.5 million, €0.1 million was deemed not 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 €3 million in financial year 2020. Earnings after taxes of this business combination amounted to approximately -€3 million in the same period.

Achievement of control over the Czech Walmark Group

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

A total of €140.2 million was invested in the acquisition and paid entirely in cash. The amount is made up of the following components: An amount of €89.7 million was paid to the seller as a basis purchase price. A further payment that was made to the seller amounted to €8.3 million and served the purpose of a repayment of the shareholder loan that existed at the time of the purchase. The purchase price thus totaled €98.0 million. Furthermore, €42.2 million was transferred to the Walmark Group for the repayment of the bank loan that existed at the time of the purchase.

The provisional purchase price allocation from this business combination resulted in goodwill in the amount of €99.3 million, which was attributable to the following:

in € million	
Purchase price for 100% of the shares of the company approx.	98.0
Proportionate fair values of the assets and liabilities acquired approx.	-1.3
Goodwill	**99.3**

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

The following balance sheet values were applied as preliminary figures at the acquisition date of February 29, 2020 for the assets acquired and liabilities assumed in the context of the business combination:

Fair values in € million	
Intangible assets	21.2
Property, plant and equipment	17.4
Other non-current assets	0.5
Inventories	10.5
Trade accounts receivable	12.9
Other receivables	0.3
Other current assets	1.8
Income tax receivables	0.3
Cash and cash equivalents	5.8
Assets	**70.6**
Financial liabilities	42.5
Other financial liabilities	4.4
Trade accounts payable	17.2
Deferred tax liabilities	1.8
Other provisions	0.3
Other liabilities	5.7
Liabilities	**71.9**

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

The gross value of the trade accounts receivable was €12.9 million, which was deemed fully recoverable. Trade accounts receivable were recorded at their fair value in the amount of €12.9 million.

Sales of the Walmark Group amounted to about €16 million in financial year 2020. Earnings after taxes of this business combination amounted to approximately -€4 million in the same period.

If the acquisition of the Walmark Group had occurred already on January 1, 2020, sales in the amount of approximately €27 million and earnings after taxes of approximately -€6 million would have been included.

Acquisition of pharmaceutical products of the Takeda Group as well as associated processes

STADA acquired pharmaceutical products and associated processes from the Takeda Group as of March 3, 2020. The products have been included in the Consolidated Financial Statements since March 1, 2020. The purchase price for the acquisition in the amount of €551 million before taxes was paid entirely in cash.

On the basis of a preliminary purchase price allocation, intangible assets of approximately €535 million and inventories of approximately €15 million were recognized in the financial statements at the time of the transaction, with inventories increasing to approximately €16 million as part of a preliminary adjustment.

Sales of the acquired Takeda product portfolio amounted to approximately €43 million since first-time consolidation, while earnings after taxes amounted to approximately -€5 million for the same period. This financial information was not available for the two months prior to the initial consolidation period.

1.5. General information on the Covid-19 pandemic

Regardless of the Covid-19 pandemic, good business development of the STADA Group was in line with expectations in the first half of 2020. Looking at the development over time, the pandemic had different consequences for the Group's business activities. The first quarter of 2020 was characterized by strong demand due, among other things, to stockpiling by wholesalers, pharmacies and patients. Development in the second quarter, on the other hand, was shaped by purchasing restraint in the area of prescription generics and branded products, especially in the self-payer markets. Decreasing demand for prescription generics was attributable to fewer visits by patients to the doctor or hospital during the pandemic. The decline in branded products in self-payer markets was based, in particular, on a significantly reduced frequency of visits to pharmacies.

In the course of the pandemic, the Group implemented a number of measures at its sites around the world to minimize the risk of employees contracting Covid-19. Overall, it has been shown that the Group, with its strongly diversified product portfolio, can operate successfully also under difficult framework conditions. It has also been possible to maintain global business operations, particularly in the areas of procurement, production and logistics as well as supplying customers with sufficient STADA products throughout all phases of the crisis. In accordance with the self-image "caring for people's health as a trusted partner", STADA was thus able to achieve its primary objective of providing patients and consumers with essential medicines and other products as well as ensuring the well-being and safety of its employees even in a very challenging environment.

2. Information on the Consolidated Income Statement

2.1. Sales

Reported Group sales as well as Group sales adjusted for special items in the first six months of the current financial year recorded an increase of 16% to €1,465.3 million (1-6/2019: €1,263.4 million). Group sales adjusted for special items as well as currency and portfolio effects increased by 9% to €1,370.8 million (1-6/2019: €1,255.9 million).

2.2. Cost of sales and gross profit

Cost of sales increased in the first half of 2020 to €723.3 million (1-6/2019: €597.9 million). Gross profit rose to €742.0 million (1-6/2019: €665.5 million). The gross margin decreased to 50.6% (1-6/2019: 52.7%).

2.3. Selling expenses

In the first six months of 2020, selling expenses increased to €317.3 million (1-6/2019: €293.0 million), which, however, was underproportional to the increase in sales and mainly attributable to the acquisitions that were made.

2.4. General and administrative expenses

General and administrative expenses decreased in the reporting period to €115.9 million (1-6/2019: €104.7 million). The increase was attributable to the acquisitions that were made, among other things.

2.5. Other income

Other income declined in the first half of 2020 to €9.6 million (1-6/2019: €16.0 million). The decrease was based for the most part on lower income from the reversal of impairments on trade accounts receivable.

2.6. Other expenses

Other expenses rose in the reporting period to €120.1 million (1-6/2019: €60.0 million). The increase resulted in particular from provisions for damages, increased exchange rate expenses especially in connection with a loan for the acquisition of the Takeda product portfolio as well as expenses from deconsolidations in connection with the sale of the British subsidiaries Slam Trading Limited and LAS Trading Limited as well as the Argentinian subsidiary Laboratorio Vannier S.A.

2.7. Financial income

Financial income fell to €0.4 million in the first six months of 2020 (1-6/2019: €2.6 million). The relatively high income in the corresponding period from the previous year resulted for the most part from accrued interest on the purchase price receivable for STADA Vietnam J.V.

2.8. Financial expenses

Financial expenses increased in the first half of 2020 to €42.9 million (1-6/2019: €23.4 million), in particular as a result of increased financial liabilities in connection with the acquisitions that were made.

2.9. Income taxes

Income tax expenses decreased in the reporting period to €19.0 million (1-6/2019: €26.2 million) as a result of the decline in earnings before taxes. The reported tax rate was 16.4% (1-6/2019: 15.6%).

3. Information on the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets increased as of June 30, 2020 to €2,639.7 million (December 31, 2019: €1,782.4 million) as a result of the acquisitions that were made. As of the same reporting date, intangible assets included €491.4 million of goodwill (December 31, 2019: €408.8 million).

3.2. Property, plant and equipment

Property, plant and equipment rose to €463.4 million as of the balance sheet date (December 31, 2019: €461.1 million).

3.3. Financial assets

Financial assets increased to €12.8 million as of June 30, 2020 (December 31, 2019: €6.4 million).

3.4. Investments measured at equity

Investments measured at equity increased as of the balance sheet date to €2.9 million (December 31, 2019: €3.1 million).

3.5. Inventories

Inventories showed an increase to €742.9 million as of June 30, 2020 (December 31, 2019: €638.7 million). The increase was mainly attributable to the acquisitions that were made and the increase in the security stock.

3.6. Trade accounts receivable

Trade accounts receivable decreased to €599.9 million as of the balance sheet date (December 31, 2019: €615.1 million), particularly as a result of exchange-rate related translation effects and an increased factoring volume.

3.7. Income tax receivables

Income tax receivables increased as of June 30, 2020 to €17.2 million (December 31, 2019: €5.7 million).

3.8. Other financial assets

Other financial assets decreased as of the balance sheet date to €44.7 million (December 31, 2019: €60.1 million).

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

Non-current assets and disposal groups held for sale increased as of June 30, 2020 to €0.1 million (December 31, 2019: €3.1 million). An intangible asset presented in this item as of December 31, 2019 and belonging to the Branded Products segment was reclassified to non-current assets in the first quarter of 2020.

3.10. Retained earnings and other reserves

Retained earnings including net income comprise the net income of the first six months of 2020 and the results achieved in previous periods, insofar as they have not been distributed, including the amounts placed in retained earnings. Revaluations of net debt from defined benefit plans, recognized through other comprehensive income after the consideration of deferred tax liabilities, were also shown in this position.

Other provisions 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 decrease in other reserves as of June 30, 2020 was attributable in particular to the depreciation of the Russian ruble and the British pound since December 31, 2019 and to the resulting expenses recognized in equity from currency conversion for companies that report in this currency.

3.11. Financial liabilities

As of the balance sheet date, the Group's current and non-current financial liabilities in the amount of €357.1 million or €2,533.6 million (December 31, 2019: €40.1 million or €1,244.8 million) primarily include a shareholder's loan of €2,252.6 million (December 31, 2019: €929.6 million), promissory note loans with a nominal value of €48.5 million (December 31, 2019: €48.5 million) and a bond with a nominal value in the amount of €267.4 million (December 31, 2019: €267.4 million). The increase in current and non-current financial liabilities is based primarily on the assumption of financial debt for purchase price payments of the acquisitions that were made.

3.12. Trade accounts payable

Trade accounts payable increased to €429.0 million as of June 30, 2020 (December 31, 2019: €414.0 million), in particular as a result of the acquisitions made.

3.13. Deferred tax liabilities

Deferred tax liabilities decreased as of the balance sheet date to €89.6 million (December 31, 2019: €91.6 million).

3.14. Other financial liabilities

Other financial liabilities showed a decrease to €334.6 million as of June 30, 2020 (December 31, 2019: €618.7 million). This development was particularly attributable to the payment of the liability to the shareholder from the domination and profit and loss transfer agreement for financial year 2019.

3.15. Other liabilities

Other liabilities rose as of the balance sheet date to €164.7 million (December 31, 2019: €139.2 million).

4. Information on the Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities, which 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, improved to €200.8 million in the reporting period (1-6/2019[1)]: €169.7 million). This resulted, among other things, from the strong sales development in the first half of 2020 as compared with the corresponding period in the previous year.

4.2. Cash flow from investing activities

Cash flow from investing activities, which comprises cash outflows for investments less proceeds from disposals, was -€1,104.0 million in the first six months of the current financial year (1-6/2019: -€67.8 million). In the reporting period, cash flow from investing activities was mainly influenced by payments for business combinations in accordance with IFRS 3 which resulted from the acquisition of the Czech Walmark Group as well as the purchase of pharmaceutical products of the Takeda Group and associated processes. In addition, there were high payments for intangible assets, particularly in connection with the purchase of consumer healthcare products in more than 40 countries for various therapeutic areas from GlaxoSmithKline.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to €1,138.3 million in the reporting period (1-6/2019[1)]: -€191.9 million) and was shaped in particular by the high assumption of financial liabilities resulting primarily from loans granted to STADA by Nidda Healthcare Holding GmbH. Opposing cash outflows resulted from the repayment of financial liabilities, particularly for loans granted by Nidda Healthcare Holding GmbH as well as from the settlement of liabilities that were in place for financial year 2019 from the domination and profit and loss transfer agreement with Nidda Healthcare GmbH.

4.4. Net cash flow for the current period

Cash flow of the current period was €230.0 million in the first six months of 2020, as a net figure of all cash inflows and outflows from the cash flow from operating activities, cash flow from investing and financing activities, in addition to changes in financial resources due to the foreign exchange rate and/or scope of consolidation (1-6/2019: -€89.7 million).

1) The prior-year figures were adjusted in accordance with IAS 8 as part of a change in the presentation of interest paid. Interest paid is no longer reported within cash flow from operating activities, but rather within cash flow from financing activities.

5. Segment reporting

5.1. General information

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.

The reported segment result corresponds to the operating profit of the income statement of the STADA Group in accordance with IFRS. Reporting of individual non-current assets by segment as well as segment liabilities is waived, as this information is not used for Group monitoring.

5.2. Information by operating segment

in k €		H1/2020	H1/2019
Generics	**External sales**	**833,357**	**745,223**
	Sales with other segments	512	111
	Total sales	833,869	745,334
	Operating profit (EBIT)	161,674	160,434
	Depreciation/amortization	34,148	31,805
	Impairment losses	19,199	12,462
	Reversals	–	1,275
	EBITDA	215,031	203,406
	Special items within EBITDA	6,092	2,587
	thereof:		
	• effects from purchase price allocations and product acquisitions	-99	2,587
	• effects from deconsolidations	6,407	–
	• exchange rate expenses	-216	–
	• expenses for damages	–	–
	EBITDA adjusted	*221,123*	*205,992*
	Other significant non-cash items within operating result	-173,326	-159,046
Branded Products	**External sales**	**631,902**	**518,151**
	Sales with other segments	–	–
	Total sales	631,902	518,151
	Operating profit (EBIT)	112,932	108,677
	Depreciation/amortization	54,074	38,066
	Impairment losses	2,989	1,166
	Reversals	–	–
	EBITDA	169,994	147,912
	Special items within EBITDA	28,800	-202
	thereof:		
	• effects from purchase price allocations and product acquisitions	652	-202
	• effects from deconsolidations	5,593	–
	• exchange rate expenses	-667	–
	• expenses for damages	23,222	–
	EBITDA adjusted	*198,794*	*147,711*
	Other significant non-cash items within operating result	-29,575	-5,728

in k €		H1/2020	H1/2019
Reconciliation Group holdings/ other and consolidation	**External sales**	**–**	**–**
	Sales with other segments	-512	-111
	Total sales	-512	-111
	Operating profit (EBIT)	-116,789	-79,762
	Depreciation/amortization	5,539	6,349
	Impairment losses	–	–
	Reversals	–	–
	EBITDA	-111,250	-73,413
	Special items within EBITDA	28,209	14,253
	thereof:		
	• effects from purchase price allocations and product acquisitions	–	–
	• effects from deconsolidations	–	–
	• exchange rate expenses	28,204	–
	• expenses for damages	–	–
	• severance payments	5	14,253
	EBITDA adjusted	*-83,041*	*-59,160*
	Other significant non-cash items within operating result	-55,031	-27,396
Group	**External sales**	**1,465,259**	**1,263,374**
	Sales with other segments	–	–
	Total sales	1,465,259	1,263,374
	Operating profit (EBIT)	157,817	189,350
	Depreciation/amortization	93,761	76,220
	Impairment losses	22,188	13,628
	Reversals	–	1,275
	EBITDA	273,775	277,905
	Special items within EBITDA	63,101	16,638
	thereof:		
	• effects from purchase price allocations and product acquisitions	553	2,385
	• effects from deconsolidations	12,000	–
	• exchange rate expenses	27,321	–
	• expenses for damages	23,222	–
	• severance payments	5	14,253
	EBITDA adjusted	*336,876*	*294,543*
	Other significant non-cash items within operating result	-257,932	-192,170

5.3. Reconciliation of segment results to net profit

in k €	H1/2020	H1/2019
Adjusted EBITDA for segments	419,917	353,703
Special items within EBITDA	34,892	2,385
Reconciliation Group holdings/other and consolidation	-111,250	-73,413
Depreciation, amortization, impairments losses and reversals	115,949	88,573
Financial income	447	2,600
Financial expenses	42,856	23,376
Earnings before taxes, Group	**115,417**	**168,556**

6. Disclosures about fair value measurements and financial instruments

The following table shows how the valuation rates of assets and liabilities measured at fair value were determined:

Fair values by levels of hierarchy on a recurring basis in k €	Level 1 Listed 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	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Financial assets (FVOCI)						
• Financial assets	10,568	4,217	–	–	–	–
• Factorable receivables	–	–	23,330	8,545	–	–
Financial assets (FVPL)						
• Currency forwards	–	–	51	–	–	–
Derivative financial assets with a hedging relationship						
• Fair value hedges	–	–	2,382	163	–	–
Financial liabilities (FVPL)						
• Currency forwards	–	–	219	335	–	–
• Interest/currency swaps	–	–	–	–	–	–
Derivative financial liabilities with a hedging relationship						
• Fair value hedges	–	–	499	396	–	–

Financial assets recognized at fair value through other comprehensive income (FVOCI) include factorable receivables. These financial assets, which are 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. This category also includes the shares acquired in the reporting period from the Swedish company XBrane. Because the company's shares are traded on the stock exchange, they have been classified in Stage 1.

In preparing the financial statements, STADA verifies the assignment to the respective hierarchy levels based on the information available on the determination of the fair values. If a need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period.

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

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

STADA designates currency forwards as fair value hedges that are concluded in order to hedge currency risks arising 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 of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these inter-company loans. 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.

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of June 30, 2020:

in k €	Carrying amount June 30, 2020	Fair value June 30, 2020	Carrying amount June 30, 2019	Fair value June 30, 2019
Liabilities to banks	327,429	359,183	40,433	40,433
Liabilities to shareholders	2,248,048	2,316,976	929,609	948,080
Promissory note loans	48,468	49,427	52,436	54,162
Bonds	266,769	267,030	266,414	268,819
Financial liabilities	**2,890,714**	**2,992,616**	**1,288,892**	**1,311,494**

As in the previous year, the financial liabilities presented in the table are assigned to the measurement category “Financial liabilities measured at amortized cost” (AC) pursuant to IFRS 9.

For all other financial assets and liabilities not displayed in the table above, the carrying amounts – approximately or based on valuation methods taking the listed prices on active markets or observable input parameters in the market as a basis – correspond to the respective fair values of the individual assets and liabilities.

7. Contingent liabilities and other financial obligations

Contingent liabilities describe possible obligations with respect to third parties which result from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not accounted for.

In comparison with the contingent liabilities described above in the amount of €58.8 million as of the end of 2019, possible material liabilities decreased in the first six months of 2020 by €33.6 million to €25.2 million as of June 30, 2020. This development was mainly due to a now accounted for provision for damages as well as the elimination of patent risks.

In addition to the contingent liabilities, there are also other future financial obligations which can be broken down as follows:

in k €	June 30, 2020	Dec. 31, 2019
Obligations from leases	3,675	5,265
Other financial obligations	95,960	99,998
Total	**99,635**	**105,263**

The information on future obligations from leases includes obligations from short-term leases as well as leases for low-value assets.

In other financial obligations, long-term obligations for logistics and accounting service providers are reported.

Furthermore, contingent liabilities and further guarantees assumed by the STADA Group are presented in other financial liabilities.

8. Related party transactions

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

No significant changes occurred with regard to related companies or persons in the first half of 2020 compared with the situation as described in the Annual Report 2019.

9. Significant events after the closing date

Since the German Federal Patent Court on July 17, 2018, in the first instance declared the German portion of the European patent EP 1 313 508 from Eli Lilly (originator of the product Alimta® – a cytostatic drug) which runs until June 2021, to be invalid due to a legal action for annulment by STADA and others, STADA has been selling the respective generic drug Pemetrexed STADA since July 2018.

However, already since August 2019, in view of a temporary injunction filed by Eli Lilly against the listing of STADA's generic and other competitors' generics in the Lauer-Taxe at the Information Agency for Proprietary Medicinal Products, the marketing of the generic has been very strongly restricted, because a listing in the Lauer-Taxe is the prerequisite for reimbursement of these drugs.

After the German portion was declared legally valid by the Federal Supreme Court on July 7, 2020 in the final instance on the basis of an appeal by the originator Eli Lilly against the verdict in the first instance, the original manufacturer generally has the opportunity to assert damages against STADA, among others, for the period of the patent infringement.

Thanks to the continuous growth course
we have positioned ourselves as the “go-to partner”
in Europe and in emerging markets.

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

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

Bad Vilbel, August 25, 2020

Peter Goldschmidt | Dr. Wolfgang Ollig | Miguel Pagan Fernandez

PUBLISHING INFORMATION

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Executive Board: Peter Goldschmidt (Chairman), Dr. Wolfgang Ollig, Miguel Pagan Fernandez

Supervisory Board: Dr. Günter von Au (Chairman), Markus Damm[1)] (Vice Chairman), Dr. Eric Cornut, Jan-Nicolas Garbe, Benjamin Kunstler, Dr. Klaus Scheja[1)], Bruno Schick, Dr. Michael Siefke, Jens Steegers[1)]

Forward-looking statements: This Interim Report of STADA Arzneimittel AG (hereinafter referred to as "STADA") contains certain statements regarding future events that are based on current expectations, estimates and forecasts of STADA's company management and on other information which is currently available. 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. Where necessary, STADA will also make forward-looking statements in other reports, presentations, documents sent to shareholders, and press releases. Moreover, from time to time our representatives may make verbal forward-looking statements. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors 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: The key performance indicators presented in this interim report are generally stated in euro millions, while in the interim financial statements presented at the end of this report the same figures are generally stated more precisely in euro thousands. Differences between individual values may result from rounding and are naturally are not of a significant nature.

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1) Employee representative.

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