Interim Report on the First Nine Months
and the Third Quarter of **2017**

Brands for People

STADA

STADA KEY FIGURES

Key figures for the Group in € million	Q3/2017[1]	Q3/2016	±%	9M/2017[1]	9M/2016	±%
Group sales	554.8	507.0	+9%	1,698.0	1,541.7	+10%
• Generics	319.8	304.6	+5%	994.2	931.8	+7%
• Branded Products	235.0	202.6	+16%	703.8	609.9	+15%
Group sales adjusted for currency and portfolio effects	*544.7*	*505.1[2]*	*+8%*	*1,641.1*	*1,537.4*	*+7%*
• Generics	*312.5*	*302.6[2]*	*+3%*	*960.8*	*927.5*	*+4%*
• Branded Products	*232.2*	*202.6[2]*	*+15%*	*680.3*	*609.9*	*+12%*
Operating profit	65.5	36.7	+78%	204.9	173.0	+18%
• Generics	55.7	45.3	+23%	178.3	149.9	+19%
• Branded Products	53.1	20.1	+165%	125.9	90.8	+39%
Operating profit, adjusted[3][4]	*81.8*	*72.4*	*+13%*	*265.2*	*225.9*	*+17%*
• Generics	*56.3*	*51.2*	*+10%*	*180.7*	*156.8*	*+15%*
• Branded Products	*58.1*	*38.9*	*+49%*	*155.7*	*127.5*	*+22%*
EBITDA	99.4	88.4	+12%	320.3	289.1	+11%
• Generics	69.6	63.6	+9%	220.5	192.9	+14%
• Branded Products	70.2	53.2	+32%	191.7	157.9	+21%
EBITDA, adjusted[3][4]	*109.8*	*98.3*	*+12%*	*347.5*	*300.6*	*+16%*
• Generics	*69.4*	*64.0*	*+8%*	*220.1*	*193.6*	*+14%*
• Branded Products	*70.1*	*52.5*	*+33%*	*191.5*	*161.1*	*+19%*
EBIT	67.5	36.7	+84%	209.2	174.0	+20%
EBIT, adjusted[3][4]	*83.7*	*72.4*	*+16%*	*269.5*	*227.0*	*+19%*
EBT	57.2	23.8	+140%	177.3	135.1	+31%
EBT, adjusted[3][4]	*73.4*	*59.2*	*+24%*	*237.6*	*188.4*	*+26%*
Net income	18.9	18.3	+4%	109.2	100.3	+9%
Net income, adjusted[3][4]	*31.2*	*43.8*	*-29%*	*145.4*	*139.9*	*+4%*
Cash flow from operating activities	121.9	85.0	+43%	211.4	198.0	+7%
Investments	25.5	22.7	+12%	88.8	117.7	-25%
Depreciation and amortization (net of write-ups)	31.9	51.7	-38%	111.1	115.1	-3%
Employees (average number – based on full-time employees)[5]	11,117	10,872	+2%	11,050	10,811	+2%
Employees (as of the reporting date – based on full-time employees)	11,117	10,872	+2%	11,117	10,872	+2%

Key share figures	Q3/2017	Q3/2016	±%	9M/2017	9M/2016	±%
Market capitalization in € million (Sep. 29 / Sep. 30)	5,133.3	3,083.5	+66%	5,133.3	3,083.5	+66%
Closing price (XETRA®) in € (Sep. 29 / Sep. 30)	82.34	49.46	+66%	82.34	49.46	+66%
Average number of shares (without treasury shares)	62,258,129	62,256,553	0%	62,258,025	62,256,382	0%
Earnings per share in €	0.30	0.29	+3%	1.75	1.61	+9%
Earnings per share in €, adjusted[3][4]	*0.50*	*0.70*	*-29%*	*2.33*	*2.25*	*+4%*

1) Since financial reports for STADA Vietnam J.V. Co. Ltd. have not been available since April 2017, STADA has decided to use the latest available plan figures for the second quarter of 2017 and not to consider any financial data for the third quarter of 2017 for STADA Vietnam J.V. Co. Ltd.
2) Sales of the corresponding period of the previous year adjusted for currency and portfolio effects represent the comparable basis which is relevant for the key figure of the current reporting period.
3) 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. As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.
4) Within the context of this interim report, adjustments in connection with the key earnings figures generally relate to special items.
5) This average number includes changes in the scope of consolidation on a pro-rata basis.

INTERIM REPORT ON THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2017

Lactoflora® – Feel PRO.

GROUP INTERIM MANAGEMENT REPORT

Overview

In the first nine months of 2017, the STADA Group recorded good development. Primarily contributing to this was sound development in the Belgian Generics segment and in the Russian Branded Products segment. Good business development in the German Branded Products segment in the third quarter of 2017 also had a positive impact. In connection with the now completed takeover by Bain Capital and Cinven, special items totaling € 27.8 million before or € 20.0 million after taxes were recorded. These were particularly a result of consultancy services in the second and third quarters of 2017 and influenced the development of reported key earnings figures in the reporting period.

Reported Group sales increased by 10% to € 1,698.0 million in the reporting period (1-9/2016: € 1,541.7 million). After deducting effects on sales based on changes in the Group portfolio and currency effects, adjusted Group sales increased by 7% to € 1,641.1 million (1-9/2016: € 1,537.4 million).

Reported EBITDA increased by 11% to € 320.3 million (1-9/2016: € 289.1 million). Adjusted EBITDA recorded growth of 16% to € 347.5 million (1-9/2016: € 300.6 million). Reported net income recorded an increase of 9% to € 109.2 million (1-9/2016: € 100.3 million). Adjusted net income increased by 4% to € 145.4 million (1-9/2016: € 139.9 million).

The financial position of the STADA Group recorded positive development in the reporting period. Net debt was at € 1,066.3 million as of September 30, 2017 (December 31, 2016: € 1,118.2 million). The net debt to adjusted EBITDA ratio in the first nine months of 2017 improved to 2.3 on linear extrapolation of the adjusted EBITDA of the first nine months of 2017 on a full-year basis (1-9/2016: 3.0).

After the takeover offer published by Nidda Healthcare Holding AG (upon registration on October 23, 2017 now Nidda Healthcare Holding GmbH), the acquiring company of Bain Capital and Cinven, on April 27, 2017 failed to reach the minimum acceptance threshold[1], Nidda Healthcare Holding AG submitted a new and improved takeover offer to STADA shareholders[2] on July 19, 2017 following the exemption from the exclusion period by BaFin[3], with the agreement of STADA. The new offer was sucessful, after the minimum acceptance threshold was exceeded, as 63.85% of the outstanding STADA shares were offered to Nidda Healthcare Holding AG for tender.[4] On August 24, 2017, the company announced that in discussions with the Executive Board of Nidda Healthcare Holding AG, the STADA Executive Board had decided to enter into negotiations on the conclusion of a domination and profit and loss transfer agreement between Nidda Healthcare Holding AG or a company associated with it as controlling company and STADA Arzneimittel AG as the controlled company.[5]

At the beginning of the third quarter of 2017, changes were made to the STADA Executive Board. At its meeting of July 4, 2017, the STADA Supervisory Board agreed to accept Dr. Wiedenfels' resignation from his office as Chairman of the Executive Board and Mr. Kraft's resignation from his office as a member of the Executive Board.[6] Both resigned from office with immediate effect. At the same time, the Supervisory Board appointed Mr. Engelbert Coster Tjeenk Willink as Chairman of the Executive Board and Dr. Bernhard Düttmann as a member of the Executive Board and Chief Financial Officer. Both of the new Executive Board members were appointed with immediate effect and for a period up to December 31, 2017.

On August 25, 2017, STADA announced that Carl Ferdinand Oetker, Chairman of the STADA Supervisory Board, Rolf Hoffmann, Dr. Birgit Kudlek, Tina Müller and Dr. Gunnar Riemann had resigned from their positions on the Supervisory Board with effect from the end of September 25, 2017 in accordance with the resignation period provided by the Articles of Association.[7] On September 27, 2017, STADA announced that Jan-Nicolas Garbe, Benjamin Kunstler, Bruno Schick, Dr. Michael Siefke and Dr. Günter von Au had been legally appointed as successors to the departing Supervisory Board members by court order, with effect from September 26, 2017.[8] Furthermore, the Company announced that at its constituting meeting, the Supervisory Board had elected Dr. Günter von Au as the new Chairman of the Supervisory Board.

At its meeting of September 27, 2017, the STADA Supervisory Board accepted the resignation of of Mr. Willink as Chairman of the Executive Board and Dr. Düttmann as Member of the Executive Board. In addition, the Supervisory Board appointed Dr. Claudio Albrecht as new Chairman of the Executive Board and Mark Keatley as new Chief Financial Officer with effect from September 27, 2017.[9]

1) See the Company's ad hoc release of June 26, 2017.
2) See the Company's investor news of July 19, 2017.
3) See the Company's ad hoc release of July 4, 2017 and July 10, 2017 as well as the Company's investor news of July 10, 2017.
4) See the Company's investor news of August 18, 2017.
5) See the Company's ad hoc release of August 24, 2017.
6) See the Company's ad hoc release and investor news of July 4, 2017.
7) See the Company's ad hoc release of August 25, 2017.
8) See the Company's ad hoc release of September 27, 2017.
9) See the Company's investor news of September 28, 2017.

STADA, from today's vantage point, expects the key earnings figures in the fourth quarter of 2017 to be lower than the corresponding figures in the third quarter of 2017. This is for a number of reasons, primarily including the weakening value of the Russian ruble and British pound sterling compared with the euro, the seasonal marketing expenses that are required to sustain the sales of the branded products for cough-and-cold and to continue the internationalization of certain branded products, and the potentially negative effect on sales in Spain from the political turbulence following the recently held referendum on Catalonian independence.

The Executive Board continues to expect that financial year 2017 as a whole will show growth over the previous year. Group sales adjusted for currency and portfolio effects are expected to be in the range of € 2.280 billion to € 2.350 billion, adjusted EBITDA between € 430 million and € 450 million and adjusted net income between € 195 million and € 205 million, consistent with the previously given guidance.

Sales development of the STADA Group

Reported Group sales in the first three quarters of the current financial year 2017 increased by 10% to € 1,698.0 million (1-9/2016: € 1,541.7 million).

When effects on sales from changes in the **Group portfolio** and **currency effects** are deducted, **adjusted Group sales** increased by 7% to € 1,641.1 million in the reporting period (1-9/2016: € 1,537.4 million).

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

in € million	Q3/2017	Comparable period for Q3/2017	±%	Q3/2016	Comparable period for Q3/2016	±%
Reported Group sales	**554.8**	**507.0**	**+9%**	**507.0**	**507.7**	**0%**
• Generics	319.8	304.6	+5%	304.6	291.6	+4%
• Branded Products	235.0	202.6	+16%	202.6	216.1	-6%
Currency effects	**0.8**	**–**	**–**	**12.4**	**–**	**–**
• Generics	0.1	–	–	1.8	–	–
• Branded Products	0.7	–	–	10.6	–	–
Portfolio changes	**10.9**	**2.0**	**–**	**12.0**	**3.3**	**–**
• Generics	7.4	2.0	–	2.9	1.7	–
• Branded Products	3.5	0.0	–	9.1	1.6	–
Group sales adjusted for currency and portfolio effects	**544.7**	**505.1**	**+8%**	**507.4**	**504.4**	**+1%**
• Generics	**312.5**	**302.6**	**+3%**	**303.5**	**289.9**	**+5%**
• Branded Products	**232.2**	**202.6**	**+15%**	**204.1**	**214.5**	**-5%**

in € million	9M/2017	Comparable period for 9M/2017	±%	9M/2016	Comparable period for 9M/2016	±%
Reported Group sales	**1,698.0**	**1,541.7**	**+10%**	**1,541.7**	**1,533.5**	**+1%**
• Generics	994.2	931.8	+7%	931.8	928.2	0%
• Branded Products	703.8	609.9	+15%	609.9	605.3	+1%
Currency effects	**-19.2**	**–**	**–**	**59.9**	**–**	**–**
• Generics	-9.1	–	–	20.5	–	–
• Branded Products	-10.1	–	–	39.4	–	–
Portfolio changes	**37.7**	**4.3**	**–**	**33.2**	**11.4**	**–**
• Generics	24.3	4.3	–	8.0	6.4	–
• Branded Products	13.4	–	–	25.2	5.0	–
Group sales adjusted for currency and portfolio effects	**1,641.1**	**1,537.4**	**+7%**	**1,568.4**	**1,522.1**	**+3%**
• Generics	**960.8**	**927.5**	**+4%**	**944.3**	**921.8**	**+2%**
• Branded Products	**680.3**	**609.9**	**+12%**	**624.1**	**600.3**	**+4%**

In detail, the effects on sales that can be attributed to changes in the Group portfolio and currency effects were as follows:

- In the first nine months of 2017, portfolio changes totaled € 37.7 million and in the corresponding period of the previous year € 4.3 million or 2.2 percentage points, which includes the retroactive adjustment.
- As a result of applying foreign exchange rates from the first three quarters of 2017 compared with those of the first three quarters of 2016 for the translation of local sales contributions into the Group currency euro, STADA recorded a positive currency effect on Group sales in the amount of € 19.2 million or 1.2 percentage points.

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

Significant currency relations in local currency to € 1	Closing rate on Sep. 30 in local currency			Average rate for the reporting period		
	9M/2017	9M/2016	±%	9M/2017	9M/2016	±%
British pound sterling	0.88178	0.86100	+2%	0.87249	0.80212	+9%
Russian ruble	68.25190	70.51400	-3%	64.90765	76.31019	-15%
Serbian dinar	119.36590	123.29290	-3%	122.18304	123.05244	-1%

As currency relations in other countries that are important for STADA had only a minor impact on the translation of sales and earnings in local currency into the Group currency euro, these relations are not discussed in this report.

To the extent that adjusted sales figures are reported below, these refer to sales adjusted for portfolio and currency effects.

Earnings development of the STADA Group

In the first quarter of 2017, compared with previous years, STADA only carried out adjustments related to “impairments/ write-ups on non-current assets” and “effects from purchase price allocations and product acquisitions”. Since the second quarter of 2017, the Group has also made adjustments for special items related to “consultancy services in connection with the takeover process” as well as income from the “reversal of tax provisions”.

In connection with the now completed takeover, as a result of the aforementioned consultancy services in the second and third quarters of 2017 in particular, special items in the total amount of € 27.8 million before or € 20.0 million after taxes were recorded which influenced the development of the reported key earnings figures in the first nine months of 2017.

Reported operating profit increased by 18% to € 204.9 million in the reporting period (1-9/2016: € 173.0 million). **Adjusted operating profit** recorded growth of 17% to € 265.2 million (1-9/2016: € 225.9 million). **Reported EBITDA** recorded growth of 11% to € 320.3 million (1-9/2016: € 289.1 million). **Adjusted EBITDA** rose by 16% to € 347.5 million (1-9/2016: € 300.6 million). **Reported net income** increased by 9% to € 109.2 million (1-9/2016: € 100.3 million). **Adjusted net income** recorded an increase of 4% to € 145.4 million (1-9/2016: € 139.9 million).

The increase in adjusted net income in the reporting period was primarily attributable to a further improved financial result. However, a significantly higher tax rate, which was particularly attributable to tax deferrals made in the third quarter of 2017 for future tax liabilities, had an opposing effect in the third quarter of 2017.

Special items in the **third quarter of 2017** amounted to a net burden on earnings of € 16.3 million before or € 12.4 million after taxes. The following overview shows the reconciliation of reported key performance indicators to those adjusted for special items and further key performance indicators of the STADA Group:

in € million[1]	Q3/2017 reported	**Impairments/ write-ups on non-current assets**	**Effects from purchase price allocations and product acquisitions**[2]	**Consultancy services in connection with the takeover process**	**Reversal of tax provisions**	*Q3/2017 adjusted*
Operating profit	**65.5**	**2.3**	**3.3**	**10.7**	**–**	***81.8***
Result from investments measured at equity	2.0	–	–	–	–	*2.0*
Investment income	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**67.5**	**2.3**	**3.3**	**10.7**	**–**	***83.7***
Financial income and expenses	-10.3	–	–	–	–	*-10.3*
Earnings before taxes (EBT)	**57.2**	**2.3**	**3.3**	**10.7**	**–**	***73.4***
Income taxes	37.9	0.4	0.4	3.0	–	*41.7*
Result distributable to non-controlling shareholders	0.4	0.0	0.1	–	–	*0.5*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**18.9**	**1.9**	**2.8**	**7.7**	**–**	***31.2***
Earnings before interest and taxes (EBIT)	**67.5**	**2.3**	**3.3**	**10.7**	**–**	***83.7***
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	31.9	-2.3	-3.6	–	–	*26.1*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**99.4**	**–**	**-0.3**	**10.7**	**–**	***109.8***

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

Due to **special items**, STADA recorded a net burden on earnings of € 35.4 million before or € 25.5 million after taxes in the **third quarter of 2016**. The reconciliation of reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items is as follows:

in € million[1]	Q3/2016 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Currency effects CIS/Eastern Europe[3]	Measurement of derivative financial instruments	Other[4]	*Q3/2016 adjusted*
Operating profit	**36.7**	**22.1**	**3.3**	**2.2**	**–**	**8.1**	***72.4***
Result from investments measured at equity	0.0	–	–	–	–	–	*0.0*
Investment income	–	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**36.7**	**22.1**	**3.3**	**2.2**	**–**	**8.1**	***72.4***
Financial income and expenses	-12.9	–	–	–	-0.3	–	*-13.2*
Earnings before taxes (EBT)	**23.8**	**22.1**	**3.3**	**2.2**	**-0.3**	**8.1**	***59.2***
Income taxes	2.8	3.6	2.1	0.2	-0.1	4.7	*13.3*
Result distributable to non-controlling shareholders	2.7	–	-0.6	–	–	–	*2.1*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**18.3**	**18.5**	**1.8**	**2.0**	**-0.2**	**3.4**	***43.8***
Earnings before interest and taxes (EBIT)	**36.7**	**22.1**	**3.3**	**2.2**	**–**	**8.1**	***72.4***
Balance from depreciation/ amortization and impairments/write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	51.7	-22.1	-3.7	–	–	–	*25.9*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**88.4**	**–**	**-0.4**	**2.2**	**–**	**8.1**	***98.3***

1) As a result of the presentation in € million, deviations due to rounding may occur in the tables.
2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.
3) Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/ Eastern Europe.
4) Relates to miscellaneous extraordinary income, among other things for a milestone payment received in the United Kingdom, tax rate changes in the United Kingdom and a severance payment for the former Chairman of the Executive Board.

In the **first nine months of 2017**, **special items** resulted in a net burden on earnings in the amount of € 60.3 million before or € 36.2 million after taxes. The reconciliation of reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items is as follows:

in € million[1]	9M/2017 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Consultancy services in connection with the takeover process	Reversals of tax provisions	*9M/2017 adjusted*
Operating profit	**204.9**	**20.5**	**12.0**	**27.8**	**–**	***265.2***
Result from investments measured at equity	4.3	–	–	–	–	*4.3*
Investment income	–	–	–	–	–	*–*
Earnings before interest and taxes (EBIT)	**209.2**	**20.5**	**12.0**	**27.8**	**–**	***269.5***
Financial income and expenses	-31.9	–	–	–	–	*-31.9*
Earnings before taxes (EBT)	**177.3**	**20.5**	**12.0**	**27.8**	**–**	***237.6***
Income taxes	62.8	3.7	1.5	7.8	10.4	*86.2*
Result distributable to non-controlling shareholders	5.4	0.3	0.3	–	–	*6.0*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**109.2**	**16.5**	**10.1**	**20.0**	**-10.4**	***145.4***
Earnings before interest and taxes (EBIT)	**209.2**	**20.5**	**12.0**	**27.8**	**–**	***269.5***
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	111.1	-20.5	-12.6	–	–	*78.0*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**320.3**	**–**	**-0.6**	**27.8**	**–**	***347.5***

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

In the **first nine months of 2016**, **special items** resulted in a net burden on earnings in the amount of € 53.3 million before or € 39.6 million after taxes. The reconciliation of reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items had the following impact:

in € million[1]	9M/2016 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions[2]	Currency effects CIS/Eastern Europe[3]	Measurement of derivative financial instruments	Other[4]	*9M/2016 adjusted*
Operating profit	**173.0**	**29.0**	**13.3**	**6.6**	**–**	**4.0**	***225.9***
Result from investments measured at equity	1.0	–	–	–	–	–	*1.0*
Investment income	0.0	–	–	–	–	–	*0.0*
Earnings before interest and taxes (EBIT)	**174.0**	**29.0**	**13.3**	**6.6**	**–**	**4.1**	***227.0***
Financial income and expenses	-38.9	–	–	–	0.3	–	*-38.6*
Earnings before taxes (EBT)	**135.1**	**29.0**	**13.3**	**6.6**	**0.3**	**4.1**	***188.4***
Income taxes	27.6	5.1	3.7	0.8	0.0	4.4	*41.6*
Result distributable to non-controlling shareholders	7.2	0.0	-0.3	–	–	–	*6.9*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**100.3**	**23.9**	**9.9**	**5.8**	**0.3**	**-0.3**	***139.9***
Earnings before interest and taxes (EBIT)	**174.0**	**29.0**	**13.3**	**6.6**	**–**	**4.1**	***227.0***
Balance from depreciation/ amortization and impairments/write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	115.1	-29.0	-12.5	–	–	–	*73.6*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**289.1**	**–**	**0.8**	**6.6**	**–**	**4.1**	***300.6***

1) As a result of the presentation in € million, deviations due to rounding may occur in the tables.
2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.
3) Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/ Eastern Europe.
4) Relates to miscellaneous extraordinary income, among other things for a milestone payment received in the United Kingdom, tax rate changes in the United Kingdom and a severance payment for the former Chairman of the Executive Board.

The tables below show essential key earnings figures of the Group including the resulting margins on both a reported basis and adjusted for the aforementioned special items for the third quarter of 2017 as well as the first nine months of 2017 and the corresponding period of the previous year.

Development of the STADA Group's reported key earnings figures

in € million	Q3/2017	Q3/2016	±%	9M/2017	9M/2016	±%
Operating profit	65.5	36.7	+78%	204.9	173.0	+18%
• Generics	55.7	45.3	+23%	178.3	149.9	+19%
• Branded Products	53.1	20.1	+165%	125.9	90.8	+39%
Operating profit margin[1]	11.8%	7.2%		12.1%	11.2%	
• Generics	17.4%	14.9%		17.9%	16.1%	
• Branded Products	22.6%	9.9%		17.9%	14.9%	
EBITDA	99.4	88.4	+12%	320.3	289.1	+11%
• Generics	69.6	63.6	+9%	220.5	192.9	+14%
• Branded Products	70.2	53.2	+32%	191.7	157.9	+21%
EBITDA margin[1]	17.9%	17.4%		18.9%	18.8%	
• Generics	21.8%	20.9%		22.2%	20.7%	
• Branded Products	29.9%	26.2%		27.2%	25.9%	
EBIT	67.5	36.7	+84%	209.2	174.0	+20%
EBIT margin[1]	12.2%	7.2%		12.3%	11.3%	
EBT	57.2	23.8	+140%	177.3	135.1	+31%
EBT margin[1]	10.3%	4.7%		10.4%	8.8%	
Net income	18.9	18.3	+4%	109.2	100.3	+9%
Net income margin[1]	3.4%	3.6%		6.4%	6.5%	
Earnings per share in €	0.30	0.29	+3%	1.75	1.61	+9%

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

in € million	*Q3/2017*	*Q3/2016*	*±%*	*9M/2017*	*9M/2016*	*±%*
Operating profit, adjusted	*81.8*	*72.4*	*+13%*	*265.2*	*225.9*	*+17%*
• Generics	*56.3*	*51.2*	*+10%*	*180.7*	*156.8*	*+15%*
• Branded Products	*58.1*	*38.9*	*+49%*	*155.7*	*127.5*	*+22%*
Operating profit margin[1], adjusted	*14.7%*	*14.3%*		*15.6%*	*14.7%*	
• Generics	*17.6%*	*16.8%*		*18.2%*	*16.8%*	
• Branded Products	*24.7%*	*19.2%*		*22.1%*	*20.9%*	
EBITDA, adjusted	*109.8*	*98.3*	*+12%*	*347.5*	*300.6*	*+16%*
• Generics	*69.4*	*64.0*	*+8%*	*220.1*	*193.6*	*+14%*
• Branded Products	*70.1*	*52.5*	*+33%*	*191.5*	*161.1*	*+19%*
EBITDA margin[1], adjusted	*19.8%*	*19.4%*		*20.5%*	*19.5%*	
• Generics	*21.7%*	*21.0%*		*22.1%*	*20.8%*	
• Branded Products	*29.8%*	*25.9%*		*27.2%*	*26.4%*	
EBIT, adjusted	*83.7*	*72.4*	*+16%*	*269.5*	*227.0*	*+19%*
EBIT margin[1], adjusted	*15.1%*	*14.3%*		*15.9%*	*14.7%*	
EBT, adjusted	*73.4*	*59.2*	*+24%*	*237.6*	*188.4*	*+26%*
EBT margin[1], adjusted	*13.2%*	*11.7%*		*14.0%*	*12.2%*	
Net income, adjusted	*31.2*	*43.8*	*-29%*	*145.4*	*139.9*	*+4%*
Net income margin[1], adjusted	*5.6%*	*8.6%*		*8.6%*	*9.1%*	
Earnings per share in €, adjusted	*0.50*	*0.70*	*-29%*	*2.33*	*2.25*	*+4%*

1) Related to relevant Group sales.
2) Adjusted for special items.

Cost of sales increased – in line with increased sales – to € 850.6 million in the first nine months of 2017 (1-9/2016: € 793.0 million). The increase in cost of sales was lower than the increase in sales. One major reason for this was an exchange-rate related improvement in purchasing conditions in the CIS subgroup.

Gross profit rose to € 847.3 million in the reporting period (1-9/2016: € 748.7 million). The gross margin improved to 49.9% (1-9/2016: 48.6%). This development was particularly attributable to an improved discount rate in the German Generics segment resulting from, among other things, discount agreements of STADApharm which fully expired in December 2016 and an improved discount rate of the Serbian subgroup's Generics and Branded Products business. In addition, as part of the restructuring of the distribution model following the termination of the previous distribution agreement with Omega Pharma, a related change to the discount strategy in the Belgian Generics segment also had a positive effect.

Selling expenses recorded an increase to € 359.7 million in the reporting period (1-9/2016: € 339.8 million). This development was primarily based on increased marketing and sales expenses in the Branded Products segment, particularly in Russia, the United Kingdom and Italy as well as in the Generics and Branded Products segments in the Serbian subgroup.

Adminstrative expenses increased to € 148.3 million in the reporting period (1-9/2016: € 135.3 million). This development was primarily attributable to higher consultancy expenses in connection with diverse restructuring projects.

Other expenses increased to € 98.4 million in the first nine months of 2017 (1-9/2016: € 67.9 million). This development was primarily due to increased consultancy expenses in connection with the takeover process as well as write-downs on trade accounts receivable.

Financial expenses decreased to € 34.0 million in the first three quarters of 2017 (1-9/2016: € 41.0 million) – particularly due to lower expenses from the measurement of derivative financial instruments and reduced interest expenses.

Income tax expenses increased to € 62.8 million in the reporting period (1-9/2016: € 27.6 million). The reported tax rate was 35.4% (1-9/2016: 20.4%). This development was particularly attributable to tax deferrals made in the third quarter of 2017 for future tax liabilities.

Sales development of the Generics and Branded Products segments

Reported sales of the **Generics** segment increased by 7% to € 994.2 million in the reporting period (1-9/2016: € 931.8 million) – primarily due to the initial consolidation of the Serbian wholesaler Velexfarm d.o.o. In addition, increased segment sales in the Belgian and Italian markets also contributed. **Sales** in the **Generics** segment **adjusted** for portfolio and currency effects increased by 4% to € 960.8 million (1-9/2016: € 927.5 million). The share of Generics in Group sales was 58.6% (1-9/2016: 60.4%).

Within the Generics segment, development of the eight largest countries by sales was as follows in the reporting period:

Sales generated with generics in **Germany** decreased by 2% to € 218.8 million (1-9/2016: € 223.3 million). This development was based on opposing effects. While sales at ALIUD PHARMA recorded growth due to discount agreement tenders won, sales at STADAPHARM were – against a high comparative base resulting from the expiration of discount agreements at December 2016 – below the corresponding level of the previous year. Business outside of discount agreement tenders at STADAPHARM, which has also included sales by the former cell pharm since July 1, 2017, showed positive development. This includes, among other things, sales with oncology products. Sales generated in the German market with generics had a share of 61% in the overall sales achieved in the German market (1-9/2016: 61%). The STADA Group's market share of generics sold in German pharmacies in the first nine months of 2017 was approx. 11.1%[1)] (1-9/2016: approx. 11.5%[1)]). The STADA Group holds third place in the German generics market.[1)]

Sales generated with generics in **Italy** recorded growth of 7% to € 125.6 million (1-9/2016: € 116.8 million), primarily due to positive volume growth, new launches and price effects, despite a high level of competition. Generics contributed 79% to sales on the Italian market (1-9/2016: 80%).

1) Data from QuintilesIMS based on pharmacy sales to customers
(source: QuintilesIMS/Pharmascope national).

Sales achieved in **Belgium** with generics recorded an increase of 54% to € 88.7 million (1-9/2016: € 57.7 million). This development particularly resulted from positive volume effects due to the independent execution of sales activities as well as a declining discount rate since January 2017 (following the discontinuation of the previous distribution agreement). Generics contributed 91% to sales in the Belgian market (1-9/2016: 88%).

Sales generated in **Russia** with generics decreased by 6%, applying the exchange rates of the previous year. This development was primarily influenced by lower volume effects and portfolio adjustments. As a result of a very positive currency effect of the Russian ruble, sales in euro increased by 8% to € 81.4 million (1-9/2016: € 75.5 million). Generics contributed 33% to local sales (1-9/2016: 43%).

Sales generated with generics in **Spain** increased by 1% to € 79.9 million (1-9/2016: € 79.1 million), primarily due to new product launches. Generics had a share of 85% in local sales (1-9/2016: 86%).

In **Serbia**, sales with generics achieved an increase of 69%, applying the exchange rates of the previous year. In euro, sales rose by 70% to € 63.2 million due to a stable currency effect of the Serbian dinar (1-9/2016: € 37.2 million). This development particularly resulted from the initial consolidation of the Serbian wholesaler Velexfarm. Furthermore, it is also attributable to the change to the distribution model in the Serbian generics market, in the course of which the Serbian STADA subsidiary will now be increasingly focused on direct sales. The share of sales generated with generics in the Serbian market was 81% (1-9/2016: 75%).

Sales generated with generics in **France** declined by 7% to € 56.3 million (1-9/2016: € 60.5 million), particularly due to continued strong price and discount competition. Generics contributed 94% to sales in the French market (1-9/2016: 96%).

Sales generated with generics in **Vietnam**[1)] decreased by 11%, applying the exchange rates of the previous year. As a result of an almost stable currency effect of the Vietnamese dong, sales in euro recorded a decline of 12% to € 43.8 million (1-9/2016: € 49.5 million). This development was primarily attributable to the fact that sales of STADA Vietnam in the third quarter of 2017 are not included due to a lack of financial information. Generics contributed 63% to sales generated in Vietnam (1-9/2016: 65%).

Reported sales of the **Branded Products** segment recorded an increase of 15% to € 703.8 million in the first nine months of 2017 (1-9/2016: € 609.9 million). This development was primarily attributable to strong growth in segment sales in Russia, as well as an increased sales contribution of the Serbian subgroup. **Sales** of the **Branded Products** segment **adjusted** for portfolio and currency effects increased by 12% to € 680.3 million (1-9/2016: € 609.9 million). Branded Products contributed 41.4% to Group sales (1-9/2016: 39.6%).

Within the Branded Products segment, the five largest countries according to sales developed as follows in the reporting period:

Sales generated with branded products in **Russia** recorded growth of 44%, applying the exchange rates of the previous year. This sales increase was primarily attributable to growth in volume, particularly for some of the key brands which were out-of-stock in the previous year. As a result of a very positive currency effect of the Russian ruble, sales in euro recorded growth of 65% to € 168.3 million (1-9/2016: € 101.8 million). The share of branded products in sales generated in the Russian market was 67% (1-9/2016: 57%).

The development of the currency relation of the Russian ruble to the euro and the resulting consumer sentiment and consumer spending will continue to have a significant influence on the sales and earnings contributions of the Russian STADA business activities in future.

Sales achieved with branded products in **Germany** decreased by 2% to € 140.0 million (1-9/2016: € 143.1 million). Third quarter sales in 2017 were strong due to the early delivery of cough & cold products as well as some launches; however the year-to-date sales were lower than the corresponding period of the previous year, partly because of a high comparative base, and partly due to a decline in sales of the Parkinson's treatment APO-Go® in Germany. Branded products contributed 39% to sales achieved in the German market (1-9/2016: 39%).

1) Since financial reports for STADA Vietnam J.V. Co. Ltd. have not been available since April 2017, STADA has decided to use the latest available plan figures for the second quarter of 2017 and not to consider any financial data for the third quarter of 2017 for STADA Vietnam J.V. Co. Ltd.

In the **United Kingdom**, sales of branded products recorded an increase of 7%, applying the exchange rates of the previous year. Despite levels of stock in the supply chain in the fourth quarter of 2016 as well as a weak cough and cold season in the first six months of 2017, this development was particularly due to acquisitions. As a result of the negative currency effect as a consequence of the referendum decision in favor of the United Kingdom leaving the EU, sales in euro decreased by 1% to € 117.1 million (1-9/2016: € 118.2 million). Branded products had a share in sales of 88% in the British market (1-9/2016: 89%).

The outlook for the development of the British pound sterling continues to be negative as a result of the United Kingdom's referendum decision to leave the EU and the uncertainties associated with this decision. Overall, such a devaluation of the British pound sterling will result in negative translation effects on sales reported in euro for the Group.

Sales generated with branded products in **Italy** increased by 8% to € 32.5 million, primarily as a result of a reorganization of sales structures carried out at the end of 2016 (1-9/2016: € 30.1 million). Branded products contributed 21% to sales in Italy (1-9/2016: 20%).

Sales generated in the **USA** are exclusively attributable to branded product APO-Go®. Sales generated with this product increased by 31% applying the exchange rates of the previous year. As a result of a negative currency effect, sales in euro recorded an increase of 21% to € 27.4 million (1-9/2016: € 22.7 million). Branded products had a share of 100% in sales generated in the USA (1-9/2016: 100%).

Earnings development of the Generics and Branded Products segments

The **reported operating segment profit** of **Generics** in the reporting period increased by 19% to € 178.3 million (1-9/2016: € 149.9 million). This was particularly a result of improved operating profit in Belgium following the termination of the previous distribution agreement in December 2016 as well as improved operating profit in the German and Italian Generics segment. **Reported EBITDA** of **Generics** increased by 14% to € 220.5 million (1-9/2016: € 192.9 million). This development was attributable to the development of the reported operating segment profit described above. The **reported operating profit margin** of **Generics** amounted to 17.9% (1-9/2016: 16.1%). The **reported EBITDA margin** of **Generics** was 22.2% (1-9/2016: 20.7%).

Adjusted operating segment profit of **Generics** increased by 15% to € 180.7 million in the first three quarters of the current financial year (1-9/2016: € 156.8 million). **Adjusted EBITDA** of **Generics** increased by 14% to € 220.1 million (1-9/2016: € 193.6 million). These developments were mainly based on the aforementioned improvement in the reported operating profit in Belgium, Germany and Italy. The **adjusted operating profit margin** of **Generics** was at 18.2% (1-9/2016: 16.8%). The **adjusted EBITDA margin** of **Generics** amounted to 22.1% (1-9/2016: 20.8%).

Reported operating segment profit of **Branded Products** recorded an increase of 39% to € 125.9 million in the reporting period (1-9/2016: € 90.8 million). This development was particularly attributable to strong sales development and positive foreign exchange translation effects in Russia. Other contributing factors included lower write-downs on non-current assets in the Branded Products segment. The **reported EBITDA** of **Branded Products** recorded growth of 21% to € 191.7 million (1-9/2016: € 157.9 million). This development was primarily attributable to aforementioned developments of the reported operating segment profit in Russia. The **reported operating profit margin** of **Branded Products** was 17.9% (1-9/2016: 14.9%). The **reported EBITDA margin** of **Branded Products** amounted to 27.2% (1-9/2016: 25.9%).

Adjusted operating segment profit of **Branded Products** increased by 22% to € 155.7 million in the first nine months of the current financial year (1-9/2016: € 127.5 million). The **adjusted EBITDA** of **Branded Products** recorded growth of 19% to € 191.5 million (1-9/2016: € 161.1 million). These developments were primarily attributable to the aforementioned development of the reported operating profit in Russia. The **adjusted operating profit margin** of **Branded Products** amounted to 22.1% (1-9/2016: 20.9%). The **adjusted EBITDA margin** of **Branded Products** was 27.2% (1-9/2016: 26.4%).

Development, production and procurement

Research and development costs amounted to € 50.5 million in the first nine months of 2017 (1-9/2016: € 46.4 million). Furthermore, development costs for new products in the amount of € 15.9 million (1-9/2016: € 18.9 million) were capitalized.

In the reporting period, the Group launched a total of 528 new products worldwide in individual national markets (1-9/2016: 502 product launches).

In light of the continued well-filled product pipeline, the Executive Board expects the continuous launch of new products. This applies to both all relevant generics as well as a broad range of branded products.

Through appropriate investments, STADA maintains all Group-owned production sites and test laboratories at the level required by legal stipulations and technical production considerations. In the first nine monthsof the current financial year, investments in the expansion and renewal of production facilities, plants and test laboratories totaled € 27.1 million (1-9/2016: € 16.4 million).

Continuous expansion of the Branded Products segment and increasing internationalization of successful brands

As part of the implementation of the revised corporate strategy, the Group is investing, on the one hand, in the expansion of the Branded Products segment, particularly in non-prescription drugs such as nutritional supplements. On the other hand, the Group is pursuing the increased internationalization of successful branded products.

Following the introduction of the dermatological product Flexitol®, the cold medicine Grippostad®, the probiotic Lactoflora®, the head lice treatment Hedrin® and the nutritional supplement for collagen formation Mobiflex® into additional markets in 2016, STADA continued this course in the first nine months of 2017.

The first quarter saw the introduction of vitamin D supplement Fultium® in Belgium and Portugal, probiotic Ombe® drink in Austria, dermatological product Flexitol® in France and the product against enzymatic food intolerances, DAOSiN®, in Spain. In the second quarter, STADA introduced Histasolv® for histamine intolerance in Poland, the nutritional supplement Mobiflex® CaD3 was introduced in Belgium and the nutritional supplement to support normal blood sugar levels GlucoCare® was launched in Poland. The third quarter saw the introduction of head lice treatment Hedrin® in Germany, cold medicine ViruProtect® in Germany, Austria and Belgium as well as probiotic Ombe® immun and cold medicine Grippostad® Forte in Austria.

Financial position and cash flow

The development of the financial position of the STADA Group was positive in the reporting period. As of the reporting date of September 30, 2017, the **equity-to-assets ratio** was 31.2% (December 31, 2016: 30.4%) and was satisfactory in the opinion of the Executive Board.

Net debt was € 1,066.3 million as of September 30, 2017 (December 31, 2016: € 1,118.2 million). The **net debt to adjusted EBITDA ratio** in the first nine months of 2017 improved to 2.3 on linear extrapolation of the adjusted EBITDA of the first nine months of 2017 on a full-year basis (1-9/2016: 3.0).

The long-term refinancing of the Group as of September 30, 2017 was provided for by two corporate bonds. The five-year bond with a volume of € 350.0 million and an interest rate of 2.25% p.a. expires in 2018. The seven-year bond in the amount of € 300.0 million with an interest rate of 1.75% p.a expires in 2022. Furthermore, as of September 30, 2017, there were promissory note loans with maturities in the area of 2019 until 2023 with a total nominal value in the amount of € 665.0 million. In the case of a change of control and a rating change for STADA, the financing contracts offer investors the right to request redemption of the bonds or promissory note loans.

Intangible assets decreased by € 44.4 million to € 1,538.0 million as of September 30, 2017 (December 31, 2016: € 1,582.4 million). This development was attributable, among other things, to currency effects as well as write-downs. As of September 30, 2017, intangible assets included goodwill in the amount of € 402.0 million (December 31, 2016: € 404.6 million).

As of the reporting date, **property, plant and equipment** increased to € 347.9 million (December 31, 2016: € 322.7 million). The increase was primarily attributable to investments in production facilities in the Serbian subgroup as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

As of September 30, 2017, **inventories** increased to € 540.3 million (December 31, 2016: € 484.9 million). This development was particularly a result of the reclassifications of non-current assets and disposal groups held for sale in accordance with IFRS 5, as well as additions from ALIUD PHARMA due to newly won health insurance tenders as well as the acquisition of the Serbian wholesaler Velexfarm.

Other current financial assets decreased to € 28.6 million as of September 30, 2017 (December 31, 2016: € 39.9 million). This development was mainly attributable to the expiration of a derivative financial instrument.

The increase in **other current assets** by € 18.3 million to € 47.0 million as of the reporting date (December 31, 2016: € 28.7 million) was primarily due to advance payments made.

As of September 30, 2017, there was no recognition of **non-current assets held for sale** in connection with a disposal group (December 31, 2016: € 83.0 million) or **associated liabilities** (December 31, 2016: € 14.6 million). The decline resulted from the sale of STADA Import/Export International Ltd. in the first quarter of 2017.

Retained earnings including net income comprise net income for the first nine months of 2017 as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

Other reserves include results recognized directly in **equity**. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The decrease in other provisions in the reporting period was particularly attributable to the depreciation of the Russian ruble, Vietnamese dong and British pound sterling since December 31, 2016 and the resulting expenses with no effect on income from the currency translation of companies accounted for in this currency.

As of September 30, 2017, the Group's **current** and **non-current financial liabilities** in the amount of € 1,434.2 million and € 0.9 million (December 31, 2016: € 134.3 million and € 1,336.4 million) particularly include promissory note loans that have a nominal value in the amount of € 665.0 million (December 31, 2016: € 709.0 million), a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million (December 31, 2016: a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million). The increase in current financial liabilities as well as the decrease in non-current financial liabilities was attributable to the reclassification of promissory note loans, bonds and financial liabilities due to banks of STADA Arzneimittel AG. As a result of STADA's financing contracts, the Company anticipates that a repayment could take place short-term. A corresponding reclassification of the financial liabilities from long-term to short-term liabilities has been made in the balance sheet for this reason. As part of the takeover offer, Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) has committed to provide STADA with financing for financing amounts, which are incurred for the early repayment of STADA financing.

Trade accounts payable increased as of the reporting date of September 30, 2017 by € 25.4 million to € 362.2 million (December 31, 2016: € 336.8 million). In addition to reporting date effects, particularly for the German ALIUD PHARMA, this effect was attributable, among other things, to the acquisition of the Serbian wholesaler Velexfarm as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

Other current financial liabilities decreased by € 48.8 million to € 165.2 million as of September 30, 2017 (December 31, 2016: € 214.0 million), primarily as a result of declining accruals for health insurance organization discounts.

Other current liabilities decreased by € 6.4 million to € 112.5 million as of September 30, 2017 (December 31, 2016: € 118.9 million), primarily due to declining accruals in connection with factoring business in Germany.

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, increased to € 211.4 million in the first nine months of 2017 (1-9/2016: € 198.0 million). The change of € 13.4 million compared with the same period of the previous year was primarily attributable to a significantly higher gross cash flow as a result of good earnings development. In addition, cash outflows resulting from the change in other net assets, primarily due to reduced payments in connection with discount agreements in Germany, were signficantly lower. In contrast, cash outflows from the change in inventories and trade accounts receivable were significantly higher in the reporting period than in the same period of the previous year.

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -99.8 million (1-9/2016: € -119.5 million) in the first nine months of 2017. In the first nine months of 2017, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. Within the scope of business combinations, there were pay-outs for the final purchase price payment from the acquisition of the Serbian pharmaceutical wholesaler Velexfarm and for the acquisition of the Argentinian Laboratorio Vannier as well as the purchase of a product portfolio inn Serbia. In the corresponding period of the previous year, there were significantly higher pay-outs for business combinations, mainly for the acquisition of the Argentinean Laboratorio Vannier and the British BSMW. Proceeds from the disposal of shares in consolidated companies exclusively related to the sale of shares in the Chinese STADA Import/Export International Ltd. The sale price was € 6,000 and was paid in cash. Assets in the total amount of € 1.7 million and liabilities in the total amount of € 1.7 million were hereby disposed of.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, increased to € 111.6 million in the first nine months of 2017 (1-9/2016: € 78.6 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to € 144.7 million (1-9/2016: € 132.8 million).

Cash flow from financing activities amounted to € -88.4 million in the reporting period (1-9/2016: € 164.4 million). This development was particularly attributable to a significantly lower borrowing of funds compared with the same period of the previous year.

Cash flow for the period is the balance of cash inflows and outflows from cash flow from operating activities, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation and amounted to € 16.2 million in the first nine months of 2017 (1-9/2016: € 247.2 million).

Acquisitions and disposals

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

STADA share

The STADA share price increased by 67% in the first nine months of 2017. Whereas the share price closed 2016 at € 49.19, it amounted to € 82.34 at the end of the first nine months of 2017. This development was initially influenced by the ongoing takeover speculation. After the reaching of the minimum acceptance threshold, so-called short selling as well as speculation on a higher settlement offer for remaining shareholders contributed to this price increase. The market capitalization in the first nine months of 2017 increased from € 3.066 billion to € 5.133 billion.

As of September 30, 2017, the subscribed share capital of STADA Arzneimittel AG amounted to € 162,090,344.00 (December 31, 2016: € 162,090,344.00) in 62,342,440 registered shares each with an arithmetical share in share capital of € 2.60 (December 31, 2016: 62,342,440 registered shares).

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During the ordinary STADA Annual General Meeting on August 30, 2017, the approval of the actions of the Executive Board for financial year 2016 was postponed. The Annual General Meeting voted in accordance with administrative proposals on all other agenda items. A dividend increase of 2 cents to € 0.72 per share was approved for financial year 2016. The Annual General Meeting also appointed auditing company PricewaterhouseCoopers GmbH as new auditor and auditor of the consolidated financial statements for financial year 2017.

Report on expected developments and associated material opportunities and risks

The Executive Board confirms the guidance for financial year 2017 and the opportunities and risk report for the Group published in the Management Report of STADA's Annual Report 2016. Together with the supplements and updates listed in this Interim Report, it gives, in the view of the Executive Board, an up-to-date overall picture of the opportunities and risks for the remainder of the STADA Group's financial year.

STADA's business model is principally oriented towards markets with long-term growth potential, in light of the general and generics-specific stimulus in the health care and pharmaceutical industry.

Linked to this, however, are operating risks and challenges based in particular on changed or additional state regulation (e.g. additional statutory requirements for clinical studies that could lead to longer development periods for products such as biosimilars) and/or intensive competition. In the future, the Group will also continue to be faced with non-operational influence factors such as negative Group-relevant currency relations, the effects of the ongoing CIS crisis or the potentially negative macroeconomic consequences of the decision of the United Kingdom to leave the EU and the potentially negative effect on sales of the Group's products in Spain from the political turbulence following the recently held referendum on Catalonian independence.

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

In light of the initiated change processes and repositioned corporate culture, the implementation of the numerous initiatives as part of the revised corporate strategy and the strategic success factors, the positive prospects are however expected to prevail.

STADA, from today's vantage point, expects the key earnings figures in the fourth quarter of 2017 to be lower than the corresponding figures in the third quarter of 2017. This is for a number of reasons, primarily including the weakening value of the Russian ruble and British pound sterling compared with the euro, the seasonal marketing expenses that are required to sustain the sales of the branded products for cough-and-cold and to continue the internationalization of certain branded products, and the potentially negative effect on sales in Spain from the political turbulence following the recently held referendum on Catalonian independence.

The Executive Board continues to expect that financial year 2017 as a whole will show growth over the previous year. Group sales adjusted for currency and portfolio effects are expected to be in the range of € 2.280 billion to € 2.350 billion, adjusted EBITDA between € 430 million and € 450 million and adjusted net income between € 195 million and € 205 million, consistent with the previously given guidance.

In connection with the strategic outlook for financial year 2019, the Executive Board continues to expect to be able to achieve adjusted Group sales of between € 2.650 billion and € 2.700 billion, adjusted EBITDA of between € 570 million and € 590 million and adjusted net income of between € 250 million and € 270 million. The adjusted EBITDA margin in 2019 is expected to be nearly 22%. Cash flow from operating activities is expected to improve to between € 560 million and € 580 million.[1][2]

Dr. Claudio Albrecht Mark Keatley Dr. Barthold Piening

1) See the Company's ad hoc release of March 17, 2017.
2) The medium-term growth targets are based on the following assumptions:
- organic sales growth in the core segments of Generics and Branded Products,
- no significant disposals that would impact sales and earnings,
- forward projection of current currency relations and the current interest rate level and largely unchanged tax situation in the countries where STADA has Group companies,
- forward projection of current regulatory conditions in markets relevant for STADA.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2017 (ABRIDGED)

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement in € 000s	Q3/2017	Q3/2016	9M/2017	9M/2016
Sales	554,762	507,042	1,697,998	1,541,707
Cost of sales	274,813	263,708	850,648	793,007
Gross profit	**279,949**	**243,334**	**847,350**	**748,700**
Selling expenses	116,161	106,923	359,707	339,770
General and administrative expenses	49,776	44,556	148,275	135,286
Research and development expenses	17,344	15,401	50,543	46,427
Other income	2,767	5,325	14,488	13,697
Other expenses	33,953	45,091	98,408	67,948
Operating profit	**65,482**	**36,688**	**204,905**	**172,966**
Result from investments measured at equity	1,969	-1	4,280	998
Investment income	–	–	–	23
Financial income	616	1,147	2,173	2,118
Financial expenses	10,915	14,064	34,024	41,025
Financial result	**-8,330**	**-12,918**	**-27,571**	**-37,886**
Earnings before taxes	**57,152**	**23,770**	**177,334**	**135,080**
Income taxes	37,851	2,832	62,776	27,580
Earnings after taxes	**19,301**	**20,938**	**114,558**	**107,500**
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	18,893	18,246	109,168	100,251
• distributable to non-controlling shareholders	408	2,692	5,390	7,249
Earnings per share in € (basic)	0.30	0.29	1.75	1.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	Q3/2017	Q3/2016	9M/2017	9M/2016
Earnings after taxes	**19,301**	**20,938**	**114,558**	**107,500**
Items to be recycled to the income statement in future:				
Currency translation gains and losses	**-10,276**	**-13,230**	**-45,535**	**-48,863**
thereof				
• income taxes	-98	-574	-194	-292
Gains and losses on available-for-sale financial assets	**–**	**–**	**–**	**–**
thereof				
• income taxes	–	–	–	–
Gains and losses on hedging instruments (cash flow hedges)	**–**	**–**	**–**	**913**
thereof				
• income taxes	–	–	–	-360
Items not to be recycled to the income statement in future:				
Revaluation of net debt from defined benefit plans	**–**	**–**	**–**	**-6,208**
thereof				
• income taxes	–	–	–	1,808
Other comprehensive income	**-10,276**	**-13,230**	**-45,535**	**-54,158**
thereof				
• attributable to disposal groups held for sale in accordance with IFRS 5	–	–	-180	–
Consolidated comprehensive income	**9,025**	**7,708**	**69,023**	**53,342**
thereof				
• distributable to shareholders of STADA Arzneimittel AG	10,743	5,326	70,859	46,933
• distributable to non-controlling shareholders	-1,718	2,382	-1,836	6,409

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet in € 000s Assets	Sep. 30, 2017	Dec. 31, 2016
Non-current assets	**1,937,880**	**1,949,543**
Intangible assets	1,538,010	1,582,361
Property, plant and equipment	347,896	322,715
Financial assets	2,131	2,236
Investments measured at equity	18,152	13,872
Other financial assets	1,179	4,450
Other assets	1,540	3,095
Deferred tax assets	28,972	20,814
Current assets	**1,491,449**	**1,490,901**
Inventories	540,325	484,904
Trade accounts receivable	493,829	489,071
Income tax receivables	12,942	12,816
Other financial assets	28,606	39,880
Other assets	46,971	28,690
Cash and cash equivalents	368,776	352,580
Non-current assets and disposal groups held for sale	–	82,960
Total assets	**3,429,329**	**3,440,444**

Equity and liabilities	Sep. 30, 2017	Dec. 31, 2016
Equity	**1,069,312**	**1,047,105**
Share capital	162,090	162,090
Capital reserve	514,206	514,189
Retained earnings including net income	737,757	673,253
Other provisions	-417,539	-379,074
Treasury shares	-1,405	-1,418
Equity attributable to shareholders of the parent	**995,109**	**969,040**
Shares relating to non-controlling shareholders	74,203	78,065
Non-current borrowed capital	**162,859**	**1,493,712**
Other non-current provisions	38,527	35,997
Financial liabilities	906	1,336,414
Other financial liabilities	4,090	3,916
Other liabilities	956	969
Deferred tax liabilities	118,380	116,416
Current borrowed capital	**2,197,158**	**899,627**
Other provisions	18,609	20,273
Financial liabilities	1,434,193	134,343
Trade accounts payable	362,166	336,844
Income tax liabilities	104,437	60,625
Other financial liabilities	165,203	214,031
Other liabilities	112,550	118,933
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	–	14,578
Total equity and liabilities	**3,429,329**	**3,440,444**

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	9M/2017	9M/2016
Net income	114,558	107,500
Depreciation and amortization net of write-ups of non-current assets	111,141	115,091
Income taxes	62,776	27,580
Income tax paid	-28,448	-9,077
Interest income and expenses	31,970	38,181
Interest and dividends received	2,420	2,724
Interest paid	-33,114	-32,018
Result from investments measured at equity	-4,280	-998
Result from the disposal of non-current assets	627	2,395
Additions to / reversals of other non-current provisions	5,792	2,303
Currency translation income and expenses	2,316	7,158
Other non-cash expenses and gains[1]	254,017	212,331
Gross cash flow	**519,775**	**473,170**
Changes in inventories	-65,448	-26,566
Changes in trade accounts receivable	-29,788	5,088
Changes in trade accounts payable	-1,062	-16,595
Changes in other net assets, unless attributable to investing or financing activities[1]	-212,106	-237,095
Cash flow from operating activities	**211,371**	**198,002**
Payments for investments in		
• intangible assets	-57,967	-50,528
• property, plant and equipment	-41,927	-36,352
• financial assets	-270	-3,005
• business combinations in accordance with IFRS 3	-2,854	-34,060
Proceeds from the disposal of		
• intangible assets	1,504	2,233
• property, plant and equipment	1,703	1,461
• financial assets	–	–
• shares in consolidated companies	6	800
Cash flow from investing activities	**-99,805**	**-119,451**
Borrowing of funds	28,801	466,423
Settlement of financial liabilities	-69,636	-254,318
Dividend distribution	-46,048	-49,360
Capital increase from share options	–	–
Changes in non-controlling interests	-1,504	1,623
Changes in treasury shares	30	32
Cash flow from financing activities	**-88,357**	**164,400**
Changes in cash and cash equivalents	**23,209**	**242,951**
Changes in cash and cash equivalents due to the scope of consolidation	1,366	-209
Changes in cash and cash equivalents due to exchange rates	-8,379	4,494
Net change in cash and cash equivalents	**16,196**	**247,236**
Balance at beginning of the period	**352,580**	**143,178**
Balance at end of the period	**368,776**	**390,414**

1) Non-cash additions to accruals for discounts to health insurance organizations in the first nine months of 2017 in the amount of € 163.7 million (1-9/2016: € 184.0 million) are recognized in gross cash flow and are therefore not included in changes in other net assets.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity in € 000s 2017	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of Sep. 30, 2017	62,342,440	162,090	514,206	737,757
Dividend distribution				-44,826
Capital increase from share options				
Changes in treasury shares			17	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				6
Other income				156
Net income				109,168
Balance as of Jan. 1, 2017	62,342,440	162,090	514,189	673,253
Previous year				
Balance as of Sep. 30, 2016	62,342,440	162,090	514,178	686,184
Dividend distribution				-43,580
Capital increase from share options				
Changes in treasury shares			7	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Other income				-5,831
Net income				100,251
Balance as of Jan. 1, 2016	62,342,440	162,090	514,171	635,344

Provisions for currency translation	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-417,539	**–**	**-1,405**	**995,109**	**74,203**	**1,069,312**
			-44,826	-4,009	-48,835
		13	30		30
				2,746	2,746
			6	-763	-757
-38,465			-38,309	-7,226	-45,535
			109,168	5,390	114,558
-379,074	**–**	**-1,418**	**969,040**	**78,065**	**1,047,105**
-411,592	**–**	**-1,432**	**949,428**	**74,740**	**1,024,168**
			-43,580	-5,780	-49,360
			–	–	–
		26	33	–	33
			–	–	–
			–	1,623	1,623
			–	–	–
-48,400	913		-53,318	-840	-54,158
			100,251	7,249	107,500
-363,192	**-913**	**-1,458**	**946,042**	**72,488**	**1,018,530**

NOTES

1. General

1.1. Accounting policies

In accordance with the regulations of Section 50 (6) of the Rules and Regulations for the Frankfurt Stock Exchange in connection with Section 37w of the German Securities Trading Act (WpHG), this Interim Report of STADA includes consolidated interim financial statements and a group interim management report. 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 Group Interim Management Report was prepared in consideration of the applicable WpHG regulations. The Consolidated Interim Financial Statements as of September 30, 2017 were prepared under consideration of the regulations outlined in 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, 2016 was selected.

All IFRSs published by the International Accounting Standards Board (IASB) and endorsed by the EU that are mandatory for financial years starting as of January 1, 2017 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 2016. With regard to the principles and methods used in the context of Group Accounting we generally refer to the notes to the Consolidated Financial Statements of the Annual Report 2016.

1.2. Changes in accounting policies

In the first nine months of 2017, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU, which were first applicable as of January 1, 2017. The changes had no or no significant effect on the presentation of STADA’s business, financial, earnings situation or cash flow.

The following IFRS standards, which are not yet applicable, have been published by the IASB:

In July 2014, IASB published the standard IFRS 9 “Financial Instruments”. IFRS 9 replaces IAS 39 and includes guidelines for the classification, recognition and valuation of financial instruments. Furthermore, IFRS 9 also includes guidelines on the accounting of hedging transactions. IFRS 9 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 9 on the consolidated financial statements has not yet been completed. As a result of the new guidelines for the impairment of financial instruments, in some cases expected future losses may lead to earlier recognition of expenses.

In May 2014, IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 governs the revenue recognition for contracts with customers in a 5-step model and in particular replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 15 on the consolidated financial statements has not yet been completed. However, the new standard on the realization of sales will have little impact on sales accounting, as sales are largely realized in the consolidated financial statements as a result of routine transactions. There are no agreements in the Group which regulate multiple services within one contract or within several contracts (multi-element arrangements). Changes may occur exclusively in the accounting of licensing agreements, which amounted to less than 2% of the total sales revenue in financial year 2016. However, this only affects license agreements which are not bound by the sales achieved by the licensee and which grant the licensee the right to use the license, without further actions by STADA being required. For such license agreements, as a result of the new IFRS 15 standard, in future sales will be realized in the amount of the entire license fee with the granting of a license and therefore not, as they are presently, divided over the term of the license.

In January 2016, the IASB published the new IFRS 16 “Leases” standard, which determines the recording of contractual rights (assets) and obligations (liabilities) associated with leases in the balance sheet for lessees. Lessees are no longer required to classify leases as finance leases or operating leases. IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. An examination of the impact of the application of IFRS 16 on the consolidated financial statements has not yet been completed. As a result of the accounting of assets and liabilities in the lessee’s balance sheet as required by IFRS 16, an increase of the balance sheet total is expected at the point of initial application. Instead of leasing expenses, as a result of the changes from IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement – with a corresponding positive impact on the EBITDA. Adoption into European law in accordance with IFRS 16 is still pending.

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.

1.3. Scope of consolidation

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

Since financial reports for STADA Vietnam J.V. Co. Ltd. have not been available since April 2017, STADA has decided to use the latest available plan figures for the second quarter of 2017 and not to consider any financial data for the third quarter of 2017 for STADA Vietnam J.V. Co. Ltd.

On January 1, 2017, STADA Pharmaceuticals Australia, Sydney, based in Australia, was included in the scope of consolidation. Furthermore, the acquisition of Serbian wholesaler Velexfarm d.o.o., Belgrade, was completed in accordance with corporate law in the first quarter of 2017. The company was consolidated as a subsidiary for the first time on January 1, 2017. STADA Import/Export International Ltd., Hong Kong, China, was also sold in the first quarter of 2017. The transaction was completed on March 29, 2017. The assets and liabilities of the company were reported as non-current assets and disposal groups held for sale and associated liabilities as of December 31, 2016. A gain of € 0.2 million was recorded with the deconsolidation of the company as of March 31, 2017.

Furthermore, on June 30, 2017, the legal merger of the German branded products companies STADA GmbH and STADAvita GmbH, subsequently trading as STADA GmbH, was completed as was the merger of STADApharm GmbH and cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, subsequently trading as STADAPHARM GmbH.

In addition, on July 19, 2017 the legal merger of the two Russian companies OOO STADA PharmDevelopment and OOO STADA CIS with OOO STADA Marketing, subsequently trading as OOO STADA Marketing, was completed.

In the Consolidated Interim Financial Statements of the STADA Group, a total of 81 companies were thereby consolidated as subsidiaries and four companies as associates as of the reporting date of September 30, 3017.

1.4. Business combinations

In the first nine months of 2017, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocations are described in more detail below.

The Serbian subsidiary of STADA Arzneimittel AG, Hemofarm A.D., acquired Serbian pharmaceutical wholesaler Velexfarm d.o.o., based in Belgrade, Serbia, to strengthen the business activities on the Serbian market. The acquisition was completed with the aim of vertical integration in the Serbian market. The purchase price for the acquisition will total a maximum of € 1.0 million and will be or has already been fully paid in cash or cash equivalents. This includes certain conditional purchase price components to be paid following the completion of operating tax inspections for the period before the acquisition. These components amount to a maximum of € 0.3 million. The purchase was completed on January 6, 2017 after the competition authorities approved the purchase contract signed in October 2016.

The provisional purchase price allocation from this merger resulted in goodwill of € 0.1 million, which was attributable to the following:

in € million	
Purchase price for 100% of the shares of the company approx.	1.0
Proportionate fair values of the assets and liabilities acquired approx.	0.9
Goodwill	**0.1**

Goodwill here results primarily from vertical integration into the Serbian market.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

Fair values in € million	
Non-current assets	0.4
Inventories	17.3
Trade accounts receivable	10.1
Other assets	2.8
Other current assets	0.0
Cash and cash equivalents	0.1
Assets	**30.7**
Deferred tax liabilities	0.0
Financial liabilities	1.9
Trade accounts payable	27.4
Other current financial liabilities	0.5
Liabilities	**29.8**

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

The gross value of trade accounts receivable amounted to € 10.2 million, of which € 0.1 million was deemed not recoverable. Trade accounts receivable were recorded at their fair value in the amount of € 10.1 million.

Business relationships with Serbian Hemofarm A.D. had already existed before the acquisition of Velexfarm. In financial year 2016, these sales amounted to € 8.9 million.

Sales recorded in the first nine months of 2017 totaled around € 45.7 million. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 0.3 million) amounted to around € 0.3 million in this period.

2. Notes to the Consolidated Income Statements

2.1. Sales

The increase in sales in the first nine months of 2017 compared to the corresponding period of the previous year primarily resulted from sales growth in Russia, Serbia and Belgium. The influences of exchange rate effects and portfolio changes on the sales growth amounted to a total of 3.4 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5.) and in additional information (see Note 6.).

2.2. Cost of sales and gross profit

Cost of sales increased in line with increased sales to € 850.6 million in the first nine months of 2017 (1-9/2016: € 793.0 million). The increase in cost of sales was lower than the increase in sales, particularly due to an exchange-rate related improvement in purchasing conditions in the CIS subgroup.

Gross profit rose as to € 847.3 million in the reporting period (1-9/2016: € 748.7 million). The gross margin improved to 49.9% (1-9/2016: 48.6%). This development was particularly attributable to an improved discount rate in the German Generics segment resulting from, among other things, discount agreements of STADApharm which fully expired in December 2016, and an improved discount rate of the Serbian subgroup's Generics and Branded Products business. In addition, as part of the restructuring of the distribution model following the termination of the previous distribution agreement with Omega Pharma, a related change to the discount strategy in the Belgian Generics segment also had a positive effect.

2.3. Selling expenses

Selling expenses recorded an increase to € 359.7 million in the reporting period (1-9/2016: € 339.8 million). This development was primarily based on increased marketing and sales expenses in the Branded Products segment, particularly in Russia, the United Kingdom and Italy as well as in the Generics and Branded Products segments in the Serbian subgroup.

2.4. Administrative expenses

Administrative expenses recorded an increase to € 148.3 million in the reporting period (1-9/2016: € 135.3 million). This development was primarily attributable to increased consultancy expenses in connection with diverse restructuring projects.

2.5. Other expenses

Other expenses increased to € 98.4 million in the first nine months of 2017 (1-9/2016: € 67.9 million). This development was primarily due to increased consultancy expenses in connection with the takeover process as well as write-downs on trade accounts receivable.

2.6. Financial expenses

Financial expenses decreased in the first three quarters of 2017 to € 34.0 million (1-9/2016: € 41.0 million) – particularly due to lower expenses from the measurement of derivative financial instruments and reduced interest expenses.

2.7. Income taxes

Income tax expenses increased to € 62.8 million in the reporting period (1-9/2016: € 27.6 million). The reported tax rate was at 35.4% (1-9/2016: 20.4%). This development was primarily attributable to tax deferrals made in the third quarter of 2017 for future tax liabilities.

2.8. Earnings per share

Earnings per share increased in the first nine months of 2017 by € 0.14 to € 1.75 (1-9/2016: € 1.61).

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets decreased by € 44.4 million to € 1,538.0 million as of September 30, 2017 (December 31, 2016: € 1,582.4 million). This development was attributable, among other things, to currency effects as well as write-downs. As of September 30, 2017, intangible assets included goodwill in the amount of € 402.0 million (December 31, 2016: € 404.6 million).

3.2. Property, plant and equipment

As of the balance sheet date, property, plant and equipment increased to € 347.9 million (December 31, 2016: € 322.7 million). The increase was primarily attributable to investments in production facilities in the Serbian subgroup as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

3.3. Inventories

As of September 30, 2017, inventories increased to € 540.3 million (December 31, 2016: € 484.9 million). This development was particularly a result of the reclassifications of non-current assets and disposal groups formerly held for sale in accordance with IFRS 5. Furthermore, there were also additions at ALIUD PHARMA due to newly won health insurance tenders as well as from the acquisition of Serbian wholesaler Velexfarm.

3.4. Other financial assets

Other current financial assets decreased to € 28.6 million as of September 30, 2017 (December 31, 2016: € 39.9 million). This development was mainly attributable to the expiration of a derivative financial instrument.

3.5. Other assets

The increase in other current assets by € 18.3 million to € 47.0 million as of the reporting date (December 31, 2016: € 28.7 million) was primarily due to advance payments made.

3.6. Retained earnings and other provisions

Retained earnings including net income comprise net income for the first nine months of 2017 as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

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 financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The decrease in other provisions in the reporting period was particularly attributable to the depreciation of the Russian ruble, Vietnamese dong and British pound sterling since December 31, 2016 and the resulting expenses with no effect on income from the currency translation of companies accounted for in this currency.

3.7. Financial liabilities

As of September 30, 2017, the Group's current and non-current financial liabilities in the amount of € 1,434.2 million and € 0.9 million (December 31, 2016: € 134.3 million and € 1,336.4 million) particularly include promissory note loans that have a nominal value in the amount of € 665.0 million (December 31, 2016: € 709.0 million), a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million (December 31, 2016: a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million). In the case of a change of control and a rating change for STADA, the financing contracts offer investors the right to request redemption of the bonds, promissory note loans or loans. The increase in current financial liabilities as well as the decrease in non-current financial liabilities was attributable to the reclassification of promissory note loans, bonds and financial liabilities due to banks of STADA Arzneimittel AG. As a result of STADA's financing contracts, the Company anticipates that a repayment could take place short-term. A corresponding reclassification of the financial liabilities from long-term to short-term liabilities has been made in the balance sheet for this reason. As part of the takeover offer, Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH) has committed to provide STADA with financing for financing amounts, which are incurred for the early repayment of STADA financing.

3.8. Trade accounts payable

Trade accounts payable declined as of the reporting date of September 30, 2017 by € 25.4 million to € 362.2 million (December 31, 2016: € 336.8 million). In addition to reporting date effects, particularly for German ALIUD PHARMA, this development was particularly a result of the acquisition of the Serbian wholesaler Velexfarm, as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

3.9. Other financial liabilities

Other current financial liabilities decreased by € 48.8 million to € 165.2 million as of September 30, 2017 (December 31, 2016: € 214.0 million), particularly as a result of declining accruals for health insurance organization discounts in Germany.

3.10. Other liabilities

Other current liabilities decreased by € 6.4 million to € 112.5 million as of September 30, 2017 (December 31, 2016: € 118.9 million), primarily due to liabilities in connection with factoring business in Germany.

3.11. Non-current assets and disposal groups held for sale and associated liabilities

As of September 30, 2017, there was no recognition of non-current assets held for sale in connection with a disposal group (December 31, 2016: € 83.0 million) or associated liabilities (December 31, 2016: € 14.6 million) in a separate line item. The decline resulted from the sale of STADA Import/Export International Ltd. in the first quarter of 2017.

The following table shows a reclassification as the result of the recognition of subsidiary STADA Import/Export International Ltd. as held for sale on the basis of the consolidated balance sheet as for December 31, 2016, for comparison purposes. In this consolidated balance sheet as of December 31, 2016, non-current assets and disposal groups held for sale in the amount of € 3.8 million as well as associated liabilities in the amount of € 0.8 million are recognized, which relate exclusively to STADA Import/Export International Ltd., which was sold in the first quarter of 2017.

Consolidated Balance Sheet as of December 31, 2016 in € 000s Assets	December 31, 2016 (reported)	Reclassification	Dec. 31, 2016 (after reclassification)
Non-current assets	**1,949,543**	**44,126**	**1,993,669**
Intangible assets	1,582,361	28,314	1,610,675
Property, plant and equipment	322,715	15,724	338,439
Financial assets	2,236	–	2,236
Investments measured at equity	13,872	–	13,872
Other financial assets	4,450	4	4,454
Other assets	3,095	–	3,095
Deferred tax assets	20,814	84	20,898
Current assets	**1,490,901**	**-44,126**	**1,446,775**
Inventories	484,904	24,451	509,355
Trade accounts receivable	489,071	8,294	497,365
Income tax receivables	12,816	–	12,816
Other financial assets	39,880	–	39,880
Other assets	28,690	1,410	30,100
Cash and cash equivalents	352,580	890	353,470
Non-current assets and disposal groups held for sale	82,960	-79,171	3,789
Total assets	**3,440,444**	**–**	**3,440,444**

Equity and liabilities	December 31, 2016 (reported)	Reclassification	Dec. 31, 2016 (after reclassification)
Equity	**1,047,105**	**–**	**1,047,105**
Share capital	162,090	–	162,090
Capital reserve	514,189	–	514,189
Retained earnings including net income	673,253	–	673,253
Other provisions	-379,074	–	-379,074
Treasury shares	-1,418	–	-1,418
Equity attributable to shareholders of the parent	**969,040**	**–**	**969,040**
Shares relating to non-controlling shareholders	78,065	–	78,065
Non-current borrowed capital	**1,493,712**	**6,087**	**1,499,799**
Other non-current provisions	35,997	513	36,510
Financial liabilities	1,336,414	–	1,336,414
Other financial liabilities	3,916	–	3,916
Other liabilities	969	–	969
Deferred tax liabilities	116,416	5,574	121,990
Current borrowed capital	**899,627**	**-6,087**	**893,540**
Other provisions	20,273	–	20,273
Financial liabilities	134,343	–	134,343
Trade accounts payable	336,844	5,487	342,331
Income tax liabilities	60,625	618	61,243
Other financial liabilities	214,031	–	214,031
Other liabilities	118,933	1,581	120,514
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	14,578	-13,773	805
Total equity and liabilities	**3,440,444**	**–**	**3,440,444**

4. Notes to the Consolidated 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, increased to € 211.4 million in the first nine months of 2017 (1-9/2016: € 198.0 million). The change of € 13.4 million compared with the same period of the previous year was primarily attributable to a significantly lower gross cash flow as a result of good earnings development. In addition, cash outflows resulting from the change in other net assets, primarily due to lower payments in connection with discount agreements in Germany, were signficantly lower. In contrast, cash outflows from the change in inventories and trade accounts receivable were significantly higher in the reporting period than in the same period of the previous year.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -99.8 million (1-9/2016: € -119.5 million) in the first three quarters of 2017. In the first nine months of 2017, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. Within the scope of business combinations, there were pay-outs for the final purchase price payment from the acquisition of the Serbian pharmaceutical wholesaler Velexfarm, the acquisition of Argentinian Laboratorio Vannier as well as the purchase of a product portfolio in Serbia. In the corresponding period of the previous year, there were significantly higher pay-outs for business combinations, mainly for the acquisition of a product portfolio in Serbia as well as the acquisitionof the Argentinean Laboratorio Vannier and the British BSMW. Proceeds from the disposal of shares in consolidated companies in the first three quarters of 2017 exclusively related to the sale of shares in the Chinese STADA Import/Export International Ltd. The sale price was € 6,000 and was paid in cash. Assets in the total amount of € 1.7 million and liabilities in the total amount of € 1.7 million were hereby disposed of.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € -88.4 million in the reporting period (1-9/2016: € 164.4 million). This development was particularly attributable to a significantly lower borrowing of funds compared with the same period of the previous year.

4.4. Cash flow for the period

Cash flow for the period is the balance of cash inflows and outflows from cash flow from operating activities, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation and amounted to € 16.2 million in the first nine months of 2017 (1-9/2016: € 247.2 million).

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.

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 according to segment as well as segment liabilities is waived, as this information is not used for Group monitoring.

5.2. Information by operating segment

in € 000s		Q3/2017	Q3/2016	9M/2017	9M/2016
Generics	**External sales**	**319,821**	**304,610**	**994,247**	**931,778**
	Sales with other segments	840	40	1,852	194
	Total sales	320,661	304,650	996,099	931,972
	Operating profit	55,702	45,264	178,329	149,886
	Depreciation/amortization	13,020	12,926	39,393	37,198
	Impairment losses	823	5,342	3,263	5,688
	Reversals	–	–	-536	-3
	Other significant non-cash items within operating result	-26,620	-26,728	-198,709	-196,484
Branded Products	**External sales**	**234,941**	**202,627**	**703,751**	**609,928**
	Sales with other segments	8	–	18	–
	Total sales	234,949	202,627	703,769	609,928
	Operating profit	53,117	20,080	125,948	90,785
	Depreciation/amortization	15,696	17,217	48,329	45,538
	Impairment losses	1,507	15,863	19,461	21,583
	Reversals	-85	–	-2,003	–
	Other significant non-cash items within operating result	-13,331	-2,312	-30,105	-18,049
Reconciliation Group holdings/other and consolidation	**External sales**	**–**	**-195**	**–**	**1**
	Sales with other segments	-848	-40	-1,870	-194
	Total sales	-848	-235	-1,870	-193
	Operating result	-43,337	-28,656	-99,372	-67,705
	Depreciation/amortization	986	-463	2,964	3,402
	Impairment losses	–	847	270	1,685
	Reversals	–	–	–	–
	Other significant non-cash items within operating result	-16,836	-345	-30,656	-6,319
Group	**External sales**	**554,762**	**507,042**	**1,697,998**	**1,541,707**
	Sales with other segments	–	–	–	–
	Total sales	554,762	507,042	1,697,998	1,541,707
	Operating profit	65,482	36,688	204,905	172,966
	Depreciation/amortization	29,702	29,680	90,686	86,138
	Impairment losses	2,330	22,052	22,994	28,956
	Reversals	-85	–	-2,539	-3
	Other significant non-cash items within operating result	-56,787	-29,385	-259,470	-220,852

5.3. Reconciliation of segment results to net profit

in € 000s	Q3/2017	Q3/2016	9M/2017	9M/2016
Operating segment profit	108,819	65,344	304,277	240,671
Reconciliation Group holdings/other and consolidation	-43,337	-28,656	-99,372	-67,705
Result from investments measured at equity	1,969	-1	4,280	998
Investment income	–	–	–	23
Financial income	616	1,147	2,173	2,118
Financial expenses	10,915	14,064	34,024	41,025
Earnings before taxes, Group	**57,152**	**23,770**	**177,334**	**135,080**

6. Additional Information

6.1. Information by segment

Sales Generics in € 000s	Q3/2017	Q3/2016	±%[1]	±% *adjusted*[2]
Top 8 markets				
• Germany	72,858	72,736	0%	*0%*
• Italy	40,768	36,996	+10%	*+10%*
• Belgium	32,687	16,926	+93%	*+93%*
• Russia	29,114	26,185	+11%	*+6%*
• Spain	26,892	26,340	+2%	*+2%*
• Serbia	19,179	11,640	+65%	*-2%*
• France	17,647	20,126	-12%	*-12%*
• Vietnam	8,692	17,103	-49%	*-43%*
Other	71,984	76,558	-6%	*-3%*
Total Generics	**319,821**	**304,610**	**+5%**	***+3%***

Sales Generics in € 000s	9M/2017	9M/2016	±%[1]	±% *adjusted*[2]
Top 8 markets				
• Germany	218,801	223,221	-2%	*-2%*
• Italy	125,573	116,828	+7%	*+7%*
• Belgium	88,717	57,701	+54%	*+54%*
• Russia	81,414	75,510	+8%	*-6%*
• Spain	79,864	79,149	+1%	*+1%*
• Serbia	63,185	37,225	+70%	*+4%*
• France	56,316	60,518	-7%	*-7%*
• Vietnam	43,750	49,464	-12%	*-8%*
Other	236,627	232,162	+2%	*+4%*
Total Generics	**994,247**	**931,778**	**+7%**	***+4%***

1) Calculated on thousand-euro basis.
2) Adjustments due to changes in the Group portfolio and currency effects.

Sales Branded Products in € 000s	Q3/2017	Q3/2016	±%[1)]	±% *adjusted*[2)]
Top 5 markets				
• Russia	60,302	41,659	+45%	*+38%*
• Germany	48,647	42,867	+13%	*+13%*
• United Kingdom	34,952	34,617	+1%	*0%*
• Italy	10,919	8,592	+27%	*+27%*
• USA	9,766	8,497	+15%	*+21%*
Other	70,355	66,395	+6%	*+7%*
Total Branded Products	**234,941**	**202,627**	**+16%**	***+15%***

Sales Branded Products in € 000s	9M/2017	9M/2016	±%[1)]	±% *adjusted*[2)]
Top 5 markets				
• Russia	168,340	101,839	+65%	*+44%*
• Germany	139,999	143,073	-2%	*-2%*
• United Kingdom	117,071	118,238	-1%	*+1%*
• Italy	32,538	30,050	+8%	*+8%*
• USA	27,362	22,686	+21%	*+31%*
Other	218,441	194,042	+13%	*+11%*
Total Branded Products	**703,751**	**609,928**	**+15%**	***+12%***

7. 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:

	Level 1 Quoted prices in active markets		**Level 2** Valuation methods with input parameters observable in the market		**Level 3** Valuation methods with input parameters not observable in the market	
Fair values by levels of hierarchy in € 000s on a recurring basis	**Sep. 30, 2017**	**Sep. 30, 2016**	**Sep. 30, 2017**	**Sep. 30, 2016**	**Sep. 30, 2017**	**Sep. 30, 2016**
Financial assets held for trading (FAHfT)						
• Currency forwards	–	–	2,221	–	–	–
• Interest rate/currency swaps	–	–	–	–	–	13,670
Financial liabilities held for trading (FLHfT)						
• Currency forwards	–	–	2,978	–	–	19,558
• Interest rate/currency swaps	–	–	–	–	1,433	3,061
Derivative financial liabilities with hedging relationship						
• Cash flow hedges	–	–	–	–	–	–

1) Calculated on thousand-euro basis.
2) Adjustments due to changes in the Group portfolio and currency effects.

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market comparisons and change analyses are carried out.

Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate/currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values of currency forwards are determined using financial mathematics based on current market data provided by a reputable information service, such as spot exchange rates or swap rates, in one system according to standardized procedures. In the previous year, these fair values were determined using appropriate valuation models by external third parties. This continued to be the case for interest/currency swaps in the reporting year. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows which are already fixed or calculated by means of the current yield curve are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.

Financial assets and liabilities allocated to hierarchy level 3 and recognized at fair value developed as follows in the first nine months of 2017:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance as of Jan. 1, 2017	**9,910**	**-3,362**
Reclassification from level 2	–	–
Currency changes	–	–
Total result	-268	1,929
• in the income statement	-268	1,929
• directly in equity	–	–
Additions	–	–
Realizations	-9,642	–
Reclassification to level 2	–	–
Balance at Sep. 30, 2017	**–**	**-1,433**
Income recognized through profit or loss	**-268**	**1,929**
Other income/other expenses	-151	1,693
thereof		
• attributable to assets/liabilities held as of the reporting date	–	–
Financial result	-117	236
thereof		
• attributable to assets/liabilities held as of the reporting date	–	–

Financial assets and liabilities allocated to hierarchy level 3 and recognized at fair value developed as follows in the first nine months of 2016:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance as of Jan. 1, 2016	**27,461**	**-4,611**
Reclassification from level 2	–	–
Currency changes	–	–
Total result	-5,480	-18,733
• in the income statement	-5,480	-20,006
• directly in equity	–	1,273
Additions	–	–
Realizations	-8,311	725
Reclassification to level 2	–	–
Balance at Sep. 30, 2016	13,670	22,619
Income recognized through profit or loss	**-5,480**	**-20,006**
Other income/other expenses	-5,955	-11,772
thereof		
• attributable to assets/liabilities held as of the reporting date	-2,516	-11,800
Financial result	475	-8,234
thereof		
• attributable to assets/liabilities held as of the reporting date	-551	-7,492

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of September 30, 2017:

in € 000s	Carrying amount Sep. 30, 2017	Fair Value Sep. 30, 2017	Carrying amount Dec. 31, 2016	Fair Value Dec. 31, 2016
Amounts due to banks	123,596	123,559	116,468	117,531
Promissory note loans	663,809	665,000	707,459	746,076
Bonds	647,694	657,978	646,830	665,138
Financial liabilities	1,435,099	1,446,537	**1,470,757**	**1,528,745**

Financial liabilities shown in the table are allocated to the valuation category “Financial liabilities measured at amortized cost” in accordance with IAS 39. There have been no changes regarding the division of financial assets and financial liabilities into valuation categories in accordance with IAS 39 in the first nine months of 2017 as compared to the presentation in the Annual Report 2016.

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.

8. 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 recognized.

Along with contingent liabilities described in the Annual Report 2016, in the first nine months of 2017, there were also additional potential liabilities of € 12.0 million. This increase was due, among other things, to potential liabilities as a result of a ban on business activities between Russia and Ukraine. The revision of the assessment of a patent risk for an active pharmaceutical ingredient resulting in a reduction in contingent liabilities of € 3.3 million had an opposing effect.

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

in € 000s	Sep. 30, 2017	Dec. 31, 2016
Operating lease liabilities	55,574	69,111
Other financial obligations	51,471	42,460
Total	107,045	**111,571**

As of September 30, 2017, other financial obligations primarily included a guarantee amounting to € 25.0 million toward Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG, which are recognized using the equity method.

STADA, as guarantor, has continued to recognize this guarantee as a financial guarantee in accordance with IAS 39 with a fair value in the amount of only € 0.3 million in the reporting period (December 31, 2016: € 0.3 million), as STADA is currently not expecting utilization of this guarantee.

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

9. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. 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 trades are settled with related companies and natural persons at market-rate conditions.

No significant changes occurred with regard to related companies in the first nine months of 2017 compared with the situation as described in the Annual Report 2016.

10. Significant events after the balance-sheet date

No significant events have occurred since the reporting date that could have a significant effect on the STADA Group’s net assets, financial position and results of operations.

Publishing Information

Publisher: STADA Arzneimittel AG, Stadastrasse 2–18, 61118 Bad Vilbel, Germany, Phone: +49 (0) 6101/603-0, Fax: +49 (0) 6101/603-259, E-mail: info@stada.de

The Executive Board: Dr. Claudio Albrecht (Chairman), Mark Keatley, Dr. Barthold Piening
The Supervisory Board: Dr. Günter von Au (Chairman), Jens Steegers[1)] (Deputy Chairman), Dr. Eric Cornut, Halil Duru[1)], Jan-Nicolas Garbe, Benjamin Kunstler, Dr. Ute Pantke[1)], Bruno Schick, Dr. Michael Siefke.

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 business, financial and earnings situation, growth or performance being materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. STADA may, where appropriate, also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. Furthermore, our representatives may from time to time make forward-looking statements verbally. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA does not assume any obligation to update these forward-looking statements.

Rounding: 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. Thus, some rounding differences may occur, although they are not material in their nature.

This interim report is published in German (original version) and English (non-binding translation) and is subject to German law.

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Contact: STADA Arzneimittel AG · Investor Relations · Phone: +49 (0) 6101/603-113 · Fax: +49 (0) 6101/603-215 · E-mail: ir@stada.de

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