ANNUAL REPORT 2015

120 YEARS

STADA

ALL THE BEST

STADA KEY FIGURES

Key figures for the Group in € million	2015	Previous year	± %
Group sales	2,115.1	2,062.2	+3%
• Generics (core segment)	1,217.5	1,217.7	0%
• Branded Products (core segment)	853.6	800.5	+7%
Group sales adjusted for currency and portfolio effects	*2,133.8*	*2,052.2*	*+4%*
• *Generics*	*1,228.7*	*1,211.4*	*+1%*
• *Branded Products*	*865.8*	*796.8*	*+9%*
Operating profit	223.7	188.5	+19%
Operating profit, adjusted[1)2)]	*283.8*	*320.7*	*-12%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	377.1	418.8	-10%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1)2)]	*389.4*	*431.9*	*-10%*
EBIT (Earnings before interest and taxes)	225.3	190.3	+18%
EBIT (Earnings before interest and taxes), adjusted[1)2)]	*285.3*	*322.4*	*-12%*
EBT (Earnings before taxes)	157.8	124.7	+27%
EBT (Earnings before taxes), adjusted[1)3)]	*220.9*	*253.3*	*-13%*
Net income	110.4	64.6	+71%
Net income, adjusted[1)3)]	*165.8*	*186.2*	*-11%*
Cash flow from operating activities	311.7	223.8	+39%
Capital expenditure	177.0	279.0	-37%
Depreciation and amortization (net of write-ups)	151.8	228.5	-34%
Employees (average number calculated on the basis of full-time employees Jan. 1 – Dec. 31)[4)]	10,441	10,209	+2%
Employees (as of the balance sheet date calculated on the basis of full-time employees)	10,532	10,363	+2%

Key share figures	2015	Previous year	± %
Market capitalization (year-end) in € million	2,327.9	1,530.8	+52%
Year-end closing price (XETRA®) in €	37.34	25.25	+48%
Number of shares (year-end)	62,342,440	60,626,700	+3%
Average number of shares (without treasury shares)	61,637,621	60,408,501	+2%
Earnings per share in €	1.79	1.07	+67%
Earnings per share in €, adjusted[1)3)]	*2.69*	*3.08*	*-13%*
Diluted earnings per share in €	1.79	1.05	+70%
Diluted earnings per share in €, adjusted[1)3)]	*2.69*	*3.04*	*-12%*
Dividend per share in €	0.70[5)]	0.66	+6%
Total dividend payments in € million	43.6[5)]	40.0	+9%
Distribution ratio as a percentage	39%[5)]	62%	-36%

1) The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with 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.

2) Within the context of this annual report, adjustments in connection with the operating profit, EBITDA and EBIT generally relate to one-time special effects.
3) Within the context of this annual report, adjustments in connection with EBT, net income, earnings per share and diluted earnings per share generally relate to one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses.
4) This average number includes changes in the scope of consolidation on a pro-rata basis.
5) Proposed.

STADA AT A GLANCE

STADA BUSINESS MODEL

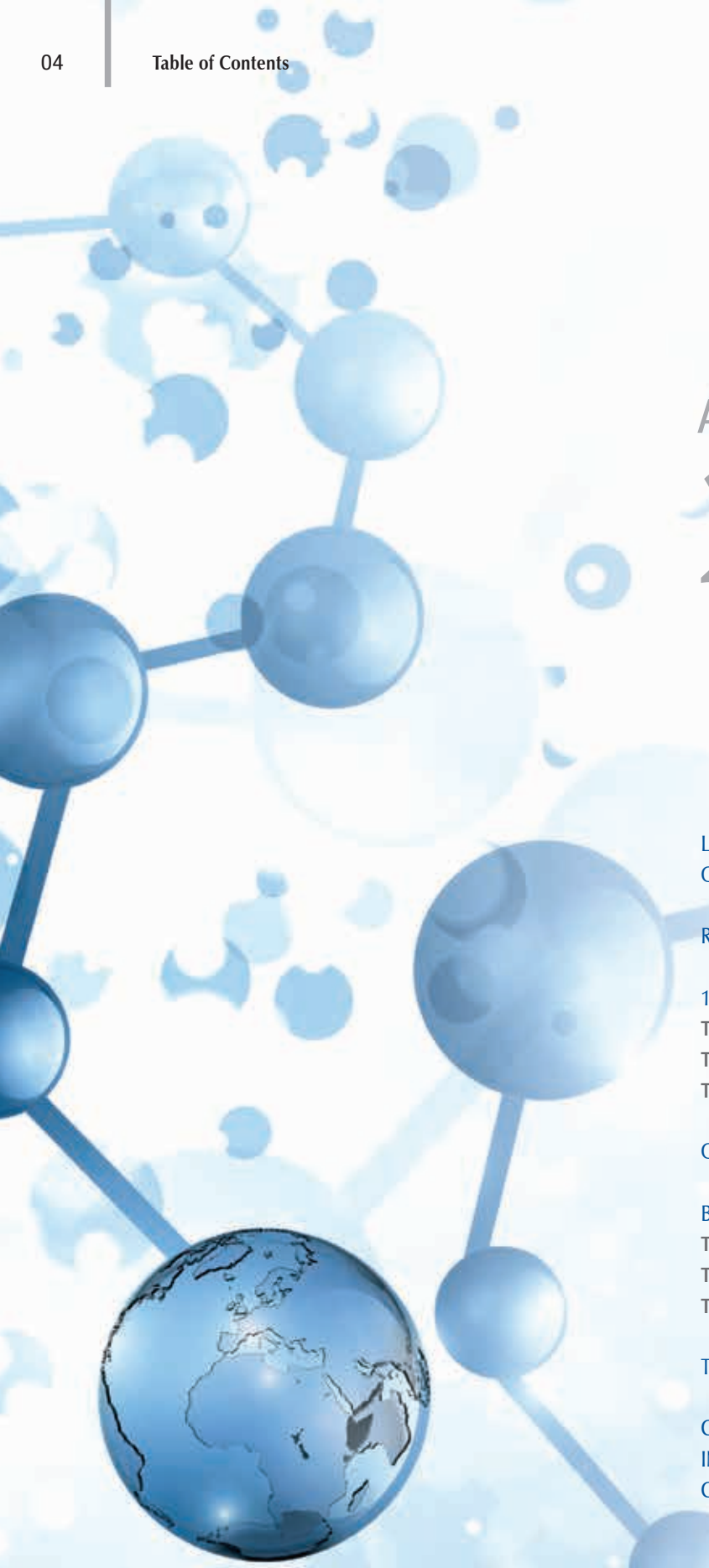
- Focus on products with off-patent active pharmaceutical ingredients in the health care market concentrating on the pharmaceutical market
- Core segments
  - Generics (58% share in Group sales)
  - Branded Products (40% share in Group sales)
- Strategic success factors
  - Good positioning in long-term growth markets
  - Strong presence in Europe and, at the same time, an internationalization strategy with a focus on high-growth markets and branded products
  - Comprehensive generics portfolio, selected biosimilars and branded products with an attractive margin
  - Successful product development with a well-filled product pipeline
  - International sales structure
  - Functional organizational structure with strong local market presence
  - Efficient cost management including a culture of continuous cost optimization
  - Highly trained and committed employees all over the world

STADA FINANCIAL YEAR 2015

- Group sales increase by 3% to € 2.12 billion – Group sales adjusted for currency and portfolio effects grow by 4%
- Reported key earnings figures
  - Reported EBITDA declines by 10% to € 377.1 million
  - Reported net income increases by 71% to € 110.4 million
  - Earnings per share increase by 67% to € 1.79
- Adjusted key earnings figures
  - Adjusted EBITDA declines by 10% to € 389.4 million
  - Adjusted net income records a decrease by 11% to € 165.8 million
  - Adjusted earnings per share decrease by 13% to € 2.69
- Pleasing development in Central Europe with sales growth of 5% and in Asia/Pacific & MENA with a sales increase of 55%
- Further expansion of the self-pay patient portfolio from sales growth of 7% in branded products – share of branded products in adjusted operating profit of core segments amounts to 48.5%
- Strong product development with a total of 578 product launches
- Further value-enhancing acquisitions to strengthen the branded products portfolio and Generics segment
- Promising cooperation in the aesthetics area
- Successful placement of another corporate bond in the amount of € 300 million
- Increase of STADA share price by 48%
- Recommendation for a dividend increase of 6% to € 0.70 per STADA share

STADA OUTLOOK

- Outlook for 2016
  - Slight growth in Group sales adjusted for currency and portfolio effects
  - Slight growth in adjusted EBITDA and adjusted net income
  - Ratio of net debt, excluding further acquisitions, to adjusted EBITDA at a level of nearly 3



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LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Ladies and Gentlemen,

Despite difficult framework conditions, in financial year 2015 we were able to record business development in line with our expectations. Both reported and adjusted Group sales increased. Earnings development was characterized by an increase in almost all reported key earnings figures. Our Group tax rate also showed positive development, and we were able improve both the reported and the adjusted rate. The development of cash flow from operating activities was also very pleasing.

Looking at the regions, we achieved very good development in the market region Asia/Pacific & MENA with sales growth well into the double-digit percentage range. In the two market regions Central Europe and Germany we were also able to increase sales. Although we continued to be faced with difficult framework conditions in the market region CIS/Eastern Europe, we also achieved a sales increase in local currency. Looking at the countries, the United Kingdom, Spain and Italy in Central Europe should be particularly highlighted. In view of the continued very difficult framework conditions, sales in Russia developed well in local currency over the full year. In Germany we were able to record a pleasing increase in sales in the generics area, which was primarily based on the decision to only take part in tenders for discount agreements with one subsidiary. In Asia/Pacific & MENA the development in Vietnam and China in particular was very positive.

Within the scope of our active acquisition policy, we made further progress in financial year 2015. We were thereby able not only to strengthen our branded product portfolio through diverse acquisitions, but also to further expand our generics business with the purchase of an Argentinean generics producer. In order to expand our business activities in the area of dermatological treatments, we have also started a promising cooperation with an Austrian company.

With the introduction of numerous products we have shown once again that we have a successful product development. We have also made further progress with our biosimilar activities, among other things, through the in-licensing of Pegfilgrastim.

We were also successful in strengthening our financing structure. Here we were able to place a further corporate bond for the long-term refinancing of the Group. The attractive conditions of this bond confirmed once again that we continue to enjoy considerable trust on the refinancing market. Together with our other financial instruments, we thereby have a balanced financing structure that is staggered in terms of volume and duration.

The development of our share was also very pleasing in 2015. Despite the geopolitical tensions in Ukraine and the significant devaluation of the Russian ruble in particular, the STADA share price recorded a total increase of 48%.

For the Group's outlook, we generally anticipate a continued successful development. Overall, the future sales and earnings development of the Group will be characterized both by growth-stimulating and challenging framework conditions in the individual markets of STADA's four market regions. In the overall assessment of opposing influence factors, however, the positive prospects are expected to prevail in financial year 2016. In light of this, we anticipate slight growth in Group sales adjusted for currency and portfolio effects, adjusted EBITDA as well as adjusted net income in 2016. We expect the ratio of net debt excluding further acquisitions to adjusted EBITDA to be at a level of nearly 3.

At this point on behalf of the entire Executive Board I would like to thank our employees in particular, who have made a key contribution once again to our success with their extensive expertise, long-standing experience and strong commitment. Our gratitude also extends to both the STADA Supervisory Board and the STADA Advisory Board for their constructive cooperation.

Hartmut Retzlaff
Chairman of the Executive Board

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In financial year 2015, the Supervisory Board of STADA Arzneimittel AG carefully executed the duties imposed on it in accordance with the law and the Articles of Incorporation. The Supervisory Board continuously monitored the management of the company and advised the Executive Board regularly in the management of the Group. In all decisions of fundamental importance for the company, the Executive Board involved the Supervisory Board regularly, directly and in a timely manner. Within the scope of its supervisory and consultative duties, the Supervisory Board had the Executive Board inform it comprehensively through monthly oral and written reports on business development, the strategy and corporate planning including financial, investment and personnel planning as related to the company and the STADA Group. At all times, the members of the Supervisory Board had the opportunity in the committees and in the plenum to critically examine the reports and proposed resolutions submitted by the Executive Board and to present input of their own. In particular, the Supervisory Board intensively discussed all business transactions of importance for the company and reviewed them for their plausibility on the basis of the Executive Board reports. The Executive Board briefed the Supervisory Board – also between the regular meetings – regarding all questions of strategy, planning, business development, the risk situation, risk management and compliance. The Executive Board also briefed the Chairman of the Supervisory Board on the progress of business including the sales development and profitability, important business events and issues of particular importance. In addition, the Supervisory Board monitored the accounting process and the measures taken by the Executive Board for risk management, the internal control system, the internal auditing system as well as the compliance measures taken. The Executive Board explained in detail to the members of the Supervisory Board eventual deviations in the business development from the plans and objectives.

All issues which, in accordance with the Articles of Incorporation and rules of procedure require the approval of the Supervisory Board, were submitted to the Supervisory Board. The Supervisory Board treated and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, the risks and effects of the respective procedure.

Meetings of the Supervisory Board and focus of activities

In financial year 2015, the Supervisory Board held a total of eight meetings, each of which was attended by all nine members of the Supervisory Board. The Supervisory Board regularly convened alone and subsequently requested that Executive Board participate and report.

In the past financial year, the Supervisory Board, in an intensive exchange with the Executive Board, dealt with the business development of the company and the Group in the four market regions Germany, Central Europe, CIS/Eastern Europe and Asia/Pacific & MENA, the fundamental corporate strategy, in particular with a view to the positioning of the two core segments Generics and Branded Products, corporate planning of the company and the Group as well as the position of the Group, especially the financial and earnings situation. The Supervisory Board talked regularly to the Executive Board about the financial and liquidity situation considering especially the investment plans in the Group, the financing structures and refinancing strategies as well as the development of the debt-to-equity ratio. A common subject of meetings in the past financial year also included the economic and political developments in the market region CIS/Eastern Europe, particularly considering the devaluation of the Russian ruble, the Ukrainian hryvnia and the Kazakhstani tenge as a result of the CIS crisis.

The Supervisory Board had the Executive Board report to it regularly on the market structures, development of demand, the competitive situation and the price, conditions and discount development in the individual market regions and in particular the development of market shares of the Group and the relevant competitors. The effects of regulatory state interventions on the Group and/or

on the individual subsidiaries and the necessary reactions to these played an important role here, especially in the German home market with regard to the discount agreements with health insurance organizations. In addition, the Supervisory Board regularly gained an overview of the product development and product portfolio of the Group. It discussed with the Executive Board the possibilities related to cost, tax and process optimizations. The integration of all German logistics activities of the Group into DHL as a worldwide leading provider of logistics services as of June 1, 2015 was important in this context.

The Supervisory Board also dealt intensively with the risk and opportunities management in the Group, the internal control and auditing system, the compliance management system, considered, planned and executed acquisitions, disposals and cooperations of the Group as well as with the integration of acquired companies and products into the Group.

The restructuring of the Executive Board remuneration system as of January 1, 2016 as well as the contractual implementation of the system were also the subject of an intensive consultation and resolution of the Supervisory Board in financial year 2015. The review of Executive Board remuneration at regular intervals by the Supervisory Board is required by the German Stock Corporation Act and the German Corporate Governance Code. In this regard, the Supervisory Board also obtained the advice of external remuneration experts. Details are presented in the Remuneration Report, which is part of the Management Report. The Supervisory Board is convinced that, with the new remuneration system, it has established a simple, transparent, performance focused and attractive foundation for continued very good Executive Board performance. The new system creates an incentive for a successful and sustainable corporate governance by linking the remuneration of the Executive Board to the (short and long-term) development of the company, but through appropriate upper limits, the system prevents an excessively strong incentive toward risk-oriented behavior. In addition, the Supervisory Board can undertake, in consideration of the personal performance of a member of the Executive Board and within a certain framework, an upward or downward adjustment of the remuneration. The new remuneration system also reflects the interests of shareholders and investors in a continuous and long-term positive development of the STADA share, by making the long-term portion of the performance related remuneration, the so-called LTIP deferrals, directly dependent on the development of the STADA share as compared to the development of the MDAX. In the view of the Supervisory Board, the linking to the development of the STADA share in relation to the comparative index MDAX is a more suitable indicator than the absolute development of the STADA share or the comparison to a peer group defined by the Supervisory Board itself. This is demonstrated in times of negative market trends when a comparatively less negative development of the STADA share leads to an increase in the LTIP deferral payout amounts and not, as would be the case with an absolute link, to a reduction or even to an elimination. In times of generally good market development, on the other hand, only a disproportionately positive development of the STADA share would cause an increase in the LTIP deferral payout amount. The newly-structured Executive Board remuneration system will be presented for approval at the next Annual General Meeting on June 9, 2016.

At its financial statements meeting on **March 25, 2015**, the Supervisory Board dealt particularly intensively with the business situation and earnings development in the previous financial year 2014 as well as with the annual and consolidated financial statements as of December 31, 2014. Following a detailed review of the documentation for the financial statements and after discussions with the auditor, the Supervisory Board, based on the recommendation of the Audit Committee, adopted the consolidated and annual financial statements for financial year 2014. The auditor participated in the consultations and reported prior to the resolution on the significant results of the audit. The Supervisory Board discussed and approved the agenda for the Annual General Meeting on June 3, 2015 and adopted the Report of the Supervisory Board to the Annual General Meeting for financial year 2014.

At its meeting on **May 5, 2015**, the Supervisory Board, based on reporting from the Audit Committee as well as from the Executive Board, dealt with the results from the first quarter of financial year 2015 and with the current business development. In addition, the Supervisory Board dealt, among other things, with the positioning of the global development area of STADA and current acquisition projects.

On the day prior to the Annual General Meeting, on **June 2, 2015**, members of the Supervisory Board convened for a meeting. In addition to the report from the Executive Board on current developments in the individual areas of responsibility of the Executive Board, the upcoming Annual General Meeting in particular was discussed. The Supervisory Board also decided on new rules of procedure for the Advisory Board.

At the meeting on **August 5, 2015**, the Executive Board reported to the Supervisory Board, among other things, on the current M&A developments in the pharmaceutical industry as well as on the global market development of active ingredients that are also interesting for STADA. In addition to a review of the Annual General Meeting 2015, the business results for the first half of 2015 were also presented by the Executive Board and, under consideration of the report from the Audit Committee, discussed. Furthermore, the Supervisory Board dealt with the changes to the German Corporate Governance Code and made the determination in accordance with the Law on the Equal Participation of Women and Men in Management Positions. Details concerning the determination that was made by the Supervisory Board can be found in the chapter "Corporate Governance Report including Declaration of Corporate Governance". The Supervisory Board also discussed topics including personnel and Executive Board issues.

At its meeting on **September 8, 2015**, the Supervisory Board, on the basis of reporting from the Human Resources Committee, without the presence of the Executive Board members, decided on the extension of the appointment of Hartmut Retzlaff as Chairman of the Executive Board by an additional five years until August 31, 2021 and approved the conclusion of a new contract. The previous contract would have ended on August 31, 2016. In addition, the Supervisory Board dealt with general human resources issues with regard to the managers in the Group.

At the meeting on **October 8, 2015**, the Supervisory Board was informed by the Executive Board in particular about the corporate strategy of the STADA Group. In addition to questions of strategic positioning in the two core segments of Generics and Branded Products, the growth and sales strategy, quality assurance as well as the IT strategy were discussed, among other things. Furthermore, the Supervisory Board also dealt with current questions related to corporate governance and approved the issue of the annual Declaration of Compliance pursuant to the German Corporate Governance Code.

Subjects of the meeting on **November 11, 2015** included, among other things, the results of the first nine months of financial year 2015. In this meeting, the Executive Board also reported to the Supervisory Board about the ongoing acquisition projects. The Supervisory Board, without the presence of members of the Executive Board, also decided, on the basis of reporting from the Human Resources Committee, on the extension of the appointment of Helmut Kraft as Chief Financial Officer by one year until December 31, 2019 and approved the conclusion of a new contract. The previous contract would have ended on December 31, 2018.

At its last meeting of the reporting year on **December 17, 2015**, the Supervisory Board dealt with the operational planning of the Executive Board for financial year 2016. It also dealt with significant in court and out of court proceedings of the Group in the financial year. Without the presence of members of the Executive Board, the Supervisory Board discussed Executive Board personnel issues and the Executive Board remuneration and approved the goals for the variable Executive Board remuneration for financial year 2016. The Supervisory Board also occupied itself with the staffing of the committees.

Composition of the Executive Board and the Supervisory Board

The composition of the Executive Board and the Supervisory Board remained unchanged in financial year 2015.

At its meeting on **December 17, 2015**, the Supervisory Board elected one employee representative as further member of the Audit Committee (Mr. Jens Steegers) and one employee representative as a further member of the Human Resources Committee (Mr. Halil Duru), with effect from financial year 2016.

Work of the committees

The consultative committees established by the Supervisory Board, the Audit Committee and the Human Resources Committee, supported the Supervisory Board in its duties.

In financial year 2015, the **Audit Committee** held four meetings (on **March 24**, **May 4**, **August 4** and **November 10**), each of which was attended by all three members of the committee as well as the members of the Executive Board. The auditor participated in the financial statements meeting as well as in the first meeting in the second half of the year. The Chairman of the Audit Committee and the Chairman of the Supervisory Board also maintained an exchange with the auditor between the meetings.

The focus of the committee's work was, in particular, the review of the annual and consolidated financial statements from financial year 2014 together with the Management Report and the Group Management Report, the proposal for the appropriation of profits and the report of the auditor as well as the preparation of the Supervisory Board resolutions on these items. In addition, the condensed interim consolidated financial statements and Interim Group Management Report as of June 30, 2015 were discussed in detail under consideration of the report of the auditor on the review of the financial statements. The interim financial reports on the first quarter of 2015 and the first nine months of 2015 were also subjects that were dealt with by the committee. In addition, the Audit Committee dealt primarily with the operating results, key figures, accounting, Group financing principles, internal risk management, internal auditing as well as compliance in the Group. Members of the Audit Committee also dealt in detail with the current legal and accounting developments such as the auditor reform.

The **Human Resources Committee** convened for seven meetings in financial year 2015 (on **January 9**, **March 9**, **March 23**, **May 4**, **July 20**, **October 7** and **December 16**). It dealt in detail with the preliminary work and the draft version of a new remuneration system for the Executive Board, with the preparation for the personnel decisions of the Supervisory Board Plenum as well as the decisons on Executive Board remuneration and issued its recommendations in this regard. The subject of the meetings were, in addition, consultations on the re-appointment of members of the Executive Board as well as questions related to the Law on the Equal Participation of Women and Men in Management Positions.

Due to the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board believes that a Nomination Committee as recommended by the German Corporate Governance Code in the version of May 5, 2015 is structurally superfluous. In this regard, a deviation to Section 5.3.3 of the German Corporate Governance Code is explained in the annual Declaration of Compliance. The Supervisory Board, however, forms a Nomination Panel consisting of the Chairmen of the Human Resources Committee and the Audit Committee, which deals with the search for suitable candidates for future proposal to the Annual General Meeting for election of Supervisory Board members. The Nominating Panel prepared the discussion and the resolutions of the Plenum, which included, among other things, the Law on the Equal Participation of Women and Men in Management Positions.

The Chairmen of the committees informed the Supervisory Board Plenum at its ordinary meetings regularly and thoroughly on their work.

Corporate governance

In financial year 2015, too, the Supervisory Board and Executive Board dealt in detail with the further development of corporate governance in the Company while taking the current version of the German Corporate Governance Code into account. The joint Declaration of Compliance 2015 pursuant to Section 161 of the German Stock Corporation Act issued by the Executive Board and the Supervisory Board on October 8, 2015 on the basis of the German Corporate Governance Code as amended on May 5, 2015 is printed in this Annual Report in the chapter "Corporate Governance Report including Declaration of Compliance" and is publicly available on the Company's website in the section Investor Relations / Corporate Governance together with the Declarations of Compliance from previous years at www.stada.de or www.stada.com.

No conflicts of interest arose in the reporting year which had to be disclosed to the Supervisory Board and about which the Annual General Meeting must be informed.

Annual and consolidated financial statements, audit

The annual financial statements of STADA Arzneimittel AG and the consolidated financial statements as of December 31, 2015 as well as the Management Report and the Group Management Report for financial year 2015 were audited by PKF Deutschland GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg, and issued with an unqualified audit opinion. The responsible auditor since the audit of the annual and consolidated financial statements in 2009 has been the auditor Santosh Varughese. The legal requirements and rotation obligations from Sections 319 and 319a of the German Commercial Code are complied with. In addition to these legal requirements, the responsible auditor should in future not be active for a period longer than five years.

The Supervisory Board had no doubts with regard to the independence of the auditor. The auditor submitted the Statement of Independence as required by the German Corporate Governance Code. The main areas of the audit were established by the Supervisory Board within the scope of the commissioning of the auditor. The Audit Committee reviewed the financial statements and consolidated financial statements as well as the Management Report and the Group Management Report as well as the proposal for the appropriation of profits and also included the reports of the auditor on the audit of the financial statements in its review. The auditor reported on significant results of the audit in a meeting of the Audit Committee and was available to the members of the Committee for questions. The members of the Audit Committee dealt extensively with the submissions from the Executive Board and the audit reports and discussed these with the auditor. The Audit Committee raised no objections and recommended to the Supervisory Board to approve the financial statements and the Management Report as well as the Group Management Report and assent to the Executive Board's proposal for the appropriation of profits.

On the basis of the preparation by the Audit Committee, the Supervisory Board examined the financial statements and the consolidated financial statements prepared by the Executive Board, the Management Report and the Group Management Report of the Executive Board on financial year 2015 as well as the Executive Board's proposal for the appropriation of profits. The Chairman of the Audit Committee reported to the Supervisory Board on the work and the audit results of the Audit Committee. The auditor reported to the Supervisory Board on significant results of the audit and was available for questions from members of the Supervisory Board. The Supervisory Board discussed the submissions mentioned above and the conclusions of the auditor in detail with the auditor and the Executive Board. Also following the final results of the Supervisory Board's own examination, the Supervisory Board had no objections to the financial statements, the Management Report, the consolidated financial statements and the Group Management Report on the financial year 2015 and concurred with the outcome of the audit. The auditor also determined that the Executive Board had implemented an appropriate information and monitoring system which, in its concept and use, is suitable for the early recognition of any developments that could threaten the continuation of the company.

The Supervisory Board approved the financial statements and the consolidated financial statements prepared by the Executive Board. The annual financial statements are thus adopted. The Supervisory Board concurred with the individual assessments of the business situation and the outlook as given in the Management Report of the Executive Board and with the proposal of the Executive Board for the appropriation of profits that provides for a dividend of € 0.70 per STADA share.

The Supervisory Board wishes to express its gratitude to all of the Group's employees, the Executive Board and management for their tremendous commitment in financial year 2015.

Bad Vilbel, March 22, 2016

Dr. Martin Abend
Chairman of the Supervisory Board


ACT.
MATIC.

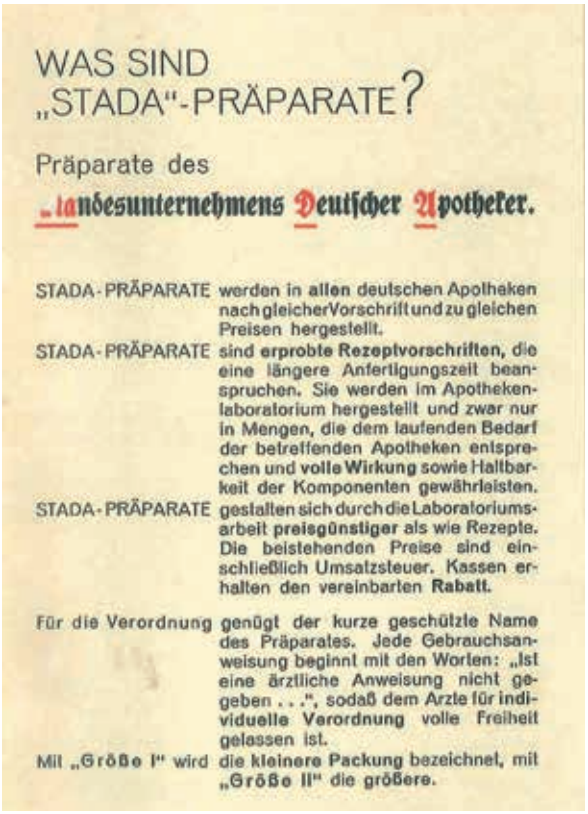
120 YEARS
STADA
ALL THE BEST

2015

From pharmacist association to global pharmaceutical Group

The Business Idea

The start of a 120-year success story



WAS SIND
„STADA"-PRÄPARATE?

Präparate des
„Landesunternehmens Deutscher Apotheker.

STADA-PRÄPARATE werden in allen deutschen Apotheken nach gleicher Vorschrift und zu gleichen Preisen hergestellt.

STADA-PRÄPARATE sind erprobte Rezeptvorschriften, die eine längere Anfertigungszeit beanspruchen. Sie werden im Apothekenlaboratorium hergestellt und zwar nur in Mengen, die dem laufenden Bedarf der betreffenden Apotheken entsprechen und volle Wirkung sowie Haltbarkeit der Komponenten gewährleisten.

STADA-PRÄPARATE gestalten sich durch die Laboratoriumsarbeit preisgünstiger als wie Rezepte. Die beistehenden Preise sind einschließlich Umsatzsteuer. Kassen erhalten den vereinbarten Rabatt.

Für die Verordnung genügt der kurze geschützte Name des Präparates. Jede Gebrauchsanweisung beginnt mit den Worten: „Ist eine ärztliche Anweisung nicht gegeben . . .", sodaß dem Arzte für individuelle Verordnung volle Freiheit gelassen ist.

Mit „Größe I" wird die kleinere Packung bezeichnet, mit „Größe II" die größere.

"What are 'STADA' preparations?" – a short explanation from the 1930s

Stomach tea is mixed in the material chamber in 1955

STADA's zero hour according to pharmacy historians was March 14, 1895. At that time, forward-looking pharmacists joined forces to produce joint preparations. Like many other cities, Dresden also established a pharmacist association for this purpose, from which STADA originated.

In 1903 the German Pharmacists Association regulated the self-production of pharmaceutical specialties, from production to packaging and labeling to price. This led in 1908 to the founding of the German Pharmacists Association's specialist company, which gave its members the possibility of producing certain preparations in accordance with identical guidelines, which were then uniformly packaged and sold everywhere at the same price.

In the wake of the political coordination of regional specialist companies and pharmacists associations, in 1933, with the transfer of the German Pharmacists Association to the Professional Community of German Pharmacists (Standesgemeinschaft Deutscher Apotheker, St.D.A), the German Pharmacist Association's specialist company was changed to the German Pharmacist Association's own preparations department.

In 1935, the abbreviation "STADA" became the association mark and soon became the general term for all drugs produced according to standard recipes in the pharmacy.

120 YEARS
STADA
ALL THE BEST

A look at STADA production in 1981

After the war, STADA was reestablished in 1948. This gave rise to two separate cooperatives STADA-Nord and STADA-Süd, which focused on self-medication products.

In 1954 the two cooperatives merged to become one company. Frankfurt am Main was initially chosen as the site of the company's head office.

However, as part of the implementation of expansion plans Bad Vilbel-Dortelweil was chosen in 1957. New buildings were built, initially on a small scale, for offices and storage. Over the course of the next few years, a modern pharmaceutical operation came into being here.

In 1961 STADA's representative assembly decided that STADA medicines no longer needed to be made exclusively in pharmacies, but could also be produced centrally in Bad Vilbel-Dortelweil.

The Corporation

Change of the legal status as a basis for further growth

A registered share with restricted transferability from 1996 with a nominal value of 50 German Marks

At the beginning of 1970, STADA changed the existing legal structure. The cooperative became a corporation, in order to raise larger amounts of capital and to remain viable for the future. At the time only pharmacists were entitled to purchase STADA shares.

In 1975, STADA decided to expand its product line with generics and established STADAPHARM GmbH for this purpose. The first approvals were gained at that time. One of the greatest historic generic successes was Nifedipin STADA®.

With the acquisition of Swiss Helvepharm AG, STADA began to purchase the first international subsidiaries in 1986. In the following years, the company gradually expanded into Austria, Belgium and the Netherlands. STADA began its business activities in Asia in 1992 with the acquisition of STADA Pharmaceuticals (Asia) Ltd. in Hong Kong.

In 1993 STADA opened for non-pharmacists, so that non-pharmacists could also become STADA shareholders, alongside pharmacists and company employees.

The STADA annual report from the anniversary year

The STADA Annual General Meeting 2015

In 1995 STADA was transformed into a medium-sized holding company. The holding company headquartered in Bad Vilbel remained responsible for all pharmaceutical research, production, certification and quality assurance duties. The core business, the marketing of prescription drugs and preparations for self-medication, was taken over by the two German subsidiaries STADApharm GmbH and the new STADA OTC Arzneimittel GmbH.

The acquisition of ALIUD PHARMA GmbH in 1996 gave STADA a generic second-line in Germany. The company also expanded its business activities into the Czech Republic and into France in the following year.

In 1997 STADA began its IPO and non-voting preference shares were initially issued. On October 29, 1997 STADA shares were listed for the first time for official trading on the stock exchanges in Frankfurt and Düsseldorf. In 1998 the IPO was closed with ordinary shares with restricted transferability.

With the acquisition of cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, which specializes in oncology products, as well as a product package of prescription brands from Fresenius, from 1998 STADA positioned itself as a comprehensive supplier within the health care market.

The International Group

Successful growth to a worldwide active Group

The years following the IPO, with inclusion in the MDAX in 2001, were characterized by a rapid internationalization strategy. As part of this, STADA expanded into Thailand, Ireland, the Philippines, the United Kingdom, Russia, Portugal and Serbia. In addition, STADA acquired successful branded products and branded product portfolios, in order to continually develop the second mainstay of the Group. STADA was thereby going back to its roots, so to speak, since the 120 year success story of the Group initially began with the sale of branded products.

With the introduction of Silapo®, a preparation used to treat anemia resulting from chronic kidney failure and chemotherapy, in 2008 the Group introduced the first biosimilar and thereby took an important step in this pioneering area. In the following years STADA began to in-license biosimilars from highly specialized suppliers, in order to develop its biosimilar portfolio in a cost-effective low-risk way and also to use this step to best position itself for increasing competition.

STADA also took new paths in financing and successfully positioned diverse corporate bonds, alongside the securing of promissory note loans, in order to diversify its financial structure.

In 2013 the Group moved into the field of individualized drug therapy with the introduction of multiple DNA tests, and thereby developed its diagnostic portfolio. Over the course of the year the offer was expanded into diverse self-tests.

Furthermore, with the acquisition of British OTC suppler Thornton & Ross, STADA took a further step in developing its increasingly important branded product portfolio, as this is generally characterized by less regulatory intervention and more attractive margins than the generics sector. In 2014 the strengthening of German business activities followed the successful start of STADAvita GmbH, which is focused on the sale of products for prevention, nutritional supplements, numerous plant-based preparations and cosmetics.

Over the course of its 120 year history, using a far-sighted company philosophy and a sustainable business model, STADA was able to grow from a small, nationally focused pharmaceutical company to an internationally active Group, which in financial year 2015 achieved sales of € 2,115.1 million, had 10,532 employees and was active in around 30 countries.

A success story to be proud of.

120 YEARS
STADA
ALL THE BEST

International impressions:
Hemofarm A.D. in Vrsac, Serbia (above left);
Thornton & Ross Ltd., Huddersfield, UK, has been part of the STADA Group since 2013 (above right);
the STADA Executive Board at the opening of the new company building of the Pymepharco Joint Stock Company in Tuy Hoa, Vietnam (center); and
the headquarters of AO Nizhpharm in Nizhny Novgorod, Russia (below)


STADA
ARZNEIMITTEL
STADA
ARZNEIMITTEL
STADA

120 YEARS

STADA

ALL THE BEST

OVERVIEW

Five-year comparison in € million	2015	2014	2013	2012	2011
Group sales	2,115.1	2,062.2	2,003.9	1,837.5	1,715.4
Operating profit	223.7	188.5	248.3	202.1	120.1
Operating profit, adjusted	*283.8*	*320.7*	*303.1*	*266.2*	*257.6*
EBITDA[1)]	377.1	418.8	382.6	323.7	223.2
EBITDA, adjusted	*389.4*	*431.9*	*414.3*	*367.4*	*337.2*
EBIT[2)]	225.3	190.3	252.4	205.9	121.2
EBIT, adjusted	*285.3*	*322.4*	*307.1*	*270.0*	*258.7*
EBT[3)]	157.8	124.7	189.3	135.6	69.5
EBT, adjusted	*220.9*	*253.3*	*240.7*	*200.5*	*205.8*
Net income	110.4	64.6	121.4	86.5	22.0
Net income, adjusted	*165.8*	*186.2*	*160.6*	*147.9*	*146.6*

Business development as expected under difficult framework conditions

Despite difficult framework conditions, in financial year 2015 the Group recorded business development in line with the expectations of the Executive Board. In the market region Asia/Pacific & MENA, STADA achieved very pleasing development with double-digit percentage sales growth. Sales were also able to be increased in the two market regions Central Europe and Germany. Although the Group continued to be faced with difficult framework conditions in the market region CIS/Eastern Europe, a sales increase in local currency was also achieved.

Overall, the Group had to report one-time special effects in the total amount of € 16.9 million before and € 16.9 million after taxes in connection with currency translation expenses recorded in the income statement as a result of the weak Russian ruble, the strong devaluation of the Ukrainian hryvnia and an extremely weak Kazakhstani tenge.

In 2015, reported Group sales increased by 3% to € 2,115.1 million (previous year: € 2,062.2 million). When effects on sales based on changes in the Group portfolio and currency effects are deducted, Group sales grew by 4% to € 2,133.8 million (previous year: € 2,052.2 million).

Earnings development was characterized by an increase in almost all reported key earnings figures.

Reported operating profit increased by 19% to € 223.7 million in financial year 2015 (previous year: € 188.5 million). Reported EBITDA declined by 10% to € 377.1 million (previous year: € 418.8 million). Reported net income recorded an increase of 71% to € 110.4 million (previous year: € 64.6 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, adjusted operating profit decreased by 12% in 2015 to € 283.8 million (previous year: € 320.7 million). Adjusted EBITDA declined by 10% to € 389.4 million (previous year: € 431.9 million). Adjusted net income decreased by 11% to € 165.8 million (previous year: € 186.2 million).

1) Earnings before interest, taxes, depreciation and amortization.
2) Earnings before interest and taxes.
3) Earnings before taxes.

The Group's tax rate showed positive development. The reported tax rate decreased in 2015 to 25.8% (previous year: 43.8%), primarily because the previous year included goodwill impairment not deductible for tax purposes in the market regions CIS/Eastern Europe and Asia/Pacific & MENA as well as a tax rate reduction in the United Kingdom. In the same period, the adjusted tax rate improved to 22.0% (previous year: 24.2%).

In consideration of the challenging framework conditions in the market region CIS/Eastern Europe, STADA achieved a solid development in financial year 2015 in the Executive Board's view, which was based on the sustainable business model focused on market regions with long-term growth potential. Despite the difficult regulatory and economic environment, overall STADA was able to maintain its market positions in the major national markets.

Stable financial position

The financial position of the STADA Group in the reporting year was characterized by a high degree of stability.

As of the balance sheet date, the equity-to-assets ratio was 31.0% (December 31, 2014: 27.1%) and was thereby satisfactory in the opinion of the Executive Board. Net debt was at € 1,215.7 million as of December 31, 2015 (December 31, 2014: € 1,327.5 million).

The ratio of net debt to adjusted EBITDA was at 3.1 in 2015 (previous year: 3.1).

The long-term refinancing of the Group as of December 31, 2015 was provided for by a five-year corporate bond that was placed in the second quarter of 2013 in the amount of € 350 million with an interest rate of 2.25% p.a. as well as a bond[1)] placed in the first quarter of 2015 in the amount of € 300 million and a term of seven years with an interest rate of 1.75% p.a. Furthermore, as of December 31, 2015, there were promissory note loans with maturities in the area of 2016–2020 with a total nominal value in the amount of € 547.0 million. In order to ensure a balanced financing structure, promissory note loans are staggered in terms of their volume and duration.

Cash flow from operating activities amounted to € 311.7 million in financial year 2015 (previous year: € 223.8 million). Free cash flow was at € 133.5 million (previous year: € -38.2 million). Free cash flow adjusted for payments for significant investments or acquisitions and proceeds from significant disposals amounted to € 212.4 million (previous year: € 157.4 million).

Successful product development with a well-filled pipeline and pioneering biosimilar activities

The STADA Group has a successful product development including a well-filled pipeline. With the further expansion of the product portfolio and the launch of 578 individual products worldwide in 2015 (previous year: 626 product launches), STADA once again proved the strength of its development activities.

The Group also made further progress in the area of biosimilars. In the third quarter of 2015, STADA in-licensed Pegfilgrastim, which is expected to be launched under the STADA label shortly after the expiration of the patent in 2017.[2)]

In consideration of the well-filled product pipeline, the Executive Board expects to be able to continuously introduce new products to the individual national markets of the respective market regions in future as well. The focus here remains on generics in the EU countries. In the context of its biosimilar activities, the Group continues to consistently adhere to the strategy of in-licensing biosimilars from highly specialized suppliers in order to expand its biosimilar portfolio in a low-cost and low-risk manner.

1) See the Company's press release of April 1, 2015.
2) See the Company's press release of August 6, 2015.

Active acquisition policy with promising purchases

In the reporting year, the STADA Group continued to pursue an active acquisition policy to accelerate organic growth with external impulses. Overall, the Group concentrates, on the one hand, on the regional expansion of business activities with a focus on high-growth emerging markets. On the other hand, the Group also focuses on the expansion and internationalization of the core segments, in particular Branded Products, as this area is generally characterized by more attractive margins and less regulatory interventions than the generics area.

STADA made further value-enhancing purchases in the context of this active acquisition policy in financial year 2015.

Already in the fourth quarter of 2014, the Russian STADA subsidiary AO Nizhpharm had signed the purchase agreement for the two branded products AndroDoz® and NeroDoz®, which are positioned in the area of men's health. The purchase was completed in the first quarter of 2015.[1)]

In the third quarter of 2015, STADA acquired SCIOTEC Diagnostic Technologies GmbH including the associated sales structures to strengthen its branded product portfolio. The company is primarily focused on the development and marketing of prescription-free (OTC) products against enzymatic food intolerances (histamine, fructose and lactose intolerance).[2)]

For the expansion of the core segment Generics, STADA and the STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH concluded a contract in the fourth quarter of 2015 for the purchase of the Argentinian generics producer Laboratorio Vannier S.A., which sells its products in niches which are subject to few price regulations, particularly in the area of CNS (conditions of the central nervous system), cardiology and diabetes. The purchase was completed in the first quarter of 2016.[3)] Through the acquisition, STADA also expanded its international sales network in a country, in which the Group had not yet been represented with its own sales company.

Furthermore, in the fourth quarter of 2015, STADA sold the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA, which specializes in branded products.

With the goal of expanding its business activities in the area of dermatological treatments, STADA Arzneimittel AG started cooperation with the Austrian company CROMA-PHARMA GmbH through its subsidiary STADA Aesthetics AG.[4)] The long-term cooperation relates to the existing product portfolio as well as the product pipeline, which also includes preparations with the active ingredient botulinum toxin A.

Significant growth in the STADA share price

In 2015, the STADA share price recorded very pleasing development. Despite the geopolitical tensions in Ukraine and the significant devaluation of the Russian ruble in particular, the STADA share price recorded a total increase of 48% in 2015. Whereas the STADA share price closed 2014 at € 25.25, it amounted to € 37.34 at the end of 2015. While STADA's market capitalization amounted to € 1.531 billion at the end of 2014, it was € 2.328 billion at the end of 2015.

1) See the Company's press release of February 4, 2015.
2) See the Company's press release of August 26, 2015.
3) See the Company's press release of December 10, 2015.
4) See the Company's press release of December 17, 2015.

Dividend proposal

With a view to the consistent dividend policy, the Executive Board recommends the Supervisory Board to propose a dividend for financial year 2015 in the amount of € 0.70 per share to the next Annual General Meeting on June 9, 2016 (previous year: € 0.66).[1)] This would represent a dividend increase of 6% compared to the previous year. The resulting total dividend payments of € 43.6 million (previous year: € 40.0 million) would reflect a distribution ratio of approx. 39% of reported net income.

Comprehensive opportunities and risk management

The wide-reaching risk management system aims to continuously identify relevant risks that may jeopardize the Company's continued existence, to assess their effects on the Group and to determine measures that can be taken in due time if necessary. Looking to the current state of the risk management system, there are currently no recognizable risks that could jeopardize the continued existence of the Group in the Executive Board's opinion.

The opportunities management established in the STADA Group, which focuses on the recognition and realization of new growth potential and on securing and expanding upon existing growth opportunities, aims to secure the further success of the Group. It is based on the strategic success factors, which primarily include strong product development, an international sales structure, an active acquisitions policy including experienced integration management, a functionally organized Group with short decision-making processes and close-to-market sales companies, a culture of continuous cost optimization including efficient cost management as well as qualified employees.

Outlook

For the Group's outlook, the Executive Board generally anticipates continued successful development. Overall, the future sales and earnings development of the Group will be characterized both by growth-stimulating and challenging framework conditions in the individual markets of STADA's four market regions. In the overall assessment of opposing influence factors, however, the positive prospects are expected to prevail in financial year 2016. In light of this, the Executive Board anticipates slight growth in Group sales adjusted for currency and portfolio effects, adjusted EBITDA as well as adjusted net income in 2016. The Executive Board expects the ratio of net debt excluding further acquisitions to adjusted EBITDA to be at a level of nearly 3. Detailed information on the outlook can be found in the Management Report of this Annual Report in the chapter "Prognosis report".

1) See the Company's ad hoc release of February 29, 2016.

BOARDS OF THE COMPANY

THE STADA SUPERVISORY BOARD
(as of March 1, 2016)

Dr. Martin Abend, Dresden (Chairman)
Carl Ferdinand Oetker, Düsseldorf (Deputy Chairman)

Dr. Eckhard Brüggemann, Herne
Halil Duru[1)], Frankfurt am Main
Dr. K. F. Arnold Hertzsch, Dresden
Dieter Koch, Kiel
Constantin Meyer, Seelze
Dr. Ute Pantke[1)], Wettenberg
Jens Steegers[1)], Bad Vilbel

The Supervisory Board members can be contacted via STADA Arzneimittel AG's business address.

1) Employee representatives.

THE STADA EXECUTIVE BOARD
(as of March 1, 2016)

Hartmut Retzlaff
Chairman of the Executive Board
Executive Board member since 1992
Chairman of the Executive Board since 1993
Contract until August 31, 2021

Helmut Kraft
Chief Financial Officer
Executive Board member since 2010
Contract until December 31, 2019

Dr. Matthias Wiedenfels
Chief Business Development & Central Services Officer
Executive Board member since 2013
Contract until December 31, 2020

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

THE STADA ADVISORY BOARD
(as of March 1, 2016)

Members of the STADA Advisory Board are appointed by the Chairman of the Supervisory Board on the recommendation of the Executive Board and the Supervisory Board. According to the Company's Articles of Incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore, members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board, appointed for five years from 2014 through 2018, currently includes the following members:

Dr. Thomas Meyer, Seelze (Chairman)
Dr. Frank-R. Leu, Gießen (Deputy Chairman)

Rika Aschenbrenner, Mainburg
Wolfgang Berger, Gießen
Gerd Berlin, Haßloch
Alfred Böhm, Munich
Jürgen Böhm, Kirchhain
Axel Boos, Darmstadt
Reimar Michael von Kolczynski, Stuttgart
Dr. Wolfgang Schlags, Mayen
Jürgen Schneider, Offenbach

The Advisory Board members can be contacted via STADA Arzneimittel AG's business address.

THE STADA SHARE

STADA share codes	
Identification numbers	ISIN: DE0007251803, WKN: 725180
Ticker symbols	Reuters: STAGn.DE, Bloomberg: SAZ:GR

Capital structure

As of December 31, 2015, the subscribed share capital of STADA Arzneimittel AG was at an amount of € 162,090,344.00 (December 31, 2014: € 157,629,420.00) consisting of 62,342,440 registered shares with restricted transferability[1] (December 31, 2014: 60,626,700 registered shares), each with an arithmetical share in share capital of € 2.60. Changes from the previous year were attributable to the exercising of 85,787 warrants 2000/2015. The exercise period of the warrants expired at the end of June 26, 2015.

Capital structure of STADA Arzneimittel AG	Dec. 31, 2015	Dec. 31, 2014
Number of issued registered shares with restricted transferability	62,342,440	60,626,700
Number of outstanding warrants 2000/2015	–[2]	88,176
Number of potential shares from warrants 2000/2015	–[2]	1,763,520

Significant growth in the STADA share price

In 2015, the STADA share price recorded a very pleasing development. Despite the geopolitical tensions in Ukraine and the significant devaluation of the Russian ruble, in particular, the STADA share price recorded a total increase of 48% in 2015. Whereas the STADA share price closed at € 25.25 at the end of 2014, it amounted to € 31.10 at the end of the first quarter of 2015 and finished the first half of 2015 at € 30.26. The STADA share price closed the first nine months of 2015 at € 32.00 and the end of 2015 at € 37.34.

The relevant national comparative indices for STADA showed significant differences in their share price development during the course of 2015. The German benchmark index DAX®[3] recorded growth by 10% as compared to the previous year. MDAX®[4], the index which the STADA share belongs to, increased by 23% in the same period. Both developments relate to their XETRA®[5] closing prices. The Bloomberg Pharmaceutical Index[6] increased by 13% in comparison with the previous year.

STADA's market capitalization amounted to € 2.328 billion at the end of 2015, whereas it was € 1.531 billion at the end of the previous year. Based on Deutsche Börse AG's index system, which only includes free float, STADA occupied position 21 in terms of market capitalization in the MDAX® in 2015. In 2014, STADA occupied position 24 in this category.

1) Under the Company's Articles of Incorporation, STADA's registered shares with restricted transferability can only be transferred and entered into the share register with the consent of the Company's Executive Board and, pursuant to the Articles of Incorporation, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise their voting rights. No shareholder and no shareholder group shall have any special rights.
2) The exercise period of the warrants ended on June 26, 2015.
3) DAX® is the index of Deutsche Börse AG largely consisting of the 30 biggest companies by market capitalization and order book volume.
4) MDAX® is the index of Deutsche Börse AG for midcap companies, largely consisting of the 50 next-biggest companies by market capitalization and order book volume below the DAX®, thus also including the STADA share.
5) XETRA® is the electronic trading system of Deutsche Börse AG.
6) The Bloomberg Pharmaceutical Index is a market capitalization-weighted index of all companies involved in the pharmaceutical sector of the Bloomberg Europe 500 Index. STADA is currently not part of the index.

The average daily volume of the STADA share in the trading volume at the XETRA® trading and the Frankfurt Stock Exchange amounted to a total of € 11.6 million in 2015. In 2014, the average trading volume per day of the STADA share was € 13.7 million. Thus in trading volume in accordance with Deutsche Börse AG's index system, STADA occupied place 21 in 2015. In the previous year, STADA had occupied position 8.

STADA key share data	2015	2014
Number of shares (year-end)	62,342,440	60,626,700
Number of treasury shares (year-end)	87,259	89,835
Average number of shares (without treasury shares)	61,637,621	60,408,501
Year-end closing price (XETRA®) in €	37.34	25.25
High (XETRA® closing price) in €	37.42	38.72
Low (XETRA® closing price) in €	25.10	24.64
Market capitalization (XETRA®) in € million (year-end)	2,327.9	1,530.8
Earnings per share in €	1.79	1.07
Adjusted earnings per share in €	*2.69*	*3.08*
Diluted earnings per share in €	1.79	1.05
Adjusted diluted earnings per share in €	*2.69*	*3.04*
Dividend per share in €	0.70[1)]	0.66

Broadly based shareholder structure with 100% free float

On December 31, 2015, approx. 39,000 shareholders held share capital of STADA Arzneimittel AG. Based on results of regularly carried out analyses of the Company's shareholder structure, STADA assumes that approx. 68% of STADA's shares are held by institutional investors and approx. 10% are held by pharmacists and doctors.

As of December 31, 2015, the Company held 87,259 treasury shares, while STADA had held 89,835 treasury shares on the corresponding balance sheet date of the previous year. As part of an employee share ownership program, STADA sold 2,576 of its own shares in the reporting year at an average price of € 29.78.

In 2015, the Group published all of the received voting rights notices according to Section 26 of the German Securities Trading Act (WpHG). These twelve received voting rights notices, as well as any received later, are available on the website at www.stada.de or www.stada.com.

Directors' Dealings

In 2015, according to information available to the Company, no Director's Dealings occurred.

Annual General Meeting

On June 3, 2015, the STADA Annual General Meeting resolved a dividend of € 0.66 per share that was unchanged from the previous year.[2)] The total dividend payments of € 40.0 million (previous year: € 39.8 million) thus represent a distribution ratio of approx. 62% of reported net income (previous year: approx. 33%). In addition, the Annual General Meeting confirmed the Executive Board and the Supervisory Board with a high level of approval.

1) Proposed.
2) The dividend decision taken at the Annual General Meeting on June 3, 2015 is available on the Company's website at www.stada.de and www.stada.com at least until the end of the current financial year.

CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION OF CORPORATE GOVERNANCE

The Corporate Governance Report pursuant to Section 3.10 of the German Corporate Governance Code (GCGC) and the Declaration of Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB) are available on the STADA website at www.stada.de/cg and www.stada.com/cg.

DECLARATION OF CORPORATE GOVERNANCE

The Declaration of Corporate Governance according to Section 289a of the German Commercial Code includes the declaration on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG), the relevant information on corporate management practices, a description of the working practices of the Executive Board and the Supervisory Board as well as the composition and working practices of the Supervisory Board committees, the specifications pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act as well as the information whether the specified targets were met during the reference period or not, and if not, details on the reasons.

1. Declaration of Compliance 2015

Joint Declaration of the Executive Board and the Supervisory Board of STADA Arzneimittel AG concerning the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

STADA Arzneimittel AG ("STADA") had complied with the recommendations of the German Corporate Governance Code in the version of June 24, 2014 (published on September 30, 2014 in the Federal Gazette) since the last Declaration of Compliance on November 11, 2014, with the exception of the deviations as mentioned there, and STADA will comply with the recommendations of the German Corporate Governance Code in the version of May 5, 2015 (published on June 12, 2015 in the Federal Gazette) in future with the following deviations:

Section 5.3.3: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board believes that such an additional committee is structurally superfluous, but assigned the task of a nomination panel to the Chairmen of the Human Resources Committee and the Audit Committee; the additional remuneration, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus avoided.

Section 5.4.1 Sentence 2: Age limit and regular limit of length of membership for the members of the Supervisory Board

The objectives specified by the Supervisory Board regarding its composition do not contain an age limit or a regular limit of length of membership of the Supervisory Board. In the opinion of the Supervisory Board, age is not a suitable criterion for choosing qualified candidates (male or female) and the expertise of long-time experienced supervisory board members shall in principle be made available to the Company. A solely age-related disqualification or a limit of maximum length of membership defined in advance is not considered appropriate by the Supervisory Board.

Section 6.2: Shares held by members of the Executive Board and the Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and the Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BaFin) in accordance with legal requirements and are published by the Company in accordance with legal requirements. However, the respective holdings of shares and options to purchase and sell such shares by individual members of the Executive Board and Supervisory Board are not published in the Corporate Governance Report. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency.

For STADA, the recommendations of the German Corporate Governance Code serve as a general basis for the Company's activity. In daily practice, however, individual situations may occur in which the application of the Code would lead to limitations in the flexibility of the Company or in the proven corporate practice. In the interest of good corporate governance, deviations from the recommendations of the Code may take place in those individual cases. STADA will, however, regularly review and, if necessary, correct compliance with the Code and the above mentioned exceptions.

Bad Vilbel, October 8, 2015

signed	signed
Dr. Martin Abend	Hartmut Retzlaff
Chairman of the Supervisory Board	Chairman of the Executive Board

2. Relevant information on Company practices
Corporate Governance

STADA Arzneimittel AG is a joint stock corporation under German law and has a dual management and monitoring structure which consists of the Executive Board and the Supervisory Board. The third body of the Company is the Annual General Meeting. Furthermore, there is an Advisory Board according to the Articles of Incorporation.

In the Executive Board and Supervisory Board's view, good corporate governance is an important basis for the Company's success. The Executive Board and the Supervisory Board of STADA view corporate governance as a comprehensive concept of responsible, transparent and value-based corporate management. The Executive Board, Supervisory Board and management staff ensure that corporate governance is actively approached and continuously developed in all areas at STADA. In addition to legal and regulatory requirements as well as the German Corporate Governance Code, corporate governance at STADA also comprises the standards of the internal control system and compliance, the regulations on organizational and supervisory duties in the Company, as well as STADA's internal business guidelines and shared principles and values.

Risk Management and Internal Auditing

The responsible handling of risks is an element of good corporate governance. STADA has systematic risk management and a control system that puts the Executive Board in the position to recognize risks and market trends at an early stage and to immediately react to relevant changes in the risk profile. STADA's risk management and control system thus contributes to the success of the Company. Risk management is part, in regular intervals, of the annual audit of financial statements as well as Internal Auditing. Details hereof can be found in the Management Report of this Annual Report under "Risk Report".

Furthermore, Internal Auditing supports the Executive Board as an independent department outside of the daily operational business. The department evaluates internal procedures and processes from an objective perspective and with the distance necessary. The goal is to achieve optimized business processes, reduced costs and increased efficiency, and to reach internally determined goals, by way of improved internal controls.

Strong compliance culture

Compliance comprises all actions taken by a company in line with legal requirements as well as the drafting and monitoring of internal regulations which a company places on itself. The goal of all compliance efforts is to avoid possible damage to the company and to prevent wrong-doing. At STADA, compliance is embedded in the mission statement of a responsible company leadership and corporate governance. The Compliance Office is responsible for the constant development of a Compliance Management System within the STADA Group. The Compliance Office is the consultant and advisor for all departments and all employees of the STADA Group in its independent and objective role.

All of STADA's business processes and Group activities are carried out exclusively within the framework of respective laws in force.

STADA's Code of Conduct establishes binding Group-wide behavioral guidelines for the entire management and staff of the STADA Group. The goal of the Code of Conduct is to support all employees in legal and ethical challenges in their daily work and to provide them with orientation for correct behavior. Furthermore, internal guidelines, the so-called Corporate Policies, make these behavioral guidelines more concrete for specific topics.

With the aid of various measures such as e-learning measures, traditional training, regular newsletters and leaflets with compliance-relevant content, STADA employees are informed and trained on an ongoing basis of relevant legal requirements and internal guidelines.

The Chief Compliance Officer who is responsible for the Compliance Management System is a member of the Executive Board, coordinates the entire system and receives complaints and information – also anonymously if needed and follows up on suspected compliance breaches. The officer is supported in Germany and internationally by Compliance Managers, and by an external Ombudsman in Germany. In order to guarantee the adherence to legal regulations and internal company policies of compliance in an effective manner, STADA regularly controls and further develops the Compliance Management System.

The Code of Conduct, along with further information regarding compliance, can be found online at www.stada.de or www.stada.com in the Sustainability section of "Corporate Management".

Quality and safety, sustainability and environment, and the STADA mission statement

Details on the topics of "quality", "safety", "sustainability" and "environment" and the mission statement of STADA can be found in the Management Report of this Annual Report in the chapters "Procurement, Production and Quality Management" and "Responsibility and Sustainability".

More detailed information on the discussed corporate governance practices at STADA as well as further information can also be found online at www.stada.de or www.stada.com in the Sustainability section.

3. Description of the working practices of the Executive Board and the Supervisory Board as well as the composition and working practices of their committees

The Executive Board and the Supervisory Board of STADA work in close cooperation for the good of the Company and, after extensive consultation, make fundamental strategic decisions in the context of their legal responsibilities. The Executive Board briefs the Supervisory Board – in the context of its legal obligation to make reports – regularly, promptly and comprehensively regarding all Company-relevant questions of strategy, planning, business development, the risk situation, risk management and compliance. It confirms the strategic orientation of the Company with the Supervisory Board and, in the course of the implementation of the strategy, discusses the respective status at regular intervals. Furthermore, the Chairman of the Supervisory Board maintains regular contact with the Executive Board, particularly with the Chairman of the Executive Board, and discusses with them the strategy, planning, business development, the risk situation, risk management and the compliance of the Company and the Group. The Executive Board and the Supervisory Board adhere to the rules of proper corporate management and have each established their own rules of procedure.

a) Executive Board

The Executive Board is appointed and dismissed in accordance with legal regulations. The Articles of Incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for appointments and dismissals. It appoints Executive Board members for a maximum period of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

Tasks and responsibilities

The Executive Board manages the Company with the goal of sustainable added value in its own responsibility in consideration of the concerns of the shareholders, its employees and other groups connected to the Company. The members of the Executive Board are jointly responsible for corporate governance. The Executive Board runs the businesses in accordance with the legal requirements, the Articles of Incorporation, the rules of procedure and the schedule of responsibilities.

STADA's Executive Board comprises at least two people in accordance with the Articles of Incorporation.

As of the balance sheet date, the Executive Board consisted of three members responsible for the following areas:

- Hartmut Retzlaff, Chairman of the Executive Board (under contract until August 31, 2021), is the Executive Board member responsible for the areas of Marketing and Sales, Corporate Strategy, Corporate Communications, Production, Purchasing and Procurement, Research and Development, as well as Biotechnology.

- Helmut Kraft, Chief Financial Officer (under contract until December 31, 2019), is responsible for, in addition to the area of Finance (Controlling and Accounting, Treasury and Taxes), the areas of Internal Auditing, IT, Investor Relations as well as Business Transformation.

- Dr. Matthias Wiedenfels, Chief Business Development & Central Services Officer (under contract until December 31, 2020), is the member of the STADA Executive Board responsible for Business Development, Portfolio Management, Human Resources, Legal, IP/Patents, Compliance (including Export Control), Risk Management as well as for Quality Assurance and Quality Control.

Working practices of the Executive Board

Despite the overall responsibility of the Executive Board, each member of the Executive Board manages his area of the business in his own responsibility. The distribution of the business areas to individual members of the Executive Board results from a schedule of responsibilities that is a component of the rules of procedure for the Executive Board. The Executive Board as a whole decides upon all matters of fundamental and/or strategic significance or of particular importance for the Company. All members of the Executive Board inform themselves of the significant proceedings within the business areas. Regarding proceedings that also impact the business area of another member of the Executive Board, a member of the Executive Board confers with other affected members of the Executive Board before coming to a decision.

According to the rules of procedure for the Executive Board, the Chairman of the Executive Board is responsible for the coordination of the Executive Board as a whole. The Chairman of the Executive Board represents the Executive Board and the Company in public matters, in particular concerning authorities, associations, economic organizations and publication outlets. He can delegate this task to another member of the Executive Board for particular areas or in individual cases.

The Executive Board regularly holds Executive Board meetings that are convened by the Chairman of the Executive Board. Upon request of a member of the Executive Board, the Chairman must convene an Executive Board meeting. The Executive Board can make resolutions when all members have been invited and at least half of the members take part in the resolution. The Executive Board passes resolutions with a simple majority of votes cast. Absent members of the Executive Board can cast their votes in written form, via text or telephone. The use of a representative is not permitted. Resolution by circulation procedure is also possible provided no member of the Executive Board objects. In case of a tie, the Chairman of the Executive Board shall have the deciding vote. If the Chairman of the Executive Board is absent or delayed, the proposed resolution is rejected in the case of a tie.

For certain business defined in the Executive Board's rules of procedure, the Executive Board must first obtain the approval of the Supervisory Board.

The STADA Executive Board has not established any Executive Board committees.

Conflicts of interest

According to the rules of procedure of the Executive Board, every member of the Executive Board is required to disclose conflicts of interest without delay to the Supervisory Board and to inform the other members of the Executive Board of this. Carrying out ancillary activities, particularly taking on Group-external Supervisory Board positions, requires the prior approval of the Supervisory Board.

Remuneration report

The Remuneration Report, which can be found in the Management Report of the Executive Board, presents the principles of the remuneration system of the Executive Board of STADA as well as individual details of the remuneration of individual members of the Executive Board.

b) Supervisory Board

In accordance with the provisions of the German One-Third Participation Act, the STADA Supervisory Board is comprised of nine members of which six are representatives of the shareholders and three represent the employees. The Annual General Meeting elects the shareholder representatives in accordance with the German Stock Corporation Act and the employees elect employee representatives in accordance with the German One-Third Participation Act.

Tasks and responsibilities

The Supervisory Board appoints the members of the Executive Board. Furthermore, the Supervisory Board monitors and advises the Executive Board in the running of its business operations. Through a regular dialog with the Executive Board, the Supervisory Board is informed of the business development, strategy, corporate planning, the risk situation, risk management and compliance. It agrees the company planning and approves the annual financial statements of STADA Arzneimittel AG and the consolidated financial statements of the STADA Group.

The Supervisory Board included the following members on the balance sheet date:

- Dr. Martin Abend, Attorney, Dresden (Chairman)
- Carl Ferdinand Oetker, Banker, Düsseldorf (Deputy Chairman)
- Dr. Eckhard Brüggemann, Doctor, Herne
- Halil Duru, Deputy Chairman of the Worker's Council released from duty, Frankfurt am Main (Employee Representative)
- Dr. K. F. Arnold Hertzsch, Pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Pharmacist, Seelze
- Dr. Ute Pantke, Director Internal Communications, Wettenberg (Employee Representative)
- Jens Steegers, Chairman of the Worker's Council released from duty, Bad Vilbel (Employee Representative)

The term of all representatives of the shareholders on the Supervisory Board ends with the completion of the Annual General Meeting 2018.

Working practices of the Supervisory Board

The Chairman of the Supervisory Board is responsible for the coordination of work, chairing Supervisory Board meetings and handling the external matters of the Supervisory Board.

The Chairman of the Supervisory Board convenes the Supervisory Board in writing at least 14 days, which may be reduced in exceptional cases, prior to a meeting according to need. Meetings of the Supervisory Board should convene at least once per quarter and must convene twice within a half year (see also Section 16 (5) of the Articles of Incorporation). The meetings of the Supervisory Board and its committees shall as a rule be by personal attendance. In exceptional cases with good reason, the Chairman of the Supervisory Board can elect to hold the meetings of the Supervisory Board and its committees in the form of a telephone or video conference, or permit individual members of the Supervisory Board to participate via telephone or video connection.

The Supervisory Board generally passes resolutions in meetings. Outside of meetings, resolutions made via telephone or in written form (via telefax or with the aid of other common means of communication such as e-mail) are permitted. The Supervisory Board shall constitute a quorum if at least two thirds of its members, including the Chairman of the Supervisory Board or the deputy, are present, or absent members have had another member of the Supervisory Board submit their written vote. Supervisory Board resolutions are passed with a simple majority of votes cast. In case of a tie, the chairman of the meeting shall have the casting vote.

Composition and working practices of the Supervisory Board committees

According to the rules of procedure of the Supervisory Board, the following Supervisory Board committees exist: the Audit Committee and the Human Resources Committee. Other committees, such as a Nomination Committee, can be created as needed.

- Audit Committee

  The Audit Committee deals in particular with monitoring the accounting process, the effectiveness of the internal control system and that of the internal auditing system, the risk management system and compliance. Furthermore, the Audit Committee deals with the financial statement audits, in particular the required independence of the auditor, the additional tasks rendered by the auditor, the award of the audit contract to the auditor, the determination of the main areas for the audit and the fees agreement with the auditor. In addition, it discusses the annual and interim reports with the Executive Board prior to their publication.

  The Chairman of the Audit Committee must have specialist knowledge and experience in the application of accounting principles and internal control processes. Furthermore, the Chairman of the Audit Committee shall be independent and neither the Chairman of the Supervisory Board, nor a former member of the Executive Board whose position ended less than two years ago.

  As of the balance sheet date, the Audit Committee included the following members from the shareholders: Carl Ferdinand Oetker (Chairman), Dr. Martin Abend and Dr. K. F. Arnold Hertzsch. As Chairman of the Audit Committee, Mr. Oetker fulfills the prerequisites outlined above. In its meeting on December 17, 2015, the Supervisory Board elected Mr. Jens Steegers as additional member of the Audit Committee, effective from financial year 2016.

- Human Resources Committee

The Chairman of the Supervisory Board is the Chairman of the Human Resources Committee. The Human Resources Committee prepares the personnel decisions of the Supervisory Board. The committee discusses, in particular, the conditions of the employment contracts for the members of the Executive Board and prepares the resolutions of the Supervisory Board regarding the remuneration system of the Executive Board in that it recommends to the Supervisory Board the structure of the remuneration system and the ranges of the fixed and variable components of the remuneration of the Executive Board. In addition, it ensures together with the Executive Board that long-term succession planning takes place.

Moreover, the Human Resources Committee consults with the Executive Board regarding the strategic personnel development of STADA Arzneimittel AG and prepares the decisions of the Supervisory Board in this area.

As of the balance sheet date, the members of the Human Resources Committee from the shareholders were Dr. Martin Abend (Chairman), Dieter Koch and Constantin Meyer. In its meeting on December 17, 2015, the Supervisory Board elected Halil Duru as additional member of the Human Resources Committee, effective from financial year 2016.

- Nomination Panel

As the declaration on the German Corporate Governance Code already submitted on October 8, 2015 describes in more detail, the Supervisory Board appointed a Nomination Panel, consisting of the Chairmen of the Human Resources Committee and the Audit Committee, to develop objectives and a profile for the composition of the Supervisory Board.

The members of the Nomination Panel on the balance sheet date were Dr. Martin Abend and Carl Ferdinand Oetker.

The Supervisory Board Report contains more detailed information on its meetings and the focus of the Supervisory Board's activities and its committees.

Individualized disclosure of meeting participation

The Supervisory Board considers the individualized disclosure of participation in meetings of the Supervisory Board Plenum and the Supervisory Board committees part of good corporate governance.

	Meeting participation	Attendance in %
Supervisory Board Plenum		
Dr. Martin Abend	8/8	100%
Dr. Eckhard Brüggemann	8/8	100%
Halil Duru	8/8	100%
Dr. Arnold Hertzsch	8/8	100%
Dieter Koch	8/8	100%
Constantin Meyer	8/8	100%
Carl Ferdinand Oetker	8/8	100%
Dr. Ute Pantke	8/8	100%
Jens Steegers	8/8	100%
Audit Committee		
Dr. Martin Abend	4/4	100%
Dr. Arnold Hertzsch	4/4	100%
Carl Ferdinand Oetker	4/4	100%
Human Resources Committee		
Dr. Martin Abend	7/7	100%
Dieter Koch	7/7	100%
Constantin Meyer	7/7	100%

Goals for the composition of the Supervisory Board

In financial year 2012, the Nomination Panel presented to the Supervisory Board Plenum goals as well as an appointment plan for the composition of the members of the Supervisory Board to be elected at the Annual General Meeting on June 5, 2013 as representatives of the shareholders.

In the first quarter of 2012, the Supervisory Board concluded the following **goals for its composition** at its meeting on January 23, 2012 in accordance with Section 5.4.1 of the German Corporate Governance Code (GCGC):

1. General goals

The Company's Supervisory Board is to be composed in a manner that its members as a whole have the required knowledge, abilities and specialist experience in order to appropriately assume the tasks (Section 5.4.1 GCGC), so that all competencies required for the Company's Supervisory Board are actually represented within the Supervisory Board, or rather among the representatives of the shareholders.

The general knowledge of the Supervisory Board members includes, in particular, theoretical knowledge and practical experience in the areas of legal principles and compliance, accounting and risk controlling.

Supervisory Board members are to be familiar with the core segments of the operations of the Company, the development and marketing of products with, generally, active pharmaceutical ingredients which are free of commercial property rights, particularly patents, and regularly also prescription drugs and products required to be or only sold in pharmacies.

Furthermore, the international activities of STADA Arzneimittel AG are to be considered in the composition of the shareholder representatives in the Supervisory Board. Here, criteria include, in addition to fluency in written and spoken English, the understanding of global economic connections and an international Group structure.

In particular, candidates should be recommended who, as a result of their integrity and personality, are in the position to take on the tasks of a Supervisory Board member of the publicly listed STADA Arzneimittel AG. Furthermore, diversity is to be considered.

2. Concrete goals, appointment plan

a) Required knowledge, abilities and specialist experience

Each member of the Supervisory Board is to fulfill the following requirements – in addition to the general requirements of reliability and the specific knowledge required to assume the control function as well as to evaluate, monitor and consult the Executive Board of STADA Arzneimittel AG:

- general understanding of the business activities carried out by STADA Arzneimittel AG, the industry and market environment, and the strategic positioning of the Company,
- the ability to understand and evaluate the reports submitted to the Supervisory Board in order to draw independent conclusions from these; additionally the ability to evaluate and assess the decisions of the Executive Board and the transactions arising as well as to be able to analyze economic connections,
- the ability to understand the documentation submitted for the financial statements and to be able to evaluate these in consideration of company-specific issues, if necessary, with the support of an auditor,
- communicative abilities.

Each member of the Supervisory Board is to contribute as particular in-depth specialist knowledge and sound experience as possible in one or several areas, in order to supplement and support the Supervisory Board as a whole in the task of monitoring and consulting.

The above-mentioned specialist knowledge and experience is to be as widely represented as possible.

b) Personal requirements

Candidates are to be recommended who fulfill the determined personal requirements of the most current version of the German Corporate Governance Code. The personal requirements according to the most current version of the German Corporate Governance Code are also to be upheld during the active term of a Supervisory Board member.

It is also to be ensured that the Supervisory Board members are independent. For candidate recommendations to the Annual General Meeting, it is to be ensured that the individual candidate does not hold a management or consulting function at, nor is in the supervisory bodies of competitor companies, suppliers, significant lenders or customers, so that conflicts of interest can be avoided from the start.

c) Appointment plan

Diversity is to be considered in the recommendation of candidates for the election of shareholder representatives by the Annual General Meeting. Diversity in the Supervisory Board is reflected, among other things, in the various occupational careers and areas of activity, as well as with respect to the internationality of STADA Arzneimittel AG, in the diverse spectrum of experience of the shareholder representatives in the Supervisory Board.

The chairmen of the Human Resources Committee and of the Audit Committee provided the Supervisory Board with the following appointment plan for the new election of shareholder representatives at the Annual General Meeting in June 2013:

– a practicing pharmacist,
– an experienced and knowledgeable pharmacist, in particular in the areas of medicinal care – patent-protected and generic RX and OTC products – at pharmacies, of advise on self-medication and of resulting opportunities thus available for STADA Arzneimittel AG,
– a pharmacist with many years of experience in the pharmaceutical industry, e.g. as the head of production and quality control (e.g. qualified person in the sense of Sections 14 f. of the German Pharmaceutical Act, AMG),
– an independent financial specialist with expertise in the areas of accounting and financial report auditing,
– an attorney experienced in corporate and industrial law.

For further candidates, expertise in the areas of future treatment methods, biotechnology, health care trends, health care systems (in and out-patient care), among other things, is desirable.

Furthermore, the Supervisory Board decided against the determination of an age limit and against a fixed diversity quota. Specific age limits or fixed diversity quotas would only limit the selection of appropriate candidates.

Taking these goals into consideration, the Supervisory Board submitted a candidate recommendation at the 2013 Annual General Meeting, which was approved at that Annual General Meeting.

The Supervisory Board continually monitors the currentness and implementation of the goals for its composition established in the first quarter of 2012. The Supervisory Board therefore dealt with changes to the German Corporate Governance Code in the third and fourth quarters of 2015, which affect the designation of concrete goals for its composition, and therefore passed the regulations, which are subsequently described in further detail.

In the context of the implementation of the Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions, which came into effect on May 1, 2015, at its meeting on August 5, 2015 the Supervisory Board agreed on the target for the proportion of women in the Supervisory Board for the period until June 30, 2017 of at least maintaining the status quo of 11.11%. The Supervisory Board will continue to promote the proportion of women on its board, however recommendations for positions on the Supervisory Board are primarily based on professional and personal qualifications of the candidate, rather than on gender.

In the meeting on August 5, 2015 the Supervisory Board also agreed to abstain from setting an age limit or a regular limit on the length of membership of the Supervisory Board. In the opinion of the Supervisory Board, age is not a suitable criterion for choosing qualified candidates (male or female) and the expertise of long-time experienced Supervisory Board members shall in principle also

be made available to the company. A solely age-related disqualification or a limit of maximum length of membership defined in advance is not considered appropriate by the Supervisory Board.

In its meeting on October 8, 2015 the Supervisory Board again discussed and confirmed target setting for independence in the Supervisory Board. As regards the number of independent members in accordance with Section 5.4.2 GCGC the Supervisory Board continues to believe that all shareholder representatives in the Supervisory Board of STADA Arzneimittel AG should be independent in the sense of the assessment of the Code. Because, as before, in the opinion of the Supervisory Board no concrete indications of relevant relationships or circumstances exist for any of the shareholder representatives, which would be in breach of Section 5.4.2 of the GCGC, this target continues to be met.

In the coming financial year the Supervisory Board will continually assess the validity and implementation of goals for its composition. A general review of the goals of the Supervisory Board will be carried out in due time prior to the Supervisory Board election in 2018.

Conflicts of interest

According to the rules of procedure of the Supervisory Board, members of the Supervisory Board shall not be a member of any board at, or provide consulting services to, significant competitors of the Company. Furthermore, the Supervisory Board members are required to disclose conflicts of interest to the Supervisory Board, particularly those which may arise as a result of consultation or board membership with customers, suppliers, banks or other third parties. Significant and not only temporary conflicts of interest for an individual in the Supervisory Board shall result in termination of the position. In its report, the Supervisory Board informs the Annual General Meeting whether conflicts of interest were recognized and how they were handled.

Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. The subject of the efficiency review includes, in addition to the qualitative criteria to be established by the Supervisory Board, in particular the procedural flows in the Supervisory Board and the flow of information between the committees and the Plenum as well as the prompt and sufficient internal distribution of information.

Remuneration report

The principles of the remuneration system of the STADA Supervisory Board as well as individual details of the remuneration of individual members of the Supervisory Board are discussed in the Management Report of this Annual Report in the “Remuneration Report” chapter.

c) Advisory Board

The Chairman of the Supervisory Board convenes the members of the Advisory Board of STADA Arzneimittel AG upon recommendation of the Executive and Supervisory Boards. According to the Company’s Articles of Incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore, members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board had 11 members on the balance sheet date. The currently elected 11 members of the Advisory Board are appointed until the end of financial year 2018. The principles of the remuneration system of the STADA Advisory Board are discussed in the Management Report of this Annual Report in the “Remuneration Report” chapter.

4. Specifications of Section 76 (4) and Section 111 (5) AktG as well as information regarding whether the set targets were reached during the reference period and justification if not reached

In the implementation of the Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions which came into effect on May 1, 2015 and which is applicable to STADA Arzneimittel AG as a publicly-listed and one-third participation stock corporation company, the Executive Board and Supervisory Board agreed on the goals and deadlines for achievement described subsequently in more detail, in accordance with Section 76 (4) AktG and Section 111 (5) AktG.

a) Specifications by the Executive Board in accordance with Section 76 (4) AktG

In its meeting on August 5, 2015 the Executive Board agreed unanimously on the following targets for the proportion of women in the two management levels below the Executive Board of STADA Arzneimittel AG, in accordance with Section 76 (4) AktG:

The existing proportion of women in the first management level at 23.5% and at 25% in the second management level should at least be maintained for the period up to June 30, 2017. The first management level includes employees of STADA Arzneimittel AG who have personnel responsibility and a direct reporting line to the Executive Board, the second management level includes employees of STADA Arzneimittel AG with personnel responsibility and a direct reporting line to the first management level. As before, the Executive Board will continue to ensure an appropriate promotion of women to continually increase the proportion of women in management positions. The proportion of women of over 50% across the entire workforce of the STADA Group forms the basis for this. However, management positions are awarded primarily based on the professional and personal qualifications of the candidate, rather than based on gender.

b) Specifications by the Supervisory Board in accordance with Section 111 (5) AktG

In its meeting on August 5, 2015 the Supervisory Board established the following goals, described subsequently in more detail, for the proportion of women in the Executive Board and Supervisory Board, in accordance with Section 111 (5) AktG:

As regards the setting of targets for the proportion of women on the Executive Board, for the period up to June 30, 2017 the status quo of 0% should be maintained. Positions on the Executive Board are awarded primarily based on the professional and personal qualifications of the candidate, rather than based on gender. In awarding future Executive Board positions the Supervisory Board will consider an appropriate proportion of women.

As regards the setting of targets for the proportion of women on the Supervisory Board, which currently has one female member out of nine total members, the status quo should be maintained for the period up to June 30, 2017, i.e., a target of at least 11.11% was set for the proportion of women on the Supervisory Board. The Supervisory Board will continue to promote the proportion of women on its board. However, recommendations for positions on the Supervisory Board are awarded primarily based on the professional and personal qualifications of the candidate, rather than based on gender.

c) Report on the achievement of goals

The Annual Report 2017, after the deadline of June 30, 2017, will report on the achievement of the goals.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The shareholders[1)] assume their rights in the Annual General Meeting and exercise their voting rights. Each STADA share[2)] grants entitlement to one vote. Shareholders have the option to exercise their voting right themselves in the Annual General Meeting or to have their voting right exercised by an authorized representative of their choice or by way of a voting representative from the Company, who is bound by instructions. Every shareholder is entitled to participate in the Annual General Meeting, to speak on individual agenda items there and to request information about Company issues, if this is required for the appropriate assessment of an item on the agenda.

The Annual General Meeting takes place annually in the first eight months of the financial year and passes resolutions, among other things, on the allocation of profits, the approval of the Executive Board and Supervisory Board, the selection of the auditor as well as on any changes to the Articles of Incorporation and capital-changing measures.

TRANSPARENT CORPORATE GOVERNANCE

In order to ensure transparent corporate governance, STADA informs shareholders, financial analysts, other capital market participants, the media and the interested public regularly and promptly about the situation of the Company and about any significant business changes.

In order to ensure the equal treatment of all users and to provide market participants the same information in terms of content and in due time, STADA provides all the important documentation on the STADA website at www.stada.de and www.stada.com. There, all interested individuals are provided access, in particular, to all compulsory information such as financial reports (annual and interim reports) and ad hoc releases, voting rights notices, reports in accordance with Section 15a WpHG (Director's Dealings), information on the Annual General Meeting, as well as other comprehensive Company and share information such as press releases, Company profile, financial calendar, presentations and current share price information on STADA (including peer group comparisons). The Company generally publishes up-to-date presentations on its website for the capital markets.

The reporting about the situation and results of STADA Arzneimittel AG and the STADA Group is delivered by the Annual Report, the interim reports and at press and analysts' conferences which can generally be followed live and can be viewed for some time as a recording on the STADA website at www.stada.de and www.stada.com.

1) For capital and shareholder structure see "The STADA Share".
2) Under the Company's Articles of Incorporation, STADA's registered shares with restricted transferability can only be transferred and entered into the share register with the consent of the Executive Board of the Company and, pursuant to the Articles of Incorporation, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise their voting rights. No shareholder and no shareholder group shall have any special rights.

FINANCIAL REPORTING AND FINANCIAL STATEMENT AUDIT

STADA prepares the consolidated financial statements and the consolidated interim financial statements in accordance with the relevant international financial reporting standards and the annual financial statements of STADA Arzneimittel AG in accordance with the rules and regulations of the German Commercial Code.

The auditor and Supervisory Board audit the consolidated financial statements and the consolidated interim financial statements for the first half of the year provided by the Executive Board. The Audit Committee discusses the interim financial reports with the Executive Board prior to their publishing.

STADA publishes the annual financial statements of STADA Arzneimittel AG (including the Management Report) and the consolidated financial statements of the STADA Group (including the Group Management Report) within 90 days of the end of the respective financial year and, in addition, informs shareholders and third parties during the year via interim financial reports within 45 days of the end of the reporting period. The interim financial report for the first half of the year is voluntarily audited by the auditor elected by the Annual General Meeting for this purpose.

The Company does not have a stock option plan.

The significant investments of the Company as well as the related parties are presented in the Notes to the Consolidated Financial Statements.

Prior to submitting the nomination, the Audit Committee receives a declaration from the selected auditor of whether and to what extent commercial, financial, personal or other relationships exist between the auditor, its board members and head auditors on one side, and STADA and its board members on the other side, which could represent any doubts regarding the independence of the auditor. The declaration also covers to what extent in the past financial year other services were provided – or have been contractually agreed upon for the following year – to the Company, in particular in the area of consultancy.

The Supervisory Board agreed with the auditor that the Chairman of the Supervisory Board or Audit Committee shall be informed without delay of any possible grounds for exclusion or bias arising during the audit insofar as these are not remedied immediately.

Furthermore, the Supervisory Board agreed with the auditor that the auditor shall report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit, as well as that the auditor shall disclose and/or note in the Auditor's Report if, during the performance of the audit, the auditor comes across facts which show a misstatement by the Executive Board and Supervisory Board in the declaration on the German Corporate Governance Code.

The auditor participates in the meetings of the Supervisory Board regarding the semi annual, annual and consolidated financial statements and reports the significant results of the audit.

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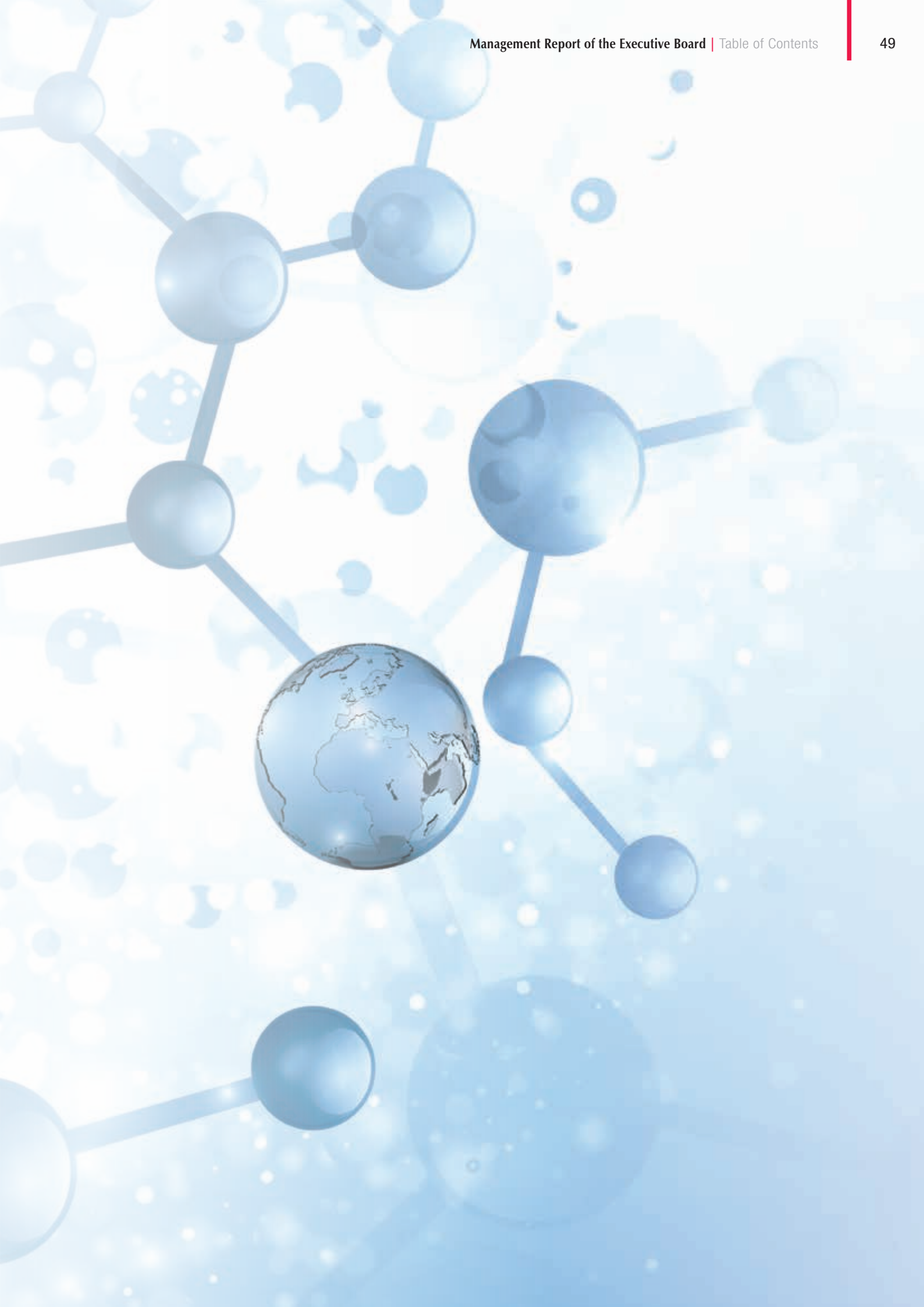


BASIS OF THE GROUP
Group Business Model

Focus on health care market concentrating on pharmaceutical market

The STADA business model is focused on the health care market, whereby particularly the pharmaceutical market – one of the global growth markets – is at the heart of the internationally focused Group activities.

The global health care and pharmaceutical markets recorded further increase in 2015. Sales in the international pharmaceutical market thus increased by approx. 8.9%[1)] to approx. € 987 billion[1)] as compared to the previous year.

On the basis of both general as well as generics-specific growth drivers, numerous national health and, in particular, pharmaceutical markets will continue to be characterized in the future by high growth opportunities that are relatively independent of economic activity, in the Executive Board's assessment. These opportunities are based, on the one hand, on general growth drivers such as the global population growth, an increasingly aging society in industrialized countries as well as further medical progress. On the other hand, there will be a progressive generics penetration as a result of increasing spending restraints in individual national health systems, continuous patent expirations and other commercial property rights. The latter also applies to the promising field of bio-pharmaceuticals with high sales and earnings potential. Furthermore, the demand for OTC products (non-prescription drugs), which are reported in the Branded Products core segment at STADA, is increasing. This is due, on the one hand, to the fact that they are, with only a few exceptions, not reimbursable and therefore relieve the global health care systems. On the other hand, the number of so-called "self-improvers", who rely on self-medication in health care and, with a growing tendency, spend an increasing amount of money on this, particularly in the Western industrialized nations.

In view of the continually rising demand in the health care market and the fact that drugs continue to offer a relatively high level of efficiency as compared to other forms of treatment, further growth is also expected for the global pharmaceutical market in future. According to forecasts, sales in the international pharmaceutical market will increase by 5% to 7% per year by 2020 (see "Prognosis Report").[1)]

The STADA Group focuses on selected segments within the health care and pharmaceutical market. With regard to costs and risks, STADA deliberately refrains from conducting research on, and marketing new active pharmaceutical ingredients. Instead, the Group concentrates on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents. In this context, the products sold by STADA are primarily positioned in the two core segments of Generics and Branded Products.

With regard to regional divisions, STADA's business activities are focused on the four market regions of Central Europe, CIS/Eastern Europe, Germany as well as Asia/Pacific & MENA[2)].[3)]

Core segments and non-core activities

According to the Group's strategic positioning, STADA focuses its business model on products with off-patent active pharmaceutical ingredients in the two core segments **Generics** and **Branded Products**.

While Generics sales focus on low pricing and/or cross-product and cross-indication marketing, Branded Products marketing focuses on the respective product characteristics and, in particular, the brand name of the individual products.[4)]

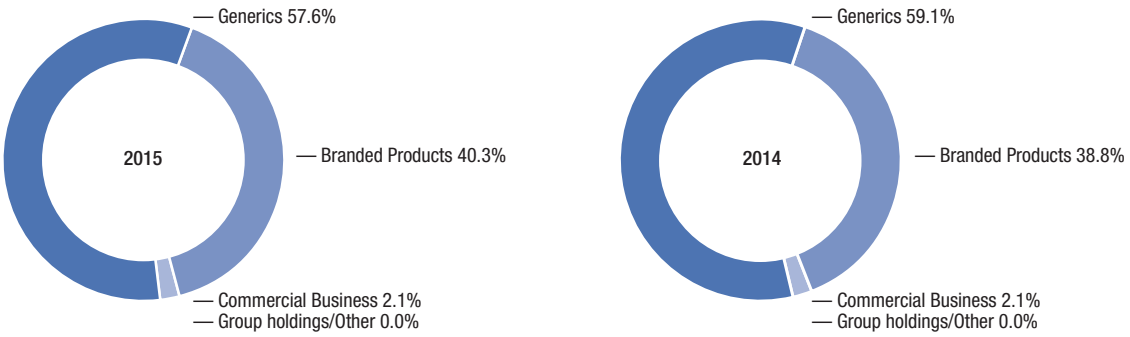
1) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.
2) Since January 1, 2015, the former market region Asia & Pacific has been grouped together with the activities of the MENA region and reported in the market region Asia/Pacific & MENA.
3) For a breakdown of the national sales activities of the STADA Group according to the four market regions, see "Development of Segments".
4) For a detailed segment definition see Notes to the Consolidated Financial Statements – 42.

Apart from the different sales positioning, the two core segments are differentiated from one another in other aspects such as the demand structure, growth and margin expectations as well as the respective requirements of portfolio expansion and the development strategies.

In the Generics segment, the requirements for the product portfolio are closely tied to the regulatory structure of the individual markets in the respective market regions and the regional market power of the local STADA subsidiary. STADA is generally positioned as a so-called full-portfolio provider in this segment. In this context, the product portfolio includes numerous dosage forms and strengths for the most relevant active pharmaceutical ingredients and thus partly also products with only a small sales contribution. In only few markets such as the United Kingdom, however, STADA is active as a niche provider in the area of generics. This means that the respective subsidiary offers a selected product portfolio with special pharmaceutical ingredients that have good sales prospects in the corresponding market. The Group adopts this type of portfolio structure if it seems to be promising based on specific local market conditions, and in particular taking earnings aspects into consideration.

The Group pursues a generally selective portfolio approach in the Branded Products core segment. STADA thereby markets branded products in consideration of availability and demand in selected markets of the individual market regions. In general, the Group hereby pursues a concept of so-called “strong brands”, which, in view of their high brand awareness – ideally as the local market leader – generate growth largely independent of local market trends with comprehensive promotional and sales support.

Share of core segments and non-core activities in STADA Group sales



In the reporting year, the two core segments Generics and Branded Products contributed a total of 97.9% to Group sales (previous year: 97.9%). The core segment Generics contributed 57.6% to Group sales (previous year: 59.1%); 89% of the generics were prescription products (previous year: 89%). The core segment Branded Products contributed 40.3% to Group sales (previous year: 38.8%); 66% of the branded products were non-prescription products (previous year: 63%).[1)]

STADA includes business and investments in areas outside the two core segments under non-core activities.

1) At Group level, prescription products contribute approx. 67% (previous year: approx. 69%) and non-prescription products approx. 33% (previous year: approx. 31%) to Group sales (according to national categorization).

The **Commercial Business** segment includes activities primarily with a trading character such as wholesaling activities. In financial year 2015, this item contributed 2.1% to Group sales (previous year: 2.1%).

Core segment Generics

In financial year 2015, sales in the international generics market increased by approx. 8.5%[1)] to approx. € 169.8 billion[1)] as compared to the previous year. The market share of generics in the global pharmaceutical market amounted to approx. 17.2%[1)].

For the expansion of the core segment Generics, STADA and the STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH signed a contract in the fourth quarter of 2015 to purchase the Argentinian generics producer Laboratorio Vannier S.A., which sells its products in niches which are subject to few price regulations, particularly on conditions of the central nervous system (CNS), cardiology and diabetes. The purchase was completed in the first quarter of 2016.[2)]

According to the estimate of the STADA Executive Board, generics continue to have growth opportunities within the pharmaceutical market, as they ensure a cost-effective medicative therapy without any loss in quality and, at the same time, counteract increasing cost pressure in the individual health care markets. In addition, the potential available for generics competition is constantly being expanded due to the expiration of patents or other commercial property rights.

These views are also confirmed by forecasts of IMS Health, a leading international pharmaceutical market research institute (see “Prognosis Report”).

In the generics area, biosimilars in particular will play an increasingly important role in the future, as they can contribute significantly to containing costs in the individual national health care markets. Already in 2014, a paradigm shift took place, as, for the first time ever, there were more patent expirations among biopharmaceutical products than chemical-synthetic products. Overall, twelve of the strongest biologics in terms of sales will have lost their patent protection by 2020[3)].

In light of this growth potential, STADA consistently continues to pursue its strategy of in-licensing biosimilars specifically from highly specialized suppliers, since this represents the course with a lower risk and lower costs for the Group than relying on in-house developments (see “Product Development”).

Core segment Branded Products

Since branded products are generally exposed to less regulatory intervention and have more attractive margins than the generics area, STADA has been pursuing the strategy of driving the expansion of this area for several years. In doing so, the Group, which celebrated its 120-year anniversary in 2015, focuses increasingly on its original business activities, having expanded its portfolio by generics only in 1975.

The Group increasingly leverages synergies for the international positioning of its branded products. At the same time, STADA takes account of the growing Group-wide importance of this segment in relying on the advantages of a centralized portfolio management structure and a decentralized marketing structure. On the one hand, STADA has been introducing existing branded products into new markets in order to accelerate the expansion and the internationalization of this segment. On the other hand, the Group has been expanding its portfolio by new branded products.

1) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.
2) See the Company’s press release of December 10, 2015.
3) Source: “Deutsches Ärzteblatt” (a German medical journal) of March 14, 2014; 111 (11): A-452 / B-388 / C-372: Biosimilars: Das Wettrennen ist in vollem Gange (Biosimilars: The race is well underway).

The marketing and development expertise of the British STADA subsidiary Thornton & Ross, one of the most important health companies in the United Kingdom and the number four company in the British OTC market, plays an important role in the support of the STADA "Center of OTC Excellence". In this context, the Group makes use of Thornton & Ross' competence, infrastructure and the technical possibilities in the areas of OTC, consumer marketing and dermatology. In principle, "Center of OTC Excellence" was conceived as a think tank for the entire Group for the cooperation of an interdisciplinary team from the areas of market research, marketing, research & development, production and business development. The main focus is the long-term pipeline and portfolio development in the areas of OTC and dermatology.

Among the leading OTC companies in the STADA market regions, STADA occupied position 9[1)] in 2015.

Sales of the international OTC market in 2015 increased by approx. 7.8%[2)] to approx. € 69.03 billion[2)] as compared to the previous year. The market share of OTC products in the global pharmaceutical market amounted to approx. 7.7%[2)].

In the reporting year, STADA was able to further strengthen the Branded Products segment through various acquisitions. In the first quarter of 2015, the Russian STADA subsidiary AO Nizhpharm completed the acquisition of the two branded products AndroDoz® and NeroDoz®, which are positioned in the area of men's health.[3)] In the second and third quarter of 2015, the German subsidiary STADAvita expanded its branded product portfolio by the nutritional supplement RYDEX[375] IMMUN-POWER[4)] and the premium sun protection line SWYZZ SUN[5)]. In the third quarter of 2015, STADA acquired the Austrian company SCIOTEC Diagnostic Technologies, which is primarily focused on the development and marketing of prescription-free (OTC) products against enzymatic food intolerances (histamine, fructose and lactose intolerance).[6)] With the goal of expanding its business activities in the area of dermatological treatments, STADA Arzneimittel AG started a cooperation with the Austrian company CROMA-PHARMA GmbH through its subsidiary STADA Aesthetics AG.[7)] (See "Economic Report – Business Development and Situation – Financial Situation".)

Operative alignment

STADA has a predominantly functional organizational structure in the areas of product development, procurement, central purchasing, production, quality management, finance, risk management, compliance and corporate governance. However, the main strategic responsibility in each case lies with STADA Arzneimittel AG. Certain sales functions are deliberately excluded from this alignment. They are focused locally and organized through the STADA market regions with a primarily regional focus to ensure the greatest possible degree of market proximity. In this context, the sales responsibility, which comprises sales and earnings of the market regions, their product portfolio and their personnel management, was allocated to the respective regional management.

The goal of this operative alignment is to possess the necessary flexibility and market proximity for the business model to be able to react quickly to changed framework conditions, despite the Group-wide harmonization and centralization that are needed in order to increase efficiency.

Against this backdrop, the division into the core segments Generics and Branded Products as well as the non-core activity Commercial Business is carried out essentially on sales aspects. Thus, the different sales requirements of the individual product categories are also reflected in the operational management of the Group.

1) IMS Health MIDAS – EU28+RU+CH+NO+RS – Panel: Retail + Hospital – MAT/12/2015, without cosmetics and RX branded products.
2) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016. IMS MIDAS (September) 2015.
3) See the Company's press release of February 4, 2015.
4) See STADAvita's press release of April 15, 2015.
5) See STADAvita's press release of September 17, 2015.
6) See the Company's press release of August 26, 2015.
7) See the Company's press release of December 17, 2015.

Product Development

Strategic and organizational basis of development activities

In view of the strategic positioning and the business model, the STADA Group deliberately does not conduct any own research for new active pharmaceutical ingredients, but rather focuses on the development of products with generally pharmaceutical active ingredients, which are no longer subject to any commercial property rights, particularly patents.

The focus of Group-wide development activities is on the development of generics and branded products for global marketing using STADA's sales companies. Furthermore, the development activities focus on the expansion of the existing product portfolio by way of additional dosage forms or strengths and the internationalization of nationally successful products. Furthermore, the Group is working on supporting transfer projects, e.g. the transfer of knowledge in the production area, as well as on the optimization of products already launched with the goal of improving usage or optimizing production costs.

Development activities for new products focus on their market readiness. In the case of pharmaceuticals this usually involves obtaining national approval from the responsible regulatory authorities in the context of differentiated, largely supranational approval processes. In the majority of cases, STADA Arzneimittel AG, as the central development unit, prefers supranational – in particular EU-wide – approval processes in order to achieve numerous national approvals of a product in different countries nearly simultaneously. Approval procedures outside of the EU are carried out, if possible, on the basis of the EU dossier of the individual products, so that the Group can thereby fall back on a standardized formulation. In addition, economies of scale should be achieved through the international orientation of development activities with the aid of optimized batch sizes.

The Group-wide development activities are generally aimed at the long-term – particularly in the Generics segment – in order to drive organic growth through a continuous flow of new product launches. In view of this, STADA is already today working on the development of generic products with potential launch dates beyond 2024. STADA currently assumes a regulatory preparation time including an average approval period of three years for generics with Group-wide relevance. STADA generally pursues a "time and cheap to market" strategy with the goal of launching new products not only at the earliest point in time, but also at the best possible cost of sales.

Considering the great significance that strong product development has for the further success of the Group, the planning and organization of development activities is generally structured centrally at STADA Arzneimittel AG. Group-owned development centers for internationally oriented projects are located in Bad Vilbel, Germany, and Vrsac, Serbia. In order to optimally manage development resources and close technological gaps, STADA also cooperates with external third-party developers from Europe and Asia. Apart from in-house and third-party development, STADA generally takes advantage of a global network of external development partners, through which the Group acquires dossiers or approvals. In view of the great significance of strong product development for the future success of the Group, the punctual coordination of such a network – also in terms of costs and the respective commercial property rights – ranks as one of the Group's strategic success factors.

With a view to cost savings, STADA has continually increased the number of in-house developments of strategically important and high-sale products in recent years. This particularly allows for the optimization of procurement and production costs, as the purchase

of dossiers and their accompanying initial supply commitments can be reduced. In exceptional cases, individual local business units carry out own development activities. However, this only applies to new products that are not significant for the Group.

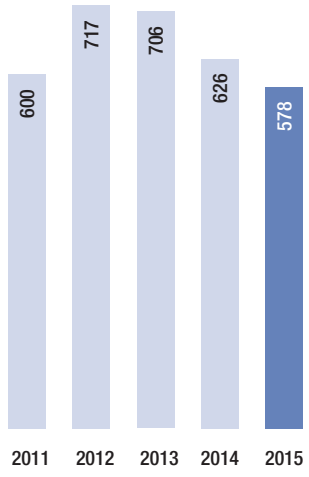
On the basis of a Group management function of STADA Arzneimittel AG, the Group has control of all Group-wide development projects through central project management with interface management, which facilitates the transparent management of product development.

The core segment Generics is one of the main focus areas of the development activities. Depending on the local patent and approval situation and on the relevant market strategy, the decision as to which active pharmaceutical ingredients are to be launched into a market and when, is made in cooperation with the management of the respective market region. As the long-term success of a generic drug also depends on its time of launch, STADA aims to have completed the development of all relevant, in the view of the Group, strengths and dosage forms of an active pharmaceutical ingredient as early as possible, in order to be able to make these and all required approvals available to individual sales companies as soon as possible after the expiration of the respective patent and/or commercial property right.

Within the framework of determining a launch date for a generic in a market, the commercial property rights, that have to be observed respectively, play an important role, as their scope and duration can be very different from market to market. As a precautionary measure, the STADA Group management and the regional management continuously receive legal recommendations on commercial property rights from both internal and external experts. In spite of this, legal disputes can occur before or after the launch of new generics, which are, in some cases, commenced by initial suppliers. These particularly concern the validity of commercial property rights, which stand in contrast to the Group's assessment and, in exceptional cases, can also give rise to a negative result for STADA.

Within the area of innovative branded products, in particular of non-prescription drugs, nutritional supplements and cosmetics, development activities are being expanded continuously to support the increasingly strategic orientation of the Group toward this core segment. The implementation of this strategy is carried out in close cooperation with STADA's "Center of OTC Excellence".

5-year development: Number of product launches



Sustainable development and approval strength

STADA's sustainable strength in development and approval becomes clear through the high number of annual product launches. In financial year 2015, the Group proved this with the introduction of 578 individual products worldwide (previous year: 626).

The great importance of STADA's successful product development is displayed by the 5% share in sales (previous year: 5%) generated with products the Group introduced in the last two years[1)2)].

The Group continues to have a well-filled product pipeline. This is also shown by the high number of ongoing approval procedures as of December 31, 2015 totaling more than 1,300 for more than 150 active pharmaceutical ingredients and active ingredient combinations for over 55 countries. This applies in particular to generics in the EU. In addition, the Group also conducts approval activities in markets outside of the EU where it is active with its own subsidiaries or in the export business.

1) Reporting year and previous year.
2) Not including products and sales from acquisitions.

The high level of expertise in product development becomes clear not only through the large number of successful new launches in the area of classic generics, but also considering activities in the increasingly important field of biosimilars, particularly in competitive and margin aspects.

The Group has been already successful on the German market with SILAPO®, a biosimilar epoetin, already since 2008. Since 2014, STADA subsidiary cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH has sold the filgrastim product Grastofil®[1], in-licensed from Apotex.

Cooperation with Gedeon Richter for the monoclonal antibody Rituximab[2], whose approval is expected in 2018 from today's perspective, has existed since 2011. Since 2014, there has been a contract with Richter-Helm BioTec for the in-licensing of Teriparatid[3], which is expected to be launched in 2019 under the STADA label throughout Europe following the expiration of the patent of the original product, Forsteo®. In financial year 2015, STADA in-licensed Pegfilgrastim[4] from Gedeon Richter, which should be introduced under the STADA label shortly after patent expiration in 2017. In addition, STADA also has the possibility of in-licensing a biosimilar to Adalimumab[5] from biotech specialist mAbxience, currently internationally known by its best-selling and original product Humira®.

In light of the existing potential in the biosimilars area (see "Prognosis Report"), STADA will continue to pursue the strategy of selectively in-licensing biosimilars from highly specialized partners instead of relying on in-house developments, since this represents the course with the lowest risk and lower costs for the Group. In order to expand the existing biosimilar portfolio in a targeted manner, STADA continuously reviews offers for in-licensing biosimilars for various indications, which meanwhile also cover biosimilars for monoclonal antibodies whose patents expire as from 2020.

Expenses for research and development costs

The research and development costs amounted to € 65.0 million in the reporting year (previous year: € 56.9 million) (see "Economic Report – Business Development and Situation – Earnings Situation – Development of Earnings and Cost"). Since STADA is not active in research for new active pharmaceutical ingredients due to its business model, it is only a matter of development costs. In addition, the Group capitalized development costs for new products in the amount of € 26.1 million in 2015 (previous year: € 27.5 million). This corresponds to a capitalization rate of 28.6% (previous year: 32.6%). Amortization of capitalized development costs in the reporting year amounted to approx. € 8 million (previous year: approx. € 6 million). In financial year 2015, 594 employees were working Group-wide in the area of product development (previous year: 571).

1) See the Company's press release of October 28, 2013.
2) See the Company's press release of August 30, 2011.
3) See the Company's press release of October 13, 2014.
4) See the Company's press release of August 6, 2015.
5) See the Company's press release of November 18, 2014.

Procurement, Production and Quality Management

Global network for procurement of active ingredients and auxiliary materials

Under flexibility and cost aspects, the Group has generally abstained from manufacturing any active ingredients or auxiliary materials necessary for pharmaceutical production in the Group itself, but utilizes a global network of raw materials suppliers. Thereby, within the scope of its strategic function, STADA Arzneimittel AG concentrates, particularly for the procurement of active pharmaceutical ingredients, on low-priced suppliers from low-cost countries, primarily from Asia. Nevertheless, the Group does not generally rule out future cooperations in the area of active pharmaceutical ingredient production with the goal of achieving greater vertical integration.

In view of the strongly established continuous cost optimization in the Group, both China and India represent important resource countries for low-cost active ingredient procurement. STADA currently has procurement offices in Shanghai, China, and in Mumbai, India.

If products of the Group are produced in the context of contract manufacturing, STADA is dependent on the prices of contract manufacturers in addition to the global purchase price developments for the necessary raw and auxiliary materials. As far as possible, STADA involves suppliers in the risk of margin losses due to falling selling prices. This occurs, for example, by using price escalation clauses in which procurement prices are linked to selling prices, subsequent negotiations or the agreement of special procurement prices for special sales volumes, such as volumes that are put out to tender by public health insurance organizations in the context of discount agreements.

Centralized needs planning

In the area of the supply chain, the Group's needs planning for important products is carried out centrally. In addition, there are three so-called supply chain hubs at the locations in Bad Vilbel, Germany, Vrsac, Serbia, and Moscow, Russia, which are managed through STADA Arzneimittel AG and where the centralized needs planning is carried out for selected top products in the Group. The related pooling of services allows STADA to achieve cost synergies and thus cost savings. In consideration of the continuous cost optimization, this concept will be continuously developed in the context of an ongoing improvement process.

High flexibility and continuous cost optimization in the supply chain and pharmaceutical production

In view of the comprehensive product portfolio of over 800 active pharmaceutical ingredients with over 16,000 product packagings marketed by the Group, each different in terms of its active ingredients and/or quantities of the active ingredients and/or dosage forms and/or package sizes, STADA utilizes an international network of internal and external resources in the supply chain and pharmaceutical production.

The concentration of production processes at Group-owned locations, which was initiated as part of the cost optimization program "STADA – build the future", was continued in financial year 2015. On the one hand, this applies to the gradual assumption of production volumes from contract manufacturing, and, on the other hand, to a shift of production volumes within Group-owned production facilities. Through the concentration process, the Group benefits from both the structural cost advantages, which result from the usage of sites in low-cost countries, and the higher capacity, which leads to a reduction of unit prices.

The EU-GMP certified production facility in Huddersfield, United Kingdom, which was added to the Group's internal production network in the course of the acquisition of the British OTC supplier Thornton & Ross in 2013, was also further integrated in the production network of STADA Arzneimittel AG in 2015. Central capacity utilization was further increased through various product transfers of previously externally produced products, as a result of which unit prices could be reduced.

The production facilities for nutritional supplements, which were newly incorporated into the production network in 2015 as part of the purchase of SCIOTEC Diagnostic Technologies in Tulln, Austria, will be integrated in 2016 following a transition and adjustment period.

In the second quarter of 2015, the Serbian STADA subsidiary Hemofarm in Vrsac opened a state-of-the-art production and filling facility for ampoules.[1] The equipment and technology of the new production facility, which is worth € 4.37 million, is of the highest international standard and strengthens one of the Group's most important locations. Across a floor area of 600 square meters, up to 75 million ampoules will be produced annually, which are intended for the Serbian market but also primarily for export.

The expansion of the process optimization program in the technical areas was continued in financial year 2015, through which significant optimizations were achieved. Ongoing improvement in all technical/operative processes is always extremely important for the STADA Group in order to continuously ensure competitiveness.

As of March 1, 2016, the Group had pharmaceutical production facilities at the following locations:

Market region Central Europe	· **Huddersfield** (United Kingdom)
	· **Tulln**[2)3)] (Austria)
Market region CIS/Eastern Europe	· **Banja Luka** (Bosnia-Herzegovina)
	· **Dubovac** (Serbia)
	· **Nizhny Novgorod** (Russia)
	· **Obninsk** (Russia)
	· **Podgorica** (Montenegro)
	· **Sabac** (Serbia)
	· **Vrsac** (Serbia)
Market region Germany	· **Bad Vilbel** (Germany)
	· **Buenos Aires**[4)] (Argentina)
	· **Pfaffenhofen** (Germany)
Market region Asia/Pacific & MENA	· **Beijing**[4)] (China)
	· **Binh Duong Branch** (Greater Ho Chi Minh City area) (Vietnam)
	· **Hoc Mon District**[4)] (Greater Ho Chi Minh City area) (Vietnam)
	· **Tuy Hoa**[4)] (Vietnam)

The Group makes appropriate annual investments to ensure that all Group-owned production facilities and test laboratories are maintained at the level required by legal stipulations and technical production considerations. Investments in the expansion and renewal of production facilities and plants as well as test laboratories, amounted to € 32.2 million in the reporting year (previous year: € 19.7 million).

1) See the Company's press release of June 8, 2015.
2) Since September 1, 2015.
3) Exclusive production of nutritional supplements – see the Company's press release of August 26, 2015.
4) Production unit that is exclusively or primarily focused on local demand and not integrated in the Group.

Highest safety and quality requirements

As an internationally active health Group, STADA sets the highest requirements for the quality and safety of its products. These requirements apply to the quality of raw materials, products, services and working conditions.

In the context of regular and comprehensive audits, the Group-wide quality management reviews the quality standards set by the Group, which in part by far exceed the legal requirements, not only at its own production sites, but also in the facilities of suppliers and contract manufacturers.

Furthermore, inspections are carried out externally in regular intervals by the respective nationally responsible regulatory authorities. Within the EU, these inspections are carried out every two to three years. In addition to inspection by national authorities outside the EU, STADA also orders EU Good Manufacturing Practice Compliance inspections (EU GMP compliance inspections) in order to receive extensions of the required EU import authorizations valid for three years each. In this context, the authorities responsible for the Group review whether the inspected production facilities meet the EU GMP standards. Between 2013 and 2015, a total of eleven inspections were successfully completed in third countries. This included inspections in the production facilities of Hemofarm A.D., Vrsac, Serbia; Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina; Hemofarm d.o.o., Sabac, Serbia; Hemomont d.o.o., Podgorica, Montenegro; LCC Nizhpharm J.S.C., Nizhny Novgorod, Russia; Hemofarm LLC, Obninsk, Russia; Pymepharco Joint Stock Company, Tuy Hoa, Vietnam; and STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam.

Since the Group aims to guarantee, also in countries outside of the EU, EU quality standards for drugs, which often go beyond local requirements, the Group-owned production facilities not located in the EU in Banja Luka, the greater Ho Chi Minh City area (Binh Duong Branch), Nizhny Novgorod, Obninsk, Podgorica, Sabac, Tuy Hoa and Vrsac are set up for the production of certain pharmaceutical dosage forms for EU countries and are therefore authorized by the responsible EU regulatory authorities for delivery to the EU according to the previously mentioned inspections.

In addition to legal provisions, STADA holds international certifications in accordance with external quality management systems. Accordingly, at numerous production sites, the Group not only focuses on GMP standards but also on the relevant ISO standards. At several locations, STADA holds various ISO certificates such as ISO-9001:2008 and ISO-14001:2004.

If quality problems occur in individual cases despite all the preventative and controlling measures, the quality management area focuses on an active approach to identify the root cause as quickly as possible and to find an appropriate solution. The procedure led to success at the Serbian production facility in Vrsac, for example, where technical problems arose in the injection substances area which is primarily used for contract manufacturing in the third quarter of 2011. In the context of the ongoing GMP optimization program, STADA had in the fourth quarter of 2014 displayed the willingness for re-inspections by the US regulatory authority FDA, which were carried out successfully in the second quarter of 2015. All relevant measures for meeting the FDA requirements were completed in the fourth quarter of 2015.

In general, the Group-wide quality management through STADA Arzneimittel AG is focused centrally, internationally and on a low-cost activity.

Sales and Marketing

Functionally organized Group with local and close to market sales companies

The international sales structure of the Group is made up of numerous nationally aligned sales companies, thereby with close market proximity, which are centrally organized within STADA's four market regions and managed regionally by the sales functions with a local focus.

Depending on the local market structure and the specific demand structure, the STADA subsidiaries concentrate on various target groups – such as patients and/or consumers, doctors, doctors' cooperatives, pharmacies, pharmacy cooperatives, hospitals, wholesalers and other service providers in the health care market as well as on cost bearers in the form of public health insurance organizations or private insurances – in the area of sales and marketing in coordination with the management of the corresponding market regions.

Generally, the sales activities are coordinated at an international level in the Group. This applies, among other things, to the structuring of the portfolio in the context of the further internationalization of individual products or sales activities such as wholesaling cooperative agreements. If necessary due to structural or legal framework conditions, the marketing and sales activities of various sales companies within the individual market regions are separated.

While adhering to the strategic requirements of the Group, the subsidiaries are responsible for sales decisions in their respective local market in order to meet the requirements of the respective local target group.

This market region-oriented sales concept enables STADA to respond promptly to changes in the individual markets of the respective market regions and to immediately adjust local sales to the corresponding requirements.

In order to strengthen the core segment Generics, STADA and the STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH signed a contract for the purchase of the Argentinian generics producer Laboratorio Vannier in the fourth quarter of 2015. Through the acquisition, STADA has also expanded its sales network in a country where the Group had not yet been represented with a sales company of its own.[1)]

1) See the Company's press release of December 10, 2015.

Continuous expansion and further internationalization of the international sales network

In the course of the active acquisitions policy, STADA will also continue to gradually expand the existing sales network in the future. On the one hand, this is to reduce the dependence on individual countries which are characterized by difficult regulatory framework conditions for generics, and, on the other hand, to ensure optimal usage of existing growth opportunities.

As of March 1, 2016, the Group was active in the four market regions Germany, Central Europe, CIS/Eastern Europe and Asia/Pacific & MENA with numerous sales companies. The sales focus was on the market regions Germany, Central Europe and CIS/Eastern Europe.

In the Asia/Pacific & MENA market region, as of March 1, 2016, the Group was represented with its own sales companies in China, the Philippines, Thailand, Vietnam as well as in Egypt and the United Arab Emirates.

More information on the development of Group's sales activities in the individual market regions carried out in financial year 2015 is provided under "Economic Report – Situation – Earnings Situation – Development of Segments – Information by Market Region".

STADA sales structure (as of March 1, 2016)[1]

The following overview shows STADA's sales structure with all significant sales companies according to the allocation to the Group's four market regions.

Market region Central Europe	Belgium	· S.A. Eurogenerics N.V., Brussels
	Denmark	· STADA Nordic ApS, Herlev
	France	· EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt
	United Kingdom	· Britannia Pharmaceuticals Ltd., Reading · Internis Pharmaceuticals Ltd., Huddersfield · Thornton & Ross Ltd., Huddersfield
	Ireland	· Clonmel Healthcare Limited, Clonmel
	Italy	· Crinos S.p.A., Milan · EG S.p.A., Milan
	The Netherlands	· Centrafarm B.V., Etten-Leur · Centrafarm Services B.V., Etten-Leur · Healthypharm B.V., Etten-Leur · Neocare B.V., Etten-Leur
	Austria	· STADA Arzneimittel Gesellschaft m.b.H., Vienna · SCIOTEC Diagnostic Technologies GmbH, Tulln
	Poland	· STADA Poland Sp. z o.o., Warsaw
	Portugal	· Ciclum Farma, Unipessoal, LDA, Paco de Arcos
	Switzerland	· Spirig HealthCare AG, Egerkingen
	Slovakia	· STADA PHARMA Slovakia s.r.o., Bratislava
	Spain	· Laboratorio STADA, S.L., Barcelona
	Czech Republic	· STADA PHARMA CZ, s.r.o., Prague
Market region CIS/Eastern Europe	Bosnia-Herzegovina	· Hemofarm Banja Luka d.o.o., Banja Luka
	Bulgaria	· STADA PHARMA Bulgaria EOOD, Sofia
	Kazakhstan	· Nizhpharm-Kasachstan TOO DO, Almaty
	Lithuania	· UAB STADA-Nizhpharm-Baltija, Vilnius
	Montenegro	· Hemomont d.o.o., Podgorica
	Romania	· STADA M&D S.R.L., Bucharest
	Russia	· AO Nizhpharm[2], Nizhny Novgorod
	Serbia	· Hemofarm A.D.[3], Vrsac
	Ukraine	· Nizhpharm-Ukraine DO, Kiev
Market region Germany	Argentina	· Laboratorio Vannier S.A.[4], Buenos Aires
	Germany	· ALIUD PHARMA GmbH, Laichingen · cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel · Hemopharm GmbH Pharmazeutisches Unternehmen[5], Bad Homburg · STADA GmbH[6], Bad Vilbel · STADApharm GmbH[6], Bad Vilbel · STADAvita GmbH, Bad Homburg
Market region Asia/Pacific & MENA	Egypt	· STADA Egypt Ltd., Cairo
	China	· STADA Import/Export International Ltd., Hong Kong · STADA Pharmaceuticals (Asia) Ltd., Hong Kong · STADA Pharmaceuticals (Beijing) Ltd., Beijing
	The Philippines	· Croma Medic, Inc., Manila
	Thailand	· STADA Thailand Company, Ltd., Bangkok
	Vietnam	· Pymepharco Joint Stock Company, Tuy Hoa · STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City
	United Arab Emirates	· STADA Mena DWC-LLC, Dubai

1) All significant companies with a STADA share of at least 50% have been listed.
2) Bundled under the umbrella brand STADA CIS.
3) Including various local sub-labels.
4) Allocated to the market region Germany for reasons of management responsibility.
5) Export sales.
6) Acting as commission agents on behalf of STADA Arzneimittel AG.

Employees

Long-term personnel policy

The worldwide active STADA Group's operative alignment is in principle based on the management of a comprehensive network of internal and external resources. This applies in particular to procurement and production, product development as well as sales and marketing. The worldwide employees with their exceptional expertise, their long-standing experience and strong commitment play an important part in the sustainable success of the Group. STADA's personnel management pursues a long-term personnel policy, which places considerable value on training and development, support, succession planning for management and knowledge management. In addition, employee dialog is also supported through a visible management culture.

Training and development as an important component of personnel management

In view of the importance of STADA employees for consistent and continued successful Group development, the subject of training and development plays a very important role. Alongside internships, as part of which young people are able to gain an insight into the processes of a pharmaceutical company, STADA also offers training programs and study programs in the areas of procurement and production as well as administration. The individual development of employees is adapted to the constantly increasing requirements of each area of activity – supplemented with offers, which support the personal career interests of each individual. This particularly includes supportive programs and measures for language skills and specialist workshops, seminars and extra-occupational study programs.

Ongoing personnel development through targeted employee programs

STADA offers diverse development programs for targeted Group-wide talent development. At the heart of this is employee development targeted at different career levels and development through individual career planning and institutional talent development. This includes, for example, international talent management and development programs, exchange programs between subsidiaries at home and abroad or management seminars, in which potential is identified early and future managers can be consistently developed. The aim of the personnel development program is to continually develop talent and in future to be able to fill all management and expert positions from within STADA's own ranks, if possible.

Employee participation and employee dialog – two fixed aspects of internal communication

Employee participation is an important part of personnel policy in the STADA Group. For the Group, this concerns on the one hand the financial contribution made for employees when they buy STADA shares. On the other hand this also concerns active participation in the form of an idea management system, which has been completely redeveloped and optimized in 2015. Because the development and exchange of knowledge and ideas are important prerequisites for sustainable corporate success.

A further important step is the institutionalized employee dialog. This includes both direct communication between employees and management bodies and exchanges among employees. There are also further measures, which have been continually expanded in recent years, with the aim of promoting cooperation and strengthening team spirit.

Increasing importance of employer branding

Despite the fact that STADA is only marginally affected by the often mentioned skills shortage, the topic of "employer branding" is becoming increasingly important, particularly for the future development of the Group. In order to position STADA as both a responsible and attractive employer, future communication should present in more detail the advantages of employment in the STADA Group, adapted to the expectations of the target group and in contrast to competitors.

STADA voluntarily offers its employees many additional benefits. The Group therefore clearly differentiates itself from the competition and thereby also reinforces its attractiveness on the labor market. The numerous voluntary benefits are to be supplemented through the introduction of a working time model, which will offer employees the possibility of building up a balance and using it individually, either for a longer sabbatical or early retirement, from 2016. In addition, in 2015 STADA joined the "Hessische Initiative – Beruf und Pflege vereinbaren" (Hesse initiative – balance work and care). The Group would thereby like to support employees who have to care for relatives at home by offering consultations. Alongside this initiative, which among other things supports flexible working-time models and the introduction of lifetime working time accounts, STADA is also supporting the balancing of family and career with further benefits.

Decentralized personnel management

STADA's personnel management is deliberately decentrally organized. It thereby corresponds to the Group-wide sales structure and can thus effectively and efficiently satisfy the operational requirements and diverse needs. Under consideration of the company guidelines – particularly the compliance guidelines – the international subsidiaries are largely independent in many areas such as recruitment, training and remuneration.

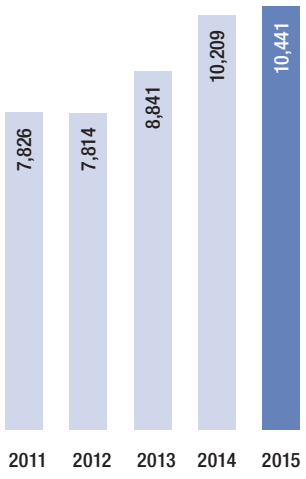
Background information regarding the personnel policy of the Group companies that are located in Germany is published annually in STADA's personnel and social report, which is also available on the German Company website at www.stada.de.

Development of the number of employees

In financial year 2015 the number of employees increased in comparison with the previous year both on average and on the balance sheet date. The average number of employees in the reporting year increased to 10,441 (previous year: 10,209). The number of employees at the balance sheet date of December 31, 2015 increased to 10,532 (December 31, 2014: 10,363).

The most substantial reasons for the increase in the number of employees include the consolidation on January 1, 2015 of the subsidiary STADA Egypt Ltd., the acquisition of British company Internis Pharmaceuticals Ltd. and the purchase of Austrian company SCIOTEC Diagnostic Technologies with a total of 52 employees. The most substantial reason for the decrease in the number of employees is the handover of the German logistics activities with 155 employees to the worldwide leading logistics company DHL as of June 1, 2015.[1)]

STADA's development in the number of employees on an annual average

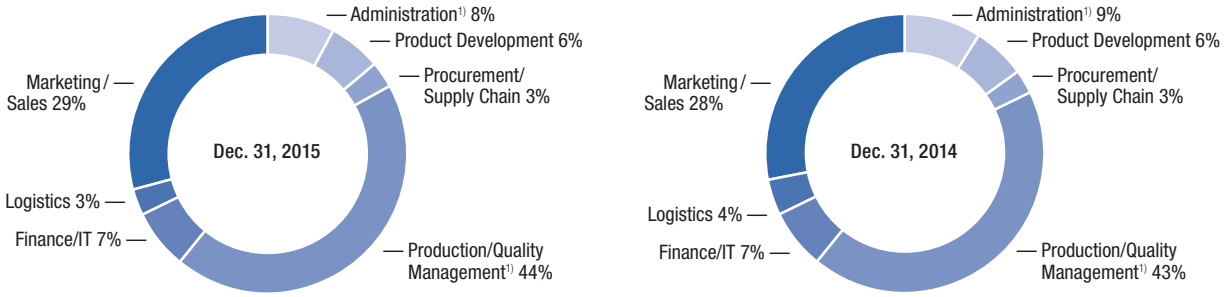


1) See the company's press releases of October 10, 2014 and March 23, 2015.

The regional breakdown of employees in the Group shows that there was an average of 1,207 employees in Germany in 2015 (previous year: 1,318). Of these, an average of 938 employees were located at the Group's headquarters in Bad Vilbel (previous year: 978). The average number of persons employed in international Group companies amounted to 9,234 (previous year: 8,891).

With regard to the STADA Group's average total number of employees, the following percentage distributions resulted for the functional areas as of December 31, 2015:

STADA employees by functional area



In the implementation of the Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions which came into effect on May 1, 2015, the Executive Board and Supervisory Board agreed on the goals and deadlines for the achievement of these goals described subsequently in more detail, in accordance with Section 76 (4) AktG and Section 111 (5) AktG. Further information on this topic can be found in the chapter "Corporate Governance Report including the Declaration of Corporate Governance".

Looking at the entire Group, the proportion of women in management positions amounted to approx. 48% in the reporting year (previous year: approx. 51%).

Personnel expenses

Personnel expenses increased to € 342.7 million in financial year 2015 (previous year: € 305.1 million). The ratio of personnel expenses to sales amounted to 16.2% in the reporting year (previous year: 14.8%). The increase resulted from earnings recorded within personnel expenses from past service cost in the previous year in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded in accordance with the former benefit plan.

1) Since 2014, facility management staff in production have been allocated to the functional area Production/Quality management and the remaining facility management staff have been assigned to the functional area Administration.

Personnel structure by market region and functional area

Average number of STADA employees in 2015

	Marketing/ Sales	Logistics	Finance/IT	Production/ Quality Management[1]	Procurement/ Supply Chain	Product Development	Administration[1]	2015 total
Central Europe	**726**	**43**	**99**	**317**	**91**	**122**	**94**	**1,492**
• Belgium	99	-	7	4	4	10	9	133
• France	49	-	7	9	9	7	7	88
• United Kingdom	136	26	29	278	22	58	39	588
• Italy	39	-	13	3	6	8	7	76
• The Netherlands	15	8	6	6	11	6	2	54
• Poland	89	-	4	-	-	3	1	97
• Spain	140	-	12	4	6	6	11	179
• Czech Republic	44	-	2	-	2	3	2	53
• Other[2]	115	9	19	13	31	21	16	224
CIS/Eastern Europe	**1,460**	**98**	**324**	**2,796**	**137**	**229**	**363**	**5,407**
• Bosnia-Herzegovina	32	6	8	105	3	3	18	175
• Kazakhstan	104	1	7	-	8	3	2	125
• Montenegro	9	2	3	111	3	1	11	140
• Romania	36	4	3	48	-	2	4	97
• Russia	842	41	136	1,010	45	126	187	2,387
• Serbia	156	41	151	1,522	77	85	139	2,171
• Ukraine	163	3	7	-	1	4	2	180
• Other[2]	118	-	9	-	-	5	-	132
Germany	**291**	**44**	**172**	**336**	**81**	**164**	**175**	**1,263**
• Germany	241	44	169	336	80	162	175	1,207
• Other[2]	50	-	3	-	1	2	-	56
Asia/Pacific & MENA	**535**	**114**	**89**	**1,195**	**24**	**79**	**243**	**2,279**
• Vietnam	440	95	68	1,151	23	71	198	2,046
• China	13	10	6	42	1	3	32	107
• Other[2]	82	9	15	2	-	5	13	126
Group total	**3,012**	**299**	**684**	**4,644**	**333**	**594**	**875**	**10,441**

1) The facility management employees in production are allocated to the functional area Production/Quality Management and the other facility management employees are assigned to the functional area Administration.
2) Other countries of the respective market regions each have less than 50 employees.

Goals and Strategies

Sustainable growth based on a multi-pillar strategy

Generally, STADA's business model focuses on the generation of sustainable growth. For this purpose, the Group also strives to maintain or take the leading position in the respectively relevant market segments in the most important markets of the four STADA market regions in financial year 2016. The Group hereby focuses on both the expansion of organic growth and acquisitions. In the context of an active acquisition policy, STADA pursues a multi-pillar strategy. It relies on an increasing diversification of the portfolio, which aims to reduce potential risks and to build upon existing opportunities. The STADA Group also pursued these goals in financial year 2015.

Strategic success factors for the utilization of existing growth opportunities

The strategic success factors create the basis for utilizing existing growth potentials and thereby securing sustainable Group success. They primarily include strong product development, an international sales structure, an active acquisitions policy including experienced integration management, a functionally organized Group with short decision-making processes and close-to-market sales companies, a culture of continuous cost optimization including efficient cost management as well as qualified employees (see "Prognosis Report").

With a strong product development and a well-filled product pipeline, STADA ensures a continuous flow of product launches and therefore also the continuous expansion of the existing product portfolio – particularly in the Generics segment. With in-licensing from highly-specialized partners, the Group also increasingly expands the promising biosimilars area.

The international sales structure with the four STADA market regions is designed to market the products from the Group portfolio in a way which is adapted to the different regulatory and competitive framework conditions in the individual markets of the respective market regions.

The active acquisition policy aims to expand the Group's business activities. In this context, STADA focuses on regional expansion, particularly in high-growth emerging markets. In addition, the Group focuses on the expansion and internationalization of the core segments, in particular Branded Products, as they are generally characterized by less regulatory interventions and more attractive margins than the generics area.

In order to achieve future growth, an important role is inherent in the organization by market region with short decision-making structures while at the same time maintaining a strong local market presence. This predominately applies to sales activities, because the ability to react to changes in the short-term is very important, both for exploiting opportunities and reducing risks.

In consideration of earnings, continuous cost optimization and efficient cost management play an important role.

Controlling

The management of the corporate areas in the STADA Group is based on strategic and operative guidelines as well as on various financial indicators. The financial performance indicators used by the Group as key figures for the operational management are Group sales adjusted for currency and portfolio effects and adjusted net income. In addition, adjusted EBITDA and the net debt to adjusted EBITDA ratio are used as key performance indicators. While Group sales adjusted for currency and portfolio effects is subject to controlling at segment level, adjusted EBITDA, adjusted net income and the net debt to adjusted EBITDA ratio are managed at Group level.

The development of **Group sales adjusted for currency and portfolio effects** is a key element to ensure sustainable business success. Against this backdrop, top-line programs to increase Group sales adjusted for currency and portfolio effects have an important function in the STADA Group. Regardless of the fact that the Group relies on growth both by organic means and through acquisitions in the context of its growth strategy, sales adjusted for currency and portfolio effects is the essential key figure at STADA.

Adjusted EBITDA[1)] in the STADA Group corresponds to EBITDA adjusted for one-time special effects within operating profit with the exception of one-time special effects that relate to impairments and write-ups of non-current assets. The Group utilizes adjusted EBITDA to measure the operational performance and the success of the individual business areas adjusted for influences distorting the year-on-year comparison resulting from one-time special effects. Results from associated companies and investment income are included.

Adjusted net income[1)] in the STADA Group is net income adjusted for one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses. At STADA, the adjusted net income is used as a key figure for the measurement of the overall success in the Group.

The **net debt to adjusted EBITDA ratio** is an indication of the financial stability of the Group and serves as a benchmark for the borrowing of funds.

1) The deduction of such effects, which have an impact on the presentation of the earnings situation and the derived key figures, aims at improving the comparability of key figures with 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.

The financial performance indicators of Group sales adjusted for currency and portfolio effects, adjusted EBITDA, adjusted net income and net debt to adjusted EBITDA ratio are derived as follows:

Financial performance indicators		Determined based on the consolidated income statement and the consolidated balance sheet in accordance with IFRS
Group sales adjusted for currency and portfolio effects		**Group sales**
	±	portfolio effects
	±	currency effects
	=	**Group sales adjusted for currency and portfolio effects**
Adjusted net income		**Result distributable to shareholders of STADA Arzneimittel AG (net income)**
	±	one-time special effects
	±	effects from the measurement of derivative financial instruments under financial income and expenses
	=	**Adjusted net income**
Adjusted EBITDA		**EBIT (earnings before interest and taxes)**
	±	balance from depreciation and amortization / write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets
	=	**EBITDA (earnings before interest, taxes, depreciation and amortization)**
	±	one-time special effects within operating profit excluding one-time special effects that relate to impairments and write-ups of non-current assets
	=	**Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization)**
Net debt to adjusted EBITDA ratio		**Non-current financial liabilities**
	+	current financial liabilities
	=	**gross debt**
	–	cash, cash equivalents and “available-for-sale” securities
	=	**net debt**
	÷	adjusted EBITDA
	=	**Net debt to adjusted EBITDA ratio**

Responsibility and sustainability

Corporate responsibility – for 120 years

As a worldwide pharmaceutical and health care company, STADA has been committed to taking on responsibility – and this already for 120 years. With a view to the "All the best" mission statement, care for people's health and well-being is at the heart of its actions. This foundation also includes sustainable and responsible economic activity, which is firmly anchored in STADA's corporate history. Beginning in 1895 with the founding of a pharmacist association in Dresden, certain preparations were produced in accordance with identical guidelines, uniformly packaged and sold everywhere at the same price. Even then, forward-looking pharmacists were able to achieve more together, which also benefited society. The two core segments alone show that STADA takes its social responsibility seriously and that the Group makes an important contribution towards sustainable social development. Generics thus contributes towards effective and affordable health care through lower prices, and branded products relieve pressure on the health care systems, because they are, with only a few exceptions, not reimbursable. The STADA Group also takes responsibility in its daily activities. The requirements of the management of the company, safety and health of patients, environmental protection and fair working conditions are thereby extremely high. Through our safe and high quality products, good corporate governance, the conservation of resources, knowledgeable health care information and a comprehensive employee program, STADA ensures long-term security for its strong market position.

In order to demonstrate the responsibility and the sustainable commitment of Group activities on the one hand and to document and compare the status and future goals on an annual basis on the other, STADA plans to join the UN Global Compact.

Value-based corporate governance

STADA believes that good corporate governance is an important foundation for business success. In view of this, the STADA Group has a comprehensive concept for responsible, transparent and value-based corporate governance. The governance mechanisms include the STADA "All the best" mission statement, opportunities and risk management, Group-wide binding behavioral guidelines – set out in the Code of Conduct – and topic-oriented corporate policies. Furthermore, compliance, i.e. the observance of laws and internal rules, which is described in the chapter "Corporate Governance Report" of the Management Report of this Annual Report, is an inherent part of the STADA Group. Value-based corporate governance at STADA includes central purchasing and supplier management, which ensures the implementation of Group-wide consistent purchasing strategies as well as consistent management of suppliers. STADA's value-based corporate governance is supplemented by a comprehensive corporate responsibility management (CR management) and environmental, social and governance management (ESG management), for which the Executive Board is responsible. As part of this, the STADA Steering Group CR ensures the strategic management of CR across all areas, by engaging the CR project group within the organization with the operational implementation.

All the best for patients

Hardly any product has as much direct influence on people's health and thus on well-being as a medication. For this reason, the topic of "responsibility for patients" is a major focus at STADA, with highly qualified employees working in closely regulated processes towards one goal: The production of safe and high quality products. In order to ensure this, quality assurance and quality control in the STADA Group are designed in accordance with the guidelines of the European Good Manufacturing Practice Standard (EU-GMP standard). The worldwide STADA subsidiaries are essentially subject to a central management of quality assurance and quality

control, which is supported by regional quality assurance officers. In addition, STADA has a global medicine safety system with clearly defined processes and a direct reporting line for all subsidiaries to the "Medicine Safety" department. At STADA, the topic of product safety includes safe medicine packaging, the observance of all legal requirements and guidelines, the regular auditing of the global medicine safety system as well as the orientation of development activities in accordance with EU guidelines and national requirements for local in-house developments. Furthermore, all suppliers to the STADA Group are subject to the GMP standards. Additionally, STADA was the first pharmaceutical company in Germany to introduce 2D bar code labeling on products on a large scale already in 2013, which simplified product management and increased customer safety, for example in the case of a product recall. Further information on the subject of "quality management" can be found in the Management Report of this Annual Report in the chapter "Procurement, Production and Quality Management".

All the best for the environment

For STADA, environmental protection means more than just complying with current environmental regulations. Against this backdrop, STADA continually optimizes procedures and processes in order to conserve resources and minimize environmental effects. STADA's GMP certification also covers all significant environmental issues up to the supply chain. Overall, decentralized environmental management, supported by a Group-wide best practice transfer, contributes towards the integration of local standards, laws and measures. Responsible action is also ensured through regular GMP certification of the production sites and suppliers. Furthermore, as a result of its business model, which does not include the production of active ingredients, STADA does not present any significant emission risks. In addition, the Group views optimizing its energy efficiency as an ongoing task. The Group is currently working on defining Group-wide environmental indicators and key performance indicators (KPIs) in the categories of CO_2 emissions, energy, water and waste, in order to be able to define concrete, measurable environmental goals in the future. In order to promote the environmental awareness of STADA employees, there are attractive incentives in Germany for using public transport or organizing car pools.

All the best for our employees

STADA's success is largely based on the knowledge, competencies, performance and commitment of its employees. With the aim of ensuring sustainable corporate success, STADA relies on a long-term personnel policy. A common value basis, decentralized personnel management, diverse development programs for managers and a wide range of youth development programs are designed to retain employees for the company long-term. Moreover, this goal should also be achieved through family-friendly offers and financial benefits. Through preventative measures in the areas of health and safety management, STADA provides the conditions necessary within the company for a healthy work day for its employees. Employees at the company headquarters in Bad Vilbel, for example, have a health care center which offers fitness training, yoga classes and massage sessions, among other things. Furthermore, the offer includes measures such as an annual health day and diverse sport and leisure facilities under the slogan "STADAktiv".

All the best for society

In order to fully satisfy the company philosophy and its "All the best" mission statement, STADA is also involved in numerous social sponsoring projects. As part of this, worldwide the Group is particularly active in the areas of information, education and research, culture and sport and helps with medication and financial donations when emergency aid is needed during disasters.

The “All the best” initiative founded by STADA Arzneimittel AG in 2014 contributes towards, for example, providing people with useful information, but also explaining gaps in knowledge or incorrect knowledge. Accordingly, the second health report of the “All the best” initiative thus focused on Germans’ health knowledge. In addition, since 2007 STADA Arzneimittel AG has been the main sponsor for the non-profit organization dolphin aid e.V., which offers alternative therapies for ill and disabled children. Russian STADA CIS uses the project “Mobile Diagnostics: Take Your Health under Control” to provide information about the risks of cardiovascular disease, basic diagnosis methods and useful measures. Since 2012 the Spanish subsidiary Laboratorio STADA has been providing information about dementia disease Morbus Alzheimer through the “kNOW Alzheimer” project. In the Asian countries Thailand, Vietnam and the Philippines, STADA supports health education and is working intensively in the interests of the poor and the older population.

Within the area of “education and research”, STADA has been supporting the Hochschule Fresenius since 2003 in the form of a foundation professorship. Furthermore, German subsidiary STADApharm is involved for a fourth year in the so-called “Deutschland-stipendium” (Scholarship of Germany), in cooperation with Charité – Universitätsmedizin Berlin.

Within the area of culture, for 28 years STADA Arzneimittel AG has promoted the annual Burgfestspiele (castle festival) in Bad Vilbel, which offers a program of theater and musicals for all ages. In Russia, Ukraine and Kazakhstan STADA CIS has supported the “The doctor’s job” photography project, which it initiated, since 2012.

The health care company is particularly committed to numerous projects in amateur, disabled and professional sport, both at home and abroad. For example, STADA Arzneimittel AG is a long-standing partner of the successful wheelchair basketball team (RSV) Lahn-Dill and in Spain Ladival® is one of the main sponsors of the largest European women’s sport event, “Carrera de la Mujer”.

Digitalization in the health care industry offers huge potential

The subject of “digitalization” also plays an increasingly important role in the STADA Group. As a result, in financial year 2015 STADA joined the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (Bitkom, Germany’s digital association). In doing so, the Group would like to be involved in the dialog on the usefulness of digitalization for patients and the health care industry. Important aspects for STADA thereby include the topic of data protection within health care as well as the planned e-health law. STADA views the digitalization in the health care industry as an opportunity to more effectively and efficiently manage health in the future. An aging society and increasingly easy access to digital health information support the need for self-determined and informed patients. The Group believes that digital health services therefore have ever greater potential. Patient compliance can also be supported by digital health applications such as health apps, treatments can be more successfully and safely supported by doctors and medication can be better monitored for its effects or interaction with other medication. Digitalization is also a factor for employer attractiveness and employee motivation. Digital networking and digital knowledge management will therefore become ever more important for STADA in the future, in order to offer employees a diverse working environment. In previous years STADA had already continually developed digitalization in the company, among others through the increased use of digital media to provide information about health topics and through the establishment of an IT shared service center, which supports and advises the entire Group with IT services. In future, STADA’s digital offer will be expanded, in order to help even more people to become and stay healthy.

ECONOMIC REPORT

General Economic and Industry-specific Situation

Overall economic development

The year 2015 was characterized by a very low interest rate environment. The turnaround on interest rates of the US American Federal Reserve (Fed) had been long anticipated, it finally occurred at the end of 2015. The continuation of the "cheap money" policy, amongst other things through the extensive purchasing programs of the European Central Bank (ECB) in order to stimulate the economy and increase inflation, led to increasing share prices. Overall, the cautious approach of Fed contributed towards an increase of the already high volatility of the international financial markets, because there was a lack of clear direction. Furthermore, concerns over the further development of the Chinese economy and briefly the VW scandal also resulted in high volatility. A further important influence factor on the development of the economy and the financial markets was the low oil price. Whilst oil-exporting countries such as Russia had to do without foreign exchange earnings, both importing countries and consumers benefited from the cheap oil.

According to information from the International Monetary Fund (IMF), global economic output in 2015 increased by 3.1%.[1)] In the course of this, the growth rates of the advanced countries at 1.9% and those of the emerging markets at 4.0% moved closer together.[1)] The economic output of the USA, the world's largest economy, increased by 2.5%, while economic growth in China was slower than in the previous years at 6.9%.[1)] The speed of growth of countries in the Euro zone increased to 1.5%.[1)] In this context, the four largest countries of this region were able to record positive growth of the gross domestic product (GDP). Germany showed growth of 1.5%, France of 1.1%, Italy of 0.8% and Spain of 3.2%.[1)] The GDP in the so-called CIS countries (Commonwealth of Independent States) recorded a decrease of 2.8%. Russia, in particular, suffered massively from the drop of the raw material prices. As a consequence, its economic output declined by 3.7%. The Emerging and Developing Europe[2)] region showed growth of 3.4%, while economic output in Serbia[3)] increased by 0.5% and was thus able to reverse the negative trend of the previous year.

Industry-specific development

In 2015, sales of the global generics market increased by approx. 8.5%[4)] to approx. € 169.8 billion[4)] as compared to the previous year. The market share of generics in the global pharmaceutical market amounted to approx. 17.2%[4)]. The sales development of generics in the four STADA market regions in the same period was as follows: Germany approx. +4.9%[5)] to approx. € 7.38 billion[5)], Central Europe approx. +7.4%[5)] to approx. € 26.31 billion[5)], CIS/Eastern Europe approx. +9.3%[5)] to approx. € 5.48 billion[5)], Asia/Pacific & MENA approx. +8.5%[5)6)] to approx. € 28.83 billion[5)6)].

Sales in the global OTC market increased by approx. 7.8%[7)] to approx. € 69.03 billion[7)] as compared to the previous year. The market share of OTC products amounted to approx. 7.7%[7)]. The sales development of OTC products in the four STADA market regions in the same period was as follows: Germany approx. +6.0%[5)] to approx. € 5.76 billion[5)], Central Europe approx. +2.2%[5)] to approx. € 12.51 billion[5)], CIS/Eastern Europe approx. +6.0%[5)] to approx. € 6.46 billion[5)], Asia/Pacific & MENA approx. +7.8%[5)6)] to approx. € 10.44 billion[5)6)].

Both the generics market and OTC market were characterized by a high level of consolidation in 2015. This development primarily occurred in the context of acquisitions or investments. Furthermore, several companies traded or bundled business units to increasingly focus on their core competences and to strengthen the respective divisions.

1) Source: International Monetary Fund: World Economic Outlook of January 2016.
2) Including Bulgaria, Croatia, Lithuania, Poland, Romania, Serbia, Turkey and Hungary.
3) Source: International Monetary Fund: World Economic Outlook of October 2015.
4) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.
5) IMS MIDAS (September) 2015, data based on the definition of STADA market regions.
6) Asia/Pacific & MENA excluding China.
7) IMS Health, MIDAS, Market Segmentation MAT QIII 2015.

Effects of overall economic and industry-specific framework conditions

Due to the fact that the business model of STADA is oriented toward the health care market with demand that is relatively independent of the economy, the global economic environment generally has less of a direct influence on the business development of the Group than the respective regulatory framework conditions in the individual markets of the four STADA market regions.

Nevertheless, the economic development does have an effect on the business activities of the Group in the form of currency and interest rate volatility. STADA therefore continually takes precautionary measures to be able to react appropriately to strong volatility in interest rates and Group-relevant currency relationships (see "Risk Report" as well as Notes to the Consolidated Financial Statements – 46.). Furthermore, the Group is subject to stronger economic influences in the markets belonging to the so-called self-pay markets, since the demand for STADA products in these markets, to a certain extent, depends on the financial means of the respective patients. Furthermore, depending on the respective economic development, there is also a more or less strong cost pressure in the individual health care systems, which can have curbing effects on generics suppliers as a result of regulatory measures. In addition, macroeconomic influences can affect STADA's development, if individual state health care systems no longer have sufficient funds to finance adequate health care for their people.

In financial year 2015, an uneven development could be seen in translation of sales and earnings in the most important national currencies for STADA of the Russian ruble, Serbian dinar and the British pound sterling. Whereas the Russian ruble showed significantly weaker and the Serbian dinar showed slightly weaker development, the British pound sterling had a positive currency effect. Furthermore, the Ukrainian hryvnia recorded significantly weaker development while the value of the Vietnamese dong and the Swiss franc increased significantly. The currency relations in other countries relevant for STADA only had a small influence on the translation of sales and earnings in local currencies into the Group currency euro.

With a view to the self-pay markets, business development in the Russian market, which belongs to the market region CIS/Eastern Europe, was affected by the effects of the CIS crisis in the reporting year. In this context, a reluctance to buy on the part of end consumers was particularly notable, through whom about 94% of STADA's sales in Russia are generated.

Business Development and Situation | Development of 2015 Compared to Outlook

In the outlook for financial year 2015, the Executive Board had anticipated slight growth in Group sales adjusted for currency and portfolio effects in the Prognosis Report of the Annual Report 2014. In view of the development of the Russian ruble and increased risks in connection with consumer mood as well as the general market situation, however, it expected a decreased earnings contribution from Russia. Taking these developments into account and on the basis of the currency relations at the time, the Executive Board expected a substantial decrease in adjusted EBITDA and adjusted net income. The Executive Board anticipated the ratio of net debt, excluding further acquisitions, to adjusted EBITDA to be at a level of nearly 3.

Group sales adjusted for currency and portfolio effects increased in the reporting year – with varying developments in the individual market regions – by 4% to € 2,133.8 million. Adjusted EBITDA decreased by 10% to € 389.4 million. Adjusted net income declined by 11% to € 165.8 million. The ratio of net debt excluding further acquisitions to adjusted EBITDA ratio was at 3.1.

The development in financial year 2015 was thus in line with the outlook published in the Prognosis Report of the Annual Report 2014.

Business Development and Situation | Development of Financial Performance Indicators and Non-financial Management Metrics

Financial performance indicators of the STADA Group

The development of the STADA Group's financial performance indicators in financial year 2015 was as follows:

Financial performance indicators in € million	2015	2014	±%
Group sales adjusted for currency and portfolio effects	**2,133.8**	**2,052.2**	**+4%**
• Generics	1,228.7	1,211.4	+1%
• Branded Products	865.8	796.8	+9%
Adjusted EBITDA	**389.4**	**431.9**	**-10%**
• Generics	232.8	228.7	+2%
• Branded Products	220.1	240.0	-8%
Adjusted net income	**165.8**	**186.2**	**-11%**
Net debt to adjusted EBITDA ratio	**3.1**	**3.1**	**0%**

Further details on the development of STADA's financial performance indicators can be found in the following information on the earnings situation.

Non-financial management metrics of the STADA Group

Alongside important indicators for the evaluation of the financial business development of STADA, non-financial management metrics also play a key role in sustainable Group success. In this context, the topics "corporate responsibility", "sustainable development and approval strength", "quality assurance and quality control", "environmental protection" and "personnel development and retention" are of central importance.

As a worldwide pharmaceutical and health care company, STADA is committed to taking on responsibility. In light of the "All the best" mission statement, care for people's health and well-being is at the heart of STADA's actions. This foundation also includes sustainable and responsible economic activity, which is firmly anchored in 120 years of corporate history. The two core segments alone show that STADA takes its social responsibility seriously and that the Group makes an important contribution towards sustainable social development. Generics contribute towards effective and affordable health care through lower prices and branded products relieve pressure on the health care systems, because they are, with only a few exceptions, not reimbursable. In order to fully satisfy the corporate philosophy and its "All the best" mission statement, STADA is also involved in numerous social sponsoring projects. As part of this, worldwide the Group is particularly active in the areas of information, education and research, culture and sport and helps with medication and financial donations when emergency aid is needed during disasters.

Sustainable development and approval strength is a key aspect of STADA's corporate performance. This is shown by both the high number of products introduced each year and by the share in sales, which the Group achieves with products introduced into the market in the last two years. In financial year 2015, the Group launched 578 individual products worldwide. STADA expects to approximately achieve this figure again in financial year 2016. In order to constantly have a well-filled product pipeline, the Group pursues a total of 1,300 ongoing approval procedures for over 150 pharmaceutical active ingredients and active ingredient combinations for more than 55 countries every year.

Responsibility for patients in particular is of fundamental importance for STADA. This also includes the provision of safe and high quality products. In order to ensure this, quality assurance and quality control in the STADA Group are designed in accordance with the guidelines of the European Good Manufacturing Practice Standard (EU-GMP standard). The topic of product safety includes safe medicine packaging, the observance of all legal requirements and guidelines, the regular auditing of the global medicine safety system as well as the orientation of development activities in accordance with EU guidelines and national requirements for local in-house developments. In addition, all suppliers to the STADA Group are subject to the GMP standards. Furthermore, STADA was the first pharmaceutical company in Germany to introduce 2D bar code labeling for its products on a wide scale.

Environmental protection is also extremely important for STADA, and means more than just complying with current environmental regulations. In view of this, STADA continually optimizes procedures and processes in order to conserve resources and minimize environmental effects. STADA's GMP certification also covers all significant environmental issues up to the supply chain. Overall, decentralized environmental management, supported by a Group-wide best practice transfer, contributes towards the integration of local standards, laws and measures. Responsible action is also ensured through regular GMP certification of the production sites and suppliers. Furthermore, as a result of its business model, which does not include the production of active ingredients, STADA does not present any significant emission risks. Additionally, the Group views optimizing its energy efficiency as an ongoing task. The Group is currently working on defining Group-wide environmental indicators and key performance indicators (KPIs) in the categories of CO_2 emissions, energy, water and waste, in order to be able to define concrete, measurable environmental goals in the future.

Because STADA's success is largely based on the knowledge, competencies, performance and commitment of its employees, STADA relies on a long-term personnel policy. A common value basis, decentralized personnel management, diverse development programs for managers, a wide range of development programs for junior staff, family-friendly offers and financial benefits are designed to retain employees for the company long-term. Furthermore, the subject of "employer branding" is becoming increasingly important in the Group, in order to be able to attract highly qualified and motivated employees to also ensure sustainable business success in the future.

Further information on the subject of "non-financial management metrics" can be found in the Management Report of this Annual Report in the chapter "Responsibility and Sustainability".

Business Development and Situation | Earnings Situation

Development of Sales

Increase in Group sales and positive organic growth

in € million	2015	2014
Group sales	2,115.1	2,062.2
Group sales adjusted for currency and portfolio effects	2,133.8	2,052.2

Group sales rose in the reporting year – with varying development in the individual market regions – by 3% to € 2,115.1 million (previous year: € 2,062.2 million).

Group sales adjusted for currency and portfolio effects, which is calculated by deducting effects on sales based on changes in the Group portfolio and currency effects, increased by 4% to € 2,133.8 million in 2015 (previous year: € 2,052.2 million).

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

In financial year 2015, **portfolio changes** totaled € 45.9 million and in the previous year € 10.1 million, which includes the retrospective adjustment. This represents 1.8 percentage points, which can be broken down into the following net amounts for the affected market regions as follows: market region Central Europe € 38.8 million, market region CIS/Eastern Europe € -5.5 million, market region Asia/Pacific & MENA € 2.5 million.

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

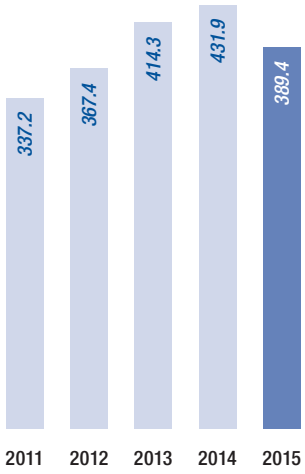
As a result of applying foreign exchange rates from the reporting year compared with the previous year for the translation of local sales contributions into the Group currency euro, STADA recorded a negative currency effect for Group sales in the amount of € 64.6 million or -3.2 percentage points because the development of two of the three most important national currencies for STADA was weaker as compared to the Group currency euro. In this context, the development of the Russian ruble was significantly weaker and the development of the Serbian dinar was slightly weaker. However, the Group's third most important national currency, the British pound sterling, had a positive currency effect in the reporting period. Furthermore, the Ukrainian hryvnia recorded a significantly weaker development while the value of the Vietnamese dong and the Swiss franc increased significantly. The currency relations in other countries relevant for STADA only had a small influence on the translation of sales and earnings in local currencies into the Group currency euro.

To the extent that adjusted sales figures are reported in this Annual Report, this refers to sales adjusted for portfolio effects and currency fluctuations respectively.

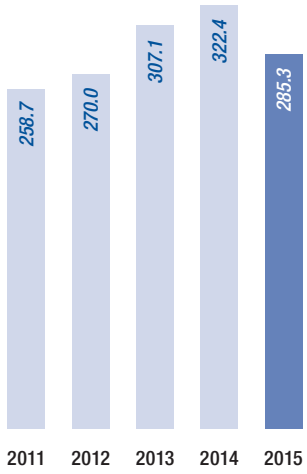
Business Development and Situation | Earnings Situation

Development of Earnings and Costs

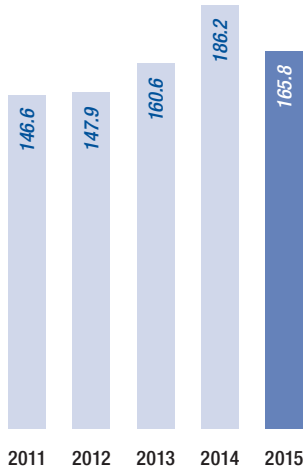
Adjusted EBITDA
in € million



Adjusted EBIT
in € million



Adjusted net income
in € million



Increase in almost all reported key earnings figures

Earnings development was characterized by an increase in almost all reported key earnings figures.

Reported operating profit increased by 19% to € 223.7 million in financial year 2015 (previous year: € 188.5 million). **Reported EBITDA** declined by 10% to € 377.1 million (previous year: € 418.8 million). **Reported net income** recorded an increase of 71% to € 110.4 million (previous year: € 64.6 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** decreased by 12% to € 283.8 million in 2015 (previous year: € 320.7 million). **Adjusted EBITDA** declined by 10% to € 389.4 million (previous year: € 431.9 million). **Adjusted net income** decreased by 11% to € 165.8 million (previous year: € 186.2 million).

In the reporting year, the **reported tax rate** decreased to 25.8% as compared to the previous year (previous year: 43.8%). In the same period, the **adjusted tax rate** improved to 22.0% as compared to the previous year (previous year: 24.2%).

Influence on earnings due to one-time special effects

One-time special effects amounted to a net burden on earnings of € 63.1 million before or € 55.4 million after taxes in financial year 2015 (previous year: net burden on earnings due to one-time special effects of € 128.6 million before or € 121.6 million after taxes).

In detail, these were as follows:

- a burden in the amount of € 33.2 million before or € 29.1 million after taxes from value adjustments netted of write-ups on intangible assets after impairment tests
- a net burden in the amount of € 16.9 million before and after taxes in connection with currency translation expenses and currency translation income recorded in the income statement resulting from the fluctuation of the Russian ruble as well as further significant currencies of the market region CIS/Eastern Europe
- a burden in the amount of € 9.5 million before or € 10.6 million after taxes resulting from additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as a basis
- a net relief in the amount of € 3.1 million before or € 2.9 million after taxes in connection with the measurement of derivative financial instruments and the underlying transactions
- a net burden in the amount of € 0.4 million before or a net relief in the amount of € 4.1 million after taxes resulting from several extraordinary expenses and income, among other things, from damage claim payments made and received, tax rate changes in the United Kingdom, a disposal gain from the sale of a French branded product company and expenses in connection with the disposal of the German logistics activities

To the extent that adjusted key earning figures are reported in this Annual Report, the earnings adjustments carried out include these effects in total both for financial year 2015 as well as for the previous year. The deduction of such effects, which have an impact on the presentation of the earnings situation and the derived key figures, aims to improve the comparability of key figures with 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.

In the charts below, further essential key earnings figures of the STADA Group and the resulting margins are each also reported adjusted for the aforementioned one-time special effects or for the aforementioned one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses for 2015 and for the previous year to allow for comparison.

Development of the STADA Group's reported key earnings figures

in € million	2015	2014	± %	Margin[1] 2015	Margin[1] 2014
Operating profit	223.7	188.5	+19%	10.6%	9.1%
• Operating segment result Generics	178.5	108.3	+65%	14.7%	8.9%
• Operating segment result Branded Products	130.0	138.2	-6%	15.2%	17.3%
EBITDA[2]	377.1	418.8	-10%	17.8%	20.3%
EBIT[3]	225.3	190.3	+18%	10.7%	9.2%
EBT[4]	157.8	124.7	+27%	7.5%	6.0%
Net income	110.4	64.6	+71%	5.2%	3.1%
Earnings per share in €	1.79	1.07	+67%		
Diluted earnings per share in €	1.79	1.05	+70%		

Development of the STADA Group's adjusted[5] key earnings figures

in € million	*2015*	*2014*	*± %*	*Margin[1] 2015*	*Margin[1] 2014*
Operating profit, adjusted	*283.8*	*320.7*	*-12%*	*13.4%*	*15.6%*
• *Operating segment result Generics, adjusted*	*183.6*	*176.9*	*+4%*	*15.1%*	*14.5%*
• *Operating segment result Branded Products, adjusted*	*173.2*	*192.9*	*-10%*	*20.3%*	*24.4%*
EBITDA[2], adjusted	*389.4*	*431.9*	*-10%*	*18.4%*	*21.0%*
• *EBITDA Generics, adjusted*	*232.8*	*228.7*	*+2%*	*19.1%*	*18.8%*
• *EBITDA Branded Products, adjusted*	*220.1*	*240.0*	*-8%*	*25.8%*	*30.3%*
EBIT[3], adjusted	*285.3*	*322.4*	*-12%*	*13.5%*	*15.7%*
EBT[4], adjusted	*220.9*	*253.3*	*-13%*	*10.4%*	*12.3%*
Net income, adjusted	*165.8*	*186.2*	*-11%*	*7.8%*	*9.1%*
Earnings per share in €, adjusted	*2.69*	*3.08*	*-13%*		
Diluted earnings per share in €, adjusted	*2.69*	*3.04*	*-12%*		

1) Related to relevant Group sales.
2) Earnings before interest, taxes, depreciation and amortization.
3) Earnings before interest and taxes.
4) Earnings before taxes.
5) Adjusted for one-time special effects.

Income statement as well as cost development

The consolidated income statement is presented in the chart below – both for the reporting year and for the previous year, each under consideration of the effects to be adjusted, which are accordingly presented for financial year 2015 in detail under the items "Influence on earnings due to one-time special effects" and "Influence on earnings due to effects from the measurement of derivative financial instruments under financial income and expenses".

Income statement (abridged) in € 000s	2015 without deduction of effects to be adjusted	2015 effects to be adjusted	*2015 after deduction of effects to be adjusted*	2014 without deduction of effects to be adjusted	2014 effects to be adjusted	*2014 after deduction of effects to be adjusted*
Sales	2,115,129	-	*2,115,129*	2,062,247	-8,650	*2,053,597*
Cost of sales	1,101,709	9,501	*1,092,208*	1,070,441	14,756	*1,055,685*
Gross profit	**1,013,420**	**9,501**	***1,022,921***	**991,806**	**6,106**	***997,912***
Selling expenses	482,643	-	*482,643*	458,381	-	*458,381*
General and administrative expenses	178,364	2,334	*176,030*	152,817	-	*152,817*
Research and development expenses	64,993	-	*64,993*	56,905	-	*56,905*
Other income	20,032	-4,561	*15,471*	20,067	-5,972	*14,095*
Other expenses	83,709	52,741	*30,968*	155,243	132,012	*23,231*
Operating profit	**223,743**	**60,015**	***283,758***	**188,527**	**132,146**	***320,673***
Result from investments measured at equity	1,419	-	*1,419*	1,595	-	*1,595*
Investment income	138	-	*138*	132	-	*132*
Earnings before interest and taxes (EBIT)	**225,300**	**60,015**	***285,315***	**190,254**	**132,146**	***322,400***
Financial income	1,170	-	*1,170*	4,833	-3,588	*1,245*
Financial expenses	68,667	3,087	*65,580*	70,393	-	*70,393*
Earnings before taxes (EBT)	**157,803**	**63,102**	***220,905***	**124,694**	**128,558**	***253,252***
Income taxes	40,638	-7,957	*48,595*	54,586	-6,816	*61,402*
Earnings after taxes	**117,165**	**55,145**	***172,310***	**70,108**	**121,742**	***191,850***
Result distributable to non-controlling shareholders	6,761	237	*6,524*	5,546	93	*5,639*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**110,404**	**55,382**	***165,786***	**64,562**	**121,649**	***186,211***
Earnings per share in €	1.79	-	*2.69*	1.07	-	*3.08*
Earnings per share in € (diluted)	1.79	-	*2.69*	1.05	-	*3.04*
EBIT	**225,300**	**60,015**	***285,315***	**190,254**	**132,146**	***322,400***
Balance from depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	151,848	-47,778	*104,070*	228,521	-119,033	*109,488*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**377,148**	**12,237**	***389,385***	**418,775**	**13,113**	***431,888***

Cost of sales amounted to € 1,101.7 million in 2015 (previous year: € 1,070.4 million). Gross profit, i.e. sales after deducting cost of sales, was thus € 1,013.4 million (previous year: € 991.8 million).

Overall, cost of sales in the reporting year included depreciation and amortization in the amount of € 101.5 million (previous year: € 100.8 million), which was primarily based on amortization on such intangible assets, which represent a necessary condition for the marketing of the products manufactured – in particular drug approvals.

The **cost of sales ratio**, i.e. the share of cost of sales in relation to sales, was 52.1% in financial year 2015 (previous year: 51.9%). The sales-related gross margin, which is reciprocal to the cost of sales ratio, decreased to 47.9% in the reporting year (previous year: 48.1%). This development was mainly attributable to continuing burdens in the context of the CIS crisis (see "Earnings Situation – Development of Segments – Development by Market Region – Russia").

Selling expenses, which at STADA are predominantly composed of costs for sales force and sales department employees, as well as product-related marketing expenditure, increased to € 482.6 million in 2015 (previous year: € 458.4 million). The development particularly resulted from increased marketing expenses in the British and Italian markets. The selling expenses ratio amounted to 22.8% (previous year: 22.2%).

General and administrative expenses rose to € 178.4 million in financial year 2015 (previous year: € 152.8 million). Their share in Group sales amounted to 8.4% (previous year: 7.4%). The increase resulted from earnings recorded within personnel expenses from past service cost in the amount of € 15.9 million in the previous year in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded in accordance with the former benefit plan.

Research and development costs amounted to € 65.0 million in the reporting year (previous year: € 56.9 million). The sales-related ratio of research and development costs amounted to 3.1% (previous year: 2.8%).

STADA's reported development costs include the non-capitalizable development costs, which are primarily made up of costs associated with regulatory requirements and the optimization of existing products. This cost item does not include payments for the development of new products, as they are usually capitalized by STADA (see Notes to the Consolidated Financial Statements – 15.).[1)]

Other expenses decreased in the reporting year to € 83.7 million (previous year: € 155.2 million). This development was particularly based on lower impairments to intangible assets following impairment tests. In addition, the market regions CIS/Eastern Europe as well as Asia/Pacific & MENA included large goodwill impairments in the previous year.

Remaining other expenses include personnel expenses in the amount of € 4.4 million (previous year: € 5.8 million).

The **financial result**, which is primarily made up of financial income and financial expenses, was € -65.9 million in the reporting year (previous year: € -63.8 million). The interest expense in the amount of € 65.6 million (previous year: € 70.4 million) represented the largest single operational item. Furthermore, the financial result also included effects from the measurement of derivative financial instruments that amounted to a net expenses of € 3.1 million (previous year: relief on earnings of € 3.6 million).

1) In the reporting year, development expenses for new products in the amount of € 26.1 million (previous year: € 27.5 million) were capitalized.

In financial year 2015, the Group refinanced itself at interest rates of between 0.7% p.a. and 16.6% p.a. (previous year: between 0.9% p.a. and 12.0% p.a.). On the balance sheet date of December 31, 2015, the weighted average interest rate for non-current financial liabilities was approx. 2.0% p.a. (previous year: approx. 3.3% p.a.) and for current financial liabilities approx. 5.1% p.a. (previous year: approx. 4.6% p.a.). For all of the Group's financial liabilities, the weighted average interest amounted to approx. 2.6% p.a. (previous year: approx. 3.7% p.a.).

Income tax expenses decreased to € 40.6 million in 2015 (previous year: € 54.6 million). This development could be attributed in particular to a tax rate reduction in the United Kingdom as well as changed profit allocation in the STADA Group.

In 2015, the reported tax rate decreased to 25.8% (previous year: 43.8%), which was primarily a result of impairments to goodwill not deductible for tax purposes in the market regions CIS/Eastern Europe and Asia/Pacific & MENA in the previous year as well as a tax rate reduction in the United Kingdom. In the same period, the adjusted tax rate improved to 22.0% (previous year: 24.2%).

Business Development and Situation | Earnings Situation

Development of Segments: Information by Operating Segment

Development of core segments

The information by operating segment, according to the definition of segment used by STADA, is divided according to differentiation possibilities in terms of sales and is therefore separated into the core segments of Generics and Branded Products as well as the non-core segment Commercial Business (see "Basis of the Group – Business Model").

Sales of both **core segments** Generics and Branded Products increased by 3% in 2015. Their share in Group sales thus amounted to a total of 97.9% (previous year: 97.9%). Sales of the two core segments adjusted for portfolio effects and currency influences increased by 4% (see "Economic Report – Business Development and Situation – Earnings Situation – Sales Development").

Sales of the core segment **Generics** in the reporting year was approximately at the level of the previous year with € 1,217.5 million (previous year: € 1,217.7 million). Sales of the core segment Generics adjusted for currency and portfolio effects increased slightly in the reporting year by 1% to € 1,228.7 million (previous year: € 1,211.4 million). This development resulted from a strong sales growth of the German subsidiary ALIUD PHARMA GmbH and a significant sales increase in the British, Spanish, French, Dutch and Vietnamese companies. Sales generated with generics in the Russian market, which belongs to the market region CIS/Eastern Europe, and in the Belgian market, which belongs to the market region Central Europe, showed an opposing development. Generics contributed 57.6% to Group sales (previous year: 59.1%). Adjusted, Generics sales in the Group increased slightly by 1% (see "Economic Report – Business Development and Situation – Earnings Situation – Sales Development").

Top 5 generic active ingredients in products of the STADA Group 2015

Active ingredient	Indication group	Sales 2015 for products of the STADA Group in € million	Change from previous year
Tilidine naloxone	Pain	32.0	+34%
Atorvastatin	Elevated cholesterol level	24.2	+5%
Pantoprazole	Stomach ulcer / reflux	21.7	-3%
Diclofenac	Pain / inflammation	20.6	-16%
Enalapril	High blood pressure	19.4	-7%
Total		**117.9**	

With products containing the Group's top five pharmaceutical active ingredients in terms of sales, STADA achieved sales in the amount of € 117.9 million in financial year 2015 (previous year: € 119.1 million). These products thus contributed 9.7% to sales in the Generics segment (previous year: 9.8%).

With sales in the amount of € 32.0 million in 2015 (previous year: € 23.8 million), the opioid tilidine naloxone was the strongest selling active pharmaceutical ingredient in the Generics core segment.

Sales of the core segment **Branded Products** recorded an increase of 7% to € 853.6 million in financial year 2015 (previous year: € 800.5 million). Sales of the core segment Branded Products adjusted for currency and portfolio effects grew by 9% to € 865.8 million (previous year: € 796.8 million). This growth was primarily based on the positive development in the United Kingdom, Italy and Vietnam. Sales generated with branded products in the Russian market, which belongs to the market region CIS/Eastern Europe, showed a contrary development. Branded products contributed 40.3% to Group sales (previous year: 38.8%). Adjusted sales of branded products in the Group rose by 9% (see "Economic Report – Business Development and Situation – Earnings Situation – Sales Development").

Top 5 branded products in the STADA Group in 2015

Branded product	Indication group	Sales 2015 in € million	Change from previous year
APO-Go®	Parkinson's	62.9	+23%
Aqualor®	Rhinitis / sore throat	42.9	+6%
Grippostad®	Cold	42.2	+25%
Snup®	Rhinitis	30.0	-9%
Vitaprost®	Prostate disease	21.7	+5%
Total		**199.7**	

With the top five branded products in the Group in term of sales, STADA achieved sales in the amount of € 199.7 million in financial year 2015 (previous year: € 184.4 million). These products thus had a share of 23.4% of sales in the Branded Products segment (previous year: 23.0%).

In 2015, the Parkinson's medicine APO-Go® was the strongest selling product both in the core segment Branded Products and in the Group, with sales of € 62.9 million (previous year: € 51.3 million).

Non-core activities to support core segments

In financial year 2015, sales in the **Commercial Business** segment, which is not part of the core segments, were at the level of the previous year with € 43.9 million (previous year: € 44.0 million).

Operating profit by segment

Reported operating profit in the **Generics segment** increased in the reporting year by 65% to € 178.5 million (previous year: € 108.3 million). This development resulted, among other things, from significant growth in the operating result of the German company ALIUD PHARMA, the Spanish subsidiary Laboratorio STADA and the British STADA activities. In addition, the previous year was burdened by high impairments on goodwill in the market region CIS/Eastern Europe. A regulatory change in Belgium had an opposite effect, leading to price reductions. Furthermore, the difficult market situation in France, due to the increase in the maximum permitted discount amount, led to a burden on the key earnings figures despite a volume growth, because the functional costs increased in accordance with the volume growth. The **reported operating profit margin** of **Generics** amounted to 14.7% (previous year: 8.9%).

Adjusted operating profit in the **Generics segment** increased by 4% in financial year 2015 to € 183.6 million (previous year: € 176.9 million). **Adjusted EBITDA** of **Generics** grew by 2% to € 232.8 million (previous year: € 228.7 million). This development primarily resulted from the aforementioned developments in Germany, Spain and the United Kingdom. The weaker development of adjusted key figures compared to the reported key figures was based on higher adjustments in the previous year, which mainly relate to impairments on goodwill in the market region CIS/Eastern Europe, as well as to currency translation expenses of the CIS subgroup recorded in the income statement. The **adjusted operating profit margin** of **Generics** was at 15.1% (previous year: 14.5%).

Reported operating profit in the **Branded Products segment** decreased by 6% to € 130.0 million in 2015 (previous year: € 138.2 million). This development was primarily attributable to the decline of the operating segment profit of Branded Products in the market region CIS/Eastern Europe in euro due to the weak ruble. In contrast, there was a significant increase in the operating profit of the British and Italian companies. In addition, operating profit of Branded Products improved in the market region Asia/Pacific & MENA. The **reported operating profit margin** of **Branded Products** amounted to 15.2% (previous year: 17.3%).

Adjusted operating profit in the **Branded Products segment** decreased by 10% in the reporting year to € 173.2 million (previous year: € 192.9 million). **Adjusted EBITDA** of **Branded Products** declined by 8% to € 220.1 million (previous year: € 240.0 million). Both developments resulted from the reasons already mentioned in connection with the reported operating profit of Branded Products in the market region CIS/Eastern Europe. In addition, due to lower one-time special effects as compared to the previous year, which mainly relate to the impairments on additional intangible assets after impairment tests and to currency translation expenses of the CIS subgroup recorded in the income statement, there was a higher decrease in the adjusted operating profit than in the reporting operating profit. The **adjusted operating profit margin** of **Branded Products** amounted to 20.3% (previous year: 24.4%).

Reported operating profit in the **Commercial Business segment** decreased to € -0.9 million in 2015 (previous year: € 0.9 million).

Business Development and Situation | Earnings Situation
Development of Segments: Information by Market Region

Development of the market regions

In the STADA Group, information by market region is based on the regional differentiation in market regions. In this context, in the individual market regions, all relevant net sales according to segment to third parties generated by consolidated Group companies are reported. The STADA Group is composed of four market regions in total: Germany, Central Europe, CIS/Eastern Europe and Asia/Pacific & MENA.

As of financial year 2015, the former market region Asia & Pacific was expanded by substantial parts of the business activities in the Middle East and North Africa (MENA region). In doing so, the activities in this region, which used to be allocated mainly to the market region Germany, should be largely centralized. The market region has therefore been referred to as market region Asia/Pacific & MENA since 2015.

When looking to the reported sales of individual market regions, it should generally be taken into consideration that they are allocated to the market region in which the sales company that generated the sales is located. Accordingly, sales of the individual market regions include both the sales of the respective sales companies recorded within the country they are located in, as well as the export sales they achieve.

Sales in 2015 by segment, market region and market in € million

in € million	Generics	Branded Products	Commercial Business	Reconciliation Group holdings/ other	Total sales 2015	Share in Group sales 2015	Total sales previous year	± %[1]	±% *adjusted*
Central Europe	**600.7**	**369.5**	**29.2**	**-**	**999.4**	**47.3%**	**956.3**	**+4.5%**	***-2.7%***
• United Kingdom	26.9	168.0	-	-	194.9	9.2%	135.2	+44.2%	*+13.6%*
• Italy	149.0	40.2	-	-	189.2	8.9%	181.2	+4.4%	*-3.7%*
• Spain	107.0	13.4	-	-	120.4	5.7%	113.0	+6.5%	*+6.3%*
• Belgium	95.0	8.9	-	-	103.9	4.9%	150.2	-30.8%	*-30.9%*
• France	80.2	10.0	-	-	90.2	4.3%	95.4	-5.5%	*-3.5%*
• Switzerland	20.1	14.6	22.7	-	57.4	2.7%	52.2	+10.0%	*-3.4%*
• The Netherlands	41.0	3.3	-	-	44.3	2.1%	39.5	+12.2%	*+10.7%*
• Ireland	15.7	8.6	0.5	-	24.8	1.2%	22.9	+8.3%	*+8.7%*
• Poland	0.8	22.7	-	-	23.5	1.1%	25.8	-8.9%	*-9.2%*
• Austria	13.9	7.0	-	-	20.9	1.0%	19.5	+7.2%	*+3.9%*
• Other/rest of Central Europe	49.4	28.5	6.0	-	83.9	4.0%	82.9	+1.2%	*+0.4%*
• Export sales of the market region Central Europe	1.7	44.3	-	-	46.0	2.2%	38.5	+19.5%	*+5.3%*
CIS/Eastern Europe	**211.5**	**297.2**	**1.1**	**0.1**	**509.9**	**24.1%**	**564.5**	**-9.7%**	***+11.7%***
• Russia	83.6	212.2	-	-	295.8	14.0%	360.7	-18.0%	*+8.4%*
• Serbia	73.6	19.9	0.1	0.1	93.7	4.4%	93.4	+0.3%	*+3.4%*
• Ukraine	5.8	19.6	-	-	25.4	1.2%	27.1	-6.3%	*+48.6%*
• Kazakhstan	2.7	21.1	-	-	23.8	1.1%	13.4	+77.6%	*+78.8%*
• Bosnia-Herzegovina	14.3	2.1	-	-	16.4	0.8%	15.4	+6.5%	*+6.6%*
• Other/rest of CIS/Eastern Europe	22.1	22.1	1.0	-	45.2	2.1%	45.0	+0.4%	*+14.6%*
• Export sales of the market region CIS/Eastern Europe	9.4	0.2	-	-	9.6	0.5%	9.5	+1.1%	*+5.6%*
Germany	**326.3**	**133.3**	**-**	**-**	**459.6**	**21.7%**	**447.3**	**+2.7%**	***+2.7%***
• Germany	306.3	122.6	-	-	428.9	20.3%	389.3	+10.2%	*+10.2%*
• Export sales of the market region Germany	20.0	10.7	-	-	30.7	1.5%	58.0	-47.1%	*-47.1%*
Asia/Pacific & MENA	**79.0**	**53.6**	**13.6**	**0.0**	**146.2**	**6.9%**	**94.1**	**+55.4%**	***+32.1%***
• Vietnam	54.9	30.5	8.3	-	93.7	4.4%	73.3	+27.8%	*+11.7%*
• China	14.2	1.6	-	-	15.8	0.7%	11.8	+33.9%	*+14.0%*
Saudi Arabia	-	7.6	-	-	7.6	0.4%	-	-	-
• The Philippines	1.8	-	5.2	-	7.0	0.3%	3.9	+79.5%	*+54.6%*
United Arab Emirates	-	6.2	-	-	6.2	0.3%	-	-	-
• Other/rest of Asia/Pacific & MENA	7.9	7.6	0.1	-	15.6	0.7%	5.0	>100%	*>100%*
• Export sales of the market region Asia/Pacific & MENA	0.2	0.1	-	-	0.3	0.0%	0.1	>100%	*+75.4%*

1) Calculated in € million.

The following depicts STADA's development in the four market regions Central Europe, CIS/Eastern Europe, Germany and Asia/Pacific & MENA in financial year 2015. Furthermore, within these market regions, the development of the most important countries is described according to sales within the corresponding market region.

Market region Central Europe

In the **market region Central Europe**, sales recorded an increase in the reporting year – with varying developments of the countries included – of 5% to € 999.4 million (previous year: € 956.3 million). This development was primarily due to increases in sales in the United Kingdom, Spain and Italy. Sales generated in this market region had a share of 47.3% in Group sales (previous year: 46.4%). Of the sales generated by market region Central Europe, € 46.0 million were attributable to export sales (previous year: € 38.5 million). Adjusted sales in this market region decreased by 3%.

For financial year 2016, the Executive Board expects growth in sales with operating profitability at Group average in the market region Central Europe.

The countries of the market region Central Europe recorded varying developments in financial year 2015. The development of business in the five largest markets according to sales within this market region is described below.

Sales generated in the **United Kingdom** in financial year 2015 increased by 31% applying the exchange rates of the previous year. In euro, sales recorded growth by 44% to € 194.9 million due to a positive currency effect of the British pound sterling (previous year: € 135.2 million). The increase in sales was also based on the acquisition of the British company Internis Pharmaceuticals Ltd. in the fourth quarter of 2014, the production and distribution rights for the branded product portfolio Flexitol® that were acquired in the second quarter of 2014 as well as the launch of the branded product Ladival® in January 2015. Adjusted, sales increased by 14%.

Sales generated in the British market with branded products recorded growth of 42% to € 168.0 million (previous year: € 118.2 million). Branded products thereby contributed 86% to sales achieved in the United Kingdom (previous year: 87%).

In the United Kingdom, sales generated with generics, where STADA is a niche provider of selected generics with only a few active pharmaceutical ingredients, increased despite strong competition by 59% to € 26.9 million (previous year: € 17.0 million). Generics contributed 14% to local sales (previous year: 13%).

Sales in **Italy** grew by 4% to € 189.2 million in 2015 (previous year: € 181.2 million).

Sales generated with Generics in the Italian market decreased slightly by 1% to € 149.0 million (previous year: € 150.5 million). Generics contributed 79% to local sales (previous year: 83%). With a market share of approx. 14.8% (previous year: approx. 14.8%), STADA occupied position 4 in the Italian generics market in financial year 2015.[1)]

Sales generated with branded products in Italy grew by 31% to € 40.2 million, particularly due to acquisitions (previous year: € 30.7 million). Branded products contributed 21% to sales in Italy (previous year: 17%).

Sales recorded in **Spain** recorded a rise – despite continued high price competition – of 7% to € 120.4 million in financial year 2015 (previous year: € 113.0 million). This development was based on a new cooperation with an important Spanish wholesaler and on product launches of high-sale pharmaceutical ingredients.

1) STADA estimate based on IMS Health data at ex-factory prices.

Sales recorded with generics in the Spanish market showed a plus of 6% to € 107.0 million (previous year: € 101.1 million). Generics contributed 89% to local sales (previous year: 89%). With a market share of approx. 9.8% (previous year: approx. 9.4%), STADA occupied position 2 in the Spanish generics market in 2015.[1)]

Sales generated with branded products in Spain grew by 12% to € 13.4 million (previous year: € 12.0 million). Branded products contributed 11% to local sales (previous year: 11%).

In **Belgium**, sales decreased in the reporting year by 31% to € 103.9 million (previous year: € 150.2 million).

In light of a decrease in volume and as a consequence of price reductions as of March 1, 2015 for a large part of the generics portfolio as well as discounts granted, sales reported with generics in the Belgian market decreased by 33% to € 95.0 million (previous year: € 141.6 million). Overall, a large discrepancy between decreasing sales development and strong demand among end consumers was noticed. The main reason for this was a temporary reluctance on the part of Belgian wholesalers which resulted from a changed working capital management, together with their uncertainty regarding the possible takeover of Perrigo by Mylan in the second half of 2015. Generics contributed 91% to local sales (previous year: 94%). With a market share of approx. 51.5% (previous year: approx. 50.0%), STADA remained the clear market leader in the Belgian generics market in 2015.[1)]

Sales achieved in Belgium with branded products increased by 4% to € 8.9 million (previous year: € 8.6 million). Branded products had a share in sales of 9% in Belgium (previous year: 6%).

Sales in **France** decreased by 5% to € 90.2 million in 2015 (previous year: € 95.4 million).

Sales generated with generics in the French market grew by 6% to € 80.2 million (previous year: € 75.5 million). This development resulted from a growth in volume against the backdrop of a strong price competition and, as a result of this, high discounts and the reduction of reimbursement amounts. The share of generics in local sales was at 89% (previous year: 79%). With a market share of approx. 3.6% (previous year: approx. 3.5%), STADA occupied position 7 in the French generics market in the reporting year.[1)]

Sales reported in France with branded products decreased mainly due to the portfolio optimization carried out at the end of 2014 by 50% to € 10.0 million (previous year: € 19.9 million). Branded products contributed 11% to sales in France (previous year: 21%).

Market region CIS/Eastern Europe

In the **market region CIS/Eastern Europe**[2)], sales in the reporting year increased by 11% applying the exchange rates of the previous year. As a result of negative currency effects, sales in euro recorded a decrease of 10% to € 509.9 million (previous year: € 564.5 million). Sales generated in this market region had a share of 24.1% in Group sales (previous year: 27.4%). Of the sales generated in the market region CIS/Eastern Europe, € 9.6 million was attributable to export sales (previous year: € 9.5 million). Sales adjusted for portfolio and currency effects in this market region increased by 12%.

For financial year 2016, the Executive Board expects an increase in sales in the market region CIS/Eastern Europe applying the exchange rates of the previous year. Operating profitability adjusted for negative currency effects is expected to be above Group average.

The development in the two largest markets according to sales within this market region is described below.

1) STADA estimate based on IMS Health data at ex-factory prices.
2) So-called CEE countries (Central and Eastern Europe) including Russia.

In **Russia**, sales rose by 7% in the reporting period applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales decreased in euro by 18% to € 295.8 million (previous year: € 360.7 million). Compared to the quarters of the previous years, the development in local currency was as follows: In the first quarter, sales in local currency declined by 21%, in the second quarter they recorded growth of 18%, in the third quarter there was an increase of 60% and a decrease of 15% in the fourth quarter. Overall, an unchanged reluctance to buy among the end consumers, with whom 94% of STADA's sales in Russia are generated, was noticeable during the course of the year. Due to the invoicing of high seasonal orders that served to strengthen and further expand the strategic competitive position in the distribution channels, STADA was able to slightly increase its market share in the Russian market. Sales generated in the context of the state program for the reimbursement of selected medicines for individual population groups (DLO Program), which accounted for around 5% of the Russian sales, were above the level of the previous year in local currency. Sales primarily generated with branded products, which have higher margins, in the self-pay market increased in local currency in the high single-digit percentage range. Around 1% of sales were achieved directly or indirectly with other state clients, particularly via tenders.

Sales generated in the Russian market with generics decreased by 29% to € 83.6 million (previous year: € 118.0 million). Generics contributed 28% to local sales (previous year: 33%). With a market share of approx. 4.6% (previous year: approx. 4.4%), STADA took position 2 in the Russian market in 2015.[1)]

Sales generated with branded products in Russia declined by 13% to € 212.2 million (previous year: € 242.7 million). Branded products contributed 72% to sales achieved in the Russian market (previous year: 67%).

The further development of the currency relation of the Russian ruble to the euro will continue to have a strong influence on sales and earnings contributions of the Russian STADA business activities in the future. In addition, the continued bleak prospects for the Russian economy and the corresponding strong devaluation of the Russian ruble present an increased risk in terms of consumer sentiment and consumer spending.

In **Serbia**, sales in financial year 2015 increased by 3% applying the exchange rates of the previous year. As a result of a negative currency effect of the Serbian dinar, sales rose slightly in euro by 0.3% to € 93.7 million (previous year: € 93.4 million). A general shift from generics to branded products can be observed in the sales mix of the Serbian market.

Sales recorded with generics in Serbia decreased by 4% to € 73.6 million (previous year: € 76.8 million). This development resulted from a decrease in reimbursement prices since January 1, 2015. Generics contributed 79% to Serbian sales (previous year: 82%). With a market share of approx. 33.7% (previous year: approx. 34.7%), STADA remained the market leader in the Serbian market in 2015.[1)]

Sales achieved with branded products in the Serbian market recorded an increase of 20% to € 19.9 million (previous year: € 16.6 million). Branded products contributed 21% to local sales (previous year: 18%).

In the first quarter of 2014, the insolvency administrator of Velefarm Holding and Velefarm VFB took legal action in Belgrade's commercial court against Hemofarm A.D., a subsidiary of STADA Arzneimittel AG, and Velefarm Prolek, a company of the Velefarm group. STADA and Hemofarm believed the lawsuit to be unfounded.[2)] The dispute was resolved in the fourth quarter of 2015.[3)]

In the future, the sales and earnings contributions in Serbia will continue to be decisively influenced by the currency relation of the Serbian dinar to the euro as well as by the local liquidity situation of the wholesalers and distribution partners.

1) STADA estimate based on IMS Health data at ex-factory prices.
2) See the Company's ad hoc release of February 14, 2014.
3) See the Company's ad hoc update and press release of December 18, 2015.

Market region Germany

In the **market region Germany**, sales in the reporting year increased by 3% to € 459.6 million (previous year: € 447.3 million). This development was achieved despite the fact that export activities to the MENA region are no longer disclosed in the market region Germany due to the grouping together[1] of the activities from the MENA region and the former market region Asia & Pacific as of January 1, 2015. Not considering the grouping together, i.e. including export activities to the MENA region, sales in the market region Germany increased by 7% to € 480.5 million (previous year: € 447.3 million). Overall, the market region Germany contributed 21.7% to Group sales (previous year: 21.7%). Of the sales generated in this market region, € 30.7 million was attributable to export sales (previous year: € 58.0 million). Adjusted sales in this market region were also 3% above the level of the corresponding period of the previous year.

Sales generated in **Germany**, i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany, increased by 10% to € 428.9 million in 2015 (previous year: € 389.3 million).

Despite the continued difficult local framework conditions for generics, which resulted from the strong competition in tenders for discount agreements from public health insurance organizations, sales in the German Generics segment increased by 15% to € 306.3 million in the reporting period (previous year: € 265.3 million). Sales generated in Germany with generics had a share of 71% in the overall sales achieved in the German market (previous year: 68%). The market share of generics sold in German pharmacies by volume in financial year 2015 was approx. 12.4%[2] (previous year: approx. 13.5%[2]). Overall, the STADA Group continues to be the clear number 3[2] in the German generics market.

Sales achieved with generics in Germany are almost exclusively generated with the sales companies ALIUD PHARMA GmbH, STADApharm GmbH and cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. Sales achieved by ALIUD PHARMA in the reporting year recorded an increase of 23% to € 194.0 million (previous year: € 158.3 million). Sales generated by cell pharm, a special supplier for the indication areas oncology and nephrology, decreased by 8% to € 28.4 million (previous year: € 30.7 million).

Sales generated with branded products in the German market – primarily with the two sales companies STADA GmbH and STADAvita GmbH – decreased slightly by 1% to € 122.7 million in the reporting year (previous year: € 124.0 million).

Overall, branded products contributed 29% to sales generated in Germany in the reporting year (previous year: 32%).

In financial year 2015, STADA's important branded products continued to be counted as market leaders in their respective market segments in the German pharmacy market. Examples for this are the cold medicine Grippostad® C with sales in Germany of € 43.1 million (previous year: € 33.9 million) and a market share of approx. 32% in the market for flu drugs[2][3] as well as STADA's sunscreen portfolio under the brand Ladival® with sales in Germany of € 28.6 million[4] (previous year: € 27.3 million[4]), which with a market share of approx. 33%[4] remains a clear market leader in the pharmacy market for sunscreens.

In financial year 2014, STADA had already signed a letter of intent for handing over the German logistics activities to the global leading logistics company DHL.[5] In the first quarter of 2015, the corresponding contract was signed, which came into effect on June 1, 2015.[6]

For financial year 2016, the Executive Board expects sales in the market region Germany to be below the level of the previous year with operating profitability under Group average.

1) Since January 1, 2015, the former market region Asia & Pacific has been grouped together with the activities of the MENA region and reported in the market region Asia/Pacific & MENA.
2) Data from IMS Health based on pharmacy sales to customers (source: IMS/Pharmascope national).
3) Excluding anti-infective agents.
4) STADA estimate at pharmacy retail prices based on data from IMS Health.
5) See the Company's press release of October 10, 2014.
6) See the Company's press release of March 23, 2015.

Market region Asia/Pacific & MENA

As of financial year 2015, the former market region Asia & Pacific has been expanded by substantial parts of the business activities in the Middle East and North Africa (MENA region). In doing so, the activities in this region, which used to be allocated mainly to the market region Germany, should be largely centralized. In light of this, this market region has been referred to as market region Asia/Pacific & MENA since then.

In the **market region Asia/Pacific & MENA**, sales rose in the reporting year by 55% to € 146.2 million (previous year: € 94.1 million). Not considering the expansion, i.e. excluding the MENA region, sales in the region increased by 33% to € 125.4 million (previous year: € 94.1 million). This development was primarily based on a sales increase in Vietnam and China. Here, sales were increased through gains in local tender processes despite higher price pressure. Furthermore, the sales growth was attributable to the previously mentioned grouping together of the former market region Asia & Pacific and the activities of the MENA region. In light of this, disclosures for the subsidiaries STADA MENA DWC-LLC, based in Dubai and consolidated since January 1, 2015, and STADA Egypt Ltd., based in Cairo and consolidated since January 1, 2015, are also included under this region. The sales contribution of this market region to Group sales was at 6.9% (previous year: 4.5%). Adjusted sales in this market region increased by 32%.

For financial year 2016, the Executive Board expects a sales increase in the market region Asia/Pacific & MENA with operating profitability above Group average.

Business Development and Situation | Financial Situation

Stable financial situation

The STADA Group has a stable financial position in the view of the Executive Board. Apart from some items of the cash flow statement, this is also displayed by various key figures such as those shown in the liquidity analysis in this chapter.

Basic principles and goals of financial management at STADA

STADA pursues a conservative financial policy characterized by long-term secured financing instruments and forward-looking control of financial risks. In principle, the goal of STADA's financial management is oriented towards being able to provide sufficient liquidity for the operating business at any time.

In the course of its forward-looking control of financial management, STADA has defined the "net debt to adjusted EBITDA ratio" key figure as a dynamic debt capacity, which should not exceed 3, excluding further acquisitions. If this target is temporarily exceeded, then STADA aims to achieve it again within twelve to 18 months.

Financial management also covers financial risks such as currency and interest price risks. In this area, the Group pursues the objective of minimizing existing financial risks that arise by way of natural hedges or derivative financial instruments. Derivative financial instruments are neither held nor issued for speculation purposes.

Only those financial risks are hedged which have significant consequences on the Group's cash flow. Details on the management of individual financial risks can be found in the Management Report of this Annual Report in the chapter "Risk Report".

With regard to the Group-wide financing strategy, STADA prioritizes a high degree of financial flexibility. In order to achieve this, STADA relies both on various financing instruments and a diversified investor structure. The Group's profile of maturity dates demonstrates a wide spread with a high share of middle and long-term financial instruments.

The Group covers its need for financing through a combination of cash flow from operating activities and the borrowing of funds on the short, middle and long-term, as well as factoring programs.

Furthermore, STADA has credit lines available as a liquidity reserve.

Long-term refinancing ensured, among other things, through successful placement of an additional corporate bond

The long-term refinancing of the Group as of December 31, 2015 was provided for by a five-year corporate bond that was placed in the second quarter of 2013 in the amount of € 350 million with an interest rate of 2.25% p.a. In the first quarter of 2015, STADA successfully placed an additional bond in the amount of € 300 million and a term of seven years with an interest rate of 1.75% p.a.[1)] Furthermore, as of December 31, 2015 there were promissory note loans with maturities in the area of the end of 2016 to 2020 with a total nominal value in the amount of € 547.0 million. In order to ensure a balanced financing structure, promissory note loans are staggered in terms of their volume and duration.

1) See the Company's press release of April 1, 2015.

Financial liabilities in a currency other than the Group's functional currency primarily exist at one Group company within the market region CIS/Eastern Europe.

In financial year 2015, the Group refinanced itself at interest rates of between 0.7% p.a. and 16.6% p.a. (previous year: between 0.9% p.a. and 12.0% p.a.). On the balance sheet date of December 31, 2015, the weighted average interest rate for non-current financial liabilities was approx. 2.0% p.a. (previous year: approx. 3.3% p.a.) and for current financial liabilities approx. 5.1% p.a. (previous year: approx. 4.6% p.a.). For all of the Group's financial liabilities, the weighted average interest rate amounted to approx. 2.6% p.a. (previous year: approx. 3.7% p.a.).

The following table presents an overview of the structuring of financial liabilities in the STADA Group:

Remaining maturities of financial liabilities due to banks as of Dec. 31, 2015 in € 000s	< 1 year	1–3 years	3–5 years	> 5 years	Total	thereof as of Dec. 31, 2015 > 1 year in %
Promissory note loans	187,734	43,935	314,252	-	545,921	66%
Bond	-	348,149	-	297,524	645,673	100%
Amounts due to banks	86,938	80,353	-	-	167,291	48%
Total	**274,672**	**472,437**	**314,252**	**297,524**	1,358,885	**80%**

In general, liabilities due to banks can indeed be terminated in the short term and are therefore reported under current liabilities of less than one year. However, it must be taken into consideration that many of the utilized credit lines have a partly long-standing history.

Liquidity analysis

In 2015, the Group's liquidity was ensured at all times. Significant sources of liquidity were attained from cash inflows from operating activities as well as the borrowing of funds on the short, middle and long-term. STADA also received cash inflow from factoring programs and from exercising outstanding warrants 2000/2015[1)]. Cash inflows from operating activities are influenced by the profitability of business activities and by net working capital from receivables, among other things. In addition to the existing financing through two corporate bonds, long-term credit lines and various promissory note loans, STADA maintains a liquidity reserve in the form of cash supplemented by short-term credit lines. The short-term credit lines bilaterally agreed with various banks each have a term of twelve months and currently amount to over € 500 million.

1) The exercise period of the warrants expired at the end of June 26, 2015.

Cash flow analysis

Cash flow statement (abridged) in € 000s	2015	2014
Cash flow from operating activities	311,748	223,810
Cash flow from investing activities	-178,217	-261,980
Free cash flow	**133,531**	**-38,170**
Cash flow from financing activities	-155,089	83,711
Non-cash changes in cash and cash equivalents	527	-7,495
Cash flow	**-21,031**	**38,046**

Cash flow from operating activities – which consists of changes in items not covered by investment activities, financing activities or by changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation – amounted to € 311.7 million in financial year 2015 (previous year: € 223.8 million). The increase in cash flow from operating activities of € 87.9 million compared to the previous year is primarily due to decreased cash-efficiency in the area of other net assets. The resulting positive effects on operating cash flow were, on the one hand, reinforced by lower income tax payments than in the previous year and, on the other hand, only partly compensated through a cash-effective increase in trade receivables.

Cash flow from investing activities, which reflects the cash outflows for investments reduced by the inflows from disposals, amounted to € -178.2 million in the reporting year (previous year: € -262.0 million). In financial year 2015, payments for investments in intangible assets in the amount of € 81.4 million (previous year: € 181.4 million) were made, of which € 32.3 million (previous year: € 147.5 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. Acquisition-related sales growth was generally associated with these investments in the reporting year. Proceeds from the disposal of non-current assets amounted to € 11.8 million (previous year: € 12.0 million) in the financial year.

In the previous year, cash flow from investing activities was particularly influenced by payments for investments in intangible assets, which primarily related to the acquisition of the Russian branded product portfolio Aqualor®. In addition, there were payments for business combinations from the purchase of the branded product portfolio Flexitol® and the acquisition of the British company Internis in the previous year. In 2015, cash flow from investing activities was affected by the settlement of outstanding payments for the acquisition of the Russian branded product portfolio Aqualor®, the Russian branded products AndroDoz® and NeroDoz®, as well as the British company Internis Pharmaceuticals. Furthermore, the settlement of outstanding purchase price payments for the acquisition of the British company Internis as well as purchase price payments from the acquisition of the Austrian company SCIOTEC Diagnostic Technologies and the British Socialites group are included in cash flow from investing activities.

For **acquisitions** – for both the acquisition of consolidated companies and business combinations in accordance with IFRS 3 as well as for significant investments in intangible assets for the short-term expansion of the product portfolio (generally in the reporting year) – STADA spent a total of € 89.0 million in 2015 (previous year: € 202.5 million).

As a result of **disposals**, cash flow from investing activities recorded an inflow of cash and cash equivalents in the total amount of € 11.8 million in financial year 2015 (previous year: € 12.0 million).

Investments in other intangible assets, i.e. investments in intangible assets in the context of the ongoing operating business and thus without consideration of significant investments or acquisitions for the short-term expansion of the product portfolio, amounted to € 49.2 million (previous year: € 33.9 million) and primarily comprised payments for the acquisition of approvals and approval dossiers in the reporting year.

Payments for **investments in property, plant and equipment** amounted to € 51.2 million in financial year 2015 (previous year: € 37.5 million).

Property, plant and equipment investments in 2015 comprised investments in production facilities, production sites and test laboratories in the total amount of € 32.2 million (previous year: € 19.7 million) (see "Basis of the Group – Procurement, Production and Quality Management").

Payments for **investments in financial assets** were € 0.6 million in the reporting year (previous year: € 0.1 million).

Cash flow from financing activities in financial year 2015 amounted to € -155.1 million (previous year: € 83.7 million). This development was primarily attributable to proceeds resulting from the placement of a corporate bond with a nominal value in the amount of € 300 million for the refinancing of a corporate bond with a nominal value of € 350 million which reached maturity in April 2015. Furthermore, two new loans were taken out in the third quarter. In the previous year, there were proceeds from securing financial liabilities, among other things, in connection with promissory note loans secured in financial year 2014 in the total amount of € 270 million and a loan in the amount of approx. € 121 million for financing the purchase of the branded product portfolio Aqualor®. Furthermore, more financial liabilities were repaid in the reporting year than in the previous year.

The exercise of options from STADA warrants 2000/2015 in the first half of 2015[1)] led to an increase in cash flow from financing activities by € 28.2 million (see Notes to the Consolidated Financial Statements – 34.1. and 34.2.). In contrast, cash flow from financing activities decreased due to dividend payments.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, amounted to € 133.5 million in 2015 (previous year: € -38.2 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to € 212.4 million in the reporting year (previous year: € 157.4 million).

In total, **cash flow for financial year 2015**, as the balance of all cash inflows and outflows, amounted to € -21.0 million (previous year: € 38.0 million).

Capital expenditure

The Group's investments amounted to a total of € 177.0 million in 2015 (previous year: € 279.0 million). Investments in property, plant and equipment amounted to € 53.5 million (previous year: € 37.9 million), of which € 0.6 million (previous year: € 0.1 million) was attributable to business combinations according to IFRS 3. In relation to Group sales, the share of investments in property, plant and equipment was 2.5% (previous year: 1.8% of Group sales). Investments in intangible assets amounted to € 122.9 million (previous year: € 241.0 million), of which € 51.1 million was used for business combinations in accordance with IFRS 3 (previous year: € 85.5 million). Therefore, in 2015, 30% of the total investment volume was attributable to property, plant and equipment (previous year: 14%) and 69% to intangible assets (previous year: 86%).

1) The exercise period of the warrants expired at the end of June 26, 2015.

Active acquisition policy with value-enhancing purchases

In the reporting year, the STADA Group pursued an active acquisition policy to further accelerate organic growth with external impulses. Overall, the Group concentrates, on the one hand, on the regional expansion of business activities with a focus on high-growth emerging markets. On the other hand, the Group also focuses on the expansion and internationalization of the core segments, in particular Branded Products, as this area is generally characterized by more attractive margins and less regulatory interventions than the generics area.

Regardless of the active purchasing policy, profitability and the purchase price must strike a good balance with acquisitions. For larger acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

STADA made further value-enhancing purchases in the context of this active acquisition policy in financial year 2015.

Completion of purchase of branded products AndroDoz® and NeroDoz®

Already in the fourth quarter of 2014, the Russian STADA subsidiary AO Nizhpharm had signed the purchase agreement for the two branded products AndroDoz® and NeroDoz®, which are positioned in the area of men's health. The purchase price was RUB 526.5 million (approx. € 7.9 million applying the official exchange rate of the Russian central bank as of December 25, 2014). The seller was OOO PharmEnergy, a Russian pharmaceutical company based in Moscow. Net sales generated with these two products in Russia amounted to approx. € 3.0 million in 2014. Product sales have been consolidated in the STADA Group since 2012, as Nizhpharm had previously sold the products via in-licensing. The purchase was completed in the first quarter of 2015.[1)]

Acquisition of SCIOTEC Diagnostic Technologies

In the third quarter of 2015, STADA acquired Austrian SCIOTEC Diagnostic Technologies GmbH including the associated sales structures to strengthen its branded product portfolio. The company is primarily focused on the development and marketing of prescription-free (OTC) products against enzymatic food intolerances (histamine, fructose and lactose intolerance).[2)] The purchase price totaled € 16.9 million and was to be paid in cash or cash equivalents. The sellers were a number of private owners, a sales company and an investment company. Sales expectations for the products acquired within the scope of the transaction for 2015 were approx. € 5.8 million, whereby the current sales are, for the most part, generated in equal parts in Germany and Austria as well as about 20% internationally through distributors. The company has been consolidated in the STADA Group since September 1, 2015.

Strengthening of the generics area and expansion of the international sales structure

For the strengthening of the core segment Generics, STADA and STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH signed a contract in the fourth quarter of 2015 to purchase the Argentinian generics producer Laboratorio Vannier S.A., which sells its products in niches which are subject to few price regulations, particularly in the area of CNS (conditions of the central nervous system), cardiology and diabetes.[3)] The purchase price amounted to USD 13.0 million (according to the exchange rate at the date of acquisition approx. € 11.9 million) and was to be paid in cash or cash equivalents. The seller was a private individual. The purchase was completed in the first quarter of 2016. Through the acquisition, STADA also expanded its sales network in a country, where the Group had not yet been represented with its own sales company.

1) See the Company's press release of February 4, 2015.
2) See the Company's press release of August 26, 2015.
3) See the Company's press release of December 10, 2015.

Sale of a French company

Furthermore, in the fourth quarter of 2015, STADA sold the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA, which specializes in branded products, with effect from December 22, 2015. The sales price amounted to € 7.3 million.

Cooperation within the aesthetics area

With the goal of expanding its business activities in the area of dermatological treatments, STADA Arzneimittel AG started a cooperation with the Austrian company CROMA-PHARMA GmbH through its subsidiary STADA Aesthetics AG.[1)] The long-term cooperation relates to the existing product portfolio as well as the CROMA-PHARMA product pipeline. Exclusive brand licensing rights and other distribution rights for STADA currently apply to Germany, Belgium, Italy, the United Kingdom, Sweden, Denmark, Finland, Norway, Hungary, Croatia and Hong Kong. In Germany and Belgium, STADA acquired the existing sales companies of CROMA-PHARMA with a total of five employees. The well-filled product pipeline includes products containing the active ingredient botulinum toxin A, which is currently in the clinical study phase 3 for application in cosmetic dermatology. The purchase price paid by STADA for the existing products and the pipeline as well as two purchased sales companies in Germany and Belgium is in the single-digit million euro area. Once an approval of botulinum toxin A has been issued, a further payment in the single-digit million euro range will be due.

Continuation of STADA's active acquisition policy

In the current financial year 2016, STADA will continue the active acquisition policy.

1) See the Company's press release of December 17, 2015.

Business Development and Situation | Assets Situation

Development of the Balance Sheet

Balance sheet (abridged) Assets	Dec. 31, 2015 in € 000s	Dec. 31, 2015 in %	Dec. 31, 2014 in € 000s	Dec. 31, 2014 in %
Non-current assets	**2,032,309**	**61.8%**	**2,013,819**	**60.4%**
Intangible assets	1,649,020	50.2%	1,631,516	48.9%
Property, plant and equipment	321,617	9.8%	305,430	9.2%
Other assets	61,672	1.8%	76,873	2.3%
Current assets	**1,255,106**	**38.2%**	**1,321,639**	**39.6%**
Inventories	501,520	15.2%	498,785	15.0%
Trade accounts receivable	485,901	14.8%	502,794	15.1%
Other assets	124,507	3.8%	155,851	4.6%
Cash and cash equivalents	143,178	4.4%	164,209	4.9%
Total assets	**3,287,415**	**100%**	**3,335,458**	**100%**

Equity and liabilities	Dec. 31, 2015 in € 000s	Dec. 31, 2015 in %	Dec. 31, 2014 in € 000s	Dec. 31, 2014 in %
Equity	**1,018,530**	**31.0%**	**903,339**	**27.1%**
Non-current borrowed capital	**1,282,577**	**39.0%**	**1,246,693**	**37.4%**
Other non-current provisions	28,869	0.9%	30,097	0.9%
Financial liabilities	1,084,213	33.0%	1,042,998	31.3%
Other liabilities	169,495	5.1%	173,598	5.2%
Current borrowed capital	**986,308**	**30.0%**	**1,185,426**	**35.5%**
Other provisions	22,532	0.7%	17,442	0.5%
Financial liabilities	274,672	8.4%	448,703	13.5%
Trade accounts payable	328,487	10.0%	340,847	10.2%
Other liabilities	360,617	10.9%	378,434	11.3%
Total equity and liabilities	**3,287,415**	**100%**	**3,335,458**	**100%**

From the Executive Board's perspective, the STADA Group's asset situation continues to be stable. This was reflected in various derived key figures as a supplement to the items reported in the balance sheet.

Net debt was at € 1,215.7 million as of December 31, 2015 (December 31, 2014: € 1,327.5 million).

The **net debt to adjusted EBITDA ratio** was 3.1 in the reporting year (previous year: 3.1).

The **equity-to-assets ratio** was 31.0% at the balance sheet date (December 31, 2014: 27.1%) and was thereby satisfactory in the opinion of the Executive Board.

The balance sheet total as of December 31, 2015 decreased to € 3,287.4 million (December 31, 2014: € 3,335.5 million). The decrease was primarily attributable to settlements of financial liabilities.

Intangible assets increased by € 17.5 million to € 1,649.0 million as of December 31, 2015 (December 31, 2014: € 1,631.5 million). The amount of this balance sheet item was a result of the Group's long-term active acquisition policy with corresponding investments in the acquisition of companies and products including brands and licenses as well as in the area of product development for the acquisition of dossiers and approvals.

As of December 31, 2015, intangible assets included goodwill in the amount of € 391.6 million (December 31, 2014: € 372.3 million). There were additions to other intangible assets from business combinations – without considering impairments – in the amount of € 33.3 million. This included € 1.4 million for the acquisition of British company Internis, € 11.8 million for the acquisition of Austrian company SCIOTEC as well as € 20.1 million for the acquisition of the British Socialites group. In addition, in financial year 2015 development costs in the amount of € 27.5 million (December 31, 2014: € 28.7 million) were capitalized as internally created intangible assets (see Notes to the Consolidated Financial Statements – 24.). In the reporting year, impairments on intangible assets were recognized in the total amount of € 32.9 million (previous year: € 104.8 million).

Property, plant and equipment was at € 321.6 million as of December 31, 2015 (December 31, 2014: € 305.4 million). The increase particularly resulted from investments in production facilities in Serbia, the United Kingdom, Russia and Germany.

Other assets comprise various items including, among other things, financial assets, shares in associated companies, deferred tax assets, other financial assets and non-current assets and disposal groups held for sale.

Financial assets declined as of December 31, 2015 by € 0.7 million to € 1.3 million (December 31, 2014: € 2.0 million). This development was primarily attributable to the inclusion of STADA MENA DWC and STADA Egypt in the scope of consolidation of STADA Arzneimittel AG.

Investments measured at equity increased to € 13.2 million (December 31, 2014: € 10.6 million). The growth of this balance sheet item particularly resulted from the earnings contribution of associated companies in the reporting year.

Deferred tax assets decreased by € 15.3 million to € 34.1 million as of December 31, 2015 (December 31, 2014: € 49.4 million). The decrease primarily resulted from lower temporary differences, which led to deferred tax assets.

Other financial assets in the amount of € 83.0 million (previous year: € 98.7 million) include purchase price receivables. This item also includes the positive market values of derivative financial instruments, which amounted to € 27.5 million as of the balance sheet date (December 31, 2014: € 33.3 million) and mainly resulted from the cross-currency swaps.

Inventories increased by € 2.7 million to € 501.5 million as of December 31, 2015 (December 31, 2014: € 498.8 million). This resulted, among other things, from translation effects in the United Kingdom and Vietnam, which were only partially compensated by opposite translation effects in Russia.

In light of the principle of market proximity (see "Basis of the Group – Sales and Marketing"), in specific situations STADA deliberately puts certain range considerations in favor of possible operating opportunities. In individual cases this can lead to value adjustments for inventories which burden earnings, if the utilization of opportunities cannot be realized as expected. Total burdens in the amount of € 36.5 million as of December 31, 2015 were incurred due to value adjustments in inventories netted with reversals (previous year: € 33.7 million).

Trade accounts receivable decreased as of the balance sheet date to € 485.9 million (December 31, 2014: € 502.8 million). This development resulted, among other things, from reporting date effects as well as translation effects in the context of converting financial statements of foreign subsidiaries with a reporting currency other than the Group currency euro. Furthermore, the factoring volume showed an increase as of December 31, 2015 as compared to the balance sheet date of the previous year.

If the possibility of attaining a better market position exists, the Group accepts, if necessary, higher current trade receivables in selected market situations. In the scope of its receivables management, STADA pays thorough attention to the liquidity of customers as a rule. However, defaults can never be entirely ruled out (see "Risk Report").

Cash and cash equivalents, which include cash and call deposits as well as short-term financial investments, decreased as of December 31, 2015 to € 143.2 million (December 31, 2014: € 164.2 million). This development was mainly due to effects related to the balance sheet date. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

Equity increased as of December 31, 2015 to € 1,018.5 million (December 31, 2014: € 903.3 million). Here it must be taken into account that the Group recorded proceeds from capital increases from the conversion of STADA warrants in the first half of 2015[1)] in the amount of € 28.2 million (previous year: € 3.0 million) (see "The STADA Share").

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, effects from measurements of the net defined benefit liability that are recognized in other comprehensive income are reported under this item taking deferred taxes into account. In the context of measuring the significant defined benefit obligations as of December 31, 2015 – not considering amounts attributable to non-controlling interests – net earnings in the amount of € 2.7 million recognized in other comprehensive income after deferred taxes resulted from the remeasurement. This is mainly based on the slight increase in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2015 in comparison to December 31, 2014. In addition, the retained earnings include an adjustment of the previous year recognized directly in equity in the amount of € 1.2 million, in connection with a company accounted for at equity.

The **share capital** and **capital reserve** of STADA Arzneimittel AG increased as of December 31, 2015 by € 4,460,924.00 to € 162,090,344.00 and by € 23,770,371.60 to € 514,171,360.77 respectively. This development resulted from the increase in the number of shares in the first half year of 2015, which was attributable to the exercise of 85,787 options from STADA warrants 2000/2015. The share options from the STADA warrants mentioned had expired as of June 26, 2015, there were therefore no more warrants outstanding for subscription as of December 31, 2015. As a consequence, the number of shares as of the balance sheet date of December 31, 2015 did not increase further as compared to June 30, 2015.

Other provisions 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 recognized in the statement of changes in equity under the currency translation reserve. In the reporting year, income of € 6.7 million recognized directly in equity arose, which is primarily composed of the following effects: Due to the appreciation of the currencies British pound sterling and Swiss franc since December 31, 2014, income recognized directly in equity from the currency translation of financial statements of companies reporting in the respective currency was recorded. In contrast, expenses recognized

1) The exercise period of the warrants expired at the end of June 26, 2015.

directly in equity as a consequence of the devaluation of the Russian ruble since December 31, 2014 resulted from the currency translation of the financial statements of the companies reporting in the currency. In total, other provisions increased slightly to € -364.1 million as of December 31, 2015 (December 31, 2014: € -371.9 million).

Financial liabilities amounted to € 1,358.9 million as of December 31, 2015 (December 31, 2014: € 1,491.7 million). The item includes, in particular, promissory note loans with a nominal value in the amount of € 547.0 million (December 31, 2014: € 552.5 million) and 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, 2014: two bonds of € 350.0 million each). The change in financial liabilities was mainly based on the placement of an additional bond in the first quarter of 2015 for the refinancing of a corporate bond which reached maturity in April 2015. Furthermore, the repayment of current financial liabilities exceeded borrowing.

Trade accounts payable decreased to € 328.5 million as of December 31, 2015 (December 31, 2014: € 340.8 million). This development was primarily due to lower liabilities of STADApharm to health insurance organizations as a result of decreased operating activities and in Belgium as a result of decreased business.

Remaining liabilities include, among other things, deferred tax liabilities, other financial liabilities and other liabilities.

Deferred tax liabilities showed a decrease to € 160.2 million as of December 31, 2015, which is particularly attributable to a tax rate change in the United Kingdom as well as impairments of assets from result of business combinations, which led to a reduction in temporary differences (December 31, 2014: € 166.7 million). This effect was partially compensated by the acquisition of the Austrian SCIOTEC and the British Socialites group and the associated purchase price allocations.

Other financial liabilities in the amount of € 226.0 million (December 31, 2014: € 262.7 million) include, among other things, finance lease liabilities and liabilities from derivative financial instruments. The finance lease liabilities amounted to € 2.2 million as of December 31, 2015 (December 31, 2014: € 3.1 million). The liabilities from derivative financial instruments amounted to € 4.6 million on the balance sheet date (December 31, 2014: € 3.1 million), and resulted from the negative market values of derivatives measured at fair value with an effect on income, which were partly used as hedging instruments.

The decrease in other financial liabilities to € 226.0 million as of December 31, 2015 (December 31, 2014: € 262.7 million) was primarily a result of decreased liabilities due to discount agreements, among other things due to a quicker settlement of existing discount agreements. In addition, this development was based on the decision to take part in tenders for discount agreements with only one German subsidiary in the future. With this step, the Group followed the decision to participate in German tenders for discount agreements primarily with a view to appropriate operating profitability. Payments for outstanding purchase price liabilities were also responsible for the decrease, particularly payments for the acquisition of Internis and the product acquisition of Aqualor®.

The increase in other liabilities to € 104.4 million (December 31, 2014: € 88.9 million) mainly resulted from increased tax liabilities.

Business Development and Situation | General Statements of the Executive Board on Business Development 2015

In financial year 2015, the STADA Group recorded solid business development in line with the expectations of the Executive Board, which reflected the outlook published at the beginning of the year.

In the market region Asia/Pacific & MENA, STADA achieved a thoroughly pleasing development with sales growth well into the double-digit percentage range. The Group was able to increase sales in the market region Central Europe, and both sales and sales adjusted for currency and portfolio effects in the market region Germany. Although STADA continued to be faced with difficult framework conditions in the market region CIS/Eastern Europe, it achieved an increase in the double-digit range in sales adjusted for currency and portfolio effects.

Overall, the Group had to report one-time special effects in the amount of € 16.9 million before or € 16.9 million after taxes in connection with currency translation expenses recorded in the income statement as a result of the weak Russian ruble, the strong devaluation of the Ukrainian hryvnia and an extremely weak Kazakhstani tenge.

Group sales adjusted for currency and portfolio effects rose in the reporting year – with varying development in the individual market regions – by 4% to € 2,133.8 million (previous year: € 2,052.2 million).

Earnings development was characterized by an increase in almost all reported key earnings figures.

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted EBITDA** decreased by 10% to € 389.4 million (previous year: € 431.9 million). **Adjusted net income** declined by 11% to € 165.8 million (previous year: € 186.2 million).

The **net debt to adjusted EBITDA ratio** was at 3.1 (previous year: 3.1).

REMUNERATION REPORT

This Remuneration Report summarizes the principles applied to the determination of the remuneration of the members of the Executive Board of STADA Arzneimittel AG and explains the structure and amount of remuneration of the members of the Executive Board.

The first part of the report presents the Executive Board remuneration system applicable for financial year 2015 and the remuneration of the members of the Executive Board both in accordance with the applicable financial reporting principles of the German Commercial Code (HGB) and the German Accounting Standards (DRS), and the recommendations of the German Corporate Governance Code (DCGK). The redesigned Executive Board remuneration system, applicable from January 1, 2016, which will be presented for approval at the Annual General Meeting on June 9, 2016, is subsequently explained.

The report concludes with a presentation of the remuneration awarded to the Supervisory Board and the Advisory Board in financial year 2015.

Remuneration of the Executive Board

The Executive Board remuneration system in financial year 2015

The full Supervisory Board determines the Executive Board remuneration system and the remuneration of individual Executive Board members upon the proposal of the Human Resources Committee and reviews these regularly. The Executive Board remuneration system applicable for financial year 2015 was agreed by the Supervisory Board in financial year 2010 in accordance with the new regulations of the German Act on the Appropriateness of Executive Board Remuneration (VorstAG), which came into effect on August 5, 2009. This system was approved by the STADA Annual General Meeting on June 16, 2011 in accordance with Section 120 (4) of the German Stock Corporation Act (AktG).

Principles of Executive Board remuneration

The objective of the Executive Board remuneration system is to allow the members of the Executive Board to appropriately participate in the sustainable development of the company according to their personal responsibilities and performance, the overall performance of the Executive Board as well as successes in the design of the economic and financial situation of the Company under consideration of the competitive environment.

Overall, the remuneration of the Executive Board in the framework of this remuneration system is performance-oriented and assessed in a way that is competitive both nationally and internationally and offers incentives for committed and successful performance in a dynamic environment.

The remuneration of the Executive Board in the framework of this remuneration system is made up of non-performance related remuneration and a performance related remuneration. The performance related remuneration includes a variable annual bonus (one-year variable remuneration) and a variable long-term special remuneration (multi-year variable remuneration). Stock option plans and other comparable components with a long-term incentive effect do not exist.

Non-performance related components

In financial year 2015, the non-performance related remuneration consisted of an agreed basic salary paid out in twelve equal monthly installments. This annual fixed salary was determined in accordance with the requirements of stock company law under consideration of usual market remuneration with the conclusion of the Executive Board employment contracts.

The members of the Executive Board received other remuneration in the form of fringe benefits, which consisted for the most part of the private use of a company car, contributions to health and nursing care insurance and other insurance services (accident insurance, among other things).

In the framework of the remuneration structure, individual contractual commitments were fundamentally possible for individual Executive Board members, in accordance with the German Act on the Appropriateness of Executive Board Remuneration, regarding additional non-performance related remuneration components, e.g. pension commitments or commitments in case of termination of activity.

Performance related component

In the remuneration structure which was applicable until financial year 2015, performance related remuneration was structured similarly for all members of the Executive Board, however, it differed as a result of individual contractual agreements in the share of the total target remuneration and the amount for the individual Executive Board members.[1)]

The performance related remuneration was made up of the following components for each Executive Board member in the remuneration structure applicable until financial year 2015:

- the variable annual bonus, which consisted of performance related and a target related bonus component and for which a cap was agreed upon. While the performance related bonus component of this variable annual bonus was based on the Group's adjusted EBITDA of the respective financial year, the target related bonus component of the variable annual bonus remunerated for the achievement of specific pre-determined goals, which were individually agreed upon in writing with individual Executive Board members for the respective financial year (personal goal agreement).

- the variable long-term special remuneration, for which defined annual progress payments were to be made by the Company upon the reaching of annual interim goals set out in individual contracts and which targeted the Group's overall business success in a defined target year. The long-term target thereby taken as a basis in individual contracts, as well as the annual interim goals, were geared to a challenging adjusted Group EBITDA under the assumed framework conditions for the period under consideration; the target year for the variable long-term special remuneration should, at the earliest, generally be the third full financial year after the beginning of the contract of the respective Executive Board contract. If the long-term target agreed upon for the variable special long-term remuneration is not reached in consideration of the agreed corridor of a degree of target attainment, the Company is entitled to the repayment of rendered progress payments in the case that the interim goals of the agreed corridor are not reached. A cap for the variable special long-term remuneration was also agreed upon.

The Executive Board contracts of acting Executive Board members, applicable up to the balance sheet date, reflected this remuneration system.

Within the concrete arrangement of the Executive Board contracts of current Executive Board members, both the long-term target for the variable long-term special remuneration and the respective interim goals for all three Executive Board members are based on the Group's long-term targets for adjusted EBITDA in financial year 2014 as initially published in financial year 2010, as well as on the increasing adjusted EBITDA in each subsequent financial year.

1) See the breakdown in the following tables in accordance with the German Corporate Governance Code.

Presentation of Executive Board remuneration for financial year 2015

The Executive Board remuneration for financial year 2015 is subsequently presented separately in accordance with two different sets of regulations: the German Corporate Governance Code on the one hand and the applicable German Accounting Standard 17 (DRS 17) on the other hand.

Executive Board remuneration for financial year 2015 in accordance with the German Corporate Governance Code (exemplary charts)

The following presentation of the Executive Board remuneration awarded and paid in financial year 2015 is in accordance with the recommendations of the German Corporate Governance Code, as published on May 5, 2015.

The salaries awarded for the multi-year variable remuneration component (long-term special remuneration) are hereby to be disclosed using the target for an average probability scenario. This value is reported as a proportional value in accordance with the predetermined term of the long-term special targets calculated annually based on each financial year. The payment, to be reported in accordance with the German Corporate Governance Code, represents the payment for the respective financial year – irrespective of the exact date of the actual payment.

The **remuneration** of the individual members of the Executive Board who were active for the Company in financial year 2015, in accordance with the German Corporate Governance Code, is as follows:

	Hartmut Retzlaff, CEO (Chairman of the Executive Board since 1993)					
	Benefits granted				Allocation	
in € 000s	2015	2014	2015 (min)	2015 (max)	2015	2014
Fixed remuneration	2,000	2,000	2,000	2,000	2,000	2,000
Fringe benefits	35	142	35	35	35	142
Total	**2,035**	**2,142**	**2,035**	**2,035**	**2,035**	**2,142**
One-year variable remuneration	589	848	0	850	589	848
Multi-year variable remuneration						
• Long-term targets 2014	-	1,244	-	-	-	1,727
• Long-term targets 2016	971	-	0	1,323	0[1)]	-
Other	-	-	-	-	-	-
Total	**1,560**	**2,092**	**0**	**2,173**	**589**	**2,575**
Service cost	-	-17,603	-	-	-	-17,603
Total remuneration	**3,595**	**-13,369**	**2,035**	**4,208**	**2,624**	**-12,886**

The benefits of the Chairman of the Executive Board from the multi-year variable remuneration **"long-term targets 2014"** amounted to a total of € 4,146,000 and were awarded for a term of 40 months (September 1, 2011 to December 31, 2014). In a pro rata presentation in accordance with the regulations of the German Corporate Governance Code, for **financial year 2014**, **benefits** in the amount of € 1,244,000 were granted as a result of the long-term targets 2014 (this corresponds to an amount of 12/40). Financial year 2014 was the target year for the "long-term targets 2014" and both the interim targets in the previous years and the long-term targets for 2014 were achieved.

1) Any amount paid out following the final statement of the long-term targets for 2016 will be disclosed in the 2016 Annual Report.

In accordance with the regulations of the German Corporate Governance Code, an **allocation** of € 1,727,000 was to be reported for the Chairman of the Executive Board for the long-term targets 2014 for **financial year 2014**. This amount represents the difference between (i) the total awarded long-term special remuneration as regards the achievement of the "long-term targets 2014" for the relevant 40-month period of € 4,146,000 less (ii) the contractually agreed progress payments upon achievement of the interim targets in the previous financial years in the amount of € 806,000 each.

For the remaining term of the current employment contract of Hartmut Retzlaff after the end of financial year 2014 until August 31, 2016 (i.e. for 20 months), the targets for variable special remuneration were continued as regards the constantly increasing adjusted EBITDA following the long-term target 2014 as an interim target for financial year 2015 and a long-term target for target year 2016, so-called **"long-term targets 2016"**.

Across the entire period of 20 months, benefits for the variable special remuneration "long-term targets 2016" are expected to amount to a total of € 1,618,000. For **financial year 2015**, **benefits** from the long-term targets 2016 in the amount of € 971,000 were therefore to be reported (this represents an amount of 12/20) in the pro rata presentation in accordance with the regulations of the German Corporate Governance Code.[1)]

Income from past service cost in the amount of € 17.6 million resulted as **service cost** for the Chairman of the Executive Board for financial year 2014 as a consequence of the changes in the plan and the resulting changes as compared with the benefits in accordance with the former benefit plan. In addition, an expense from administrative costs for the benefit plan in the amount of € 0.7 million and an expense from the adjustment of plan assets in the amount of € 1.0 million were incurred. Net earnings for the Group of € 15.9 million resulted, which were recorded in general and administrative expenses and reported as both a (negative) benefit and (negative) allocation for 2014 under service cost of the Chairman of the Executive Board.

	Helmut Kraft, Chief Financial Officer (on the Executive Board since 01/2010)					
	Benefits granted				Allocation	
in € 000s	2015	2014	2015 (min)	2015 (max)	2015	2014
Fixed remuneration	800	750	800	800	800	750
Fringe benefits	30	26	30	30	30	26
Total	**830**	**776**	**830**	**830**	**830**	**776**
One-year variable remuneration	350	399	0	350	350	399
Multi-year variable remuneration						
• Long-term targets 2014	-	315	-	-	-	832
• Long-term targets 2018	303	-	0	360	0[2)]	-
Other	-	-	-	-	-	-
Total	**653**	**714**	**0**	**710**	**350**	**1,231**
Service cost	-	-	-	-	-	-
Total remuneration	**1,483**	**1,490**	**830**	**1,540**	**1,180**	**2,007**

1) With the extension of the appointment of Hartmut Retzlaff as Chairman of the Executive Board for further five years until August 31, 2021 (see the Company's press release of September 8, 2015) a new Executive Board employment contract newly regulated the employment with effect from January 1, 2016. The regulations of the previous employment contract, which would have continued until August 31, 2016, were ended or replaced by the new contract. The long-term special remuneration in accordance with the old contract for the period January 1, 2015 to August 31, 2016 will be determined following conclusion of financial year 2016 as the target year for "long-term targets 2016" on the basis of the actual achievement of targets, however only a proportionate amount of 12/20 will be awarded for the period from January 1, 2015 to December 31, 2015.

2) Any amount paid out following the final statement of the long-term targets for 2018 will be disclosed in the 2018 Annual Report.

The salary of Helmut Kraft from the multi-year variable remuneration **"long-term targets 2014"** amounted to a total of € 1,575,000 and was awarded for a term of 60 months, corresponding to his contract term at that time (January 1, 2010 to December 31, 2014). In a proportional presentation in accordance with the regulations of the German Corporate Governance Code, for **financial year 2014** an **allocation** in the amount of € 315,000 was awarded as a result of the long-term targets 2014 (this corresponds to an amount of 12/60). Financial year 2014 was the target year for the "long-term targets 2014" and both the interim targets in the previous years and the long-term target for 2014 were achieved.

In accordance with the regulations of the German Corporate Governance Code, an **allocation** of € 832,000 was to be reported for the long-term targets 2014 for **financial year 2014**. This amount represents the difference between (i) the total awarded long-term special remuneration as regards the achievement of the "long-term targets 2014" for the relevant 60 month period of € 1,575,000 less (ii) the contractually agreed progress payments upon achievement of the interim targets in the previous financial years in the total amount of € 743,000.

The Executive Board contract of Helmut Kraft was extended until December 31, 2018 on January 17, 2014, effective from January 1, 2015.[1)] In this context, new long-term targets were set for the multi-year variable remuneration (so-called **"long term targets 2018"**) with corresponding annual interim targets, which are based on a constantly increasing adjusted EBITDA of the Group as compared to the long-term target 2014.

Across the entire contract period of 48 months, benefits for the variable special remuneration "long-term targets 2018" are expected to amount to a total of € 1,214,000. For **financial year 2015**, an **allocation** from the long-term targets 2018 in the amount of € 303,000 was therefore to be reported (this represents an amount of 12/48) in the pro rata presentation in accordance with the regulations of the German Corporate Governance Code.[2)]

	Dr. Matthias Wiedenfels, Chief Business Development & Central Services Officer (on the Executive Board since 05/2013)					
	Benefits granted				Allocation	
in € 000s	2015	2014	2015 (min)	2015 (max)	2015	2014
Fixed remuneration	750	750	750	750	750	750
Fringe benefits	33	27	33	33	33	27
Total	**783**	**777**	**783**	**783**	**783**	**777**
One-year variable remuneration	350	300	0	350	350	300
Multi-year variable remuneration						
• Long-term targets 2016	394	394	0	495	0[3)]	200
Other	-	-	-	-	-	-
Total	**744**	**694**	**0**	**845**	**350**	**500**
Service cost	-	-	-	-	-	-
Total remuneration	**1,527**	**1,471**	**783**	**1,628**	**1,133**	**1,277**

1) See the Company's press release of January 17, 2014.
2) With the extension of the appointment of Helmut Kraft as member of the Executive Board until December 31, 2019 (see the Company's press release of November 11, 2015) a new Executive Board employment contract newly regulated the employment with effect from January 1, 2016. The regulations of the previous employment contract, which would have continued until December 31, 2018, were ended or replaced by the new contract. The long-term special remuneration in accordance with the old contract for the period January 1, 2015 to December 31, 2018 will be determined following conclusion of financial year 2018 as the target year for "long-term targets 2018" on the basis of the actual achievement of targets, however only a proportionate amount of 12/48 will be awarded for the period from January 1, 2015 to December 31, 2015.

3) Any amount paid out following the final statement of the long-term targets for 2016 will be disclosed in the 2016 Annual Report.

The benefits of Dr. Matthias Wiedenfels from the multi-year variable remuneration **"long-term targets 2016"** are expected to amount to a total of € 1,445,000 and relate to a term of 44 months, corresponding to the term of his current employment contract (May 3, 2013 to December 31, 2016). In a pro rata presentation in accordance with the regulations of the German Corporate Governance Code, for **financial year 2014 benefits** in the amount of € 394,000 were granted as a result of the long-term targets 2016 (this corresponds to an amount of 12/44).

In accordance with the regulations of the German Corporate Governance Code, an **allocation** of € 200,000 was to be reported for **financial year 2014** for the long-term targets 2016. This amount corresponds to the contractually agreed progress payment upon achievement of the interim target for financial year 2014.

The benefits for the variable special remuneration "long-term targets 2016" are expected to remain at a total of € 1,445,000 and relate to a period of 44 months. For **financial year 2015**, **benefits** from the long-term targets 2016 in the amount of € 394,000 were to be reported (this represents an amount of 12/44) in the pro rata presentation in accordance with the regulations of the German Corporate Governance Code.[1)]

Executive Board remuneration for financial year 2015 in accordance with DRS 17

The following details on the remuneration granted to Executive Board members in financial year 2015 are provided in accordance with the requirements of DRS 17. In contrast with the presented regulations of the German Corporate Governance Code, the disclosure of the payments for multi-year variable remuneration components in accordance with DRS 17 is made in full in the year the final target is reached, rather than on a pro rata basis. If a payment is made in the year before the final targets are achieved (e.g. as a progress payment), then the amount is to be recorded as an advance in the year of payment.

The **remuneration** of the individual members of the Executive Board who were active for the Company in financial year 2015, in accordance with DRS 17, is as follows:

	Hartmut Retzlaff, CEO (Chairman of the Executive Board since 1993)	
	Benefits granted	
in € 000s	**2015**	**2014**
Fixed remuneration	2,000	2,000
Fringe benefits	35	142
Total	**2,035**	**2,142**
One-year variable remuneration	589	848
Multi-year variable remuneration		
• Long-term targets 2014	-	4,146
• Long-term targets 2016	-	-
Other	-	-
Total	**589**	**4,994**
Service cost	-	-17,603
Total remuneration	**2,624**	**-10,467**

1) With the extension of the appointment of Dr. Matthias Wiedenfels as member of the Executive Board until December 31, 2020 (see the Company's press release of January 8, 2016) a new Executive Board employment contract newly regulated the employment with effect from January 1, 2016. The regulations of the previous employment contract, which would have continued until December 31, 2016, were ended or replaced by the new contract. The long-term special remuneration in accordance with the old contract for the period May 3, 2013 to December 31, 2016 will be determined following conclusion of financial year 2016 as the target year for "long-term targets 2016" on the basis of the actual achievement of targets, however only a proportionate amount of 32/44 will be awarded for the period from May 3, 2013 to December 31, 2015.

Because financial year 2014 corresponded to the target year defined in the context of the long-term targets 2014, benefits granted to the Chairman of the Executive Board as part of long-term special remuneration in 2014 were fully disclosed in financial year 2014. Accordingly, this also included the contractually agreed progress payments for the long-term special remuneration in the amount of € 806,000 each upon achievement of the interim goals in the previous years.

The defined target year for the multi-year variable remuneration "long-term targets 2016" is financial year 2016, as a result of which benefits for this remuneration component are to be fully disclosed in the report on financial year 2016 in accordance with DRS 17.

	Helmut Kraft, Chief Financial Officer (on the Executive Board since 01/2010)	
	Benefits granted	
in € 000s	**2015**	**2014**
Fixed remuneration	800	750
Fringe benefits	30	26
Total	**830**	**776**
One-year variable remuneration	350	399
Multi-year variable remuneration		
• Long-term targets 2014	-	1,575
• Long-term targets 2018	-	-
Other	-	-
Total	**350**	**1,974**
Service cost	-	-
Total remuneration	**1,180**	**2,750**

Because financial year 2014 corresponded to the defined target year in the context of long-term targets 2014, payments made to Helmut Kraft as part of long-term special remuneration in 2014 were fully disclosed in financial year 2014. Accordingly, this also included the contractually agreed progress payments for the long-term special remuneration in the total amount of € 743,000 upon achievement of the interim goals in the previous years.

The defined target year for the multi-year variable remuneration "long-term targets 2018" is financial year 2018, as a result of which benefits for these remuneration components are to be fully disclosed in the corresponding financial year in accordance with DRS 17.

	Dr. Matthias Wiedenfels, Chief Business Development & Central Services Officer (on the Executive Board since 05/2013)	
	Benefits granted	
in € 000s	2015	2014
Fixed remuneration	750	750
Fringe benefits	33	27
Total	**783**	**777**
One-year variable remuneration	350	300
Multi-year variable remuneration		
• Long-term targets 2016	-	-
Other	-	-
Total	**350**	**300**
Service cost	-	-
Total remuneration	**1,133**	**1,077**

The defined target year for the multi-year variable remuneration "long-term targets 2016" is financial year 2016, as a result of which benefits for these remuneration components are to be fully disclosed in the report on financial year 2016 in accordance with DRS 17.

In addition to the above-listed remuneration, the Executive Board members received performance related advances[1] in the total amount of € 200,000 (previous year: € 1,206,250) in financial year 2015; thereof € 0[2] was attributable to Hartmut Retzlaff (previous year: € 806,250), € 0[2] to Helmut Kraft (previous year: € 300,000) and € 200,000 to Dr. Matthias Wiedenfels (previous year: € 100,000).

The percentage ratio between non-performance related and performance related remuneration of members of the Executive Board under consideration of advances ranged in the area of approx. 59% to approx. 78% non-performance related and approx. 22% to approx. 41% performance related remuneration.

Commitments to members of the Executive Board

Commitments to members of the Executive Board in case of premature or regular termination of their activity and any corresponding benefits

The Chairman of the Executive Board, upon reaching the contractually agreed start of pension payments, is entitled to a lifelong pension in the form of a monthly guaranteed pension as well as a variable non-guaranteed participation feature from which a corresponding benefit increase may result. The start of pension payments can in principle – with the corresponding change in the amount of monthly pension payments – take place variably within a defined time period. In addition, a lifelong survivor's pension and a temporary orphan's pension will be paid in case of death.

The pension commitment for the Chairman of the Executive Board was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly in the balance sheet. The present value of the pension

1) Contractually agreed performance related progress payments of the long-term special remuneration upon achieving the respective interim goals.
2) Because financial year 2014 corresponded to the defined target year for the long-term special remuneration "long-term targets 2014", the final amount was paid out in 2015, as a result of which no progress payments were made in 2015. No progress payments were made in 2015 for the long-term targets 2016 and 2018.

commitments, in accordance with IFRS, was € 31.3 million as of December 31, 2015 (previous year: € 33.7 million). The existing plan assets led to a provision of zero due to the required offsetting. Because the pension commitment is fully funded, no further provisions are expected in the future.

The current Executive Board contracts also contain a severance payment regulation for a more closely defined change of control, which, in accordance with the German Corporate Governance Code, is not higher than the value of the remaining term of the Executive Board contract, and is limited in amount to a maximum of three years' remuneration.

Other commitments

The Executive Board contracts include the provision that, in the case of invalidity due to illness or accident, the Company will continue to pay the salary, whereby the amount of the continued payment in the first year after the occurrence of invalidity corresponds to the fixed annual salary and, on a pro rata basis, the variable remuneration and, in the second and third year, to the fixed annual salary.

The Company has concluded an accident insurance for each of the three members of the Executive Board.

In the context of a group insurance for all three Executive Board members, there exists a so-called D&O insurance with a deductible for the Executive Board members within the legal framework.

Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the reporting year with regard to their position in the Executive Board

To the Company's knowledge, third parties outside the Group have neither promised nor granted benefits to Executive Board members with regard to their position in the Executive Board in financial year 2015.

Structure of the Executive Board remuneration system since January 1, 2016

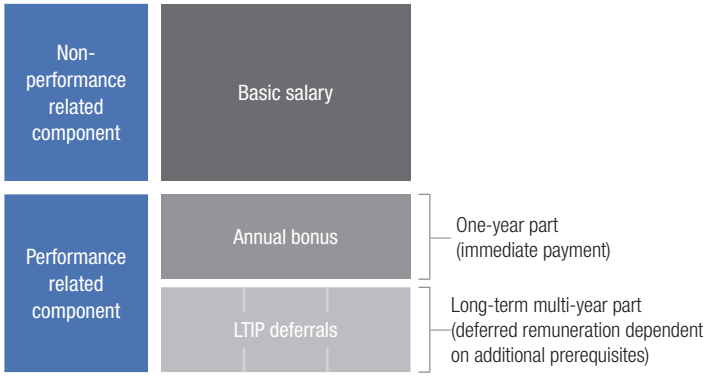
In financial year 2015, with the support of an independent external advisor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, the Supervisory Board of STADA Arzneimittel AG developed and agreed a new remuneration system for the Executive Board, which particularly makes changes to the structure of the performance related remuneration. The revised remuneration system came into effect on January 1, 2016 for all Executive Board members and forms the basis of the new Executive Board contracts, which came into effect at this time, and replaces the current regulations. This system will be presented to the Annual General Meeting on June 9, 2016 for approval in accordance with Section 120 (4) AktG.

An important requirement of the new remuneration system was to make it simple, transparent and attractive, and to allow the Executive Board members appropriate participation in the continued increase in the enterprise value according to their personal tasks and performance, the overall performance of the Executive Board as well as the success-oriented management under consideration of the comparable environment.

The remuneration of the Executive Board members continues to be made up of a non-performance related component and a performance related component. The performance related remuneration comprises a 50% one-year part (annual bonus) and a 50% multi-year, long-term incentive-oriented part (LTIP[1)] deferrals). The multi-year part is hereby determined under consideration of

1) "Long-term incentive plan".

share-oriented development. As previously, there are no stock option plans. The following presentation gives an overview of the new remuneration system of the Executive Board members:



Non-performance related components

As previously, the non-performance related remuneration consists of an agreed basic salary paid out in twelve equal monthly installments. This annual fixed salary is determined in accordance with the requirements of stock company law under consideration of usual market remuneration.

The members of the Executive Board receive other remuneration in the form of fringe benefits, which consist for the most part only of the private use of a company car, contributions to health and nursing care insurance and other insurance services (accident insurance, among other things). The remuneration does not include any company-organized pension plans.

Individual contractual commitments will continue to be fundamentally possible in future for individual Executive Board members, in accordance with the German Act on the Appropriateness of Executive Board Remuneration, regarding additional nonperformance related remuneration components, e.g. pension commitments or commitments in case of termination of activity.

Performance related components

As previously, performance related remuneration is structured similarly for all members of the Executive Board, however, it can differ as a result of individual contractual agreements in the share of the total target remuneration and the amount for the individual Executive Board members.

The performance related remuneration is dependent on the achievement of the fixed targets set by the Supervisory Board for the Executive Board and is adjusted depending on three subcomponents – the company performance, share performance and individual Executive Board performance. The performance related component comprises a one-year part (**“annual bonus”**) and a

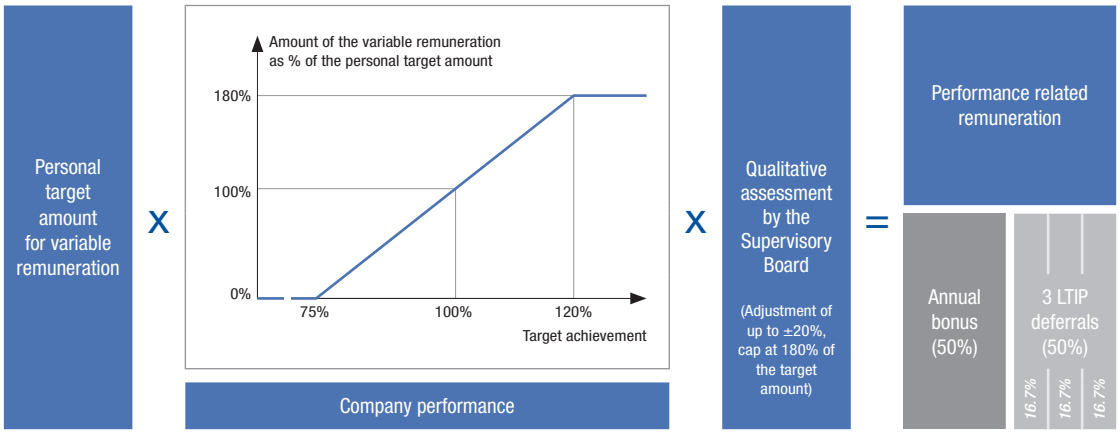
multi-year, long-term incentive-oriented part (**"LTIP deferrals"**), which is also dependent on the performance of the STADA share as compared to the MDAX (share-oriented component). The determination of the amount of the performance related remuneration as well as the payment dates are discussed below.

Performance parameters and determination of the performance related remuneration awarded for a financial year

The Supervisory Board defines a personal **target amount** for each member of the Executive Board for the performance related remuneration with full target achievement. The target amount specified in the new Executive Board contracts essentially corresponds to the fixed salary. Before each financial year begins, the Supervisory Board sets company performance **targets** for the upcoming financial year (**"performance period"**) for the entire Executive Board, upon which the performance related remuneration for this financial year is based. The assessment basis for the performance related remuneration of a performance period is based on the adjusted net income, which is determined through the operative planning of the Executive Board for net income for this performance period, and is adjusted for extraordinary expenses and income. The performance related remuneration of a member of the Executive Board corresponds to the personal target amount, as set by the Supervisory Board, if the exact target is achieved. If the target is fallen short of by 25 percentage points or more, the performance related remuneration is reduced to 0% as a **malus regulation** and is dropped entirely for the respective financial year.[1)] If the target is exceeded by 20 or more percentage points, the performance related remuneration amounts to 180% of the personal target amount, as part of a **bonus regulation**. Interim values are determined on a linear basis.

Under consideration of the personal performance of the Executive Board member, the Supervisory Board has the possibility of increasing or decreasing the amount of the performance related remuneration by up to 20%, however the adjustment may not allow the remuneration of a member of the Executive Board to exceed 180% of the personal target value.

The following overview clarifies this:



1) In this case, the three LTIP deferrals for this financial year are also dropped for this financial year.

Payment of the one-year performance related remuneration (annual bonus)

Half of the above described amount is paid in the following year as an **annual bonus** for the financial year. The annual bonus of an Executive Board member may reach a maximum of 90% of the personal target amount (**upper limit** of the one-year performance related remuneration).

Payment of the multi-year, long-term incentive-oriented performance related remuneration (LTIP deferrals)

The remaining half of the performance related remuneration awarded for this financial year (performance period) is divided into three equal initial values (**"LTIP deferral 1"**, **"LTIP deferral 2"** and **"LTIP deferral 3"**), whose payment is spread across a period of three years (multi-year, long-term, incentive-oriented performance related remuneration).

Each LTIP deferral is allocated a so-called **deferral period**. The deferral period for LTIP deferral 1 is the financial year following the performance period, the deferral period for LTIP deferral 2 is the period of the two financial years following the performance period and LTIP deferral 3 is the period of the three financial years following the performance period.

The **payment amount** of an LTIP deferral is determined at the end of the associated deferral period. The stock yield of the STADA share[1)] during the deferral period in relation to the performance of the MDAX is set as a constant, neutrally determined performance index for medium-sized publicly listed companies such as STADA Arzneimittel AG.

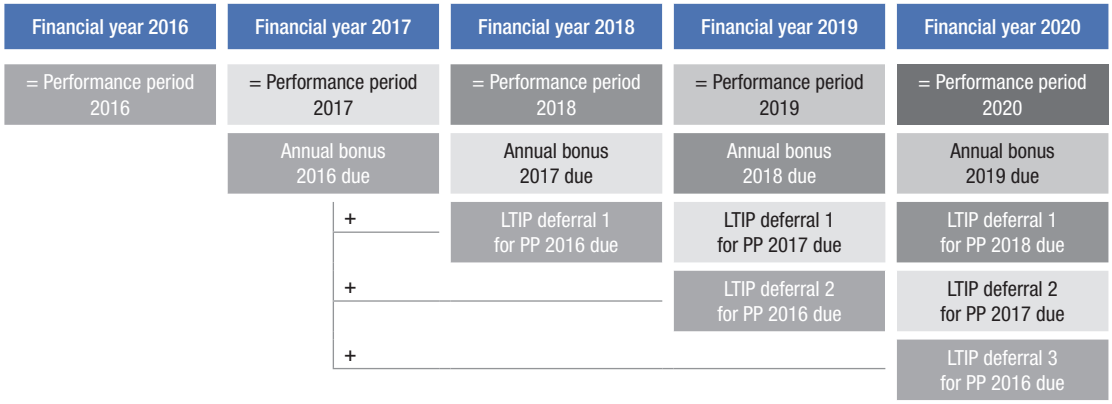
The payment amount for an LTIP deferral corresponds to the initial value, if the yield of the STADA share has developed in line with the MDAX in the underlying deferral period. If the development of the STADA share yield is 70% or less of the MDAX development, the LTIP deferral is dropped as part of a **malus regulation** and there is no payment made for this LTIP deferral. If the ratio is at least 130%, the payment amount of a deferral is 130% of the initial value as part of a **bonus regulation** (upper limit for the multi-year performance related remuneration). Interim values are determined on a linear basis. If an above-average relative stock yield is achieved in the performance period, meaning a higher percentage LTIP deferral payment amount is awarded, the actual payment amount of all LTIP deferrals may exceed half of the determined performance related remuneration for a financial year (i.e. up to 90% of the personal target amount, see above).

The LTIP deferral payment amounts are due at the end of the respective deferral period at the end of the calendar month following the approval of the consolidated financial statements of the previous year by the Supervisory Board. This means that the actual payment of the LTIP deferral 1 in the third year, the payment of the LTIP deferral 2 in the fourth year and the payment of the LTIP deferral 3 in the fifth year are all based on the year of the performance period.

1) The stock yield also considers distributed dividends in the LTIP deferral period, in addition to price changes. It is calculated as follows:

$$\text{Stock yield} = \frac{\text{Closing price} + \text{Dividends}}{\text{Opening price}}$$

The following graphic shows when the individual components of the performance related remuneration of a performance period (annual bonus and LTIP deferrals 1–3) are paid:



Summary

The revised Executive Board remuneration system links the remuneration of the Executive Board members with the (short and long-term) development of STADA Arzneimittel AG and thereby creates an incentive for successful and sustainable corporate governance. The connection of the determination of the performance related remuneration with the adjusted net income takes into account an operating performance indicator, which both represents a key figure and plays an important role in external financial reporting. With the help of a simple and transparent translation of the deviation of the achieved result from the target, the overall performance of the Executive Board has a direct influence on the amount of remuneration. The fixed minimum and upper limits require constant development of the company and appropriate maximum limits (caps) avoid an excessively strong incentive towards risk-oriented behavior. By forgoing the granting of shares or share options, the new Executive Board remuneration system avoids administrative expenses. Nevertheless it reflects the sustainable development of the company on the capital market.

Supervisory Board remuneration

Remuneration system for the Supervisory Board according to the Articles of Incorporation

The remuneration system of the Supervisory Board is governed by Section 18 of STADA Arzneimittel AG's Articles of Incorporation. In accordance with this, the members of the Supervisory Board receive the following remuneration, in addition to the reimbursement of their expenses in the previous financial year:

- an annual fixed sum of € 48,000.00 and
- a remuneration based on the long-term success of the Company (long-term variable remuneration) in the amount of 0.02% of the average Group earnings before taxes as reported in the consolidated financial statements of the past three financial years. The annual cap for long-term variable remunerations is € 48,000.00.

The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount.

Supervisory Board members receive an annual fixed remuneration of € 15,000.00 for their committee activities for the past financial year. The Chairman of a committee receives twice this amount in remuneration.

In addition, sales tax is payable on all Supervisory Board remuneration.

Remuneration of the Supervisory Board in financial year 2015

The remuneration of the individual members of the Supervisory Board who were active for the Company in financial year 2015 are as follows:

- Dr. Martin Abend € 283,359.38 (thereof € 189,000.00 non-performance related and € 94,359.38 performance related) (previous year: € 278,900.00, thereof € 189,000.00 non-performance related and € 89,900.00 performance related)
- Carl Ferdinand Oetker € 188,906.26 (thereof € 126,000.00 non-performance related and € 62,906.26 performance related) (previous year: € 145,500.00, thereof € 101,100.00 non-performance related and € 44,400.00 performance related)
- Dr. Eckhard Brüggemann € 79,453.13 (thereof € 48,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 77,900.00, thereof € 47,900.00 non-performance related and € 30,000.00 performance related)
- Halil Duru € 79,453.13 (thereof € 48,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 44,800.00, thereof € 27,500.00 non-performance related and € 17,300.00 performance related)
- Dr. K. F. Arnold Hertzsch € 94,453.13 (thereof € 63,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 85,200.00, thereof € 55,200.00 non-performance related and € 30,000.00 performance related)
- Dieter Koch € 94,453.13 (thereof € 63,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 92,900.00, thereof € 62,900.00 non-performance related and € 30,000.00 performance related)
- Constantin Meyer € 94,453.13 (thereof € 63,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 85,200.00, thereof € 55,200.00 non-performance related and € 30,000.00 performance related)
- Dr. Ute Pantke € 79,453.13 (thereof € 48,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 44,800.00, thereof € 27,500.00 non-performance related and € 17,300.00 performance related)
- Jens Steegers € 79,453.13 € (thereof € 48,000.00 non-performance related and € 31,453.13 performance related) (previous year: € 44,800.00, thereof € 27,500.00 non-performance related and € 17,300.00 performance related)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services in the context of their activities as Supervisory Board members; however, in the context of a group insurance, there exists a so-called D&O insurance for all members of the Supervisory Board, with a deductible for the Supervisory Board members, which reflects the legal framework of the deduction of the Executive Board members.

Remuneration of the Advisory Board

In accordance with Section 10 of the bylaws of the Advisory Board of STADA Arzneimittel AG, members of the Advisory Board receive a flat fee of € 600 per meeting plus expenses.

SUPPLEMENTARY REPORT

No significant events have occurred since the reporting date that could have a significant effect on the STADA Group's business, financial and earnings situation.

OPPORTUNITIES REPORT

Opportunities management

The STADA Group has an established, continuous opportunities management in order to secure short, medium and long-term business success. In this context, STADA aims to determine and seize new growth potential and to secure and expand upon existing opportunities for growth.

The strategic success factors create the basis for utilizing growth opportunities that arise and thereby for securing sustainable Group success. They mainly include strong product development, an international sales structure, an active acquisition policy including experienced integration management, a functionally organized Group with short decision-making processes and close-to-market sales companies, a culture of continuous cost optimization including efficient cost management and qualified employees.

Important strategic success factors of the STADA Group

The regional organizational and management structure in the sales-related areas of the STADA Group, which is organized in a strategically centralized manner and managed decentrally, ensures that trends and requirements in the four market regions and the associated markets can be recognized and analyzed at an early stage so that arising opportunities can be used in a targeted manner. It is supported by intensive observations of both the market and the competition as well as close contact with important institutions. In addition, the Group has centrally organized processes for the identification of opportunities. This includes, among other things, the area of business development to identify suitable acquisition objects.

In the future, STADA will also continue to expand its Group portfolio in the two core segments Generics and Branded Products. In addition to sales and earnings achieved in the context of new product launches, the opportunity exists to attain an improved margin mix as well as economy of scale effects insofar as the products can be launched with margins that are better than the Group average or that they can be launched within the scope of existing sales structures in the individual market regions. STADA can hereby fall back on sustainable development and approval strength, which is evident in the large number of products launched every year and which will continue at a high level in future. In light of the fact that the branded products area is generally characterized by more attractive margins and is subject to less regulatory intervention than the generics area, STADA intends to particularly expand development activities in the Branded Products core segment. This will take place in close cooperation with the "Center of OTC Excellence", which will continue to support the increasing strategic orientation of the Group towards branded products, including as regards further internationalization. With the "time and cheap to market" strategy STADA pursues the goals of launching new products on the market not only at the earliest possible time, but also at the best possible cost of sales. Furthermore, in the past STADA has continually increased the number of in-house developments of strategically important and high-sale products with a view to cost savings. This will continue to be the case in the future. The increasingly important field of biosimilars, particularly in competitive and margin aspects, also represents an important aspect of product development. In light of the existing potential in this area, STADA will continue to pursue the strategy of selectively in-licensing biosimilars from highly specialized partners and thereby deliberately avoiding in-house developments for risk and cost reasons. In order to expand the existing biosimilar portfolio in a targeted manner, STADA continuously reviews offers for in-licensing biosimilars for various indications, which meanwhile also cover biosimilars for monoclonal antibodies whose patents expire as from 2020.

The international sales structure in the four market regions defined by STADA is designed to market the products from the Group portfolio in a way which is adapted to the different regulatory and competitive framework conditions in the individual markets of the market regions. This allows STADA to orient the largely internationally coordinated sales activities towards each local market and to react to market changes in the short-term. STADA will continue to develop its internationalization and to expand the existing global sales network in order to optimally utilize the respective growth opportunities in the individual market regions.

In the course of the active acquisition policy, STADA intends to further expand the business activities within the Group to accelerate organic growth through external impulses. On the one hand, the emphasis is on the regional expansion of the business activities with a focus on high-growth emerging markets. On the other hand, the company focuses on the expansion and internationalization of the core segments – in particular Branded Products - also in markets not yet developed by STADA and in new areas of application. In light of increasing pressure to reduce costs to which the individual national health care systems are exposed, the Executive Board sees further growth potential in branded products as they are generally characterized by better margins and less regulatory intervention than generics.

With a view to further growth, functional reporting structures with short decision-making channels and simultaneous strong regional market presence will continue to be a high priority in the future. This particularly applies to sales activities, because the ability to adapt to structural, regulatory or competition-related changes in the short-term plays an essential role in both reducing risks and exploiting opportunities. In light of this, the Group will continue to pursue an aggressive pricing policy in individual cases, provided that this will enable the achievement of a better market position or a higher market share. The prerequisite for this approach, however, is that the business activities in the relevant market of a market region are profitable or become so within a foreseeable time period.

In consideration of earnings, efficient cost management will also be assigned an important function in the future. In the context of continued cost optimization, one focus will be cost of sales and all associated costs, as it represents by far the Group's largest cost item. STADA is hereby relying on the continued expansion of the two procurement offices in Shanghai, China and Mumbai, India, because these markets represent important resources for the procurement of low-cost active ingredients. With the goal of taking advantage of opportunities to reduce costs, STADA will continue to involve suppliers in the market risks and hire suppliers from low-cost countries. In addition, in future STADA will also expand the transfer of product manufacturing to Group-owned production facilities, where this contributes towards cost optimization.

The employees of the Group represent another substantial opportunity, since they will continue to have a significant share in the sustainable success of the Group in the future with their extensive expertise, their long-standing experience and their strong commitment. The expansion of the numerous voluntary benefits such as the planned introduction of a lifetime working account model, which significantly increases flexibility for employees and meets their modern requirements, results in a further increase of the attractiveness of STADA as an employer. This and further measures will continue to contribute towards gaining and maintaining qualified and committed employees for the company.

RISK REPORT

As an internationally active pharmaceutical company STADA is part of a global business community and is thus exposed to a variety of risks in a dynamic market environment. STADA defines a risk as a potential future development or an event which could lead to a negative deviation from STADA's projected business objectives. Taking this into consideration, STADA has installed instruments and processes with which risks can be recognized at an early stage.

STADA defines the management of risks as a permanent task of entrepreneurial activities. For this reason, STADA's Executive Board implemented an ongoing risk management system which is integrated into the value-based management and existing organizational structure of the Group and which is based on a globally recognized framework concept, the "Enterprise Risk Management – Integrated Framework" (2004), developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The risk management system is therefore an integral part of business processes and company decisions.

The risk strategy is based on STADA's corporate strategy. It aims to put the Executive Board in the position to recognize risks at an early stage so they can take control of them in due time. The risk strategy is practiced within all business segments of the STADA Group.

Risk management

As a stock corporation based in Germany, STADA is subject to German risk management legislation such as Section 91 (2) of the German Stock Corporation Act. The Executive Board has established a Group-wide risk management system to ensure compliance with the relevant legislation as well as to guarantee the effective management of risks. The risk management system aims to systematically and regularly identify risks which are significant for STADA and which may jeopardize its continued existence, to assess their effects on the Group and determine possible measures which can be initiated if necessary. At the same time, the risk management system is intended to guarantee sufficient security to ensure that STADA's goals, particularly financial, operational and strategic goals, can be reached according to plan. STADA' s risk management system represents a key element in the entrepreneurial decision-making process and has therefore been implemented as an integral component of business processes throughout the STADA Group. The company-wide standard and integrated approach to the management of risks is intended to ensure the effectiveness of Group-wide risk management and make it possible to aggregate risks and provide transparent reporting.

The fundamental components of the Group-wide risk management system are:

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

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

3. written and oral queries (top-down communication) sent to the responsible risk confidants by the Risk Management department on current topics and the risk situation in the individual areas of the Group;

4. the company-specific risk management guide, which defines the risk management terms, risk policy and the risk management system including the risk management process and responsibilities;

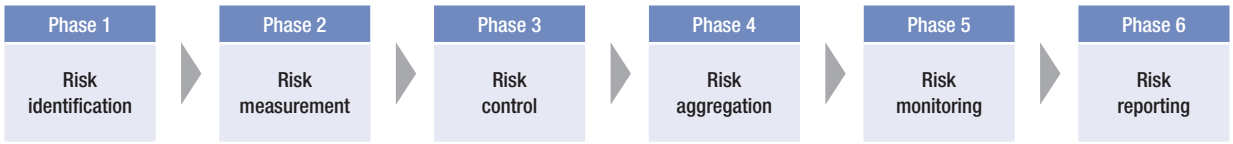
5. risk reporting at Group level and individual-company level.

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

Only risks are recorded in the risk management system. Opportunities are not recorded in the risk management system along the lines of risks. The identification and evaluation of opportunities takes place in the respective business environments. An overarching, systematic classification regarding the probability and effects of the opportunities is not performed. The opportunities can be found in the Management Report of this Annual Report in the chapter “Opportunities Report”.

Risk management process

At STADA, the risk management process comprises the phases of risk identification, risk measurement, risk control, risk aggregation, risk monitoring and risk reporting.



Phase 1: Risk identification

Within the "risk identification" phase, all of STADA's corporate units and subsidiaries systematically record all possible future developments or events that could have substantial impact on STADA's business model or change STADA's risk profile. These possible future developments or events are allocated to a category in the company-specific risk atlas. These individual risks are identified, on the one hand, via self-assessment of the risk confidants (bottom-up) and, on the other hand, via written and verbal inquiry of the Risk Management department (top-down). Close cooperation between the Risk Management department and the risk confidants in the individual business areas and worldwide locations should ensure that the individual risks are defined uniformly and that thorough risk management can be carried out throughout all departments and countries.

Phase 2: Risk measurement

In the "risk measurement" phase, the respective risk confidant analyzes the cause-and-effect structure and then, individually or in cooperation with the Risk Management department, an evaluation is prepared for every individual identified risk. The quantitative evaluation of individual risks is based on probability and impact; the evaluation should consider potential direct damage as well as indirect results caused by individual risks if they arise. In an additional step, each evaluated individual risk is subjected to a plausibility test by the Risk Management department. Any inconsistencies uncovered by the plausibility test are discussed and resolved through cooperation between the Risk Management department and the responsible risk confidant.

Phase 3: Risk control

In the "risk control" phase, the risk confidants, individually or in cooperation with the Risk Management department, identify potential measures of risk avoidance, reduction, transfer and/or compensation. The measures identified can relate to the cause (preventative) as well as to the effect (reactive). In some cases, the acceptance of an individual risk can be approved as a measure. In an additional step, each identified measure is subjected to a plausibility test by the Risk Management department. Any inconsistencies uncovered by the plausibility test are discussed and resolved through cooperation between the Risk Management department and the responsible risk confidant.

Phase 4: Risk aggregation

In the "risk aggregation" phase, the causes of the individual risks are analyzed by the Risk Management department in an initial step. Following the analysis, individual risks with identical or similar causes are aggregated in order to increase transparency. The risk descriptions and probability of risks grouped into one risk aggregate item are closely analyzed and mutual compatibility is ensured.

Phase 5: Risk monitoring

In the "risk monitoring" phase, the development of risks, as well as the implementation and effectiveness of the identified measures, are continuously monitored by the risk confidants, who are supported by the Risk Management department. For individual, potentially high-risk business processes, the Risk Management department also accompanies the operational implementation in an observational role.

Phase 6: Risk reporting

In the "risk reporting" phase, the Risk Management department prepares separate, recipient-oriented quarterly risk reports based on the individual risks identified and the risk aggregates for the Executive Board, the Vice Presidents and the Managing Directors and makes them available in a timely manner. The risk report for the Executive Board is also passed on to the Supervisory Board. Significant individual risks and risk aggregates indicated in the recipient-oriented report are jointly discussed by the Executive Board and the Supervisory Board and if required, measures to counter risks are addressed. Any new significant risks or risk aggregates that appear between reports within the scope of the risk management system are immediately provided via ad-hoc reporting to the Executive Board and, if necessary, the Supervisory Board.

The risk management system run by STADA is regularly reviewed and evaluated by Internal Auditing for compliance with the statutory framework conditions and Group-internal guidelines. In the scope of auditing the annual financial statements, STADA's auditor also reviews and evaluates whether the early risk detection system, which is integrated in the risk management system, is generally suitable to recognize risks, which may jeopardize the company's continued existence, at an early stage. The auditor has confirmed that STADA's early risk detection system conforms to the legal requirements.

Significant features of the internal control and risk management system as relates to the Group accounting process

The Group-wide **internal control and risk management system with regard to the financial reporting process (ICRMS)** is a component of STADA's Group-wide risk management system. It follows the objective of ensuring the accuracy and reliability of financial reporting (bookkeeping, separate and consolidated financial statements and management reports) by implementing appropriate and effective procedures and controls, in accordance with relevant accounting standards and in compliance with Group-internal guidelines. This involves the combination of central system organization and control as well as local responsibility for individual sub-processes.

Responsibility for the introduction as well as the functionality of the ICRMS rests with the Executive Board of STADA Arzneimittel AG. The appropriateness and effectiveness of the ICRMS is assessed by the Executive Board at the end of each financial year at a minimum.

The consolidated financial statements are prepared on the basis of Group uniform accounting guidelines laid down by the Corporate Accounting department and a Group-uniform accounting plan. New developments in the area of accounting standards are monitored on an ongoing basis. Insofar as these are relevant for STADA, the accounting guidelines and the chart of accounts are adjusted

accordingly. The changes are communicated promptly to all companies included in the consolidated financial statements. In addition, supplementary process instructions, standardized reporting formats for Group-internal balances as well as IT-based coordination processes support the uniform and orderly preparation of the consolidated financial statements of the Group. In this context, STADA, if necessary, also relies on external experts, e.g. for the evaluation of pension obligations. The Corporate Accounting department hereby ensures uniform implementation Group-wide.

The primary control functions for the significant accounting processes are carried out by the respective plausibility tests integrated in the programs. The software systems used are protected against unauthorized external access by appropriate IT systems. In addition, authorization procedures ensure that internally, only the relevant individuals in each case have access to the individual systems.

Outside the software-supported systems, manual plausibility tests and verification of the completeness and accuracy of data and calculations are carried out at all Group levels. All separate financial statements of Group companies, which are included in STADA's consolidated financial statements, are generally subject once a year to an audit or review by the auditor. In addition, the auditor also carries out a review of the half-year reports of the significant consolidated Group companies.

The functions of the departments significantly involved in the financial reporting process – the Group Accounting department for the consolidated financial statements and the Accounting department for the separate financial statements – are organized separately within the finance department.

In the context of internal auditing activities as an additional component of the internal control system, the appropriateness and effectiveness of the ICRMS is subjected to regular Group-wide audits, thus ensuring the reliability and functionality of the control mechanisms as well as the appropriateness and effectiveness of the risk management system and compliance with Group-internal guidelines.

As a controlling body by way of its Audit Committee, the Supervisory Board also regularly monitors the financial reporting process and the effectiveness of the control system, the risk management system, the internal auditing system and the audit of the financial statements.

The extent and focus of the established ICRMS is thus fully in line with STADA's company-specific requirements. In the view of the Executive Board, STADA has an appropriate and adequate monitoring system, which includes the necessary components of ICRMS for the Group. In the context of a cost benefit analysis of each ICRMS, however, limitations in relation to its effectiveness must be tolerated. In addition – even in the case of existing control mechanisms considered as effective – the possibility of errors or an incorrect assessment of risks cannot be completely excluded.

Period of assessment

The period of assessment for this Risk Report is generally 24 months in the future to the extent that no other period is stated in individual cases. The assessment of the individual risks relates to December 31, 2015. There were no relevant changes after the balance sheet date, which would have required a change in the presentation of STADA's risk situation. It can, however, on principle not be ruled out that further, also key individual risks will arise in the development of business during the risk assessment period, which can add to the individual risks stated below.

Evaluation of risk categories

From the STADA Executive Board's current perspective, relevant anticipated risks to the Group's business activities include the individual risks summarized according to risk categories below. By grouping together similar individual risks, the individual risks are aggregated to a greater extent than they are for the purpose of internal controlling with the help of risk-management software. Unless otherwise indicated, all individual risks described affect all company segments (Generics, Branded Products and Commercial Business) to varying extents.

In order to determine which risk categories are most likely to endanger the continued existence of the STADA Group, individual risks are classified according to their estimated or derived probability and impact in relation to STADA's business, financial and earnings situation. The scales used for the measurement of these two indicators are presented in the charts below:

Probability			Description
0% <	Probability	≤ 2%	very low
2% <	Probability	≤ 10%	low
10% <	Probability	≤ 30%	noticeable
30% <	Probability	≤ 50%	reasonable
50% <	Probability	≤ 70%	probable
70% <	Probability		high

Impact			Description
€ 0 ≤	Impact	≤ € 800,000	marginal
€ 800,000 <	Impact	≤ € 2,500,000	noticeable
€ 2,500,000 <	Impact	≤ € 5,000,000	moderate
€ 5,000,000 <	Impact	≤ € 10,000,000	significant
€ 10,000,000 <	Impact		serious

STADA only quantitatively evaluates and reports individual risks on the basis of probability and the risk's potential impact, regardless of the risk categorization. For this reason, internal controlling only takes place at the individual risk level and not the level of aggregated risk categories. For presentation purposes within this Risk Report, the evaluated individual risks are converted into annual figures. The converted individual risks are summarized by aggregated risk category and weighted by classification "high", "moderate" and "low".

The following risks are generally presented as net risks, that is, risks including the steps taken to counteract them.

Environmental and industry risks

STADA is active in the health care and pharmaceuticals market in market regions and market segments which are characterized, among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. Of primary importance to STADA are risks related to changes in market conditions on the basis of intense competition or related to changes to structures and mechanisms outside of STADA's influence in the individual national markets of the respective market regions or market segments. Particular attention in this regard is paid to the STADA core segments of Generics and Branded Products.

Some competitors, as a result of their financial or organizational resources, production capabilities, sales strength, and/or market power can influence market conditions in a negative manner for STADA. This relates in particular to such activities of competitors that influence pricing (for example in tenders for discount agreements), product range and scope of service and/or delivery and discount conditions, in order to secure or improve their own competitive position. This can also lead to a (partial) loss of previously awarded tenders. In addition, market conditions can also be influenced by the appearance of new competitors.

At the same time, a change in market conditions is also possible as a result of increased purchasing power of individual customers or customer groups (such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies), which could intensify competition regarding price, service, and condition terms as well as result in more unfavorable framework conditions of tenders for discount agreements.

STADA may therefore be faced, in individual national markets of the respective market regions, with the choice of either selling at prices, which do not cover costs, or foregoing substantial sales and accepting value adjustment and destruction of inventories that are no longer required. The loss of these sales may lead to a deterioration of the earnings situation for existing sales, for example due to a lower utilization of existing capacities or a worsened quantity scale in the case of external procurement.

To make use of opportunities, if necessary, STADA is principally willing to accept losses in individual markets of respective market regions and/or for selected products or product groups, for example in market regions with major growth potential for sales and/or earnings or in market regions with strategic and/or operating necessity to maintain or expand its own market position. These losses may also be higher than anticipated as a result of competition, customer behavior or government regulation.

STADA operates active risk minimization by comprehensively monitoring the market activity of all market participants and on the basis of the observations indicating courses of action.

STADA places this in the "moderate" risk category.

Corporate strategy risks

STADA's corporate strategy is mainly focused on growth and internationalization in the health care and pharmaceutical market in the core segments Generics and Branded Products. With regard to costs and risks, STADA generally does not conduct any own research or marketing of new active pharmaceutical ingredients, but rather focuses on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents.

STADA's growth strategy is linked to the risk that STADA might encounter difficulties in connection with certain operational and/or financial requirements, which cannot, or not to a sufficient extent, operatively be met. In the event that the Group's facilities, human resources, internal structures, management tools, or financial resources cannot keep pace with the Group's growth, STADA may be affected in a materially adverse manner.

New companies and products acquired in the past or in the future or acquired or self-created other assets may not be integrated into the Group as planned, or only at higher costs than originally expected, and/or intended synergy effects may not be achieved, or not achieved in the intended amount. Furthermore, acquired companies and/or products may not generate the results anticipated in the market. Furthermore, there could be unexpected difficulties in introducing acquired products into new markets or in maintaining their existing market positions. Any of the above-mentioned issues can particularly lead to the impairment of assets.

The implementation of a fundamentally growth-oriented corporate strategy requires significant outside financing. In financing ongoing business activities and, in particular, the intended future expansion, there is an inherent risk that the Group may only be able to obtain capital or loans under disadvantageous conditions, or not at all.

In principle, internationally active companies, such as STADA, face the risk of having to react differently, and possibly with substantial effort, to legal and fiscal conditions that vary from region to region or country to country and are subject to change, to the relevant specific market environment, as well as outside of the euro area to different currencies.

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

Moreover, there is the risk that conditions which are relevant for the Group's international operating activities – especially the conditions of fiscal laws – may be changed by national or supranational regulations in a way that affects STADA in a materially adverse manner. In addition, in connection with the internationalization, there is the risk that the political conditions in individual countries generally and for STADA or the Group's business activity specifically are changed in a materially adverse manner due, for example, to international tensions or internal political developments in individual countries where STADA does business. Furthermore, parts of STADA's business activities, especially in the areas of product development and procurement, may be related to the USA and may, in the Company's view, be subject to elevated legal risks there as compared to other countries, particularly in the areas of liability and patent litigation. This may be associated there with substantial additional costs, in particular for legal counsel. The same applies to disputes in the USA resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Furthermore, a fundamental corporate strategic risk, thus also relating to STADA, is the fact that markets, market regions and market segments on which a company strategically focuses develop differently to expectations. Even if STADA undertakes all efforts to carefully analyze these expectations in advance, thereby also relying partly on external data and evaluations, assessment errors by STADA, due, for example, to insufficient data available, unexpected regulatory or competitive influences, new technological developments or changed social and macro and/or micro economic trends cannot be ruled out, which may be associated with substantial, primarily adverse effects for the Group or individual Group companies.

STADA places this in the "low" risk category.

Regulatory risks

The health care and pharmaceuticals market is characterized by a large number of regulations. Changes to or the removal of existing regulations or the passing of new regulations (in particular, regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products for example as a result of court decisions or legislative changes) can have significant economic and strategic effects on STADA's business success. Of primary importance for STADA are regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products.

For this reason, the risk exists for STADA's business model that investments that rely on the continuation of existing market structures may prove of no value after regulatory intervention or existing market positions may even be jeopardized. This relates for example to STADA's individual national sales structures, which are geared to the different national regulatory conditions with regard to the marketing, as well as the sale and trade of pharmaceutical products, but also changes in the direct or indirect purchasing power of individual customers or customer groups or changed purchasing behavior.

In many markets of the respective market regions, the prices of pharmaceutical products are subject to state supervision and regulation. In some markets, governments also exert a direct influence on pricing. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms and/or requirements concerning discounts, the creation of framework conditions stimulating more intense competition) or influenced by supranational regulations. Pricing pressure as a result of state reimbursement systems can reduce the profitability of individual products and in individual cases make the market introduction of a new product unprofitable. In addition, there is the risk that total government expenditure within the pharmaceutical market of a company could be capped at a maximum value and, if this value is exceeded, retrospective mandatory discounts will have to be granted directly or indirectly by all market participants, thereby also by STADA. This could reduce profitability in the affected countries. STADA assumes that the extent of price regulation and pricing pressure will continue or even increase.

Fundamentally, the risk exists for all products in the health care market, but for pharmaceutical products in particular, of exclusion or reduction of cost reimbursement as a result of regulatory intervention under the respective national health systems. This can result in the profitability of individual products being reduced and in individual cases, the market introduction of a new product becoming unprofitable.

Moreover, the risk exists for pharmaceutical products that framework conditions in pharmaceutical legislation or provisions concerning commercial property rights or other provisions that are relevant for the expansion of the product portfolio can be changed through national or supranational regulations in a way that affects STADA in a materially adverse manner. Similar risks also exist for other partially regulated product categories in the health care market such as, for example, medicinal products.

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

STADA places this in the "moderate" risk category.

Product portfolio risks

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

In addition, meticulous observance of relevant legislation is extremely important for the development and approval of every individual product. For generics, this also particularly applies to a great extent to the observance of commercial property rights (such as patents, SPCs and "data exclusivity"). If individual legislative requirements are violated, the result may be a delay or even prevention of the launch of a new product due to legal steps taken by competitors or rejection by the approval authorities. To the extent that STADA has offered products by assuming legal clearance and in the course of court decisions it turns out that this assumption was wrong, there is the risk that STADA has to take launched products at significant costs off the market, adjust the value of and destroy inventories which had existed already and those taken back as well as meet significant damage claim payments if, for example, commercial property rights were infringed.

Despite intensive testing, it is possible that potential side effects or initially hidden defects of existing products are only uncovered after approval or during marketing or that new scientific findings or evaluations could lead to an unfavorable risk/benefit analysis which would result in the necessity to remove the product from the market either completely or in part. Such a sales stop can be a voluntary act of responsibility or also due to legal or government steps. Additionally, legal proceedings and associated damage claims as a result of possible side effects or initially hidden defects could significantly burden earnings.

STADA places this in the "low" risk category.

Legal risks

STADA's business activities are subject to risks resulting from existing or potential future legal disputes. Risks that occur in relation to legal disputes are identified, evaluated and communicated on a continuous basis.

STADA's business activity, in particular in the core segment Generics, is associated with an elevated risk of legal disputes regarding commercial property rights (especially patents and SPCs) as well as allegations of violations of company or trade confidentiality and such disputes may be initiated by third parties with respect to STADA or by STADA with respect to third parties. In order to protect trade and business secrets, which are to be treated with confidentiality, STADA makes use of confidentiality agreements with employees, external alliance partners, service providers or certain other contractual partners. However, there is no guarantee that these agreements and other protective measures taken to ensure business and trade secrecy actually represent effective protection or that they will not be violated. In addition, there is no assurance that business and trade secrets will not become known to competitors by other means. Such events could result in considerable costs, in particular when such proceedings occur in the USA. Moreover, they could result in significant damage claims and/or a temporary or permanent ban on the marketing of particular products.

If there is a serious risk of future claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims, which amounted to a total volume of € 1.1 million for the Group as of December 31, 2015 (December 31, 2014: € 0.3 million). In principle, STADA cannot guarantee that the provisions made will be sufficient for individual instances or in total.

STADA's business activities engender risks associated with liability claims. Should specific Group products prove to be defective and/or to cause undesirable side effects or should individual services or activities of the Group be carried out in a faulty way, this could result in substantial damage claim liabilities and in the restriction or withdrawal of the product approvals concerned or in the withdrawal of the service approvals. There is, in principle, no assurance that the insurance policies maintained by the Group, depending on type and scope, will offer sufficient protection against all possible damage claims or losses.

In addition, STADA is subject to a jurisdiction risk, which can turn out to be considerably more adverse than initially expected by STADA. This risk relates to both those trials in which STADA itself is a participant as well as third-party trials in which judgments could have an indirect, materially adverse impact on STADA and/or the market environment that is relevant for STADA. This applies in particular to decisions relating to competition law and anti-trust law, tax law, patent law and to the implementation of individual regulatory requirements in the provision of health care at a national and/or supranational level.

STADA places this in the "moderate" risk category.

Performance-related risks

The Group's own production facilities are subject to the risk of defective or inefficient planning and production processes as well as to production faults and breakdowns as a result of this or external influence. This could have a materially adverse effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with clients.

Although STADA undertakes all efforts to carry out exclusively safe business processes – particularly in the areas of product development, production and logistics – the occurrence of unexpected disruptions in the context of such processes, possibly endangering the health of employees from STADA or third parties and/or resulting in environmental damage cannot be ruled out, since STADA regularly works with hazardous substances in the development, production and examination of products from the Group portfolio, especially in case of drugs. Furthermore, it cannot be ruled out that the preventive measures and insurances taken do not provide sufficient coverage in the case of a damaging event.

In the core segment Generics, individual national markets are increasingly characterized by very large volume fluctuation that regularly arises in the context of tenders by governmental institutions or public health insurance organizations. Even though STADA undertakes every effort to avoid delivery bottlenecks and/or an unintentional increase in inventories (e.g. via scenario calculations and a specific operational positioning of the respective supply chain), such events cannot generally be ruled out in consideration of the comprehensive portfolio.

External suppliers, contract manufacturers, sales licensees and other contractors have been integrated into STADA's business processes to a considerable extent, particularly in the areas of product development, procurement, production, and packaging, logistics as well as sales, though also to an increasing extent in other areas. Furthermore, the Group is taking increasing advantage of the opportunity of having services, which are essential for the Group's success performed by third parties, with whom cooperations are entered into. In addition, STADA has specifically licensed German pharmacies to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to two branded products. When third parties are incorporated into the Company's business processes, the risk arises that individual business or cooperation partners may not comply properly or at all with their obligations or that they may terminate their agreements with the Company, resulting in material adverse effects for STADA. Moreover, STADA could become liable for infringements on the part of business or cooperation partners.

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

Numerous contracts in the STADA Group include – especially in the areas of product development and production as well as for distribution rights – so-called "Change of Control" clauses, which usually provide both contracting parties, as is usual in the industry, with reciprocal extraordinary termination rights for agreements concluded by the parties in the case that one of the contracting partners becomes subject to a so-called change of control (change of majority shareholder), e.g. after a successful takeover offer. In the case of a change of control in the STADA Group this could result in material adverse effects for STADA if contracting parties make use of such extraordinary termination rights, in particular if the extent of these terminations is beyond individual cases.

STADA places this in the "moderate" risk category.

Human resources risks

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

It is STADA's expressed goal that all business processes and Group activities be carried out exclusively within the framework of respective laws in force. To this end, within the scope of the compliance system established at STADA, all employees are regularly trained and instructed, to an extent adjusted to the scale of their individual areas of responsibility. It can, however, not be completely ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act negligently or intentionally in breach of legal regulations and that such breaches affect the business activities of the Group and/or individual subsidiaries or the business, financial and earnings situation of STADA in a materially adverse manner, e.g. following the discovery of such legal breaches through the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders or damage to reputation.

STADA places this in the "low" risk category.

Risks in relation to information technology

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

Global IT applications in process control thereby form the basis for the delivery of products to the global customers of the STADA Group as agreed upon. In the event that information technology processes of the Group are insufficient and/or inefficient, despite all precautions, this could have materially adverse effects on business processes at STADA. Variations in the quality of internal IT services can also lead to failure of business-critical IT applications that would have a direct impact on STADA's ability to deliver. Similarly, the failure of a data center could affect the quality of service or lead to a complete failure of critical applications.

The abuse of digital technology and the Internet as a means to perpetrate new types of crime, i.e. cybercrime as a whole (e-crime), is developing at great speed and represents a further challenge. This can result in threats such as the failure of central IT systems, the disclosure of confidential data from development and business activities, manipulation of IT systems in process control or increased strain on and/or impairment of IT systems through virus attacks. This scenario also includes the temporary takeover of exposed systems by hackers and consequently the possible revocation of pharmaceutical approval due to the deficient validation of relevant IT systems. Such unauthorized data access, misuse or loss of data could also have materially adverse effects on the Group.

Currently, the gradual conversion of various information technology systems (IT systems) to an integrated SAP system is being carried out in the Group. Generally, when introducing new or converting existing IT systems, there is an elevated risk that unanticipated events occur which, during the initial phase and also during the integration and expansion phase, can have materially adverse effects on the course of business processes and thus could influence business activities of the Group and/or of individual Group companies in a materially adverse manner.

STADA places this in the "low" risk category.

Economic risks

STADA's business success is also generally dependent on economic influences because an economic downturn can regularly intensify the already prevalent cost pressure in national health care systems. It could thereby potentially significantly increase the speed and extent of regional regulatory measures to contain costs. As a result, adverse characteristics for STADA such as state-required price reductions, particularly for prescription drugs, cannot be ruled out.

Moreover, sales volume and sales of Group products or product lines are particularly sensitive to changes in the economic environment, for which the consumer is not reimbursed as part of the individual national health insurance system but must bear a major part or all of the costs. In the scope of STADA' s product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character as well as for services offered and for prescription drugs in market regions containing countries without a comprehensive state health care system, such as Russia in the market region CIS/Eastern Europe.

Another material risk for STADA lies in the area of corporate finance. Parameters in this area significantly influencing Group success such as financing possibilities, interest rates, inflation rate, currency ratios and client liquidity can be subject to distinct economic influences and thereby also have a material adverse effect on STADA's business success in case of an economic downturn. Furthermore, liquid financial markets for refinancing are an important precondition for STADA's acquisition policy. In case of disruptions of the financial markets – no matter whether globally or regionally in market regions that are important for STADA – materially adverse effects for the Group cannot be ruled out.

Since the beginning of the conflict between Russia and Ukraine in 2014, the development of STADA, particularly in the Russian market, which is part of the market region CIS/Eastern Europe, has been burdened by this conflict. In financial year 2015, this had a negative impact on STADA, on the one hand, through a reluctance to buy among Russian consumers and wholesalers. On the other hand, it led to a partially significant devaluation of the Russian ruble, the Ukrainian hryvnia and the Kazakhstani tenge. In addition, the continued unrest in the MENA region had a negative effect on the export business in financial year 2015. On the one hand, a reluctance to buy due to the political uncertainty was noticeable, on the other hand, contract conclusions with governments and/or wholesalers were delayed. It is currently unclear how long the political upheaval will last. If these crises continue, this could have further negative impacts on the earnings situation and financial performance of the STADA Group (see "Financial Risks").

Another risk lies in the value of the assets in the consolidated balance sheet, in particular goodwill and other intangible assets. They are subject to thorough and detailed reviews. Within the scope of an annual impairment test, the value of goodwill as well as other intangible assets with determinable and indeterminable useful lives is reviewed. In addition, in the case of specific indications, both intangible assets as well as property, plant and equipment are subject to a case-related impairment test. Generally, it cannot be ruled out here that in the annual impairment tests or in the case-related impairment tests carried out over the course of the year that, for

example, as a result of new findings in approvals or of changes to the market conditions in individual market regions or individual countries of a market region, a relevant impairment may occur.

In the case of a global financial and economic crisis, the economic-related cyclical risks indicated above can increase considerably.

STADA places this in the “low” risk category.

Financial risks

To the extent that it is possible, STADA counters financial risks with finance policy methods and specific risk management.

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates and interest rates. It is the objective of financial risk management to limit these market risks of ongoing operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used. However, on principle only financial risks are hedged which have significant consequences on the Group’s cash flow.

Liquidity risks result if STADA does not hold sufficient liquidity. They may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of the liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by way of maintaining a sufficient supply of liquidity reserves and having free credit lines. STADA finances itself with short-term and long-term borrowings from banks, promissory note loans, bonds and factoring. Furthermore, STADA has solid operating cash flow and further bilateral credit contracts with various banks (credit lines), which can be utilized as needed.

STADA’s Group and balance sheet currency is euro. Due to the international alignment of business activities, STADA is, however, subject to risks arising from exchange rate fluctuations.

These risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency or as a result of exchange rate fluctuation (transaction risk).

STADA counters risks from currency related cash flow fluctuations with derivative financial instruments, which are exclusively used to hedge currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In addition to natural hedges, STADA generally employs different financial derivatives to counter the risks associated with assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year, STADA made use of foreign-exchange futures contracts and interest/currency swaps. The maturity dates of futures contracts are thereby selected to match the Company’s anticipated cash flows. The remaining term of the contracts is currently up to two years.

Additional risks exist due to the fact that exchange rate fluctuations in the consolidated financial statements lead to an accounting effect as a result of the conversion of a balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). In this connection, the current political conflict between Ukraine and the Russian Federation could indirectly continue to have a negative influence on the earnings situation and exchange rates. The appreciation of the euro as compared to the other currencies is generally negative and devaluation is generally positive. Currency risks primarily stem from business transactions in the following currencies: Russian ruble, British pound sterling and Serbian dinar. This risk is not hedged.

According to a currency sensitivity analysis within the scope of regulations of IFRS 7 based on the foreign currency items outstanding as of the balance sheet date, an appreciation or devaluation of the corresponding functional currency compared to the transaction currency relevant for the Group of 10% would have led to an effect on earnings of expenses in the amount of € 6.8 million (previous year: € 7.1 million) or of income in the amount of € 6.8 million (previous year: € 7.1 million). Of these effects on earnings, € -1.3 million or € 1.3 million relate to the Russian ruble, € -1.7 million or € 1.7 million relate to the Kazakhstani tenge, € -3.7 million or € 3.7 million to the Ukrainian hryvnia.

In principle, it cannot be ruled out that hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal.

STADA is subject to interest rate risks from financial assets and financial debts, primarily in the Euro zone and Russia.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro with derivative hedging transactions. STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity.

A sensitivity analysis according to the regulations of IFRS 7 has shown that an increase in market interest rates of 100 basis points in financial year 2015 would have led to a burden on earnings in the amount of € 0.7 million (previous year: € 0.5 million) and a decrease in market interest rates of 100 basis points would have also led to a burden on earnings in the amount of € 0.7 million (previous year: relief on earnings of € 0.4 million).

In financial year 2015, to hedge the interest rate risk, there were cash flow hedges in the form of interest-rate swaps.

Derivative financial instruments are neither held nor issued for speculation purposes.

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations.

To avoid default risks in financing activities, on the one hand respective credit management processes are in place, and on the other hand such transactions are generally only concluded with counterparties of impeccable financial standing.

Risks of default also exist as a result of the supply of goods and services. STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous debtors. The fundamental, partly also cyclical commercial risk of debtor default is associated with this. STADA therefore strives to maintain business relations only with partners of impeccable financial standing. In addition, STADA partly uses suitable measures such as guarantees, loan insurances or the transfer of assets to safeguard itself against default risk. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and therefore burdens from one-time special effects, arise to a significant extent. Past due receivables in the operating area are

continuously monitored and potential default risks are anticipated through value adjustments. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

In the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA does not recognize any more available-for-sale financial assets, whose fair values are determined based on market prices.

STADA takes advantage of an international network and carries out strategic Group functions centrally through STADA Arzneimittel AG. Thus an overarching tax transfer pricing model for the billing of the corresponding intercompany services is of increasing importance. Potential risks of non-recognition of these transfer prices for tax purposes, for example from retroactive tax claims of the local tax authorities against a subsidiary of the STADA Group, are limited by way of the introduction of corresponding agreement procedures and a comprehensive definition of transfer prices in the form of a Group guideline. However, non-recognition of transfer prices can not be completely ruled out.

Furthermore, STADA has obligations in connection to pension plans. The present value of benefit obligations according to IFRS is influenced by changes in relevant valuation parameters, for example, interest rate changes or future salary increases. Thus, there is a risk of relevant valuation parameters changing in a way that is unfavorable for STADA and as a result, the present value of the retirement benefits increases significantly.

In general, it cannot be ruled out that the financial policy methods and the specific financial risk management implemented by STADA and described above, prove insufficient to avoid all financial risks and the materially adverse effects for STADA that are potentially associated with them.

STADA places this in the “moderate” risk category.

Other risks

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

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

STADA places this in the “low” risk category.

Summary evaluation of risks

Risk category	Risk classification by STADA
Environmental and industry risks	moderate
Corporate strategy risks	low
Regulatory risks	moderate
Product portfolio risks	low
Legal risks	moderate
Performance-related risks	moderate
Human resources risks	low
Risks in relation to information technology	low
Economic risks	low
Financial risks	moderate
Other risks	low

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have materially adverse effects on the Group's business activities. In particular, respective material adverse effects on STADA's business, financial and earnings situation could be associated with this.

The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks on the basis of the applied risk management. As a result of the continued tense geopolitical situation in the CIS region, the risk environment of STADA is unchanged. From today's perspective, however, no risks are discernible which, individually or as a whole, could jeopardize the continuance of the Group.

TAKEOVER-RELEVANT INFORMATION

In accordance with Section 315 (4) HGB, STADA is obligated to disclose the following information in the Annual Report:

Composition of share capital, rights and obligations/restrictions associated with shares, which affect the transfer of shares

Share capital amounted to € 162,090,344.00 as of December 31, 2015, divided into 62,342,440 registered shares with restricted transferability with an arithmetical share in share capital of € 2.60 per share.

The shares of STADA Arzneimittel AG are exclusively registered shares with restricted transferability, which, under the Articles of Incorporation, can only be transferred and entered into the share registry with the approval of the Executive Board of the Company and which, in accordance with the Articles of Incorporation, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

Shares acquired by employees within the scope of the employee stock option program are subjected to a three-year lockup period.

Appointment and dismissal of Executive Board members / Amendments to the Articles of Incorporation

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations (Sections 84, 85 AktG).

The Articles of Incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each, in accordance with the legal regulations. In accordance with Section 9 of the Articles of Incorporation, the Executive Board consists of two or more persons. In addition, the Supervisory Board determines the number of Executive Board Members and may appoint deputy Executive Board Members.

The Articles of Incorporation may generally be amended through a resolution of the Annual General Meeting.

The amendment takes effect with the entry of the amendment to the Articles of Incorporation into the commercial register. Amendments to Articles of Incorporation require, according to Section 179 (1) of the German Stock Corporation Act (AktG), a resolution of the Annual General Meeting, provided no other majority is foreseen, a majority of three-fourths of the share capital represented in the vote pursuant to Section 179 (2) AktG. Insofar as a change to the purpose of the company is affected, the Articles of Incorporation may call for a large majority. The Articles of Incorporation exercises in Section 23 (1) the possibility of a deviation pursuant to Section 179 (2) AktG and stipulate that, unless otherwise provided by mandatory provisions of the German Stock Corporation Act, resolutions shall be passed by a simple majority of the votes cast and, insofar as a majority of the share capital is represented at the time the resolution is passed, with a simple majority of the capital present insofar as this is legally permissible. In case of a tie, a motion shall be deemed denied.

Furthermore, the Supervisory Board is authorized in accordance with Section 32 of the Articles of Incorporation to resolve on amendments and additions to the Articles of Incorporation which relate only to their wording.

Authorizations of the Executive Board to issue or buy back shares

On June 5, 2013 the Annual General Meeting authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by June 4, 2018, by up to € 77,134,304.00 through the issue of up to 29,667,040 registered shares with restricted transferability against contributions in cash and/or in kind (authorized capital). Shareholders have statutory subscription rights. The Executive Board is nevertheless authorized, with the approval of the Supervisory Board, to exclude the statutory rights of the shareholders in the cases described in the authorization. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the content of the share rights, the individual details of the capital increase as well as the conditions of the share issue, in particular the issue price. The Executive Board has not made use of this authorization to date.

On June 5, 2013, furthermore, the Annual General Meeting authorized the Executive Board, on one or more occasions until June 4, 2018, to issue bearer and/or registered bonds with warrants and/or convertible bonds, participation rights and/or participating bonds (or a combination of these instruments) (collectively "bonds") in an aggregate nominal amount of up to € 1,000,000,000.00 with or without limiting the term, and to grant the holders or creditors of the bonds with warrants and/or convertible bonds a proportionate amount of the share capital of up to € 69,188,340.00 for a total of up to 26,610,900 of the Company's registered shares with restricted transferability in accordance with the more detailed provisions of the terms of the bonds. For the purposes of servicing these bonds, the Annual General Meeting on June 5, 2013 conditionally increased the share capital by up to € 69,188,340.00 by issuing up to 26,610,900 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The Executive Board, with approval of the Supervisory Board, is authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2013). The Executive Board has not made use of this authorization to date.

The Company also had Conditional Capital 2004/I, from which a total of 1,715,740 preference shares with an arithmetical share in share capital of € 2.60 per preference share – which represents a total of € 4,460,924.00 – were issued in financial year 2015. Because the Conditional Capital increase 2004/I will only be effected insofar as the holders of warrants exercise their option rights, and because June 26, 2015 was the deadline for option exercise (held-to-maturity), the remaining Conditional Capital 2004/I has lost its purpose and was therefore removed from the Articles of Incorporation.

Following the resolution adopted at the Annual General Meeting on June 5, 2013, in accordance with Section 71 (1) No. 8 AktG, the Company is authorized from June 6, 2013 until June 5, 2018 to acquire own shares of up to 10% of the share capital. The Executive Board has not made use of this authorization to date.

Significant agreements on condition of a change of control

In case of a change of control resulting from a takeover offer to the company, there are, in accordance with common business practice, possibilities of termination for certain supply contracts, the lenders of several credit contracts, the issued corporate bonds and of the issued promissory note loans (see "Economic Report – Business Development and Situation – Financial Situation").

For the agreement of the company with members of the Executive Board in the case of a change of control, please refer to the Remuneration Report in this Annual Report.

PROGNOSIS REPORT

Proven business model with sustainable growth possibilities

STADA's business model has been characterized by constancy and sustainability for decades. In light of the overall successful development, the Executive Board will also maintain the strategic orientation of the Group in the future. The STADA business activities will therefore continue to be focused on products with off-patent pharmaceutical active ingredients in selected segments of the pharmaceutical market. The core segments in this regard will remain Generics and Branded Products. In the generics area, the Group will continue to accelerate the expansion of its biosimilar activities in view of the growth and margin prospects. In the area of branded products, the main focus continues to be on expansion and internationalization.

In view of the Executive Board, the Group activities thereby also remain focused on market regions with long-term growth potential in future. In view of the fact that these can vary depending on economic, regulatory and competitive framework conditions in the individual market regions from year to year, the sales and earnings development will continue to be influenced by various and, in part, opposing influencing factors in financial year 2016. Details on the expectations of the Executive Board as regards the opportunities and risks in the individual market regions can be found in the Management Report of this Annual Report in the chapter "Segment Development" (see "Economic Report – Business Development and Situation – Earnings Situation – Development of Segments – Information by Market Region").

Even though a slowdown or temporary decline in growth cannot be ruled out if difficult framework conditions accumulate, with a view to the strategic success factors, the Executive Board sees the opportunity, however, to also be able to generate further growth in the future.

Overall economic outlook

For 2016, the International Monetary Fund (IMF) expects a moderate increase in economic activity with a rise in global economic growth in the amount of 3.4%.[1)] Estimates show economic development for emerging markets at 4.3%, whilst growth of 6.3% is expected in China.[1)] The IMF forecasts growth of 2.1% for advanced economies.[1)] In this context, Gross Domestic Product (GDP) in the USA is forecast to grow by 2.6%, while forecasts for economic development for countries in the Euro zone assume an increase of 1.7%.[1)] According to estimates, GDP will grow by 1.7% in Germany, by 1.3% in France and Italy, by 2.7% in Spain.[1)] In the so-called CIS countries (Commonwealth of Independent States), GDP could stagnate in 2016, while Russia's GDP is expected to decrease by 1.0%. For the region Emerging and Developing Europe[2)], experts anticipate growth of 3.1% with a plus of 1.5% in Serbia[1)].

The European Central Bank (ECB) also anticipates continued economic recovery in the Euro zone – however, slightly more slowly than previously expected. The main reason for this is the slowdown of growth in the emerging economies, which will dampen the development of global economies and thus the demand for exports from the Euro zone. Domestic demand should continue to benefit from the ECB's monetary policy measures and its positive effect on the financing conditions and also from the progress in balancing budgets and the structural reforms. Furthermore, the lower oil price should have a positive effect on real disposable income of private households as well as the profitability of companies and thus should provide additional support for private consumer spending and investments. Meanwhile, the economic upswing in the Euro zone is anticipated to be hampered by the required balance sheet adjustments in a number of sectors as well as the slow implementation of structural reforms.[3)]

1) Source: International Monetary Fund: World Economic Outlook of January 2016.
2) Including Bulgaria, Croatia, Lithuania, Poland, Romania, Serbia, Turkey and Hungary.
3) Source: ECB: Economic Bulletin, issue 8/2015.

The STADA Executive Board continuously monitors the development of the global economy – with a consistent view to the resulting opportunities and risks for the Group. From today's perspective, the Executive Board sees no reason to question STADA's business model.

Industry specific outlook

On the basis of both on general as well as generics-specific growth drivers, numerous national health care and, in particular, pharmaceutical markets will continue to be characterized in the future by high growth potential that is relatively independent of economic activity, in the Executive Board's assessment. These opportunities are based, on the one hand, on general growth drivers such as the global population growth, an aging society in industrialized countries as well as further medical progress. On the other hand, there will be a progressive generics penetration as a result of increasing spending restraints in individual national health care systems as well as the continuous expiration of patents and other commercial property rights. The latter also applies to the promising field of biopharmaceuticals with high sales and earnings potential.

In view of the continually rising demand in the health care market and the fact that drugs continue to offer a relatively high level of efficiency as compared to other forms of treatment, further growth is also expected for the global pharmaceutical market in future, as well. According to forecasts, sales in the international pharmaceutical market will increase by 5% to 7% per year until 2020.[1)]

For the global generics market, IMS Health expects annual growth of up to 7.9%[1)] until 2020. It should, however, be taken into account that the actual growth rates of reported sales in markets where significant discounts must be granted, should be substantially below gross sales generally recorded by the market research institutions before discounts.

In view of the sales volume for active pharmaceutical ingredients becoming available for generics competition between 2016 and 2019 in the largest pharmaceutical markets in Europe according to sales – Germany, France, Italy, the United Kingdom and Spain within the two STADA market regions Germany and Central Europe – which, according to market research forecasts, amounts to more than € 12.2 billion, the STADA Executive Board expects further growth potentials in the EU generics market.[2)]

This assumption is also supported by estimates from IMS Health, according to which annual generics growth in the EU (EU 28) amounts to an average of 5.1%[1)] from 2016 to 2018. For selected markets in Eastern Europe[3)], IMS Health expects annual average generics growth of 6.0%[1)] from 2016 until 2020. For Russia, IMS Health anticipates average annual generics growth of 7.3%[1)] from 2016 to 2020.

In the Generics area, biosimilars in particular will play an increasingly important role in the future, since they can contribute significantly to containing costs in the individual national health care markets. Already in 2014, a paradigm shift took place, as, for the first time ever, there were more patent expirations among biopharmaceutical products than chemical-synthetic products. Overall, twelve of the strongest biopharmaceutical products in terms of sales will have lost their patent protection by 2020[4)]. By 2018, biopharmaceuticals valued at a total of around € 51 billion will have lost their patent worldwide.[5)] In light of this growth potential, STADA consistently continues to pursue its strategy of in-licensing biosimilars specifically from highly specialized suppliers, since this represents the course with a lower risk and lower costs than relying on in-house developments.

1) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.
2) STADA estimate of sales volumes in 2015 at ex-factory prices for active pharmaceutical ingredients for which STADA from today's perspective expects the patents or other commercial property rights relevant for generics competition to expire by 2019, based on data provided by various international market research institutes. STADA's expectations as to the date of availability of active pharmaceutical ingredients for generics competition are continuously being reviewed from a legal perspective and may in the future significantly differ from today's expectations (as of March 1, 2016) as expressed in this data. The actual sales volumes becoming available for generics competition at the respective dates are subject to fluctuations as a result of changing market success, legal situations or market structures, among other factors.
3) Russia, Serbia, Ukraine, Kazakhstan, Bosnia-Herzegovina.
4) Source: "Deutsches Ärzteblatt" (a German medical journal) of March 14, 2014; 111 (11): A-452 / B-388 / C-372: Biosimilars: Das Wettrennen ist in vollem Gange (Biosimilars: The race is well underway).
5) Source: Pro Generika – Generika und Biosimilars in Deutschland, Marktdaten Pro Generika 2013 (Pro Generics – generics and biosimilars in Germany, market data Pro Generics 2013).

With a view to further growth, STADA further promotes the expansion and internationalization of the core segment Branded Products, as it is generally subject to less regulatory intervention and is characterized by more attractive margins than the Generics segment. This is due to the fact that non-prescription drugs are, with only a few exceptions, not reimbursable and thus relieve the global health care systems. It is also due to the fact that the number of so-called "self-improvers", who rely on self-medication in health care and, with a growing tendency, spend an increasing amount of money on this, particularly in the Western industrialized nations.

For the global OTC market, IMS Health expects annual growth of up to 3.6%[1)] by 2020. For the European OTC market, experts forecast an increase of up to 2.5%.[1)]

In consideration of the above-average growth potential shown by the global market for aesthetic medicine, STADA will further expand its business activities in the area of dermatologic treatments in the future. The cooperation with CROMA-PHARMA forms a good basis for this.[2)]

Challenges and risks

In addition to the growth opportunities presented in this Annual Report, the Group is also confronted with operating challenges and risks which are detailed in the segment reporting and the regional development in individual markets of the respective market regions as a well as in the Risk Report, among others. Many of these challenges and risks are based, in the view of the Executive Board, on structures and mechanisms of the market segments and market regions, which are relevant for the development of the Group, upon which, STADA, however, has no influence. In light of the fact that these are, however, to large extent inseparably linked to the structural growth opportunities, it will remain impossible to avoid them in future in order to utilize these growth opportunities (see "Basis of the Group – Business Model" and "Risk Report").

The business model of STADA is generally oriented toward the health care market, which is characterized by a demand that is relatively independent of the economy, so that the worldwide economic conditions generally have less of a direct influence on the business development of the Group than the respective regulatory environment in the individual markets of the four STADA market regions. Despite this, the Group will continue to have to deal with specific consequences of economic effects in the future in addition to the general challenges and risks associated with the business model (see "Risk Report").

However, from today's perspective, the Executive Board identifies no challenges or risks which could jeopardize the continued existence of the Group.

Basis of the prognosis

The outlook for financial year 2016 takes account of the events known when this Annual Report was prepared that could have an effect on the business development of the STADA Group. It is also supported by the details on the overall economic outlook and the industry-specific outlook.

1) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015;
IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.
IMS MIDAS (September) 2015.
2) See the Company's press release of December 17, 2015.

Furthermore, the forecast is particularly based on the following assumptions:

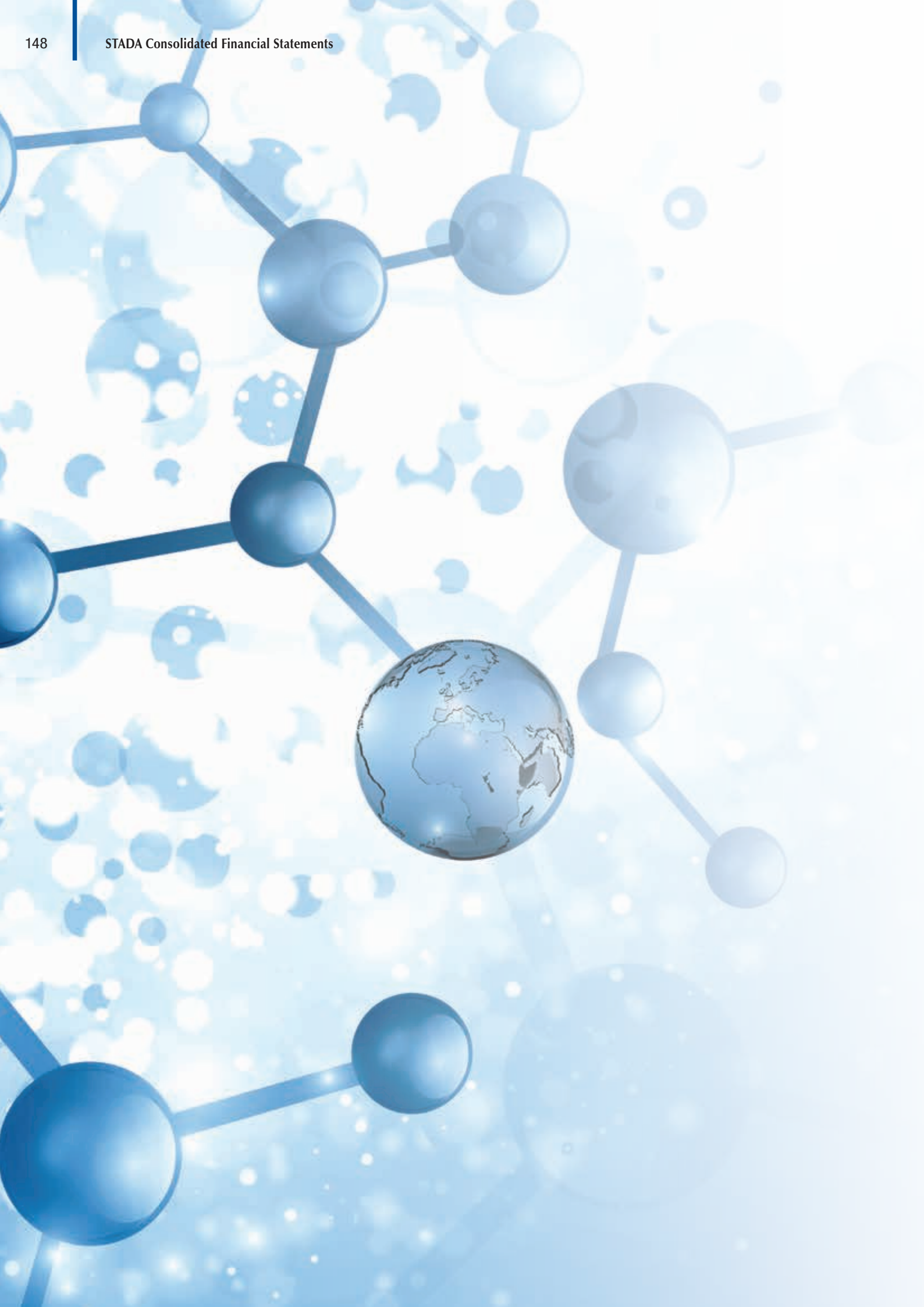
- Predominately unchanged regulatory market conditions in the most important markets of each market region, not including the regulatory changes and market assessments known at the time the forecast was prepared
- Optimization of procurement prices for primary materials
- The continued possibility of immediately launching new products upon patent expiration
- Largely unchanged tax situation in the countries where STADA has Group companies
- Application of forward rates at the time the forecast was prepared for the conversion of important subsidiaries with a reporting currency other than the Group currency euro

Summarizing outlook

STADA's business model is generally geared towards markets with long-term growth potential in the health care and pharmaceutical markets. Inseparably linked to this, however, are also risks and challenges resulting from changed or additional state regulation and intensive competition. In view of this, STADA can also be exposed to far-reaching regulatory interventions, a high level of competition, default risks and significant margin pressure in the individual markets of its four market regions in the future. The latter applies particularly to the increasing volume of business activities in the core segment Generics, which are subject to tenders.

In addition, the Group will continue to be confronted by non-operational influence factors in the future. As a consequence, relevant Group currency relations – in particular of the Russian ruble, the Ukrainian hryvnia, the Kazakhstani tenge and the British pound sterling to the euro – will affect the Group's development. In addition, STADA will continue to be exposed to the effects of the CIS crisis. The Group certainly continues to prepare itself, within the realms of possibility, for potential risks in this regard, such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or strong volatility in interest rate levels and currency relations that are relevant for the Group. However, in view of the effects of the CIS crisis and the resulting burdens such as one-time special effects from impairment losses on intangible assets and property, plant and equipment, payment defaults, non-operational burdens on earnings from currency influences – in particular from the devaluation of the Russian ruble, the Ukrainian hryvnia and the Kazakhstani tenge – as well as curbed or further decreasing demand in the Russian pharmaceuticals market cannot be ruled out. With regard to the existing sanctions against Russia, STADA, however, does not currently see any significant direct effects on the Group's business activities.

Overall, the future sales and earnings development of the Group will be characterized both by growth-stimulating and challenging framework conditions in the individual markets of STADA's four market regions. In the overall assessment of opposing influence factors, however, the positive prospects are expected to prevail in financial year 2016. In light of this, the Executive Board anticipates slight growth in Group sales adjusted for currency and portfolio effects, adjusted EBITDA as well as adjusted net income in 2016. The Executive Board expects the ratio of net debt excluding further acquisitions to adjusted EBITDA to be at a level of nearly 3.



STADA CONSOLIDATED FINANCIAL STATEMENTS 2015

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CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s	2015	Previous year	Note
Sales	2,115,129	2,062,247	11.
Cost of sales	1,101,709	1,070,441	12.
Gross profit	**1,013,420**	**991,806**	
Selling expenses	482,643	458,381	13.
General and administrative expenses	178,364	152,817	14.
Research and development expenses	64,993	56,905	15.
Other income	20,032	20,067	16.
Other expenses	83,709	155,243	17.
Operating profit	**223,743**	**188,527**	
Result from investments measured at equity	1,419	1,595	
Investment income	138	132	
Financial income	1,170	4,833	
Financial expenses	68,667	70,393	
Financial result	**-65,940**	**-63,833**	18.
Earnings before taxes	**157,803**	**124,694**	
Income taxes	40,638	54,586	19.
Earnings after taxes	**117,165**	**70,108**	
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income)	110,404	64,562	
• distributable to non-controlling shareholders	6,761	5,546	20.
Earnings per share in € (basic)	1.79	1.07	21.
Earnings per share in € (diluted)	1.79	1.05	21.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	2015	Previous year	Note
Earnings after taxes	**117,165**	**70,108**	
Items to be recycled to the income statement in future:			
Currency translation gains and losses	**8,928**	**-125,206**	34.
thereof			
• income taxes	352	1,613	
Gains and losses on available-for-sale financial assets	**-22**	**0**	45.
thereof			
• income taxes	5	0	
Gains and losses on hedging instruments (cash flow hedges)	**1,054**	**1,519**	45.
thereof			
• income taxes	-338	-563	
Items not to be recycled to the income statement in future:			
Revaluation of net debt from defined benefit plans	**2,822**	**-15,617**	35.
thereof			
• income taxes	-23	5,294	
Other comprehensive income	**12,782**	**-139,304**	
Consolidated comprehensive income	**129,947**	**-69,196**	
thereof			
• distributable to shareholders of STADA Arzneimittel AG	120,584	-81,555	
• distributable to non-controlling shareholders	9,363	12,359	

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Dec. 31 in € 000s Assets	Dec. 31, 2015	Dec. 31, 2014	Note
Non-current assets	**2,032,309**	**2,013,819**	
Intangible assets	1,649,020	1,631,516	24.
Property, plant and equipment	321,617	305,430	25.
Financial assets	1,339	2,036	26.
Investments measured at equity	13,168	10,569	27.
Other financial assets	8,718	11,729	29.
Other assets	4,374	3,130	30.
Deferred tax assets	34,073	49,409	19.
Current assets	**1,255,106**	**1,321,639**	
Inventories	501,520	498,785	31.
Trade accounts receivable	485,901	502,794	28.
Income tax receivables	21,182	30,711	19.
Other financial assets	74,279	86,943	29.
Other assets	29,046	37,866	30.
Non-current assets and disposal groups held for sale	0	331	32.
Cash and cash equivalents	143,178	164,209	33.
Total assets	**3,287,415**	**3,335,458**	

Equity and liabilities	Dec. 31, 2015	Dec. 31, 2014	Note
Equity	**1,018,530**	**903,339**	34.
Share capital	162,090	157,629	
Capital reserve	514,171	490,401	
Retained earnings including net income	635,344	561,376	
Other provisions	-364,105	-371,851	
Treasury shares	-1,458	-1,504	
Equity attributable to shareholders of the parent	**946,042**	**836,051**	
Shares relating to non-controlling shareholders	72,488	67,288	
Non-current borrowed capital	**1,282,577**	**1,246,693**	
Other non-current provisions	28,869	30,097	35.
Financial liabilities	1,084,213	1,042,998	36.
Other financial liabilities	7,201	5,259	38.
Other liabilities	2,053	1,640	39.
Deferred tax liabilities	160,241	166,699	19.
Current borrowed capital	**986,308**	**1,185,426**	
Other provisions	22,532	17,442	40.
Financial liabilities	274,672	448,703	36.
Trade accounts payable	328,487	340,847	37.
Income tax liabilities	39,444	33,726	19.
Other financial liabilities	218,792	257,403	38.
Other liabilities	102,381	87,305	39.
Total equity and liabilities	**3,287,415**	**3,335,458**	

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	Dec. 31, 2015	Dec. 31, 2014	Note
Net income	117,165	70,108	
Depreciation and amortization net of write-ups of non-current assets	151,848	228,521	23.
Income taxes	40,638	54,586	19.
Interest income and expenses	64,434	69,151	18.
Result from investments measured at equity	-1,419	-1,595	18.
Result from the disposals of non-current assets	-2,317	-43	16.
Additions to/reversals of other non-current provisions	6,125	-17,039	35.
Currency translation income and expenses	19,549	29,415	17.
Other non-cash expenses and gains	229,469	214,001	18.
Gross cash flow	**625,492**	**647,105**	
Changes in inventories	-52,918	-57,959	31.
Changes in trade accounts receivable	-12,889	629	28.
Changes in trade accounts payable	-25,765	-18,339	37.
Changes in other net assets, unless attributable to investing or financing activities	-127,020	-237,705	
Interest and dividends received	4,674	4,709	
Interest paid	-69,886	-66,275	
Income tax paid	-29,940	-48,355	
Cash flow from operating activities	**311,748**	**223,810**	41.
Payments for investments in			
• intangible assets	-81,410	-181,397	24.
• property, plant and equipment	-51,230	-37,453	25.
• financial assets	-615	-65	26.
• business combinations according to IFRS 3	-56,778	-55,054	8./41.
Proceeds from the disposal of			
• intangible assets	4,689	8,007	24.
• property, plant and equipment	832	3,953	25.
• financial assets	498	29	26.
• shares in consolidated companies	5,797	-	
Cash flow from investing activities	**-178,217**	**-261,980**	41.
Borrowing of funds	677,316	734,224	36.
Settlement of financial liabilities	-816,727	-612,098	36.
Dividend distribution	-47,873	-42,495	34.
Capital increase from share options	28,224	3,029	34.
Changes in non-controlling interests	3,918	1,006	34.
Changes in treasury shares	53	45	34.
Cash flow from financing activities	**-155,089**	**83,711**	41.
Changes in cash and cash equivalents	**-21,558**	**45,541**	
Changes in cash and cash equivalents due to the scope of consolidation	228	2,116	
Changes in cash and cash equivalents due to exchange rates	299	-9,611	
Net change in cash and cash equivalents	**-21,031**	**38,046**	
Balance at beginning of the period	**164,209**	**126,163**	
Balance at end of the period	**143,178**	**164,209**	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity in € 000s 2015	Number of shares	Share capital	Capital reserve	Retained earnings including net income
Balance as of Dec. 31, 2015	**62,342,440**	**162,090**	**514,171**	**635,344**
Dividend distribution				-39,955
Capital increase from share options	1,715,740	4,461	23,763	
Changes in treasury shares			7	
Adjustments of the previous year				1,177
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				-92
Other income				2,434
Net income				110,404
Balance as of Jan. 1, 2015	**60,626,700**	**157,629**	**490,401**	**561,376**
Previous year				
Balance as of Dec. 31, 2014	**60,626,700**	**157,629**	**490,401**	**561,376**
Dividend distribution				-39,832
Capital increase from share options	184,200	478	2,551	
Changes in treasury shares			7	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				-254
Other income				-15,763
Net income				64,562
Balance as of Jan. 1, 2014	**60,442,500**	**157,151**	**487,843**	**552,663**

Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-363,192	0	-913	-1,458	946,042	72,488	1,018,530
				-39,955	-7,919	-47,874
				28,224		28,224
			46	53		53
				1,177		1,177
					3,756	3,756
				-92		-92
6,714	-22	1,054		10,180	2,602	12,782
				110,404	6,761	117,165
-369,906	**22**	**-1,967**	**-1,504**	**836,051**	**67,288**	**903,339**

-369,906	22	-1,967	-1,504	836,051	67,288	903,339
				-39,832	-2,663	-42,495
				3,029		3,029
			38	45		45
				-		-
				-	2,111	2,111
				-254		-254
-131,860	-13	1,519		-146,117	6,813	-139,304
				64,562	5,546	70,108
-238,046	**35**	**-3,486**	**-1,542**	**954,618**	**55,481**	**1,010,099**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
General Information

1. Corporate information

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

The consolidated financial statements of STADA Arzneimittel AG for financial year 2015 were approved for publication by the Executive Board on March 21, 2016.

2. Basis of preparation

The consolidated financial statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2015, were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

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

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

The consolidated financial statements are prepared in euro. Unless otherwise indicated, figures in the notes are shown in euro thousands (€ 000s). Rounding is thus necessary, although this of course is not significant in its nature.

3. Consequences of new or amended standards and interpretations

In financial year 2015, STADA has implemented the following change from the pronouncements and amendments to pronouncements of the IASB published by the IASB and endorsed by the EU which were first applicable as of January 1, 2015, which did not have any significant impact on the presentation of the business, financial and earnings situation or cash flow of STADA:

- **Amendments in the course of the "Annual Improvements to IFRSs 2010–2012 Cycle":**
  IFRS 8 "Operating Segments": If business segments are aggregated to reportable segments, the judgments made by management for the identification of the reportable segments shall be disclosed. Furthermore, there was a clarification that a reconciliation of segment assets to the amounts recognized in the balance sheet shall only be carried out if this information is regularly reported to the chief operating decision maker.

The following IFRS standards, which are not yet applicable, have been published by the IASB. The adoption into European law is still pending:

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 can 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. Impacts are possible for the measurement dates of revenue in connection with licensing agreements.

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 must therefore no longer classify leases as finance leases or operating leases. IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. 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 amendments to IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement – with a corresponding positive impact on the EBITDA.

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

4. Changes in accounting policies

With the exception of the changed accounting policies listed in Note 3., there were no changes to accounting policies with significant consequences for the presentation of STADA's business, financial and earnings situation or cash flow in financial year 2015.

5. Scope of consolidation

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

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

Associated companies are companies over which STADA is able to exercise significant influence and which are not subsidiaries or joint ventures. They are included in the consolidated financial statements using the equity method.

Subsidiaries, joint ventures and associated companies whose influence, both individually and as a whole, on the business, financial and earnings situation of the STADA Group is insignificant, are not consolidated or accounted for using the equity method. Investments in these companies are accounted for either at fair value or at amortized cost under financial assets. Accumulated, the sales and balance sheet total of these companies make up less than 1% of total Group sales and/or the balance sheet total.

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associated companies included in financial year 2015 and are as follows:

Number of companies in the scope of consolidation	Germany	Outside Germany	Total
January 1, 2015	**12**	**67**	**79**
Acquisitions	-	10	10
Disposals	-	2	2
December 31, 2015	**12**	**75**	**87**

As of January 1, 2015, the subsidiary located in the United Arab Emirates, STADA MENA DWC-LLC, Dubai, as well as the Egyptian subsidiary STADA Egypt Ltd., Cairo, were included in STADA's scope of consolidation.

In financial year 2015 there were also changes in the scope of consolidation due to the merger of the consolidated subsidiary Hemofarm Sabac d.o.o, Sabac, Serbia, with Hemofarm A.D., Vrsac, Serbia, also a consolidated subsidiary.

In addition, the acquisition of the Austrian company SCIOTEC Diagnostic Technologies GmbH was completed in accordance with corporate law in the third quarter of 2015. The initial consolidation of the acquired company as a subsidiary occurred on September 1, 2015. The initial inclusion of the Russian Dialogfarma LLC as an associated company took place as of August 1, 2015.

In the fourth quarter of 2015, British STADA UK Holdings, with its headquarters in Reading, United Kingdom, was able to expand its OTC business with the acquisition of six additional companies, which represent a business operation as defined in IFRS 3.

December 2015 saw the sale and therefore deconsolidation from the STADA scope of consolidation of the French STADA subsidiary Laboratoires d'études et de recherches en oligo éléments thérapie SA, Boulogne-Billancourt, France.

In the consolidated interim financial statements of the STADA Group, 83 companies were thereby consolidated as subsidiaries and four companies as associated companies as of the balance sheet date on December 31, 2015.

As in the previous year, the aforementioned chart includes BIOCEUTICALS Arzneimittel AG, which is included in the consolidated financial statements as an associated company according to the equity method. STADA holds 15.86% of the shares in this company. The significant influence is therefore not directly due to the amount of shares held, but instead is a result of STADA's representation in the supervisory body of BIOCEUTICALS as well as distribution rights granted for Epo-zeta in Germany through cell pharm Gesellschaft für pharmazeutische Präparate mbH and the associated significant business transactions.

As in the previous year, the aforementioned chart also includes both French companies Pharm Ortho Pedic SAS and AELIA SAS, pursuant to shareholdings of 25.0% and 20.0% acquired by STADA, which are included in the consolidated financial statements as associated companies in accordance with the equity method. The initial inclusion of the Russian company Dialogfarma LLC as an associated company took place as of August 1,2015. The following condensed financial information is given for these four associates:

in € million	2015	2014
Share of result from continuing operations	1.4	1.6
Share of result from discontinued operations	-	-
Share of other comprehensive income	-	-
Share of comprehensive income	**1.4**	**1.6**
Aggregate carrying amount	**13.2**	**10.6**

There are significant non-controlling interests in the Vietnamese subsidiaries Pymepharco Joint Stock Company and STADA Vietnam J.V. Co. of the STADA Group.

In the following, the influence of other shareholders in these subsidiaries as of December 31, 2015 is presented:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2015 in € 000s	Accumulated non-controlling shares as of Dec. 31, 2015 in € 000s
Pymepharco	Vietnam	41%	2,185	27,983
STADA Vietnam	Vietnam	50%	3,633	31,137

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2014 in € 000s	Accumulated non-controlling shares as of Dec. 31, 2014 in € 000s
Pymepharco	Vietnam	41.0%	1,570	24,730
STADA Vietnam	Vietnam	50.0%	3,196	30,996

In the following, the financial information of both subsidiaries as of December 31, 2015 and for financial year 2015 is summarized:

	Assets as of December 31, 2015		Liabilities as of December 31, 2015	
in € 000s	current	non-current	current	non-current
Pymepharco	57,079	40,712	8,743	10,159
STADA Vietnam	45,771	36,466	6,281	8,558

		Earnings after taxes in 2015			
in € 000s	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2015	Dividends to non-controlling interests in 2015
Pymepharco	53,849	3,033	2,185	8,192	2,249
STADA Vietnam	55,827	3,594	3,633	9,982	4,863

The result of Pymepharco and STADA Vietnam distributable to STADA contains impairments on goodwill which have been accounted for in accordance with the partial goodwill method in the context of achieving control.

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

	Assets as of December 31, 2014		Liabilities as of December 31, 2014	
in € 000s	current	non-current	current	non-current
Pymepharco	52,921	35,055	8,947	8,411
STADA Vietnam	46,453	32,332	6,258	5,609

		Earnings after taxes in 2014			
in € 000s	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2014	Dividends to non-controlling interests in 2014
Pymepharco	41,348	656	1,570	10,896	384
STADA Vietnam	43,304	2,634	3,196	14,035	2,143

Subsidiaries, joint ventures and associated companies as well as all non-consolidated and other investments are included in the consolidated financial statements as investments and listed below.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
AO Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	15.86%	associated company
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
Crinos S.p.A., Milan, Italy	96.77%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France	100%	subsidiary
EG S.p.A., Milan, Italy	98.87%	subsidiary
Grunenthal Ukraine LLC., Kiev, Ukraine[1)]	100%	not included
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	10%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia	10%	subsidiary
Oy STADA Pharma Ab, Helsinki, Finland	100%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia	100%	subsidiary
STADA d.o.o., Zagreb, Croatia	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt	83.33%	subsidiary
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China	100%	not included
STADA GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg	100%	not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria	100%	subsidiary
STADA PHARMA CZ, s.r.o., Prague, Czech Republic	100%	subsidiary
STADA Pharma International GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India	85%	not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA Pharmaceuticals Australia Pty Ltd., Sydney, Australia	100%	not included
STADA Poland Sp. z o.o., Piaseczno, Poland	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, The Netherlands	100%	subsidiary
STADApharm GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom	100%	subsidiary

1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG through EG Labo - Laboratoires Eurogenerics SAS:

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint Brieuc, France	20%	associated company
Pharm Ortho Pedic SAS, Trélazé, France	25%	associated company

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
Clonmel Healthcare Ltd., Clonmel, Ireland	100%	subsidiary
Fresh Vape Electronic Cigarettes Ltd., Chesterfield, United Kingdom	100%	subsidiary
Internis Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Lowry Solutions Ltd., Huddersfield, United Kingdom	100%	subsidiary
Pegach AG, Egerkingen, Switzerland	100%	subsidiary
Slam Trading Ltd., Huddersfield, United Kingdom	100%	subsidiary
Socialites E-Commerce Ltd., Huddersfield, United Kingdom	100%	subsidiary
Socialites Retail Ltd., Chesterfield, United Kingdom	100%	subsidiary
Sundrops Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Thornton & Ross Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
LCM Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ireland Ltd., Clonmel, Ireland	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Slam Trading Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
LAS Trading Ltd., Chesterfield, United Kingdom	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH:

Name of the company, registered office	Share in capital	Form of consolidation
ALIUD PHARMA GmbH, Laichingen, Germany	100%	subsidiary
Blitz F15-487 GmbH, Bad Vilbel, Germany	100%	not included
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany	100%	subsidiary
Crinos S.p.A., Milan, Italy	3.23%	subsidiary
Croma Medic, Inc., Manila, The Philippines	100%	subsidiary
EG S.p.A., Milan, Italy	1.13%	subsidiary
Grippostad GmbH, Bad Vilbel, Germany	100%	not included
Millipharma Produtos Médicos e Farmacêuticos Ltda., Vargem Grande Paulista, Brazil	1%	not included
STADA Aesthetics AG, Bottighofen, Switzerland	100%	not included
STADA CEE GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt	16.67%	subsidiary
STADA Nordic ApS, Herlev, Denmark	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India	15%	not included
STADA (Thailand) Company, Ltd., Bangkok, Thailand	60%	subsidiary
STADAvita GmbH, Bad Homburg, Germany	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and through Blitz F15-487 GmbH:

Name of the company, registered office	Share in capital	Form of consolidation
Millipharma Produtos Médicos e Farmacêuticos Ltda., Vargem Grande Paulista, Brazil	99%	not included

Indirect investments of STADA Arzneimittel AG through STADA GmbH:

Name of the company, registered office	Share in capital	Form of consolidation
STADA Medical GmbH, Bad Vilbel, Germany	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V.:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm Nederland B.V., Etten-Leur, The Netherlands	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia	100%	subsidiary
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam	49%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium	90%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Centrafarm Nederland B.V.:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm Services B.V., Etten-Leur, The Netherlands	100%	subsidiary
Healthypharm B.V., Etten-Leur, The Netherlands	100%	subsidiary
HTP Huisapotheek B.V., Etten-Leur, The Netherlands	100%	subsidiary
Neocare B.V., Etten-Leur, The Netherlands	100%	subsidiary
Quatropharma Holding B.V., Etten-Leur, The Netherlands	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium	10%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., through Centrafarm Nederland B.V. and through Quatropharma Holding B.V.:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm B.V., Etten-Leur, The Netherlands	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
CIG (Hong Kong) Ltd., Hong Kong, China	70%	not included
STADA Import/Export International Ltd., Hong Kong, China	51%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China	83.35%	subsidiary
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam	50%	subsidiary
Well Light Investment Services JSC, Ho Chi Minh City, Vietnam	49%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd. and through Well Light Investment Services JSC:

Name of the company, registered office	Share in capital	Form of consolidation
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam	10%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Pymepharco JSC and/or indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd., through Well Light Investment Services JSC and through Pymepharco JSC:

Name of the company, registered office	Share in capital	Form of consolidation
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam	43%	not included
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam	20%	not included
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam	22%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Clonmel Healthcare Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
CNRD 2009 Ireland Ltd., Dublin, Ireland	50%	not included
Crosspharma Ltd., Belfast, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Huddersfield, United Kingdom	100%	subsidiary
STADA Financial Investments Ltd., Clonmel, Ireland	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd., through Clonmel Healthcare Ltd. and through Genus Pharmaceuticals Holdings Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
Britannia Pharmaceuticals Ltd., Reading, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd., through Clonmel Healthcare Ltd., through Genus Pharmaceuticals Holdings Ltd. and through Britannia Pharmaceuticals Ltd.:

Name of the company, registered office	Share in capital	Form of consolidation
Brituswip Ltd., Newbury, United Kingdom	50%	not included

Indirect investments of STADA Arzneimittel AG through AO Nizhpharm:

Name of the company, registered office	Share in capital	Form of consolidation
Dialogfarma LLC, Moscow, Russia	50%	associated company
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan	100%	subsidiary
Nizhpharm-Ukraine DO, Kiev, Ukraine	100%	subsidiary
OOO Aqualor, Moscow, Russia	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	90%	subsidiary
OOO STADA CIS, Nizhny Novgorod, Russia	100%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia	90%	subsidiary
OOO STADA PharmDevelopment, Nizhny Novgorod, Russia	100%	subsidiary
STADA M&D S.R.L., Bucharest, Romania	100%	subsidiary
UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania	100%	subsidiary
ZAO Makiz-Pharma, Moscow, Russia	100%	subsidiary
ZAO Skopinpharm, Ryazanskaya obl., Russia	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA:

Name of the company, registered office	Share in capital	Form of consolidation
STADA, LDA, Paco de Arcos, Portugal	98%	not included

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA, S.L.:

Name of the company, registered office	Share in capital	Form of consolidation
STADA Genericos, S.L., Barcelona, Spain	100%	not included
STADA, LDA, Paco de Arcos, Portugal	2%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Hemofarm A.D.:

Name of the company, registered office	Share in capital	Form of consolidation
Hemofarm Arabia Ltd., Damascus, Syria	50%	not included
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia[1)]	99.18%	not included
Hemofarm S.a.r.l., Constantine, Algeria	40%	not included
Hemomont d.o.o., Podgorica, Montenegro	71.02%	subsidiary
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China	35.50%	not included
STADA HEMOFARM S.R.L., Temeswar, Romania	100%	subsidiary
STADA IT Solutions d.o.o., Belgrade, Serbia	100%	subsidiary
Velefarm A.D., Belgrade, Serbia	19.65%	not included
Vetfarm A.D., Belgrade, Serbia	15%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., through Hemofarm A.D. and through Hemopharm GmbH Pharmazeutisches Unternehmen:

Name of the company, registered office	Share in capital	Form of consolidation
PharmaSwyzz Germany GmbH, Bad Homburg, Germany	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Pegach AG:

Name of the company, registered office	Share in capital	Form of consolidation
Spirig HealthCare AG, Egerkingen, Switzerland	100%	subsidiary

The exemption rule stated in Section 264 (3) HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, STADA GmbH, STADA Medical GmbH, STADA CEE GmbH, STADApharm GmbH, STADAvita GmbH, STADA Pharma International GmbH and Mobilat Produktions GmbH.

1) Currently in the process of liquidation.

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

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

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

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

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

If indications arise from the application of IAS 39 that the carrying amount determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associated company.

7. Currency translation

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

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

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

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

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

Significant currency relations in local currency to € 1	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2015	2014	±%	2015	2014	±%
Pound sterling	0.73390	0.77890	-6%	0.72604	0.80640	-10%
Swiss franc	1.08350	1.20240	-10%	1.06764	1.21480	-12%
Russian ruble	80.67360	72.35890	+11%	68.01339	52.56082	+29%
Serbian dinar	121.62610	120.91898	+1%	120.75718	117.23329	+3%
Ukrainian hryvnia	26.05560	19.23447	+35%	24.22888	15.40541	+57%
US dollar	1.08870	1.21409	-10%	1.10970	1.32989	-17%

8. Business combinations

In financial year 2015, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

In the fourth quarter of 2014, STADA acquired the British company Internis Pharmaceuticals Ltd., London, United Kingdom, which is active in the prescription area of therapeutic treatment of vitamin D3 deficiency. STADA achieved control upon conclusion of the contract on December 19, 2014. The company has been consolidated since this time.

The purchase price amounted to GBP 49.0 million and was completely paid in cash or cash equivalents. It contained certain contingent purchase price components. The conditional purchase price components amounted to a total of GBP 20.0 million and divided equally into two purchase price conditions. The first purchase price condition was to obtain a regulatory drug approval. The final purchase price was determined by the date of achieving the approval. The determination of the final purchase price of the second contingent purchase price component depended on certain changes regarding competitive parameters and determined sales targets. The amount recognized as of the acquisition date for the conditional consideration amounted to GBP 19.8 million. Due to the achievement of the regulatory drug approval at an early date and to unchanged competition parameters, the final purchase price amounted to GBP 49.0 million and included conditional purchase price components in the amount of GBP 20.0 million. The difference between the amount recognized for the conditional consideration and the final value of the conditional purchase price components in the amount of GBP 0.2 million was recognized under other expenses in the income statement.

In the context of the final purchase price allocation, goodwill in the amount of € 7.9 million resulted from this business combination and was broken down as follows:

in € million	
Purchase price for 100% of the shares in the company approx.	62.0
Proportionate fair values of the assets and liabilities acquired approx.	54.1
Goodwill	**7.9**

Goodwill here resulted primarily from the expansion of the presence and the sales activities in the market region Central Europe, as well as from the takeover of a highly qualified workforce.

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	
Intangible assets	64.5
Other non-current assets	1.2
Trade accounts receivable	2.6
Other current assets	1.2
Cash and cash equivalents	4.9
Assets	**74.4**
Deferred tax liabilities	12.5
Other non-current liabilities	2.8
Other current liabilities	5.0
Liabilities	**20.3**

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 measurement of assets acquired and liabilities assumed.

Sales generated in the market region Central Europe with the company Internis Pharmaceuticals amounted to approx. € 24 million in financial year 2015. The operating profit of this business combination adjusted for the effects of the purchase price allocation (approx. € 2 million) amounted to approx. € 9 million in the reporting period.

Moreover, in financial year 2015, there was an additional significant business combination in the context of the purchase of SCIOTEC Diagnostic Technologies, an Austrian pharmaceuticals company based in Tulln, which is primarily specialized in the development and marketing of non-prescription (OTC) products against enzymatic food intolerances, including relevant sales structures in order to strengthen STADA's branded product portfolio. The purchase price for this business was € 16.9 million.

In the context of the final purchase price allocation, goodwill in the amount of € 6.6 million resulted from this business combination and was broken down as follows:

in € million	
Purchase price for 100% of the shares of the company approx.	16.9
Proportionate fair values of the assets and liabilities acquired approx.	10.3
Goodwill	**6.6**

Goodwill thereby resulted primarily from strengthening the sales presence in the Austrian market, which belongs to the market region Central Europe, particularly in the area of branded products and the entry into a new field of activity.

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	
Intangible assets	11.8
Other non-current assets	0.2
Other current assets	2.7
Assets	**14.7**
Deferred tax liabilities	2.9
Other non-current liabilities	0.5
Other current liabilities	1.0
Liabilities	**4.4**

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 measurement of assets acquired and liabilities assumed.

Sales achieved with the company SCIOTEC Diagnostic Technologies in the market region Central Europe have amounted to approx. € 2 million since September 1, 2015. The operating profit of this business combination adjusted for effects from purchase price allocations (approx. € 0.2 million) amounted to approx. € 0.2 million in the reporting period. If STADA had already purchased SCIOTEC Diagnostic Technologies as of January 1, 2015, sales of approx. € 6 million and operating profit, adjusted for effects from the preliminary purchase price allocation (approx. € 1 million), of approx. € 1 million would have been achieved in 2015 assuming a linear development.

In the fourth quarter of 2015, STADA acquired the British Socialites group, based in Chesterfield. STADA achieved control upon conclusion of the contract on December 4, 2015. The purchase price amounted to GBP 21.0 million and will be/was completely paid in cash or cash equivalents.

In the context of a preliminary purchase price allocation, goodwill in the amount of € 12.2 million resulted from this business combination and was broken down as follows:

in € million	
Purchase price for 100% of the shares of the company approx.	29.5
Proportionate fair values of the assets and liabilities acquired approx.	17.3
Goodwill	**12.2**

Goodwill thereby primarily resulted from an expansion of presence and sales activities in the Central European market region and in the British market in particular.

The following fair values were applied at the acquisition date for the assets acquired and liabilities assumed in the context of business combinations:

Fair values in € million	
Intangible assets	20.1
Other non-current assets	0.4
Inventories	1.3
Other current assets	1.9
Assets	**23.7**
Deferred tax liabilities	3.7
Other non-current liabilities	0.0
Trade accounts payable	2.1
Other current liabilities	0.6
Liabilities	**6.4**

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 measurement of assets acquired and liabilities assumed.

Sales generated in the market region Central Europe with the Socialites group amounted to approx. € 1 million in financial year 2015. The operating profit of this business combination adjusted for the effects of the purchase price allocation (approx. € 0.0 million) amounted to approx. € 0.2 million in the reporting period. If STADA had acquired the Socialites group on January 1, 2015, sales of approx. € 12 million and operating profit, adjusted for effects from the purchase price allocation (around € 1 million), of approx. € 2 million would have been achieved on linear extrapolation in 2015.

For the strengthening of the core segment Generics, STADA and STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH signed a contract in the fourth quarter of 2015 to purchase the Argentinian generics producer Laboratorio Vannier S.A., which sells its products in niches which are subject to few price regulations, particularly in the area of CNS (conditions of the central nervous system), cardiology and diabetes.[1)] The purchase price amounted to USD 13.0 million (according to the exchange rate at the date of

1) See the Company's press release of December 10, 2015.

acquisition approx. € 11.9 million) and was to be paid in cash or cash equivalents. The seller was a private individual. The purchase was completed in the first quarter of 2016. Through the acquisition, STADA also expanded its international sales network in a country, where the Group had not yet been represented with its own sales company.

With the goal of expanding its business activities in the area of dermatological treatments, STADA Arzneimittel AG started a co-operation with the Austrian company CROMA-PHARMA GmbH through its subsidiary STADA Aesthetics AG[1)], as part of which two sales companies were acquired on January 31, 2015. The long-term cooperation relates to the existing product portfolio as well as the CROMA-PHARMA product pipeline. Exclusive brand licensing rights and other distribution rights for STADA currently apply to Germany, Belgium, Italy, the United Kingdom, Sweden, Denmark, Finland, Norway, Hungary, Croatia and Hong Kong. In Germany and Belgium, STADA purchased the existing sales companies of CROMA-PHARMA with a total of five employees. It also includes the well-filled product pipeline, with products containing the active ingredient Botulinumtoxin A, which is currently in the clinical study phase 3 for application in cosmetic dermatology. The purchase price paid by STADA for the existing products and the pipeline as well as the two purchased sales companies in Germany and Belgium is in the single-digit million euro area. Once an approval of botulinum toxin A has been issued, a further payment in the single-digit million euro range will be due.

9. Accounting policies

STADA's consolidated financial statements are based on uniform accounting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the consolidated financial statements and which are described in more detail below.

Sales are recognized when goods have been delivered or services rendered, provided that it is reasonably probable that measurable economic benefits will flow to the entity and that the substantial risks and rewards of ownership have been transferred to the buyer. It must also be possible to reliably measure the Company's own costs incurred or to be incurred.

Sales are recognized before taxes and after deduction of revenue reductions (rebates or discounts) at fair value of the consideration received or receivable. Expenses from the creation of provisions for warranties are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

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

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

1) See the Company's press release of December 17, 2015.

Research expenses are costs that are incurred in relation to the research activity of a company that aims to provide new scientific or technical findings. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. Just as in previous years, no research expenses were thus incurred in financial year 2015.

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

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

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

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

Interest income is reported in the income statement as a component of financial income. In this regard, both interest income and interest expenses for all financial instruments measured at amortized cost as well as interest-bearing financial assets classified as available for sale are recognized on the basis of the effective interest rate.

Dividends received from companies not included in the consolidated financial statements are disclosed within the investment income. This shall be recognized when the shareholder's right to receive payment is established.

Income taxes include actual taxes on income as well as deferred taxes. The tax receivables and liabilities recognized in the balance sheet include demands or liabilities for income taxes in Germany and outside Germany from financial year 2015 as well as from previous years, if applicable. The tax receivables and liabilities are calculated on the basis of tax rates effective as of the balance sheet date or known and already concluded for the future in the countries in which the taxable income is generated.

Deferred taxes are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will result against which the temporary difference can be utilized. Deferred tax liabilities are recognized for temporary differences taxable in the future. STADA determines deferred taxes on the basis of tax rates applicable at the balance sheet date or those that have already been resolved and communicated for the future. Deferred tax receivables and liabilities are offset if these relate to the same taxation authority.

The tax expense in the period is recognized in the income statement, provided the changes in value that are recognized directly in equity are not affected. To the extent that there are changes in the tax rate with an effect on deferred taxes, the resulting effects are recognized in the period in which they arise.

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

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

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

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell was determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group, as well as the umbrella brand Pymepharco capitalized in the context of achieving control over Pymepharco. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

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

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

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, eight to 20 years in the case of technical facilities and three to 14 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

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

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

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

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

Leases are classified either as operating leases or as finance leases, depending on whether the significant risks and rewards of ownership remain with the lessor or with the lessee. The lease is not recognized in the lessee's balance sheet in case of operating leases. STADA records the lease payments for these leases in the income over the lease term. Assets from finance leases are, on

initial recognition, recognized at the lower of the fair value of the lease and the present value of minimum lease payments, and are depreciated according to their estimated useful lives or shorter contractual period. An amount is reported as lease liability, when, on initial recognition, it corresponds to the lease's carrying amount and is extinguished and carried forward in subsequent periods with a constant effective interest rate. The interest that is part of the lease installment is recognized as an expense.

In addition, in case of sale and leaseback transactions that represent a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognized in the income statement over the lease term.

The total value of capitalized leases is not of material significance for STADA when compared with the total volume of fixed assets.

Under **financial assets**, STADA recognizes shares in non-consolidated, affiliated companies and other investments. Shares in associated companies and other investments are classified as available-for-sale financial assets and are generally reported at fair value with no effect on income. If no quoted market prices in an active market are available to measure these shares and their fair value therefore cannot be determined reliably, they are measured at amortized cost. If any objective indications of impairment are determined, these are quantified by means of an impairment test and recognized in profit or loss in accordance with IAS 39.

Inventories include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Costs are calculated based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets can be broken down into the following categories in accordance with IAS 39: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are accounted for and measured pursuant to IAS 39. Accordingly, financial assets are, as a rule, initially recognized at fair value. In addition, for financial assets which are subsequently measured at amortized cost, transaction costs directly attributable to the acquisition are to be taken into account. Different measurement policies apply for subsequent measurement in accordance with the applicable categories for financial assets pursuant to IAS 39.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are allocated to current assets to the extent that they are due for settlement within twelve months after the balance sheet date. STADA reports loans and receivables under "Trade accounts receivable", "Other financial assets" and "Cash and cash equivalents". They are measured at amortized cost using the effective interest method.

STADA reports receivables from derivatives which, if applicable, may also be part of hedge accounting, as **financial assets at fair value through profit or loss**. Assets in this category are reported under the "Other financial assets" item. They are measured at fair value. If these assets do not have a quoted market price in an active market, fair value is determined with appropriate measurement models. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. Changes in the fair values are recognized in profit and loss at the time of the increase or decrease in value.

Held-to-maturity financial investments include non-derivative assets with fixed or determinable payments and a fixed term that STADA intends to hold to maturity. They are measured at amortized cost using the effective interest method. STADA reports these assets in financial assets under the item "Other financial assets".

Available-for-sale financial assets are non-derivative assets that are not allocated to any of the above categories. In particular, they comprise, in addition to shares in affiliated companies and other investments included in financial assets, equity securities which are recognized under "Other financial assets". They are measured at fair value, with recognition of changes under "Provisions available for sale" directly in equity. These measurement results are reclassified through profit and loss upon sale or valuation allowance of these assets. There must be objective evidence that there is a significant or continuing decrease in fair value below cost. Published price quotations usually can be used for determining fair value.

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

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

Non-current assets and disposal groups held for sale are classified as held for sale, if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if the sale is regarded as highly probable. Measurement of these assets is based on the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents include cash and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date, which can be converted to cash immediately and are subject only to minor price fluctuation risks. They are measured at amortized cost. Cash and cash equivalents are reported in accordance with their definition in IAS 7.

Other assets, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item **Other assets**.

STADA maintains defined benefit plans in various countries, according to which the amount of pension benefits depends on the employees' pensionable remuneration and the length of their service or which contain guarantees not permitting recognition as defined contribution plan. **Pension obligations** are measured in accordance with actuarial principles using the projected unit credit method. The pension provisions recognized in the balance sheet correspond to the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets adjusted for the effect resulting from any effect of limiting the benefit asset. In addition to earned pensions and entitlements, the calculation also includes future salary and pension increases. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2005G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on long-term market yields on high quality corporate bonds with fixed interest rates at the end of the reporting period. In countries where there is no liquid market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

The standard IAS 19 only permits actuarial gains and losses to be recognized directly in equity. It differentiates between gains and losses due to changes in demographic assumptions, due to changes in financial assumptions as well as due to experience-based amendments. They are recognized directly in equity in the period in which they occur ("other comprehensive income, OCI"). The relevant amounts are reported separately in the consolidated statement of comprehensive income. For the calculation of the portion of the interest income on plan assets recognized through profit or loss, the standard IAS 19 requires the application of the discount rate underlying the obligation. The remainder of the actual income from plan assets is to be recognized directly in other comprehensive income. The current service cost is recorded in staff costs of the individual functional areas. All past service cost that arises in the financial year shall be recognized immediately through profit or loss.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. Contributions to be paid for the respective plans are recognized as expense in the respective period in the relevant functional areas.

The **other non-current provisions** contain anniversary provisions as other long-term employee benefits. Commitments to anniversary payments are recognized in accordance with the guidelines in IAS 19 as other long-term employee benefits. In contrast to pension provisions, actuarial gains and losses are not recognized without an effect on the income statement. Such potential gains and losses are immediately recognized as income or expenditure in the relevant functional area. Furthermore, there is a working time accounts plan which is accounted for in the same way as commitments to anniversary payments.

Other provisions are made by STADA if there are current legal or constructive obligations to third parties arising from past events, which will probably lead to an outflow of resources embodying economic benefits that can be reliably determined. An outflow of resources embodying economic benefits is considered probable if it is more likely than not. Other provisions are recognized in an amount that, taking into account all recognizable risks, offers the best possible estimate of expenditures necessary to fulfill the obligations. Any existing reimbursement claims by third parties are not netted with other provisions. Expenses from the creation of

provisions are allocated to functional costs according to where they arise. If changes in estimates result in a reduction of the obligation, the other provisions are reversed on a pro rata basis and recognized in profit and loss under the item where the original expense was recognized.

STADA reports all other provisions as current liabilities, because a settlement date within twelve months of the balance date is expected. The amounts recognized are not discounted. Liabilities incurred due to outstanding accounts or obligations to personnel and tax authorities, as well as other liabilities are not recorded as provisions, but under "Trade accounts payable" or "Other liabilities".

Differentiated from provisions, there are **contingent liabilities** for possible obligations based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA's control. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated. In accordance with IAS 37, such contingent liabilities are not recognized.

Financial liabilities are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values that are not part of an effective hedging relationship and allocated to the category "at fair value through profit or loss" in accordance with IAS 39. STADA reports these liabilities in the "Other financial liabilities" item. Here, those derivative financial instruments are also included which serve to hedge interest rate and currency risks resulting from operating activities, financial transactions and investments, and which are also measured at fair value in accordance with the regulations of IAS 39 on hedge accounting. Unless market prices are available, fair value is determined with measurement models based on discounted cash flow models.

Derivative financial instruments exist at STADA in the context of derivatives measured at fair value with an effect on income as well as in the context of derivative hedging instruments. In each case, depending on whether the market value of the derivatives is positive or negative, they are recognized under the item "Other financial assets" or "Other financial liabilities" (see accounting policies for financial assets and financial liabilities). Cash flow hedges, fair value hedges and hedges of net investments in a foreign operation can generally be recognized as derivative hedging instruments in the context of hedge accounting in accordance with IAS 39.

At STADA, cash flow hedges are used to hedge against fluctuations of cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction. Changes in the fair value of these hedging instruments are recognized in the amount of the effective part of the hedging relationship directly in equity under "Provisions for cash flow hedges". A transfer to the income statement takes place in the period when the underlying hedged item becomes effective. The ineffective part of the changes in value is, however, recognized directly in the income statement.

In the context of fair value hedges, the risk of a change in fair value of recognized assets or recognized liabilities or fixed off balance liabilities is hedged. Changes in the fair value of these hedging transactions are recorded in profit and loss like changes in the fair value of the underlying hedged items. If the requirements for hedge accounting are no longer met, the carrying amounts of the

previously hedged items are adjusted on the basis of their remaining terms. Hedges of net investments in a foreign operation are treated according to the same accounting policies as cash flow hedges.

STADA regularly reviews the effectiveness of the hedging relationships as a prerequisite for hedge accounting pursuant to IAS 39. A hedging transaction is in general considered to be effective, if changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the hedged item.

STADA measures all other financial liabilities, in particular trade accounts payable as well as financial liabilities, at amortized cost using the effective interest method.

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

Other liabilities, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item “Other liabilities”.

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

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

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

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

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

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

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

STADA operates in various countries and is obliged to pay respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred taxes in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain items according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on actual and deferred taxes and thus on the business, financial and earnings situation of the Group in the respective period. Furthermore, increasing importance within the STADA Group is being allotted to a comprehensive tax transfer-pricing model for the payment of intercompany services. Possible risks of non-recognition of these transfer prices for tax purposes are limited by the introduction of appropriate communication methods and an overarching definition of transfer prices in the form of a Group guideline.

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

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. This procedure is based upon assumptions, among other things, regarding the discount rate, life expectancy and future salary and pension increases. Changes to these assumptions can significantly influence the amount of future pension expenses.

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

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

Notes to the Consolidated Income Statement

11. Sales

STADA's sales primarily result from the supply of products. For information on the reporting of sales, please refer to the details included in Accounting Policies.

In 2015, the increase in sales compared to 2014 was primarily based on the good sales development in the market regions Central Europe and Asia/Pacific & MENA. This development was mainly characterized by the acquisition of the British company Internis as well as an increase in sales in the United Kingdom, Spain, Italy and Vietnam. Exchange rate effects and portfolio changes had a total influence of € 28.7 million on sales in the reporting year. For information on how sales are broken down according to segments and market regions, please refer to the Segment Reporting in Note 42.

12. Cost of sales

Cost of sales is divided into the following items:

in € 000s	2015	2014
Material expenses	874,066	853,464
Impairment, depreciation and amortization	101,497	100,779
Expenses from inventory write-downs	36,545	33,747
Remaining cost of sales	89,601	82,451
Total	**1,101,709**	**1,070,441**

Impairment, depreciation and amortization in the amount of € 101.5 million (previous year: € 100.8 million) mainly includes amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured – in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value netted with reversals. The reversals amounted to € 7.2 million in financial year 2015 (previous year: € 9.3 million).

13. Selling expenses

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

In the reporting year, marketing expenses in the amount of € 210.0 million (previous year: € 186.4 million) corresponded to a share of 44% in selling expenses (previous year: 41%). In addition, selling expenses included depreciation in the amount of € 7.1 million (previous year: € 7.4 million).

14. General and administrative expenses

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

In 2015, the general and administrative expenses included depreciation in the amount of € 7.9 million (previous year: € 10.2 million).

General and administrative expenses increased in the reporting year by a total of € 25.5 million. The increase primarily resulted from net earnings in the amount of € 15.9 million from 2014, mainly from past service cost in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded in accordance with the former benefit plan.

15. Research and development expenses

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

In financial year 2015, research and development expenses increased by € 8.1 million compared to the previous year.

The research and development expenses include depreciation in the amount of € 2.1 million (previous year: € 2.6 million). Development costs for new products in the amount of € 26.1 million (previous year: € 27.5 million) were capitalized in financial year 2015 (see the note on the item “Intangible assets”).

16. Other income

Other income is divided into the following items:

in € 000s	2015	2014
Income from disposals	2,317	43
Remaining other income	17,715	20,024
Total	**20,032**	**20,067**

The income from disposals mainly resulted from the deconsolidation of the French subsidiary Laboratoires d’études et de recherches en oligo éléments thérapie SA.

The remaining other income includes such items as income from damage claim payments received and other income not directly associated with functional costs, which comprises many insignificant individual items in the Group companies.

17. Other expenses

Other expenses are broken down as follows:

in € 000s	2015	2014
Expenses from valuation allowances on accounts receivable	9,367	3,809
Currency translation expenses	19,549	29,415
Impairment losses on non-current assets excluding goodwill	32,790	47,723
Impairment losses on goodwill	410	59,808
Remaining other expenses	21,593	14,488
Total	**83,709**	**155,243**

Expenses for valuation allowances on accounts receivable were recognized netted with the corresponding income from their reversal.

Other expenses include impairment losses on non-current assets excluding goodwill in the amount of € 32.8 million (previous year: € 47.7 million). In addition, impairment losses on goodwill regarding the market region Asia/Pacific & MENA were recorded in the reporting year. These impairment losses were considered by STADA as a special effect of financial year 2015.

The item also included net currency translation expenses in the amount of € 19.5 million in the reporting year (previous year: € 29.4 million). This development is especially attributable to the strong devaluation of the significant currencies of the market region CIS/Eastern Europe and the resulting currency translation expenses.

Within remaining other expenses, personnel expenses are recognized in the amount of € 4.4 million (previous year: € 5.8 million).

18. Financial result

The **result from investments measured at equity** in financial year 2015 relates to the companies BIOCEUTICALS Arzneimittel AG, Pharm Ortho Pedic SAS and AELIA SAS as well as Dialogfarma LLC for the first time this year, which are accounted for using the equity method.

Investment income primarily relates to profit distributions from companies not included in the consolidated financial statements.

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

The interest result developed as follows:

in € 000s	2015	2014
Interest income	1,142	1,242
Interest expense	65,576	70,393
Interest result	64,434	**-69,151**
thereof: from financial instruments of the valuation categories in accordance with IAS 39:		
• Loans and receivables	1,142	1,242
• Financial assets and liabilities at fair value through profit and loss	-18,213	-
• Held-to-maturity investments	-	-
• "Available-for-sale" financial assets	-	-
• Financial liabilities measured at amortized costs	-46,349	-68,431

As part of a change in reporting, interest rate expenses from currency swaps are reported as part of the interest result for the first time in financial year 2015. If this reporting had been implemented in the previous year, the interest expense would have increased by € 2.7 million.

In addition, the interest result in financial year 2015 includes an interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of € 1.0 million (previous year: € 2.0 million).

In financial year 2015, the Group refinanced itself at interest rates of between 0.7% p.a. and 16.6% p.a. (previous year: between 0.9% p.a. and 12.0% p.a.). On the balance sheet date of December 31, 2015, the weighted average interest rate for non-current financial liabilities was approx. 2.0% p.a. (previous year: approx. 3.3% p.a.) and for current financial liabilities approx. 5.1% p.a. (previous year: approx. 4.6% p.a.). For all of the Group's financial liabilities the weighted average interest amounted to approx. 2.6% p.a. (previous year: approx. 3.7% p.a.).

Interest payments partially resulting from interest rate swaps designated by STADA as hedging instruments in cash flow hedges are not netted for each swap contract and are recognized as interest income or interest expense in the valuation category of the associated underlying hedged item. For the reporting period, this exclusively concerns financial liabilities which were valued at amortized costs.

Borrowing costs capitalized as part of the cost of qualifying assets amounted to € 1.0 million in financial year 2015 (previous year: € 0.7 million). A capitalization rate of 2.3% for intangible assets (previous year: 3.1%) was taken as a basis.

Other financial income and other financial expenses consist of the following:

in € 000s	2015	2014
Other financial income	**28**	**3,591**
thereof		
• from the measurement of financial instruments	-	3,591
• from the disposal of financial instruments	28	-
Other financial expenses	**3,091**	**-**
thereof		
• from the measurement of financial instruments	3,087	-
• from the disposal of financial instruments	4	-

The result from the measurement of financial instruments in the reporting period resulted from interest rate swaps and interest rate / currency swaps measured at fair value through profit or loss. There was a net burden on earnings in the amount of € 3.1 million before or € 3.1 million after taxes. In the previous year, there was a net relief on earnings from the measurement of derivative financial instruments in the amount of € 3.6 million before or € 3.6 million after taxes. The measurement of interest rate hedge transactions thereby depends on the development of the money market interest rate.

19. Income taxes

Actual income taxes in the income statement relate to taxes in Germany and abroad as follows:

in € 000s	2015	2014
Actual taxation	**43,591**	**46,032**
Germany	-2,340	872
Outside Germany	45,931	45,160
Deferred taxes	**-2,953**	**8,554**
Germany	7,373	12,046
Outside Germany	-10,326	-3,492

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

Actual income taxes can be divided according to timing as follows:

in € 000s	2015	2014
Actual income taxes	**43,591**	**46,032**
Tax expense in the current period	48,569	49,159
Tax expense from previous periods	546	2,371
Tax income from previous periods	5,524	5,498

The deferred taxes are as follows:

in € 000s	2015	2014
Deferred taxes	**-2,953**	**8,554**
from temporary differences	-2,808	10,726
from interest carryforwards	-	-
from loss carryforwards	-145	-2,172
from tax credits	-	-
from others	-	-

The effective income tax rate amounted to 25.8% for financial year 2015. The effective income tax rate in the previous year was 43.8%. The nominal income tax rate amounted to 27.4% in financial year 2015 for STADA Arzneimittel AG in Germany, this includes corporation tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% as well as trade income tax with an assessment rate of 330%. In the previous year, the nominal income tax rate of STADA Arzneimittel AG amounted to 26.3%. The difference mainly results from an increase of the assessment rate for the trade income tax in the amount of 30 percentage points in Bad Vilbel.

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

in € 000s	2015	2014
Earnings before taxes	**157,803**	**124,694**
Nominal income tax rate of STADA Arzneimittel AG (in %)	27.4%	26.3%
Expected income tax expense	**43,207**	**32,832**
Deviation in local tax rate	-4,779	-2,608
Tax effects from non-deductible impairment on investments and goodwill	28	9,635
Tax effects from loss carryforwards	-6,582	88
Tax effects from previous years	-4,910	-3,127
Effects from tax rate changes	-7,495	-214
Tax effects from non-deductible expenses and tax-free earnings	21,376	21,857
Other tax effects	-207	-3,877
Income tax expense shown on the income statement	**40,638**	**54,586**
Effective income tax rate (in %)	25.8%	43.8%

Tax effects from non-deductible impairments of investment and goodwill in the previous year hereby resulted mainly from impairments of goodwill in the market regions CIS/Eastern Europe and Asia/Pacific & MENA.

Tax effects from loss carryforwards mainly result from the utilization of tax loss carryforwards for which no deferred tax assets have been recognized so far.

The effects from tax rate changes mainly result from a reduction of the tax rate in the United Kingdom and the corresponding remeasurement of deferred taxes.

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

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Income tax receivables	21,182	30,711
Income tax liabilities	39,444	33,726

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets	34,073	49,409
Deferred tax liabilities	160,241	166,699
Deferred taxes as of December 31	-126,168	-117,290
Difference compared to previous year	-8,878	-17,468
thereof		
• recognized in income	2,953	-8,554
• recognized directly in equity	-4	6,344
• acquisitions/disposals/changes in the scope of consolidation	-6,648	-11,257
• currency translation differences	-5,179	-4,001

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

in € 000s	Dec. 31, 2015 Deferred tax assets	Dec. 31, 2014 Deferred tax assets	Dec. 31, 2015 Deferred tax liabilities	Dec. 31, 2014 Deferred tax liabilities
Intangible assets	2,244	1,811	153,077	147,438
Property, plant and equipment	1,423	1,260	6,009	7,944
Financial assets	981	1,704	617	21
Inventories	10,948	16,835	1,317	2,110
Receivables	5,144	12,036	4,325	370
Other assets	3,006	1,309	5	8,869
Other non-current provisions	3,631	4,540	58	172
Other provisions	1,555	3,955	8,102	5,035
Liabilities	3,541	299	974	4,808
Loss carryforwards	15,843	15,728	-	-
Total	**48,316**	**59,477**	**174,484**	**176,767**
Offsetting	-14,243	-10,068	-14,243	-10,068
Deferred taxes as per balance sheet	**34,073**	**49,409**	**160,241**	**166,699**

Deferred tax liabilities reported by STADA resulted, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. Deferred tax liabilities decreased as compared to the previous year primarily as a result of a reduction of the tax rate in the United Kingdom and the corresponding remeasurement of deferred taxes.

Tax advantages that are highly probable and expected from the future utilization of tax loss carryforwards are recognized under “Deferred taxes from loss carryforwards”.

Tax loss carryforwards are only capitalized if their future utilization is highly probable. Tax loss carryforwards capitalized as of the December 31, 2015 reporting date amounted to € 73.2 million in financial year 2015 (previous year: € 60.1 million).

Income taxes decreased by a total of € 6.6 million (previous year: increase of income tax expense by € 0.1 million) through the utilization of previously unrecognized tax loss carryforwards from previous years for which no deferred taxes have been recognized so far and through tax loss carryforwards from the current financial year for which no deferred taxes have been recognized.

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

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Loss carryforward expiry date within		
• 1 year	707	-
• 2 years	-	1,427
• 3 years	799	-
• 4 years	-	779
• 5 years	141	0
• more than 5 years	5,966	1,062
• unlimited carryforward	65,594	56,836

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

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Loss carryforward expiry date within		
• 1 year	182	-
• 2 years	-	1,163
• 3 years	-	-
• 4 years	-	-
• 5 years	-	-
• more than 5 years	24,420	14,955
• unlimited carryforward	98,650	107,695
Temporary differences	123,252	123,813

20. Income distributable to non-controlling interests

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Earnings after taxes	117,165	70,108
• thereof distributable to shareholders of STADA Arzneimittel AG (net income)	110,404	64,562
• thereof distributable to non-controlling interests	6,761	5,546

Net income related to non-controlling interests pertains to the subsidiaries STADA Thailand, STADA Import/Export International, STADA Vietnam J.V., Pymepharco, STADA Pharmaceuticals (Beijing), Hemomont and Hemofarm Banja Luka.

21. Earnings per share

The basic and diluted earnings per share are as follows:

Basic earnings per share	2015	2014
Net income (in € 000s)	110,404	64,562
Adjustment	-	-
Adjusted net income (basic) (in € 000s)	**110,404**	**64,562**
Average number of registered shares with restricted transferability issued (in unit shares)	61,725,885	60,499,412
Average number of treasury shares (in unit shares)	88,264	90,911
Adjusted average number of shares (basic) (in unit shares)	**61,637,621**	**60,408,501**
Basic earnings per share (in €)	**1.79**	**1.07**

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

Diluted earnings per share	2015	2014
Adjusted net income (basic) (in € 000s)	110,404	64,562
Dilutive effects on profit from share options (after taxes) (in € 000s)	-	-
Adjusted net income (diluted) (in € 000s)	**110,404**	**64,562**
Adjusted average number of shares (in unit shares)	61,637,621	60,408,501
Potentially dilutive shares from share options (in unit shares)	10,635	860,909
Average number of shares (diluted) (in unit shares)	**61,648,256**	**61,269,410**
Diluted earnings per share (in €)	**1.79**	**1.05**

Diluted earnings per share are generally calculated with the formula used to calculate the basic earnings per share. They are also adjusted for the effect of outstanding share options on the basis of the average share price of the financial year. This is carried out based on the assumption that all potentially dilutive share options are exercised. Details on currently valid equity instruments are included in the Notes on equity. The share options from the STADA warrants mentioned had expired as of June 26, 2015.

22. Number of employees and personnel expenses

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

	2015	2014
Marketing/Sales	3,012	2,938
Logistics	299	400
Finance/IT	684	670
Production/Quality management	4,644	4,442
Procurement/Supply chain	333	311
Product development	594	571
Administration	875	877
Entire Group	**10,441**	**10,209**
Personnel expenses (in € million)	**342.7**	**305.1**

The average number of employees in the reporting year was above the level of the previous year at 10,441 (previous year: 10,209). The most substantial reasons for the increase in the number of employees include the consolidation as of January 1, 2015 of the subsidiary STADA Egypt Ltd., the acquisition of British company Internis Pharmaceuticals Ltd. and the purchase of Austrian company SCIOTEC Diagnostic Technologies with a total of 52 employees. On the balance sheet date, the STADA Group's number of employees in 2015 totaled 10,532 (previous year: 10,363).

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, increased in financial year 2015 to € 342,7 million (previous year: € 305.1 million). The increase was primarily a result of earnings recorded in the previous year within personnel expenses from past service cost in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan.

23. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses are included in expenses of the individual functional areas according to their functional relevance and can be attributed to intangible assets, property, plant and equipment as follows:

in € 000s	2015	2014
Depreciation/amortization	**118,648**	**120,990**
Intangible assets	84,429	87,694
Property, plant and equipment	34,219	33,296
Impairment losses	**33,200**	**107,531**
Intangible assets	32,948	104,781
thereof:		
• goodwill	410	59,808
Property, plant and equipment	161	136
thereof:		
• land and buildings	-	136
• plant and machinery	118	-
• other fixtures and fittings, tools and equipment	43	-
Financial assets	91	2,614
thereof:		
• investments	91	2,614

The impairment of intangible assets concerns various drug approvals and trademarks.

The impairments on goodwill recorded in the previous year relate to goodwill of the market region CIS/Eastern Europe as well as of the market region Asia/Pacific & MENA.

The impairments of financial assets in the reporting year primarily relate to the carrying amounts of Hetmak FZCO in Dubai. The impairments in the previous year primarily related to the carrying amounts of STADApharm AB in Sweden.

Depreciation and amortization decreased by 1.9% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

Notes to the Consolidated Balance Sheet

24. Intangible assets

Intangible assets developed as follows in financial year 2015:

2015 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
Cost as of Jan. 1, 2015	**1,744,755**	**445,874**	**207,121**	**2,397,750**
Currency translation	7,752	2,172	2,534	12,458
Changes in the scope of consolidation	37	1,087	-	1,124
Additions	14,889	-	56,912	71,801
Additions from business combinations according to IFRS 3	33,316	17,728	70	51,114
Disposals	10,748	1,827	585	13,160
Transfers	64,399	-	-64,399	0
Cost as of Dec. 31, 2015	**1,854,400**	**465,034**	**201,653**	**2,521,087**
Accumulated amortization as of Jan. 1, 2015	**635,523**	**73,571**	**57,140**	**766,234**
Currency translation	-3,627	-559	-434	-4,620
Changes in the scope of consolidation	-	-	-	-
Amortization	84,429	-	-	84,429
Impairment losses	28,736	410	3,802	32,948
Disposals	6,361	-	563	6,924
Write-ups	-	-	-	-
Transfers	359	-	-359	0
Accumulated amortization as of Dec. 31, 2015	**739,059**	**73,422**	**59,586**	**872,067**
Residual carrying amounts as of Dec. 31, 2015	**1,115,341**	**391,612**	**142,067**	**1,649,020**
Residual carrying amounts as of Dec. 31, 2014	**1,109,232**	**372,303**	**149,981**	**1,631,516**

Additions from business combinations according to IFRS 3, which relate to the fair values determined in the context of the purchase price allocations, mainly resulted from the acquisition of the British Socialites Group with € 32.3 million and with € 18.4 million from the purchase of the Austrian company SCIOTEC Diagnostic Technologies GmbH.

The umbrella brand Hemofarm capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in recognized trademarks as an intangible asset with an indefinite useful life, as STADA intends to make continuing use of it. As at December 31, 2015, this umbrella brand has a carrying amount of € 45.4 million (previous year: € 47.6 million). In the context of the impairment test of December 31, 2015, a royalty rate of 2% and a discount rate of 13.0% was used. This resulted in a necessity for impairment in the amount of € 2.0 million for the reporting year. In addition, the change compared to the previous year figure of € 0.2 million is a result of different exchange rates.

Furthermore, in the context of the control achieved over Pymepharco in 2013, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinite useful life as a trademark, as STADA intends to continue to use the trademark. As of December 31, 2015, it has a carrying amount of € 9.5 million (previous year: € 9.1 million). The change is a result of different exchange rates. In the context of the impairment test of December 31, 2015, a royalty rate of 2% and a discount rate of 14.9% were used. There was no necessity for impairment for the reporting year.

Borrowing costs capitalized in 2015 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to € 1.0 million (previous year: € 0.7 million). In financial year 2015, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 2.3% (previous year: 3.1%).

Development costs of € 27.5 million were capitalized in the reporting year (previous year: € 28.7 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life, generally 20 years. STADA immediately recognizes development costs that do not qualify for capitalization as expense in the period in which they are incurred (see Note 15.). In financial year 2015, these development costs amounted to € 65.0 million (previous year: € 56.9 million).

Amortization on intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of € 84.4 million (previous year: € 87.7 million).

In financial year 2015, impairments on intangible assets were recognized in the total amount of € 32.9 million (previous year: € 104.8 million). These include value adjustments of goodwill in the market region Asia/Pacific & MENA in the amount of € 0.4 million, which resulted in the context of the impairment test carried out in the reporting year due to the existing knowledge and expectations related to the market and competitive environment. In addition, further intangible assets in the amount of € 32.5 million were impaired, mainly as a result of unchanged higher risks in the market region CIS/Eastern Europe.

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

Intangible assets developed as follows in the previous year:

2014 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
Cost as of Jan. 1, 2014	**1,619,982**	**470,770**	**160,209**	**2,250,961**
Currency translation	-37,342	-34,756	-5,282	-77,380
Changes in the scope of consolidation	-	-	-	-
Additions	113,366	825	41,317	155,508
Additions from business combinations according to IFRS 3	36,691	9,035	39,796	85,522
Disposals	16,160	-	701	16,861
Transfers	28,218	-	-28,218	0
Cost as of Dec. 31, 2014	**1,744,755**	**445,874**	**207,121**	**2,397,750**
Accumulated amortization as of Jan. 1, 2014	**539,239**	**12,776**	**57,323**	**609,338**
Currency translation	-24,293	987	-2,146	-25,452
Changes in the scope of consolidation	-	-	-	-
Amortization	87,694	-	-	87,694
Impairment losses	42,366	59,808	2,607	104,781
Disposals	10,057	-	70	10,127
Write-ups	-	-	-	-
Transfers	574	-	-574	0
Accumulated amortization as of Dec. 31, 2014	**635,523**	**73,571**	**57,140**	**766,234**
Residual carrying amounts as of Dec. 31, 2014	**1,109,232**	**372,303**	**149,981**	**1,631,516**
Residual carrying amounts as of Dec. 31, 2013	**1,080,743**	**457,994**	**102,886**	**1,641,623**

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

in € 000s	Expected amortization
2016	86,025
2017	87,106
2018	87,267
2019	86,152
2020	87,731

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

in € million	Residual carrying amount Generics segment Dec. 31, 2015	Residual carrying amount Branded Products segment Dec. 31, 2015	Residual carrying amount Commercial Business segment Dec. 31, 2015	Residual carrying amount total Dec. 31, 2015
Market region Germany	12.4	15.1	-	27.5
Market region Central Europe	130.5	115.2	0.0	245.7
Market region CIS/Eastern Europe	31.0	62.7	-	93.7
Market region Asia/Pacific & MENA	13.1	10.8	0.8	24.7
Total	**187.0**	**203.8**	**0.8**	**391.6**

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

in € million	Residual carrying amount Generics segment Dec. 31, 2014	Residual carrying amount Branded Products segment Dec. 31, 2014	Residual carrying amount Commercial Business segment Dec. 31, 2014	Residual carrying amount total Dec. 31, 2014
Market region Germany	12.4	15.1	-	27.5
Market region Central Europe	126.8	97.1	0.0	223.9
Market region CIS/Eastern Europe	31.9	66.5	-	98.4
Market region Asia/Pacific & MENA	11.5	10.2	0.8	22.5
Total	**182.6**	**188.9**	**0.8**	**372.3**

For the purposes of impairment tests for capitalized goodwill, STADA defines cash-generating units as the respective market regions within the operating segments in accordance with the strategic planning and control of the Group.

In comparison with the previous year, there were the following significant changes in the carrying amounts of goodwill:

- The increase in goodwill of the cash-generating unit market region Central Europe, Branded Products segment, primarily resulted from the acquisitions of the Austrian company SCIOTEC and the British Socialites group.

- The increase in goodwill of the cash-generating unit market region Asia/Pacific & MENA, Branded Products segment, primarily resulted from the appreciation of the Vietnamese dong. In opposition, an impairment in the amount of € 0.4 million resulted from the impairment tests carried out in the reporting year due to existing knowledge and expectations related to the market and competitive environment. The value in use of the cash-generating unit as of September 30, 2015 was at € 73.5 million.

In the context of the regular impairment tests for capitalized goodwill of September 30, 2015, the discounted cash flow method is used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

According to segment, defined as cash-generating unit	Growth rates of forward-projection phase 2015 in %	WACCs 2015 Generics segment in %	WACCs 2015 Branded Products segment in %	WACCs 2015 Commercial Business segment in %
Market region Germany	1.9%	7.9%	7.9%	-
Market region Central Europe	1.9%	9.5%	9.4%	-
Market region CIS/Eastern Europe	4.1%	15.5%	15.6%	-
Market region Asia/Pacific & MENA	4.4%	16.3%	16.3%	16.4%

In the previous year, the applied parameters were as follows:

According to segment, defined as cash-generating unit	Growth rates of forward-projection phase 2014 in %	WACCs 2014 Generics segment in %	WACCs 2014 Branded Products segment in %	WACCs 2014 Commercial Business segment in %
Market region Germany	1.7%	8.8%	8.9%	-
Market region Central Europe	1.7%	11.1%	10.9%	-
Market region CIS/Eastern Europe	4.0%	16.1%	16.0%	-
Market region Asia/Pacific & MENA	4.2%	20.2%	20.2%	20.6%

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

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. The following table shows what additional impairments would have come for the different cash-generating units as a result of a 1.0 percentage points higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points:

Generics segment sensitivity analysis Effects on impairment in € million	WACC +1.0 percentage points	Growth rate -0.5 percentage points	EBIT -10.0 percentage points
Market region Germany	-	-	-
Market region Central Europe	-	-	-
Market region CIS/Eastern Europe	-	-	-
Market region Asia/Pacific & MENA	5.8	1.0	6.8

Branded Products segment sensitivity analysis Effects on impairment in € million	WACC +1.0 percentage points	Growth rate -0.5 percentage points	EBIT -10.0 percentage points
Market region Germany	-	-	-
Market region Central Europe	-	-	-
Market region CIS/Eastern Europe	31.1	0.6	37.1
Market region Asia/Pacific & MENA	6.1	2.3	6.8

For the Commercial Business segment, there would have been no impairment in any of the market regions as a result of the sensitivity analysis.

With a reduction in discount rates of 1.0 percentage points, an increase in the growth rate of 0.5 percentage points and an increase in EBIT of 10.0 percentage points, impairments in the market region Asia/Pacific & MENA, Branded Products segment, would have been € 0.4 million lower.

25. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2015:

2015 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings, tools and equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2015	**255,066**	**202,977**	**99,965**	**21,270**	**579,278**
Currency translation	-828	-1,923	-1,398	-961	-5,110
Changes in the scope of consolidation	47	1	82	-	130
Additions	2,698	10,110	5,542	34,521	52,871
Additions from business combinations according to IFRS 3	36	523	87	-	646
Disposals	801	1,748	5,962	367	8,878
Reclassification from non-current assets and disposal groups held for sale	482	-	-	-	482
Transfers	7,106	15,504	4,073	-26,683	0
Cost as of Dec. 31, 2015	**263,806**	**225,444**	**102,389**	**27,780**	**619,419**
Accumulated depreciation as of Jan. 1, 2015	**88,738**	**119,149**	**65,961**	**-**	**273,848**
Currency translation	-763	-2,035	-654	-	-3,452
Changes in the scope of consolidation	-	-	-	-	-
Depreciation	7,461	16,685	10,073	-	34,219
Impairments	-	118	43	-	161
Disposals	189	1,638	5,302	-	7,129
Write-ups	-	-	-	-	-
Reclassification from non-current assets and disposal groups held for sale	155	-	-	-	155
Transfers	8	70	-78	-	0
Accumulated depreciation as of Dec. 31, 2015	**95,410**	**132,349**	**70,043**	**-**	**297,802**
Residual carrying amounts as of Dec. 31, 2015	**168,396**	**93,095**	**32,346**	**27,780**	**321,617**
Residual carrying amounts as of Dec. 31, 2014	**166,328**	**83,828**	**34,004**	**21,270**	**305,430**

Property, plant and equipment included assets from finance leases, primarily relating to cars and vehicles, in the amount of € 2.8 million (previous year: € 1.5 million), which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since been subjected to depreciation.

As in the previous year, no borrowing costs were capitalized in financial year 2015 for property, plant and equipment.

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

2014 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings, tools and equipment	Advance payment and construction in progress	Total
Cost as of Jan. 1, 2014	**260,684**	**199,611**	**105,510**	**19,166**	**584,971**
Currency translation	-10,478	-15,583	-7,282	-2,577	-35,920
Changes in the scope of consolidation	4,449	556	204	-	5,209
Additions	1,143	7,790	4,284	24,653	37,870
Additions from business combinations according to IFRS 3	-	68	10	-	78
Disposals	8,393	1,101	4,503	74	14,071
Reclassification from non-current assets and disposal groups held for sale	1,141	-	-	-	1,141
Transfers	6,520	11,636	1,742	-19,898	0
Cost as of Dec. 31, 2014	**255,066**	**202,977**	**99,965**	**21,270**	**579,278**
Accumulated depreciation as of Jan. 1, 2014	**88,107**	**115,832**	**62,604**	**-**	**266,543**
Currency translation	-3,570	-11,104	-3,360	-	-18,034
Changes in the scope of consolidation	-	-	-	-	-
Depreciation	7,287	15,364	10,645	-	33,296
Impairments	136	-	-	-	136
Disposals	3,330	1,049	3,714	-	8,093
Write-ups	-	-	-	-	-
Reclassification from non-current assets and disposal groups held for sale	-	-	-	-	-
Transfers	108	106	-214	-	0
Accumulated depreciation as of Dec. 31, 2014	**88,738**	**119,149**	**65,961**	**-**	**273,848**
Residual carrying amounts as of Dec. 31, 2014	**166,328**	**83,828**	**34,004**	**21,270**	**305,430**
Residual carrying amounts as of Dec. 31, 2013	**172,577**	**83,779**	**42,906**	**19,166**	**318,428**

26. Financial assets

Financial assets developed as follows in financial year 2015:

2015 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
Cost as of Jan. 1, 2015	**18,859**	**-**	**18,859**
Currency translation	-58	-	-58
Changes in the scope of consolidation	-1,092	-	-1,092
Additions	615	-	615
Disposals	2,235	-	2,235
Reclassification from non-current assets and disposal groups held for sale	-	-	-
Transfers	-4	-	-4
Cost as of Dec. 31, 2015	**16,085**	**-**	**16,085**
Accumulated impairments as of Jan. 1, 2015	**16,823**	**-**	**16,823**
Currency translation	-3	-	-3
Changes in the scope of consolidation	-	-	-
Impairments	91	-	91
Disposals	2,165	-	2,165
Write-ups	-	-	-
Reclassification from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
Accumulated impairments as of Dec. 31, 2015	**14,746**	**-**	**14,746**
Residual carrying amounts as of Dec. 31, 2015	**1,339**	**-**	**1,339**
Residual carrying amounts as of Dec. 31, 2014	**2,036**	**-**	**2,036**

Financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices. There is currently no intention to sell these financial assets. Held-to-maturity financial investments were included under other financial assets.

Financial assets developed as follows in the previous year:

2014 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
Cost as of Jan. 1, 2014	**26,956**	**14**	**26,970**
Currency translation	-630	-	-630
Changes in the scope of consolidation	-4,397	-	-4,397
Additions	65	-	65
Disposals	3,135	14	3,149
Reclassification from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
Cost as of Dec. 31, 2014	**18,859**	**-**	**18,859**
Accumulated impairments as of Jan. 1, 2014	**17,976**	**3**	**17,979**
Currency translation	-656	-	-656
Changes in the scope of consolidation	-	-	-
Impairments	2,622	-	2,622
Disposals	3,119	3	3,122
Write-ups	-	-	-
Reclassification from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
Accumulated impairments as of Dec. 31, 2014	**16,823**	**-**	**16,823**
Residual carrying amounts as of Dec. 31, 2014	**2,036**	**-**	**2,036**
Residual carrying amounts as of Dec. 31, 2013	**8,980**	**11**	**8,991**

27. Investments measured at equity

The disclosure relates to the accounting of shares in the associated companies BIOCEUTICALS Arzneimittel AG, as well as Pharm Ortho Pedic SAS, AELIA SAS and Dialogfarma LLC using the equity method. Investments measured at equity developed as follows in financial year 2015 compared with the previous year:

in € 000s	2015	2014
As of Jan. 1	**10,569**	**8,974**
Increase in investment share	3	-
Result from associates	1,419	1,595
Adjustments previous year	1,177	-
Elimination of dividend income	-	-
Currency translation differences	-	-
As of Dec. 31	**13,168**	**10,569**

In financial year 2015, the increase of the investment share in associates particularly resulted from the income from associates. In addition, the investment share in associates increased due to an adjustment of the previous year recognized directly in equity on current account in the amount of € 1.2 million.

28. Trade accounts receivable

Trade accounts receivable are composed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Trade accounts receivable from third parties	589,664	619,433
Trade accounts receivable from non-consolidated companies	1,298	791
Valuation allowances vis-à-vis third parties	-105,061	-117,430
Total	**485,901**	**502,794**

As of December 31, 2015, there are trade accounts receivable due after one year in the amount of € 1.1 million (previous year: € 1.4 million).

Collateral exists for a portion of trade accounts receivable whose value was not impaired in the form of mortgages, bank or corporate guarantees, assignments of receivables as well as pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

The following non-impaired trade accounts receivable were past due at the balance sheet date:

in € 000s	Carrying amount	thereof: neither impaired nor past due as at the balance sheet date	thereof: not impaired as at the balance sheet date and past due in the following time band			
			up to 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days
Dec. 31, 2015	485,901	443,106	20,081	14,286	7,717	711
Dec. 31, 2014	502,794	448,358	25,619	19,905	5,569	3,343

There were no recognizable indications as of the balance sheet date that the debtors would not meet their payment obligations. Therefore, the trade accounts receivable which are not impaired and not past due are considered to be unconditionally recoverable. There are also no indications of impairment for the overdue receivables that have not been impaired.

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

in € 000s	2015	2014
As of Jan. 1	**117,430**	**126,007**
Added	2,818	9,796
Utilized	12,866	9,037
Reversed	1,047	2,625
Changes in the scope of consolidation	-19	-
Currency translation differences	-1,255	-6,711
As of Dec. 31	**105,061**	**117,430**

29. Other financial assets

Other financial assets are composed as follows:

in € 000s	Dec. 31, 2015		Dec. 31, 2014	
	Total	thereof: current	Total	thereof: current
Loan receivables	6	6	4,882	4,882
Outstanding purchase price receivables	4,024	3,559	2,870	1,810
Derivative financial assets	27,461	26,702	33,250	29,551
Available-for-sale financial assets	-	-	29	29
Other financial assets	51,506	44,012	57,641	50,671
Total	**82,997**	**74,279**	**98,672**	**86,943**

The outstanding purchase price receivables in financial year 2015 and also primarily in the previous year relate to the still outstanding installments from the sale of a product portfolio in Italy. In addition, there is an outstanding purchase price receivable from the sale of the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA.

The derivative financial assets include the positive market values of cross-currency swaps as well as of currency futures contracts (see Note 47.7.). Available-for-sale financial assets are shares that are measured at fair value based on market prices.

The remaining financial assets include accruals for price compensations in connection with tender contracts in the amount of € 23.4 million, receivables from the German factoring business in the amount of € 6.2 million and also comprise many insignificant individual items in the Group companies.

As of December 31, 2015, other financial assets did not include any impairments (previous year: € 0.6 million). There are no outstanding amounts for non-impaired other financial assets as in the previous year.

30. Other assets

Other assets are composed as follows:

	Dec. 31, 2015		Dec. 31, 2014	
in € 000s	Total	thereof: current	Total	thereof: current
Other receivables due from the tax authorities	13,085	12,842	16,239	16,239
Prepaid expenses / deferred charges	14,342	11,039	13,389	11,252
Assets from overfunded pension plans	63	-	109	-
Remaining assets	5,930	5,165	11,259	10,375
Total	**33,420**	**29,046**	**40,996**	**37,866**

Remaining assets comprise many insignificant individual items in the Group companies.

Remaining assets are impaired in the amount of € 5.5 million (previous year: € 7.1 million).

31. Inventories

Inventories can be subdivided as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Materials and supplies	97,992	93,958
Work in progress	25,522	24,858
Finished goods	372,778	374,986
Advance payments	5,228	4,983
Total	**501,520**	**498,785**

In financial year 2015, impairments netted with reversals were made on the net realizable value of inventories in the amount of € 36.5 million (previous year: € 33.7 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2015, reversals here amounted to € 7.2 million (previous year: € 9.3 million).

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

As of December 31, 2015, there were no non-current assets held for sale in the STADA Group. In the previous year, assets held for sale in the amount of € 0.3 million included real estate of a STADA subsidiary in Serbia, which were reclassified to non-current assets in financial year 2015. € 0.2 million thereof was allocated to the Generics operating segment and € 0.1 million to the Branded Products operating segment.

33. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subjected to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents amount to € 2.3 million (previous year: € 1.7 million) and, as in the previous year, exclusively relate to cash and cash equivalents in China.

The decrease in cash and cash equivalents from € 164.2 million as of December 31, 2014 to € 143.2 million as of December 31, 2015 is primarily due to reporting date effects. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

34. Equity and liabilities

Group equity amounted to € 1,018.5 million as of the balance sheet date (previous year: € 903.3 million). This corresponds to an equity-to-assets ratio of 31.0% (previous year: 27.1%).

34.1. Share capital

As of December 31, 2015, share capital amounted to € 162,090,344.00 (December 31, 2014: € 157,629,420.00) and was divided into 62,342,440 registered shares with restricted transferability (December 31, 2014: 60,626,700), each with an arithmetical share of share capital of € 2.60 per share, and is fully paid. Each registered share grants one vote in the Annual General Meeting.

The increase in the number of shares in 2015 was due to the exercise of 85,787 options from STADA warrants 2000/2015 in 2015. The number of shares as of December 31, 2015 thereby increased by 1,715,740 to 62,342,440 and the share capital of STADA Arzneimittel AG increased by € 4,460,924.00 to € 162,090,344.00. The exercise period of the warrants expired at the end of June 26, 2015, therefore there were no more warrants outstanding for subscription as of December 31, 2015.

As of December 31, 2015, authorized share capital and conditional capital were comprised as follows:

	Amount in €	Registered shares with restricted transferability	Purpose
Authorized capital	77,134,304.00	29,667,040	Increase of share capital (until June 4, 2018)
Conditional Capital 2013	69,188,340.00	26,610,900	Settlement of options and/or conversion rights (until June 4, 2018) in connection with issued bonds with warrants and/or convertible bonds, participation rights and/or participating bonds in the total nominal amount of up to € 1.0 billion, or in the scope of a guarantee assumed for bonds with warrants and/or convertible bonds, participation rights and/or participating bonds issued by subordinate Group companies

34.2. Capital reserve

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

The increase of the capital reserve in the financial year by € 23,770,371.60 to € 514,171,360.77 also primarily results from the exercise of 85,787 options from STADA warrants 2000/2015 described in Note 34.1.

34.3. Retained earnings including net income

Retained earnings including net income comprise net income for the financial year 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 directly in equity are reported under this item, taking deferred taxes into account.

In the context of measuring the defined benefit obligations as of December 31, 2015, net income in the amount of € 2.7 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. It is mainly based on the increase in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2015 in comparison with December 31, 2014.

Furthermore, retained earnings include an adjustment of the previous year recognized directly in equity in the amount of € 1.2 million in connection with a company accounted for at equity.

34.4. Other provisions

Other provisions 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 recognized in the statement of changes in equity under the currency translation reserve. The provision "available for sale" and the provision for cash flow hedges include the results from the measurement at fair value of financial instruments categorized as available for sale, and the measurement results from cash flow hedges from the effective portion of the hedge, allowing for respective deferred taxes.

The growth in other provisions as compared to the previous year is primarily composed of the following opposing effects: On the one hand, the devaluation of the Russian ruble since December 31, 2014 led to expenses recognized directly in equity from the currency translation of financial statements of companies reporting in Russian ruble. On the other hand, due to the appreciation of the currencies British pound sterling and Swiss franc since December 31, 2014, income recognized directly in equity from the currency translation of financial statements of companies reporting in these currencies was recorded.

34.5. Treasury shares

As of the balance sheet date, the Company held 87,259 treasury shares (previous year: 89,835), each with an arithmetical par value of € 2.60 per share, which is equivalent to 0.14% (previous year: 0.15%) of the share capital. In financial year 2015, 2,576 treasury shares were sold at an average price of € 29.78 per share within the scope of an employee stock option program.

34.6. Shares relating to non-controlling shareholders

Shares of non-controlling shareholders relate to minority interests of other shareholders in the subsidiaries STADA Thailand, STADA Import/Export International, STADA Vietnam, Pymepharco, STADA Pharmaceuticals (Beijing), Well Light Investment Services, Hemomont and Hemofarm Banja Luka.

35. Other non-current provisions

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

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Germany	11,464	13,155
Outside Germany	17,405	16,942
Total	**28,869**	**30,097**

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

In financial year 2015, the plan assets of one German and one international subsidiary exceeded their pension obligations, with the result that these assets in excess were reported under other assets as assets from overfunded pension plans in the amount of € 0.1 million (previous year: € 0.1 million).

Plan assets were divided according to investment type as follows:

Share of plan assets in € 000s	2015	2014
Cash and cash equivalents	682	3,179
Equity securities	5,279	4,612
Debt securities	13,811	13,891
Real estate	1,359	1,441
Derivatives	-	-
Shares in investment funds	18,475	15,273
Insurance policies	64,990	62,604
Other	363	348
Total	**104,959**	**101,348**

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

Share of plan assets (quoted market price) in € 000s	2015	2014
Cash and cash equivalents	682	3,179
Equity securities	5,279	4,612
Debt securities	13,811	13,891
Real estate	1,359	1,441
Derivatives	-	-
Shares in investment funds	16,235	12,990
Insurance policies	-	-
Other	363	348
Total	**37,729**	**36,461**

Cash and cash equivalents reported in the United Kingdom at the end of financial year 2014 in the amount of € 2.7 million were invested in shares in investment funds in the current financial year.

For German Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2015	2014
As of Jan. 1	**52,474**	**49,794**
Current service cost	38	29
Past service cost	-	-17,603
Plan settlements	-	-
Interest cost	1,043	1,640
Benefits paid from plan assets	-116	-112
Benefits paid by employer	-477	-488
Revaluations:		
• Gains (-) / losses (+) due to changed demographic assumptions	-	-
• Gains (-) / losses (+) due to changed financial assumptions	-4,291	15,411
• Gains (-) / losses (+) due to experience-based changes	77	3,803
As of Dec. 31	**48,748**	**52,474**

For international Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2015	2014
As of Jan. 1	**75,462**	**61,395**
Current service cost	1,829	1,559
Past service cost	1,246	-1,500
Plan settlements	-36	-379
Interest cost	2,084	2,564
Benefits paid from plan assets	-2,793	-2,648
Benefits paid by employer	-615	-586
Employee contributions	490	457
Insurance premiums for death and disability benefits	-181	-142
Business combinations	-	-
Changes in the scope of consolidation	-278	-
Reclassifications	4,776	864
Revaluations:		
• Gains (-) / losses (+) due to changed demographic assumptions	31	108
• Gains (-) / losses (+) due to changed financial assumptions	-3,899	12,606
• Gains (-) / losses (+) due to experience-based changes	774	-13
Currency changes	2,699	1,182
Other	-6	-5
As of Dec. 31	**81,583**	**75,462**

In the Gulf region and in Egypt there are legally required defined benefit plans for termination benefits, which have been newly included in the scope of consolidation in the current reporting period. Past service costs mainly result from the inclusion of these plans. Furthermore, a plan curtailment was carried out in the Netherlands, which was recognized as past service cost in accordance with IAS 19.

In Belgium, the general market assessment has changed substantially, so that pension plans formerly regarded as defined contribution plans must now be regarded as defined benefit plans. Reclassifications carried out in the amount of € 4.8 million relate to these new classifications as defined benefit plans. Furthermore, one plan was removed from the scope of consolidation due to the sale of a French company.

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

Fair value of plan assets in € 000s	2015	2014
As of Jan. 1	**39,319**	**12,011**
Interest income	660	408
Employer contributions	338	25,188
Employee contributions	-	-
Pension payments	-116	-112
Actuarial gains (+) / losses (-) on plan assets (not included in interest result)	-2,887	3,076
Other	-	-1,252
As of Dec. 31	**37,314**	**39,319**

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

Fair value of plan assets in € 000s	2015	2014
As of Jan. 1	**62,029**	**51,720**
Interest income	1,667	2,062
Employer contributions	1,422	1,168
Employee contributions	490	457
Pension payments	-2,793	-2,648
Insurance premiums for death and disability benefits	-181	-142
Business combinations	-	-
Disposals	-	-
Reclassifications	4,454	76
Actuarial gains (+) / losses (-) on plan assets (not included in interest result)	-1,722	7,832
Currency changes	2,453	1,642
Other	-174	-138
As of Dec. 31	**67,645**	**62,029**

Recognition of reclassifications in the amount of € 4.5 million is the result of the inclusion of the plan assets of the former defined contribution plans in Belgium.

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

in € 000s	2015	2014
Projected benefit obligations for pension commitments	118,991	117,152
Fair value of plan assets	104,959	101,348
Net obligation	**14,032**	**15,804**
Effect from the limit on a defined benefit asset according to IFRIC 14	-	157
Net liability recognized in balance sheet	**14,032**	**15,961**

The amount of the pension provisions recognized as of the balance sheet date for companies without plan assets is therefore as follows:

in € 000s	2015	2014
Projected benefit obligations for pension commitments	11,340	10,784
Net liability recognized in balance sheet	**11,340**	**10,784**

Expenses for defined benefit plans amounted to net expenses in the total amount of € 4.0 million in financial year 2015 (previous year: income in the amount of € 15.1 million) and consisted of the following components:

in € 000s	2015	2014
Current service cost	1,867	1,588
Past service cost	1,246	-19,103
Plan settlements	-36	-379
Net interest expense:		
• Interest expense (DBO)	3,127	4,204
• Interest income (plan assets)	-2,327	-2,470
• Interest income from reimbursement	-	-
• Interest expense (+) / interest income (-) from the limit on an asset	7	10
Administration costs	131	117
Other	0	954
Total	**4,015**	**-15,079**

The expenses from plan assets amounted to € 2.2 million in financial year 2015 (previous year: income in the amount of € 3.5 million) for German group companies and € 0.1 million for international group companies (income in the amount of previous year: € 9.9 million).

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

Parameters for pension obligations for German Group companies (weighted)	Dec. 31, 2015	Dec. 31, 2014
Discount rate	2.4%	2.0%
Salary trend	1.9%	1.9%
Benefits trend	1.4%	1.4%
Inflation	1.8%	1.8%

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

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2015	Dec. 31, 2014
Discount rate	3.0%	2.71%
Salary trend	2.6%	2.5%
Benefits trend	0.9%	0.8%
Inflation	1.9%	1.9%

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

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2015 (€ 48,748,000) according to changed assumptions in € 000s	2015	2014
Discount rate +0.5%	-4,691	-5,355
Discount rate -0.5%	5,448	6,261
Salary trend +0.5%	4,051	4,696
Salary trend -0.5%	-3,480	-4,005
Pension trend +0.5%	5,236	5,975
Pension trend -0.5%	-4,556	-5,164

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

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2015 (€ 81,583,000) according to changed assumption in € 000s	2015	2014
Discount rate +0.5%	-6,599	-6,470
Discount rate -0.5%	7,532	7,530
Salary trend +0.5%	793	809
Salary trend -0.5%	-767	-623
Pension trend +0.5%	4,033	3,509
Pension trend -0.5%	-1,132	-1,826

As of December 31, 2015, the weighted duration of the pension obligations amounts to 21 years (previous year: 23 years) for German Group companies and 17 years (previous year: 19 years) for international Group companies.

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

Expected pension payments according to maturity dates in € 000s	Germany	Outside Germany
Less than 1 year	582	2,092
Between 1 and 2 years	587	2,242
Between 2 and 3 years	638	3,732
Between 3 and 4 years	897	2,198
Between 4 and 5 years	897	2,209
Between 5 and 10 years	9,519	15,852

For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan, are expected in the amount of € 0.8 million for German Group companies and € 2.7 million for international Group companies.

The regulations of IAS 19 require a presentation of the benefit plans that generate obligations for the company. For the STADA Group, pension plans in Germany, the Netherlands, the United Kingdom and Switzerland account for the largest share of total obligations with 83%. Accordingly, the following details focus more on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz – BetrAVG), in which the minimum legal requirements for company pension plans are embedded. Regulation and legal precedents within labor law must also be followed. The pension plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2015, plan assets amounted to € 37.3 million and were composed of three different plans. There are no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the material obligation regarding its amount and including associated risks was outsourced in financial year 2014. Furthermore, there is also the common risk of the interest rate development and the risk that the real future salary development exceeds the salary development derived from assumptions taken in the evaluation.

The pension commitment for the Chairman of the Executive Board was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as a defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly. The existing plan assets lead to a provision of zero due to off-setting that must be carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

Pension legislation in the Netherlands requires pension plans to be backed by assets to such an extent that the vested benefits are completely covered. The underlying average career pension plan in the Netherlands is, in part, financed via insurance contributions that are designed to fulfill the aforementioned requirement. The plan is open for new employees and contains benefits that fall due in case of retirement or early death.

In the Netherlands, the pension plan is partially financed via contributions to an insurance company. Assets received by the insurance company thereby cannot be allocated to specific participating companies. The assets cannot be determined by a quoted active market price, instead they are determined according to the amount of vested benefit obligations. In practice, the assets are estimated according to the amount of vested benefit obligations. As of December 31, 2015, plan assets amounted to € 22.7 million.

The Dutch company pays annual pension contributions. In the process, life expectancy risk and interest rate risk are transferred to the insurance company. The insurance company also assumes the risk of investing the contributions. These risks are assumed by the insurance company for the entire term of the contract. If, for example, the discount rate used by the insurance company in its calculations should change, a new contract could be concluded that applies the new discount rate to underlie only future contributions received.

Not all risks have been transferred to the insurance company. Dutch law specifies that former employees have the right to transfer their pension entitlements to the pension plan of a new employer. If the evaluation assumptions applied in the transfer differ from the originally applied assumptions of the insurance, the company could be required to pay an additional contribution payment.

In the United Kingdom, STADA provides its employees with defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plan plans are subject to the UK Trust Law and the UK Pension Regulator. The pension plans are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and thereby ensuring sufficient assets to cover the technical

provisions of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases, which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

In the long-term, 40% of the plan assets in the United Kingdom should be invested in so-called matching assets, which guarantee the fulfillment of future pension obligations under changing market conditions. In accordance with target allocation, the remaining 60% should be invested in so-called growth assets, for which an above-average return is expected in comparison with the obligation development. As of December 31, 2015, plan assets amounted to € 24.1 million. All assets have quoted market prices on an active market.

In Switzerland, every employer must offer its employees a pension plan according to federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG). Employees whose salary exceeds the entry limit are obliged to be insured – this is re-determined periodically. The BVG requires a minimum plan (the "BVG minimum") that must always be covered. STADA's Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the age of retirement. Plan participants can opt for a capital option.

The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to € 22.4 million in financial year 2015.

The other non-current provisions developed as follows:

Other non-current provisions in € 000s	2015	2014
As of Jan. 1	**3,243**	**3,104**
Current service cost	282	315
Past service cost	1	-59
Plan settlements	-	-
Interest cost	207	218
Benefits paid	-443	-324
Business combinations	-	-
Revaluations		
• Gains (-) / losses (+) due to changed demographic assumptions	19	75
• Gains (-) / losses (+) due to changed financial assumptions	-1	63
• Gains (-) / losses (+) due to experience-based changes	132	-7
Currency changes	-6	-257
Reclassifcations	-	115
As of Dec. 31	**3,434**	**3,243**

The following actuarial parameters were used as a basis for measuring the other long-term provisions:

Parameters for other long-term provisions for international Group companies (weighted)	Dec. 31, 2015	Dec. 31, 2014
Discount rate	6.7%	6.5%
Salary trend	4.0%	4.0%
Inflation	3.3%	3.2%

36. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the balance sheet date:

	Liabilities promissory note loans		Amounts due to banks		Liabilities from bonds		Total	
in € 000s	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year	187,734	50,487	86,938	48,336	-	349,880	274,672	448,703
Remaining terms over 1 year up to 3 years	43,935	231,330	80,353	103,107	348,149	-	472,437	334,437
Remaining terms over 3 years up to 5 years	314,252	269,017	-	52,161	-	347,391	314,252	668,569
Remaining terms over 5 years	-	-	-	39,992	297,524	-	297,524	39,992
Financial liabilities	**545,921**	**550,834**	**167,291**	**243,596**	**645,673**	**697,271**	**1,358,885**	**1,491,701**

The change in financial liabilities was mainly based on the placement of another bond in the first quarter of 2015 with a nominal value in the amount of € 300 million for the refinancing of a corporate bond with a nominal value of € 350 million which reached maturity in April 2015. In addition, two new loans were taken out in the third quarter of 2015. In opposition, financial liabilities were repaid in the current financial year.

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2015, from interest payments and repayment of financial liabilities for the coming years can be seen in the following chart:

	2016			2017			> 2018		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	30,295	3,856	248,978	19,167	2,188	94,352	42,164	2,377	990,142

The following projection of cash flows from financial liabilities was generated in the previous year:

	2015			2016			> 2016		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	38,676	14,274	453,786	20,376	11,731	223,764	52,244	27,203	818,516

For the financial liabilities existing as of the balance sheet date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. For current liabilities due to banks, an extension of existing credit lines was partly assumed. The variable interest payments from the promissory note loans were determined based on the interest rate last fixed before December 31, 2015.

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the Notes on the capital management of liquidity risk (see Note 46.5.).

37. Trade accounts payable

Trade accounts payable are composed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Trade accounts payable to third parties	252,278	271,765
Trade accounts payable to non-consolidated Group companies	115	200
Advances received on orders from third parties	1,618	1,660
Liabilities from outstanding accounts	74,476	67,222
Total	**328,487**	**340,847**

Of the total amount of trade accounts payable, € 0.0 million (previous year: € 0.1 million) is due after one year.

The change in trade accounts payable was primarily based on lower liabilities of STADApharm to health insurance organizations due to reduced business activities as well as reduced business in Belgium.

38. Other financial liabilities

Other financial liabilities are broken down as follows:

in € 000s	Dec. 31, 2015 Total	Dec. 31, 2015 thereof: current	Dec. 31, 2014 Total	Dec. 31, 2014 thereof: current
Outstanding purchase price liabilities	3,972	1,545	32,233	32,233
Finance lease liabilities	2,211	1,010	3,081	1,056
Liabilities from derivative financial instruments	4,611	4,283	3,124	348
Other financial liabilities	215,199	215,199	224,224	223,766
Total	**225,993**	**222,037**	**262,662**	**257,403**

As of December 31, 2015 the outstanding purchase price liabilities were mainly based on amounts from the acquisition of the British Socialites group and various products in the United Kingdom, which were not yet due. As of December 31, 2014, the outstanding purchase price liabilities had primarily resulted from installments which were not yet due for the acquisition of branded products in Russia as well as the outstanding contingent purchase price payment for the acquisition of the British company Internis.

Finance lease liabilities, such as for vehicles and passenger vehicles, amount to € 2.2 million (previous year: € 3.1 million). Considering interest in the amount of € 0.3 million (previous year: € 0.6 million), lease installments payable in subsequent years total € 2.5 million (previous year: € 3.7 million). The lease liabilities are due as follows:

in € 000s	Lease installments Dec. 31, 2015	Lease installments Dec. 31, 2014	Interest Dec. 31, 2015	Interest Dec. 31, 2014	Finance lease liabilities Dec. 31, 2015	Finance lease liabilities Dec. 31, 2014
Remaining terms up to 1 year	1,214	1,371	204	315	1,010	1,056
Remaining terms over 1 year up to 3 years	1,294	2,335	113	310	1,181	2,025
Remaining terms over 3 years up to 5 years	22	-	2	-	20	-
Remaining terms over 5 years		-		-		-
Total	**2,530**	**3,706**	**319**	**625**	**2,211**	**3,081**

In addition, the negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2015, as in the previous year, this continued to relate to interest rate swaps, which are used as hedging instruments as well as cross-currency swaps and currency forwards (see Note 46.7.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

	Derivative financial liabilities	
in € 000s	Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year	1,283	348
Remaining terms over 1 year up to 3 years	3,328	2,776
Remaining terms over 3 years up to 5 years	-	-
Remaining terms over 5 years	-	-
Total	**4,611**	**3,124**

Remaining financial liabilities include liabilities from discount agreements of German STADA companies in the amount of € 178.3 million (previous year: € 192.1 million) and furthermore comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of € 202.5 million (previous year: € 223.8 million) within one year, in the amount of € 3.2 million after one year and up to five years (previous year: € 0.5 million).

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2015, from interest payments and repayment of finance lease liabilities and for the liabilities from derivative financial instruments for the coming years can be seen in the following table:

	2016			2017			2018–2020		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from finance lease liabilities	204	-	1,010	96	-	883	19	-	318
Cash flows from derivatives	1,465	-	-	107	-	-	-	-	-

The following projection of cash flows from finance lease liabilities as well as derivatives was generated in the previous year:

	2015			2016			2017–2019		
in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from finance lease liabilities	315	-	1,056	206	-	956	104	-	1,069
Cash flows from derivatives	2,185	-	-	1,187	-	-	1,185	-	-

Included were all financial instruments used by STADA which existed as of December 31, 2015 and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the Notes on financial instruments (Note 45. and Note 46.7.).

39. Other liabilities

Other liabilities were comprised as follows:

	Dec. 31, 2015		Dec. 31, 2014	
in € 000s	Total	thereof: current	Total	thereof: current
Tax liabilities	12,499	12,499	1,949	1,949
Personnel related liabilities	47,387	47,254	46,521	46,145
Other liabilities	44,548	42,628	40,475	39,211
Total	**104,434**	**102,381**	**88,945**	**87,305**

Personnel-related liabilities relate to € 0.1 million in accruals in connection with partial retirement agreements as of December 31, 2015 (previous year: € 0.4 million).

Remaining liabilities comprise many insignificant individual items in the Group companies.

40. Other provisions

Other provisions are composed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Provisions set aside for damages	1,082	343
Warranties	21,450	17,099
Total	**22,532**	**17,442**

Provisions set aside for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
As of Jan. 1	**343**	**604**
Added	739	1,721
Utilized	-	1,964
Reversed	-	18
Currency translation differences	-	-
As of Dec. 31	**1,082**	**343**

Utilization is expected within the next twelve months.

Provisions for warranties developed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
As of Jan. 1	**17,099**	**16,932**
Added	13,046	5,138
Utilized	8,632	3,897
Reversed	63	1,074
Changes in the scope of consolidation	-	-
As of Dec. 31	**21,450**	**17,099**

Other Disclosures

41. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 311.7 million in the reporting year (previous year: € 223.8 million). The increase in cash flow from operating activities of € 87.9 million compared to the previous year is primarily due to a decreased cash-efficiency in the area of other net assets. The resulting positive effects on operating cash flow were, on the one hand, reinforced by lower income tax payments than in the previous year and, on the other hand, only partly compensated through a cash-effective increase in trade receivables.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. It amounted to € -178.2 million in the reporting year (previous year: € -262.0 million).

In financial year 2015, payments for investments in intangible assets in the amount of € 81.4 million (previous year: € 181.4 million) were made, of which € 32.3 million (previous year: € 147.5 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. Acquisition-related sales growth was generally associated with these investments in the reporting year. Proceeds from the disposal of non-current assets in the financial year amounted to € 11.8 million (previous year: € 12.0 million).

In financial year 2015, cash flow from investing activities was particularly influenced by the settlement of outstanding payments for the acquisition of the Russian branded product portfolio Aqualor®, the Russian branded products AndroDoz® and NeroDoz®, as well as the British company Internis Pharmaceuticals. Furthermore, purchase price payments from the acquisition of the Austrian company SCIOTEC Diagnostic Technologies as well as the British Socialites group are included in cash flow from investing activities. Proceeds from the disposal of shares in consolidated companies exclusively relate to the deconsolidation of the French subsidiary Laboratoires d'études et de recherches en oligo éléments thérapie SA. The sales price amounted to € 7.3 million and was/is to be paid in cash or cash equivalents. Cash and cash equivalents in the amount of € 0.6 million, assets in the amount of € 6.2 million and liabilities in the amount of € 2.1 million were thereby disposed of. Proceeds from the disposal of intangible assets mainly resulted from the sale of approvals and trademarks in France and Italy. In the previous year, payments for investments in intangible assets primarily related to the purchase of the Russian branded product portfolio Aqualor®. Furthermore, there were payments for business combinations from the purchase of the branded product portfolio Flexitol® and the acquisition of the British company Internis in the previous year.

Cash flow from financing activities amounts to € -155.1 million in financial year 2015 (previous year: € 83.7 million) and encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity. This development is primarily attributable to proceeds from the placement of a corporate bond with a nominal value in the amount of € 300 million for the refinancing of a corporate bond with a nominal value of € 350 million which reached maturity in April 2015. Furthermore, two new loans were taken out in financial year 2015 in the amount € 20 million and € 25 million respectively. In the previous year, there were proceeds from securing financial liabilities, among other things, in connection with promissory note loans secured in financial year 2014 in the total amount of € 270 million and a loan in the amount of approx. € 121 million for financing the purchase of the branded product portfolio Aqualor®. Furthermore, more financial liabilities were repaid in the reporting period than in the previous year.

Dividend distribution payments of € 40.0 million primarily related to the dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2014.

Proceeds from the capital increase are the result of the exercise of STADA warrants 2000/2015 (see Note 34.1. and 34.2.).

Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to € 133.5 million in financial year 2015 (previous year: € -38.2 million) and is therefore still significantly characterized by a high volume of acquisitions.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

in € 000s	2015	2014
Cash flow from operating activities	311,748	223,810
Cash flow from investing activities	-178,217	-261,980
+ Payments for investments in business combinations according to IFRS 3	56,778	55,054
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio	32,256	147,487
⁄. Proceeds from disposals in significant disinvestments	10,207	6,960
Adjusted free cash flow	**212,358**	**157,411**

42. Segment 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.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

Generally, STADA's operating segments are divided into the two core segments Generics and Branded Products, as well as into the non-core segment Commercial Business.

Pursuant to STADA's segment definition, which has been used since 2006, Generics are products for the health care market – usually with a drug character – which contain one or several active ingredients whose commercial property rights have expired or will expire shortly and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient,
  or
- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have usually expired.

According to STADA's segment definition, which has been used since 2006, Branded Products are products for the health care market which contain one or several active ingredients whose commercial property rights have usually expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,
  or
- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

STADA also conducts business and has equity interests in fields outside the core segments. As a rule, the objective of these activities is to supplement and support the Group's activities in the core segments. Transactions that mainly involve trading and selling – such as in wholesaling activities – are grouped together in the Commercial Business segment. All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments are recognized under the reconciliation Group holdings/other and consolidation.

STADA aggregates business segments into the reportable segments of Generics, Branded Products and Commercial Business, because the type of products, the sales methods and the regulatory framework conditions are largely comparable across market regions.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the offsetting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

42.1. Information by operating segment

in € 000s		2015	2014
Generics	**External sales**	**1,217,537**	**1,217,729**
	Sales with other segments	398	571
	Total sales	1,217,935	1,218,300
	Operating profit	178,528	108,314
	Depreciation/amortization	49,618	50,743
	Impairment losses	5,476	63,924
	Reversals	-	-
	Other significant non-cash items within operating result	-192,190	-221,153
Branded Products	**External sales**	**853,598**	**800,558**
	Sales with other segments	-	-
	Total sales	853,598	800,558
	Operating profit	130,043	138,206
	Depreciation/amortization	60,704	59,444
	Impairment losses	20,970	33,896
	Reversals	-	-
	Other significant non-cash items within operating result	-32,466	-32,430
Commercial Business	**External sales**	**43,907**	**43,960**
	Sales with other segments	-	-
	Total sales	43,907	43,960
	Operating profit	-860	871
	Depreciation/amortization	151	139
	Impairment losses	4	-
	Reversals	-	-
	Other significant non-cash items within operating result	-169	-170
Reconciliation Group holdings/other and consolidation	**External sales**	**87**	**-**
	Sales with other segments	-398	-571
	Total sales	-311	-571
	Operating profit	-83,968	-58,864
	Depreciation/amortization	8,175	10,664
	Impairment losses	6,750	9,711
	Reversals	-	-
	Other significant non-cash items within operating result	-1,404	16,418
Group	**External sales**	**2,115,129**	**2,062,247**
	Sales with other segments	-	-
	Total sales	2,115,129	2,062,247
	Operating profit	223,743	188,527
	Depreciation/amortization	118,648	120,990
	Impairment losses	33,200	107,531
	Reversals	-	-
	Other significant non-cash items within operating result	-226,229	-237,335

42.2. Reconciliation of segment results to net profit

in € 000s	2015	2014
Operating segment profit	307,711	247,391
Reconciliation Group holdings/other and consolidation	-83,968	-58,864
Result from investments measured at equity	1,419	1,595
Investment income	138	132
Financial income	1,170	4,833
Financial expenses	68,667	70,393
Earnings before taxes, Group	**157,803**	**124,694**

42.3. Reconciliation of segment assets to Group assets

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Segment assets	1,868,754	1,863,967
Reconciliation Group holdings/other and consolidation	103,223	75,015
Other non-current assets	60,332	74,837
Current assets	1,255,106	1,321,639
Total assets, Group	**3,287,415**	**3,335,458**

42.4. Information by country

	Development of sales by the company's registered office		Non-current assets	
in € 000s	2015	2014	Dec. 31, 2015	Dec. 31, 2014
Germany	482,838	462,565	577,247	599,702
Russian Federation	315,755	381,958	192,230	221,847
United Kingdom	252,383	185,179	525,101	468,059
Italy	189,183	180,895	38,414	43,955
Spain	117,190	109,548	61,687	61,529
Other regions	757,780	742,102	575,958	541,854
Total, Group	**2,115,129**	**2,062,247**	**1,970,637**	**1,936,946**

In the presentation of sales by the company's registered office, sales to third parties are shown according to the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

42.5. Information about major customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities from a single external customer amount to at least 10% of the company's total sales revenues. As in the previous year, this related to no customer in the reporting year.

43. Contingent liabilities

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.

STADA has contingent liabilities, among other things, in connection with patent risks for certain active pharmaceutical ingredients and associated pending or impending proceedings. The resulting possible obligations amounted to approx. € 12.4 million (previous year: € 18.9 million). The reduction of contingent liabilities compared with the previous year is mainly due to a changed assessment of possible obligations as of the balance sheet date in the market region Central Europe. Potential obligations from the previous year in the amount of € 2.8 million in the market region CIS/Eastern Europe no longer exist. Provisions were not created for contingent liabilities as the probability of an outflow of assets is under 50%. Outflows potentially resulting from these risks would generally be short-term.

The lawsuit that the insolvency administrator of Velefarm Holding and Velefarm VFB had submitted to Belgrade's commercial court against Hemofarm A.D., a subsidiary of STADA Arzneimittel AG, and Velefarm Prolek, a company of the Velefarm group, in the first quarter of 2014 was settled on December 18, 2015.[1)] Within the scope of the settlement, the insolvency administrator waives his original claim in the amount of approx. € 54.2 million (in local currency translated using the currency exchange rate at that time), which he had filed in court. In return, Hemofarm waives most of a claim in the single-digit million euro range which was already fully impaired by STADA in 2010. Hemofarm and STADA believed that the lawsuit is unfounded and for this reason, no provisions were made for this purpose.

44. Other financial obligations

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

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Operating lease liabilities	81,288	72,892
Other financial obligations	33,634	31,536
Total	**114,922**	**104,428**

Liabilities from operating leases relate particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings with an average contract term of five years.

1) See the Company's ad hoc release of February 14, 2014 and ad hoc update of December 18, 2015.

The total of future minimum lease payments under operating leases amounted to € 81.3 million as of the end of the financial year (previous year: € 72.9 million) and can be broken down according to remaining term as follows:

	Operating leases	
in € 000s	Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year	32,151	25,280
Remaining terms over 1 year to 5 years	39,473	36,909
Remaining terms over 5 years	9,664	10,703
Total	**81,288**	**72,892**

Lease payments in the amount of € 30.5 million (previous year: € 29.2 million) were recognized as an expense in financial year 2015.

There is still a guarantee amounting to € 25.0 million towards 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 under the equity method.

STADA, as guarantor, has recognized this guarantee in the reporting year as financial guarantee in accordance with IAS 39 at its fair value in the amount of € 0.3 million (previous year: € 0.3 million). Utilization of this guarantee granted is currently not expected.

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

45. Disclosures about financial instruments

45.1. Carrying amounts, valuation rates and fair values according to valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IAS 39: LaR (loans and receivables), HtM (held-to-maturity investments), AfS (available-for-sale financial assets), FAHfT (financial assets held for trading), FLHfT (financial liabilities held for trading) and FLAC (financial liabilities measured at amortized cost).

			Valuation rate balance sheet in accordance with IAS 39			
in € 000s	Carrying amount Dec. 31, 2015	Valuation category pursuant to IAS 39	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IAS 17
Assets						
Cash and cash equivalents	143,178	LaR	143,178	-	-	-
Trade accounts receivable	485,901	LaR	485,901	-	-	-
Available-for-sale financial assets	1,339	AfS	1,339	-	-	-
Derivative financial assets without hedging relationship	27,461	FAHfT	-	-	27,461	-
Other financial assets	55,536	LaR	55,536	-	-	-
Equity and liabilities						
Trade accounts payable	326,869	FLAC	326,869	-	-	-
Amounts due to banks	167,290	FLAC	167,290	-	-	-
Promissory note loans	545,921	FLAC	545,921	-	-	-
Bonds	645,673	FLAC	645,673	-	-	-
Liabilities financial leasing	2,211	n/a	-	-	-	2,211
Derivative financial liabilities with hedging relationship	1,274	n/a	-	1,274	-	-
Derivative financial liabilities without hedging relationship	3,338	FLHfT	-	-	3,338	-
Other financial liabilities	219,171	FLAC	219,171	-	-	-
Thereof aggregated according to valuation categories in accordance with IAS 39:						
Loans and receivables	684,615	LaR	684,615	-	-	-
Available-for-sale financial assets	1,339	AfS	1,339	-	-	-
Financial assets held for trading	27,461	FAHfT	-	-	27,461	-
Financial liabilities measured at amortized cost	1,904,924	FLAC	1,904,924	-	-	-
Financial liabilities held for trading	3,338	FLHfT	-	-	3,338	-

	Fair Value Dec. 31, 2015	Valuation rate balance sheet in accordance with IAS 39					Fair value Dec. 31, 2014
		Carrying amount previous year	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IAS 17	
	143,178	164,209	164,209	-	-	-	164,209
	485,901	502,794	502,794	-	-	-	502,794
	1,339	2,065	2,036	29	-	-	2,065
	27,461	33,250	-	-	33,250	-	33,250
	55,536	65,393	65,393	-	-	-	65,393
	326,869	339,187	339,187	-	-	-	339,187
	165,045	243,596	243,596	-	-	-	245,914
	577,812	550,834	550,834	-	-	-	592,749
	659,125	697,271	697,271	-	-	-	715,750
	2,211	3,081	-	-	-	3,081	3,081
	1,274	2,666	-	2,666	-	-	2,666
	3,338	458	-	-	458	-	458
	219,171	256,457	256,457	-	-	-	256,457
	684,615	732,396	732,396	-	-	-	732,396
	1,339	2,065	2,036	29	-	-	2,065
	27,461	33,250	-	-	33,250	-	33,250
	1,948,022	2,087,345	2,087,345	-	-	-	2,150,057
	3,338	458	-	-	458	-	458

Since cash and cash equivalents as well as trade accounts receivable mainly have short remaining terms, their carrying amounts as of the closing date correspond approximately to the fair value.

Deviations of the fair values from the carrying amounts occur as shown in the chart above in the case of promissory note loans, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values.

Available-for-sale financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respectively current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

For the disclosures according to class of financial instrument necessary in accordance with IFRS 7, STADA defines each valuation category as a class.

The chart below shows how the valuation rates of financial instruments measured at fair value were determined for the respective classes of financial instruments:

Fair values by levels of hierarchy in € 000s on a recurring basis	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	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Available-for-sale financial assets (AfS)						
• Securities	-	29	-	-	-	-
Financial assets held for trading (FAHfT)						
• Currency forwards	-	-	-	-	3,118	749
• Interest rate/currency swaps	-	-	-	-	24,343	32,501
Financial liabilities held for trading (FLHfT)						
• Currency forwards	-	-	-	-	9	5
• Interest rate/currency swaps	-	-	-	-	3,329	453
Derivative financial liabilities with hedging relationship						
• Cash flow hedges	-	-	-	-	1,274	2,666

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. In the financial year, there were no reclassifications among the respective hierarchy levels.

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

Available-for-sale financial assets (AfS) of the previous year related to shares for which market prices were available for measurement. 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 were determined using appropriate valuation models by external third parties. 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. The same applies for the calculation of the fair values of the derivative financial liabilities with a hedging relationship, which reflect the negative market values of the interest rate swaps used as hedging instruments.

The subsequent chart shows how the valuation rates of assets measured at fair value on a non-recurring basis were determined:

Fair values by levels of hierarchy in € 000s on a non-recurring basis	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	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Non-current assets and disposal groups held for sale	-	-	-	331	-	-

The assets held for sale of the previous year comprised real estate held by a STADA subsidiary in Serbia, which was reclassified to non-current assets as of the balance-sheet date. The non-recurring basis for the determination of fair value was based on an appraisal prepared by an independent expert and was largely determined based on input parameters observable in the market.

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 measured at fair value developed as follows in financial year 2015:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
as of Jan. 1, 2015	**33,250**	**-3,124**
Reclassification from level 2	-	-
Currency changes	-	-
Total result	-782	-1,728
• in the income statement	-782	-3,120
• directly in equity	-	1,393
Additions	-	-
Realizations	-5,007	241
Reclassification in level 2	-	-
Balance at December 31, 2015	**27,461**	**-4,611**
Income recognized in the income statement	**-12,804**	**-3,120**
Other earnings/other expenses	6,826	-2,890
thereof		
• attributable to assets / liabilities held as of the balance sheet date	8,302	-2,653
Financial result	-7,609	-230
thereof		
• attributable to assets / liabilities held as of the balance sheet date	-7,332	-231

Financial assets and liabilities allocated to hierarchy level 3 and measured at fair value developed as follows in the previous year:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
as of Jan. 1, 2014	**10,520**	**-5,619**
Reclassification from level 2	-	-
Currency changes	-	-
Total result	24,698	3,582
• in the income statement	24,698	1,500
• directly in equity	-	2,082
Additions	-	-
Realizations	-1,967	-1,087
Reclassification in level 2	-	-
Balance at December 31, 2014	**33,250**	**-3,124**
Income recognized in the income statement	**20,818**	**1,500**
Other earnings / other expenses	21,314	1,296
thereof		
• attributable to assets/liabilities held as of the balance sheet date	21,304	-196
Financial result	3,384	204
thereof		
• attributable to assets/liabilities held as of the balance sheet date	3,384	-262

45.2. Net earnings from financial instruments by valuation category

Net earnings recognized in income from financial assets and liabilities can be broken down as follows:

		from subsequent measurement				Net earnings	
Net earnings by valuation category in € 000s	from interest and dividends	At fair value	Currency translation	Valuation allowance	From disposals	Dec. 31, 2015	Dec. 31, 2014
Loans and receivables (LaR)	1,142	-	-37,860	-9,367	-	-46,085	-8,598
Available-for-sale financial assets (AfS)	162	-	-	-159	-	3	-2,490
Financial assets held for trading (FAHfT)	-1,758	970	-	-	19,448	-5,789	22,730
Financial liabilities measured at amortized cost	-48,381	-	-6,033	-	-	-54,414	-111,371
Financial liabilities held for trading (FLHfT)	-98	-2,885	-	-	-12,634	-15,617	413
Total	**-48,933**	**-1,915**	**-43,893**	**-9,526**	**6,814**	**-97,453**	**-99,316**

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result. Dividends received are disclosed in investment income. With the exception of the valuation results from interest rate/currency swaps and/or currency swaps recognized at fair value with an effect on income, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to currency swaps expired in financial year 2015 and the partial fulfillment of cross-currency swaps.

Valuation results from financial assets held for sale and cash flow hedges, which are reported under other comprehensive income in equity, are not included in this presentation as they had no effect on income.

46. Risk management, derivative financial instruments and disclosures on capital management

46.1. Principles of risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates and interest rates. It is the objective of financial risk management to limit these market risks of ongoing operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used.

However, in principle only financial risks which have significant consequences on the Group's cash flow are hedged.

46.2. Currency risks

STADA's Group and balance sheet currency is the euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

STADA counters risks from currency-related cash flow fluctuations with derivative financial instruments, which are exclusively used to hedge currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In addition to natural hedges, STADA generally employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year 2015, STADA made particular use of foreign-exchange futures contracts and interest/currency swaps. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. These contracts are currently valid for up to two years.

In the context of consolidated financial statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and depreciation is generally positive. Currency risks primarily stem from business transactions in the following currencies: Russian ruble, pound sterling and Serbian dinar. This risk is not hedged.

It cannot be ruled out, however, that hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the positive or negative balances from the aggregation. This results in the subsequent material outstanding foreign currency items as of the respective balance sheet dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% depreciation of the respective functional currency are as follows:

	Dec. 31, 2015			Dec. 31, 2014			
in € 000s	Kazakh-stani tenge	Russian ruble	Ukrainian hryvnia	Kazakh-stani tenge	Ukrainian hryvnia	Serbian dinar	Russian ruble
Outstanding foreign currency item	-16,944	+45,441	-17,117	-14,866	-28,117	+12,322	+7,932
Income (+)/expense (-) from an appreciation of the respective functional currency by 10%	-1,694	+1,341	-3,721	-1,487	-2,812	+1,343	-588
Income (+)/expense (-) from a depreciation of the respective functional currency by 10%	+1,694	-1,341	+3,721	+1,487	+2,812	-1,343	+588
Equity increase (+)/equity reduction (-) from an appreciation of the respective functional currency by 10%	-2,053	-2,054	-3,740	-1,510	-2,425	-5,301	-15,890
Equity increase (+)/equity reduction (-) from a depreciation of the respective functional currency by 10%	+2,053	+2,054	+3,740	+1,510	+2,425	+5,301	+15,890

Here, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in Russian ruble and Ukrainian hryvnia relate to a balance from foreign currency reserves at international Group companies in euro and outstanding foreign currency reserves in Russian ruble and Ukrainian hryvnia. The reported outstanding foreign currency items in Kazakhstani tenge exclusively relate to foreign currency reserves at international Group companies in euro. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the balance sheet date, an appreciation or a devaluation of the respective functional currency by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of € 6.8 million (previous year: € 7.1 million) or in the amount of earnings of € 6.8 million (previous year: € 7.1 million).

46.3. Interest rate risks

STADA is subject to interest risks from financial assets as well as financial debts, primarily in the Euro zone and Russia.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk, to the extent possible, for the financial liabilities denominated in euro with hedging transactions. In financial year 2015, to hedge the interest rate risk, there were cash flow hedges in the form of interest-rate swaps. Taking into account these hedging transactions, an average of 85% (previous year: 85%) of financial liabilities denominated in euro and 100% (previous year: 41%) of those denominated in ruble had fixed interest rates in 2015.

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors are generally included in the calculation:

- changes in the market interest rate of interest rate derivatives designated as hedging instruments in the context of cash flow hedges,
- changes in the market interest rate of original financial liabilities with variable interest rates that are not hedged against interest rate risks, and
- changes in the market interest rate of interest rate derivatives not part of a hedging relationship.

in € million	Dec. 31, 2015	Dec. 31, 2014
Income (+)/expense (-) from an increase in the market interest rate level of 100 basis points	-0.7	-0.5
Income (+)/expense (-) from a decrease in the market interest rate level of 100 basis points	-0.7	+0.4
Equity increase (+)/equity reduction (-) from an increase in the market interest rate level of 100 basis points	+0.3	+1.0
Equity increase (+)/equity reduction (-) from a decrease in the market interest rate level of 100 basis points	-0.3	-1.0

46.4. Default risks

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations.

To avoid default risks in financing activities respective credit management processes are in place and such transactions are generally only concluded with counterparties of impeccable financial standing.

Risks of default exist as a result of the supply of goods and services. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, letters of credit, credit insurance or the transfer of assets. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and

therefore burdens from one-time special effects, arise to a significant extent. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments.

The supply of goods and services to international wholesalers is subject to special monitoring. Concentrations of risk are assumed if debtors exceed a particular credit volume, for which no securities were transferred. As of the balance sheet date, however, there are no significant concentrations of risks at STADA.

STADA's maximum credit default risk is calculated from the carrying amounts of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of € 25.3 million (previous year: € 25.3 million) as of the balance sheet date (see Note 43.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

46.5. Liquidity risks

The Group's liquidity was guaranteed at all times in financial year 2015. In the context of continuous liquidity planning, the cash flows of all companies are regularly monitored. In order to secure the financial flexibility and financial security of STADA, a liquidity reserve in the form of cash is held and supplemented by free credit lines. For this purpose, STADA regularly concludes bilateral credit contracts for a period of at least 12 months with various banks. The refinancing of the financial liabilities is consequently monitored in the context of continuous liquidity planning.

46.6. Other price risks

In the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA does not recognize available-for-sale financial assets, whose fair values are determined based on market prices, anymore.

46.7. Derivative financial instruments and hedging instruments

STADA counters risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In financial year 2015, there are cash flow hedges exclusively in the form of payer interest rate swaps. Here, variable interest payments are transformed into fixed interest payments and the cash flow risk of variable interest liabilities is thus hedged. In the context of these hedging relationships, interest rate related cash flow changes of the hedged items are netted with cash flow changes of interest rate swaps.

In financial year 2015, no new payer interest-rate swaps were designated as cash flow hedges in order to secure interest payments from promissory note loans.

The total volume of currency and interest rate related derivatives is comprised as follows:

	Dec. 31, 2015		Dec. 31, 2014	
in € 000s	Nominal value	Fair value	Nominal value	Fair value
Derivatives without hedging relationship				
Interest rate/currency swaps	69,337	21,015	86,346	32,048
Currency swaps	151,540	3,109	17,335	744
Derivatives with hedging relationship				
Interest rate swaps	66,500	-1,273	117,000	-2,666
thereof				
• fixed rate payer	66,500	-1,273	117,000	-2,666
• fixed rate recipient	-	-	-	-
Total	**287,377**	**22,851**	**220,681**	**30,126**

The terms of the cash flow hedges existing as of the balance sheet date end in 2016.

All hedges are assumed to be highly effective as the important features are nearly identical (critical terms match). As of the balance sheet date, all of the hedging relationships presented above were effective. All changes in the fair value of the derivative hedging instruments were therefore recognized directly in equity under “Provisions for cash flow hedges”. In financial year 2015, the resulting earnings amounted to € 1.1 million after consideration of deferred taxes (previous year: € 1.5 million).

46.8. Disclosures on capital management

The objectives of the STADA capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth as well as guaranteeing attractive dividend payments and the capital service. The STADA capital management consistently aims for the Group companies to have an equity basis that corresponds to the local requirements. When implementing and checking the Group’s capital and liquidity the legal requirements are taken into account.

Capital is monitored on the basis of net debt, which results from current and non-current financial liabilities minus cash and cash equivalents as well as available-for-sale securities. An important key figure for capital management at STADA is the net debt to adjusted EBITDA ratio, which amounted to 3.1 in financial year 2015 (previous year: 3.1).

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Non-current financial liabilities	1,084,213	1,042,998
Current financial liabilities	274,672	448,703
Gross debt	**1,358,885**	**1,491,701**
Cash, cash equivalents and available-for-sale securities	143,178	164,238
Net debt	**1,215,707**	**1,327,463**
EBITDA (adjusted)	**389,385**	**431,888**
Net debt to adjusted EBITDA ratio	**3.1**	**3.1**

47. 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.

47.1. Transactions with related persons

Persons in key positions are the board members of STADA Arzneimittel AG, the remuneration of whom, including further information on the principles of the remuneration system, is presented in detail in the Management Report (see "Remuneration Report"), as well as the summary in Note 47. in relation to quantitative disclosures.

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self-employed have business relations with STADA. These are not significant as regards volume and nature.

In financial year 2015, Steffen Retzlaff, the son of the Chairman of the Executive Board, Hartmut Retzlaff, was active as Managing Director of Hemopharm GmbH Pharmazeutisches Unternehmen, STADAvita GmbH, PharmaSwyzz Deutschland GmbH and STADA PHARMA Bulgaria EOOD, as member of the Board of Directors of STADA MENA DWC-LLC and STADA Pharmaceuticals (Asia) Ltd., as Chairman of the Administrative Board of STADA Aesthetics AG as well as Vice President of the market region Asia/Pacific & MENA of the STADA Group.

47.2. Transactions with related companies

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Trade accounts receivable		
Non-consolidated subsidiaries/joint ventures	372	44
Associates	202	309
Joint ventures	-	-
Other investors	745	739
Trade accounts payable		
Non-consolidated subsidiaries/joint ventures	113	62
Associates	1	547
Joint ventures	-	-
Other investors	-	-

Expenses and income essentially relate to related party transactions as follows:

in € 000s	2015	2014
Sales		
Non-consolidated subsidiaries/joint ventures	-	-
Associates	62	-
Joint ventures	-	-
Other investors	1,575	1,427
Interest income		
Non-consolidated subsidiaries/joint ventures	3	64
Associates	8	447
Joint ventures	-	-
Other investors	-	-
Interest expense		
Non-consolidated subsidiaries/joint ventures	-	-
Associates	1	-
Joint ventures	-	-
Other investors	-	-

In addition, the following disclosures on related party transactions are made:

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and which was not utilized as of December 31, 2015 (previous year: € 3.3 million).

There is a service contract with BIOCEUTICALS Arzneimittel AG, as well as distribution rights for Epo-zeta in Germany granted by BIOCEUTICALS Arzneimittel AG to, among others, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. In some other European countries (such as Serbia or Russia, for example), a local STADA-owned subsidiary can receive or has already received at the same time a local sales license as well.

Furthermore, STADA also has business relations with its fellow partner of the Chinese subsidiary STADA Import/Export International Ltd. As of the balance sheet date, outstanding loan liabilities in the amount of € 0.6 million resulted from this business relationship.

48. Remuneration of the Executive Board and the Supervisory Board

The aggregate remuneration of the Executive Board and the Supervisory Board including further information on the principles of the remuneration system are presented in detail in the Management Report (see "Remuneration Report").

In summary, the following disclosures regarding the remuneration of the Executive Board and Supervisory Board at STADA Arzneimittel AG are made according to IAS 24 in consideration of the disclosure requirements of Section 314 (1) no. 6a sentence 1–4 of the German Commercial Code:

	Fixed and variable current remuneration		Expenses for pension commitments earned in the current year		Total remuneration in accordance with IFRS	
in € 000s	2015	2014	2015	2014	2015	2014
Members of the Executive Board	4,937[1)]	8,001[2)]	-	-17,603[3)]	4,937	-9,602
Members of the Supervisory Board	1,073	1,045	-	-	1,073	1,045

Remuneration to former members of the Executive Board amounted to a total of € 297,000 in financial year 2015. The fair value of pension commitments for former Executive Board members amounted to € 11,669,000 as of December 31, 2015.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the balance sheet date. Nor has STADA taken on any contingent liabilities for the benefit of the board members of STADA Arzneimittel AG.

49. Fees for the auditor

In financial year 2015, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements, PKF Deutschland GmbH:

in € 000s	2015	2014
Fees for the auditor	506	475
• thereof for audits	348	348
• thereof for other confirmation services	142	92
• thereof for other services	16	35

1) No progress payments on the variable long-term special remuneration were made for financial year 2015.
2) Thereof final payments and payments on variable long-term special remuneration in the total amount of € 2,759,275 as a result of achieving the year-end and annual interim goals in the respective individual contracts for financial year 2014.
3) In the context of the changed plan and the resulting changes with regard to the benefits awarded according to the former benefit plan there were earnings from past service cost in the amount of € 17.6 million. In addition, an expense from administrative costs for the benefit plan in the amount of € 0.7 million and an expense from the adjustment of plan assets in the amount of € 1.0 million were incurred. The balance of the two items were earnings of € 15.9 million, which were recorded in general and administrative expenses.

The fees for audits relate to payment for the audit of the consolidated financial statements as well as the audit of the financial statements of STADA Arzneimittel AG and its German subsidiaries, each at the end of the financial year.

Other confirmation services include the review of the interim consolidated financial statements of June 30 of the corresponding financial year, the granting of a comfort letter in the context of issuing the corporate bond as well the examination whether certain obligations arising from EU Regulation No. 648/2012 have been met.

50. Corporate governance

The declaration on the German Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) was last issued by the Executive Board and Supervisory Board on October 8, 2015. The declaration is publicly available via the Company's website (www.stada.de in German or www.stada.com in English) and is also presented in the Annual Report.

51. Events after balance sheet date

No material events have occurred since the reporting date that could have a significant effect on the business, financial and earnings situation of the STADA Group.

52. Dividend

According to the German Stock Corporation Act, the distributable dividend is determined according to the distributable profit reported by STADA Arzneimittel AG in its annual financial statements prepared in accordance with the rules and regulations of the German Commercial Code. This amounted to € 59,139,388.83 as of December 31, 2015. The Executive Board of STADA Arzneimittel AG proposes that a dividend of € 0.70 per STADA share be appropriated from this distributable profit for financial year 2015. In financial year 2015, a dividend in the amount of € 0.66 per STADA share was distributed to shareholders from the distributable profit of financial year 2014.

Bad Vilbel, March 21, 2016

H. Retzlaff	H. Kraft	Dr. M. Wiedenfels
Chairman of the Executive Board	Chief Financial Officer	Chief Business Development & Central Services Officer

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the consolidated financial statements give a true and fair view of the business, financial position and results of operations and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 21, 2016

H. Retzlaff
Chairman

H. Kraft
Chief Financial Officer

Dr. M. Wiedenfels
Chief Business Development &
Central Services Officer

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 21, 2016

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Annika Fröde
German Public Accountant

Santosh Varughese
German Public Accountant

GLOSSARY A – Z

Active pharmaceutical ingredient: In the pharmaceutical market: the pharmaceutically effective component of a drug (also API).

Adalimumab: Adalimumab is the first entirely human monoclonal antibody (against the tumor necrosis factor α, TNFα). Adalimumab is used for the treatment of rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis and Crohn's disease.

Approval: Permission under drug laws to market a drug in a national market.

Audit: In the pharmaceutical market: control of equipment and documentation of manufacturers or their suppliers.

Biosimilar: A biosimilar is a drug with an active pharmaceutical ingredient produced in a biotechnological process, which has been developed in comparison with an original product already on the market. It is so similar to the original product that it has proven therapeutic equivalence and is comparable in terms of safety and quality. Therefore, a biosimilar is an equivalent successor product of an off-patent biopharmaceutical product.

Commercial Business: Purchase and subsequent sale of third-party products; in the pharmaceutical market this frequently refers to wholesale business or parallel imports.

Commercial property rights: Provide inventors or companies with protection against competition for an invention for a limited time period. The best-known commercial property right is the patent. In addition, Supplementary Protection Certificates (SPC) play an important role in the pharmaceutical market.

Dossier: Includes all scientific and technical documentation required for an application for drug approval that describes the quality, safety, and efficacy of that drug.

Epoetin or Erythropoietin: Epoetin or erythropoietin is a biopharmaceutical active ingredient in protein form that is produced by living cell lines. The erythropoietin biosimilar developed by BIOCEUTICALS is epoetin zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hematopoieses as well as in cancer therapy.

Filgrastim: Filgrastim is the form of the human granulocytes colony-stimulating factor (G-CSF) which is produced by using biotechnology. Filgrastim is, among others, used for the treatment of neutropenia, a low count of a special type of white blood cells. Neutropenia can arise e.g. after a cytotoxic chemotherapy or a bone marrow transplantation.

GMP: Good Manufacturing Practice – international production standard in the pharmaceutical industry.

Indication: Diseases for which a certain drug is used.

Monoclonal antibodies: Monoclonal antibodies are immunologically active proteins which are used against an individual epitope (surface structure) of an antigen (infectious substances or certain molecules) and specifically bind to that substance. Monoclonal antibodies are generated with molecular biological methods and produced biotechnologically through genetically engineered cell lines.

Nephrology: Branch of internal medicine dealing with diagnostics and non-surgical therapy of kidney diseases.

Oncology: Branch of internal medicine dealing with cancer.

Patent: In the pharmaceutical market: commercial property right granting active pharmaceutical ingredients market exclusivity for a limited period (in the EU 20 years, for example).

Patient compliance (including adherence): Within medicine, this term refers to treatment adherence. This refers to the cooperative behavior of the patient as regards the treatment, intake of medication or other medical measures such as, for example, physiotherapy but also the observance of medical advice, for example for a change in lifestyle, the observance of diet and examination appointments as a basis for successful treatment. Patient compliance is particularly important for the treatment of chronic conditions.

Prescription obligation: The legal requirement specifying that, depending on the potential risk involved, drugs may be dispensed to patients on prescription only.

Rituximab: Rituximab is a monoclonal antibody used in the treatment of various forms of cancer, such as non-Hodgkin lymphomas, as well as various auto-immune diseases, such as rheumatoid arthritis.

Teriparatid: Teriparatid is a fragment of the human parathormone for hypodermic injection which is recombinantly manufactured. Teriparatid is used for the treatment of post-menopausal women with manifest osteoporosis and a high fracture risk, of men with osteoporosis and a high fracture risk, as well as for glucocorticoid-induced osteoporosis of adults with an elevated fracture risk.

FINANCIAL CALENDAR

2016

March 23, 2016	Publication of 2015 results with analysts' and press conference
May 12, 2016	Publication of the results of the first three months of 2016
June 9, 2016	Annual General Meeting 2016
August 4, 2016	Publication of the results of the first six months of 2016
November 10, 2016	Publication of the results of the first nine months of 2016

2017

March 23, 2017	Publication of 2016 results with analysts' and press conference
May 11, 2017	Publication of the results of the first three months of 2017
June 8, 2017	Annual General Meeting 2017
August 3, 2017	Publication of the results of the first six months of 2017
November 9, 2017	Publication of the results of the first nine months of 2017

Status at time of going to print; STADA reserves the right to change these dates. The current financial calendar can be found on the Internet at: www.stada.de and www.stada.com.

The Annual Report and the interim reports will be published on the dates listed above on the Company website (www.stada.de and www.stada.com), usually before trading begins on the Frankfurt Stock Exchange. Shareholders may receive printed copies of the reports on request.

PUBLISHING INFORMATION

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Text
STADA Arzneimittel AG, Bad Vilbel, Germany
This Annual Report is published in German (original version) and English (non-binding translation) and is subject to German law alone.

Publication
The complete annual report as well as current information on the STADA Group can be found on the Internet at www.stada.de and www.stada.com.

Design and realization
wagneralliance Kommunikation GmbH, Offenbach am Main, Germany

Translation
MBETraining & Translations, Wiesbaden, Germany

Photography
Andreas Pohlmann, Munich, Germany
shutterstock, New York, USA
Fotolia, Amsterdam, The Netherlands
STADA archive

Printing
Grafik & Druck Steiner oHG, Alzenau, Germany

Forward-looking statements

This STADA Arzneimittel AG (hereinafter “STADA”) annual report contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the business, financial and earnings situation, growth or performance to be 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 is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA does not assume any obligation to update these forward-looking statements.

Rounding

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

OVERVIEW OF SALES

Group sales in € million	2015	2014
Total Group sales	**2,115.1**	**2,062.2**
• Core segment Generics	1,217.5	1,217.7
• Core segment Branded Products	853.6	800.5
• Commercial Business	43.9	44.0
• Group holdings/other	0.1	-

Sales by market regions in € million	2015	2014
Central Europe	**999.4**	**956.3**
• United Kingdom	194.9	135.2
• Italy	189.2	181.2
• Spain	120.4	113.0
• Belgium	103.9	150.2
• France	90.2	95.4
• Switzerland	57.4	52.2
• The Netherlands	44.3	39.5
• Ireland	24.8	22.9
• Poland	23.5	25.8
• Austria	20.9	19.5
• Other/rest of Central Europe	83.9	82.9
• Export sales of the market region Central Europe	46.0	38.5
CIS/Eastern Europe	**509.9**	**564.5**
• Russia	295.8	360.7
• Serbia	93.7	93.4
• Ukraine	25.4	27.1
• Kazakhstan	23.8	13.4
• Bosnia-Herzegovina	16.4	15.4
• Other/rest of CIS/Eastern Europe	45.2	45.0
• Export sales of the market region CIS/Eastern Europe	9.6	9.5
Germany	**459.6**	**447.3**
• Germany	428.9	389.3
• Export sales of the market region Germany	30.7	58.0
Asia/Pacific & MENA	**146.2**	**94.1**
• Vietnam	93.7	73.3
• China	15.8	11.8
• Saudi Arabia	7.6	-
• The Philippines	7.0	3.9
• United Arab Emirates	6.2	-
• Other/rest of Asia/Pacific & MENA	15.6	5.0
• Export sales of the market region Asia/Pacific & MENA	0.3	0.1

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Financial key figures in € million	2015	2014	2013	2012	2011
Total Group sales	2,115.1	2,062.2	2,003.9	1,837.5	1,715.4
• Core segment Generics	1,217.5	1,217.7	1,227.9	1,213.1	1,188.3
• Core segment Branded Products	853.6	800.5	704.4	596.2	471.9
Operating profit	223.7	188.5	248.3	202.1	120.1
EBITDA	377.1	418.8	382.6	323.7	223.2
Adjusted EBITDA	*389.4*	*431.9*	*414.3*	*367.4*	*337.2*
EBIT	225.3	190.3	252.4	205.9	121.2
Earnings before taxes (EBT)	157.8	124.7	189.3	135.6	69.5
Net income	110.4	64.6	121.4	86.5	22.0
Adjusted net income	*165.8*	*186.2*	*160.6*	*147.9*	*146.6*
Cash flow from operating activities	311.7	223.8	203.7	212.7	169.0

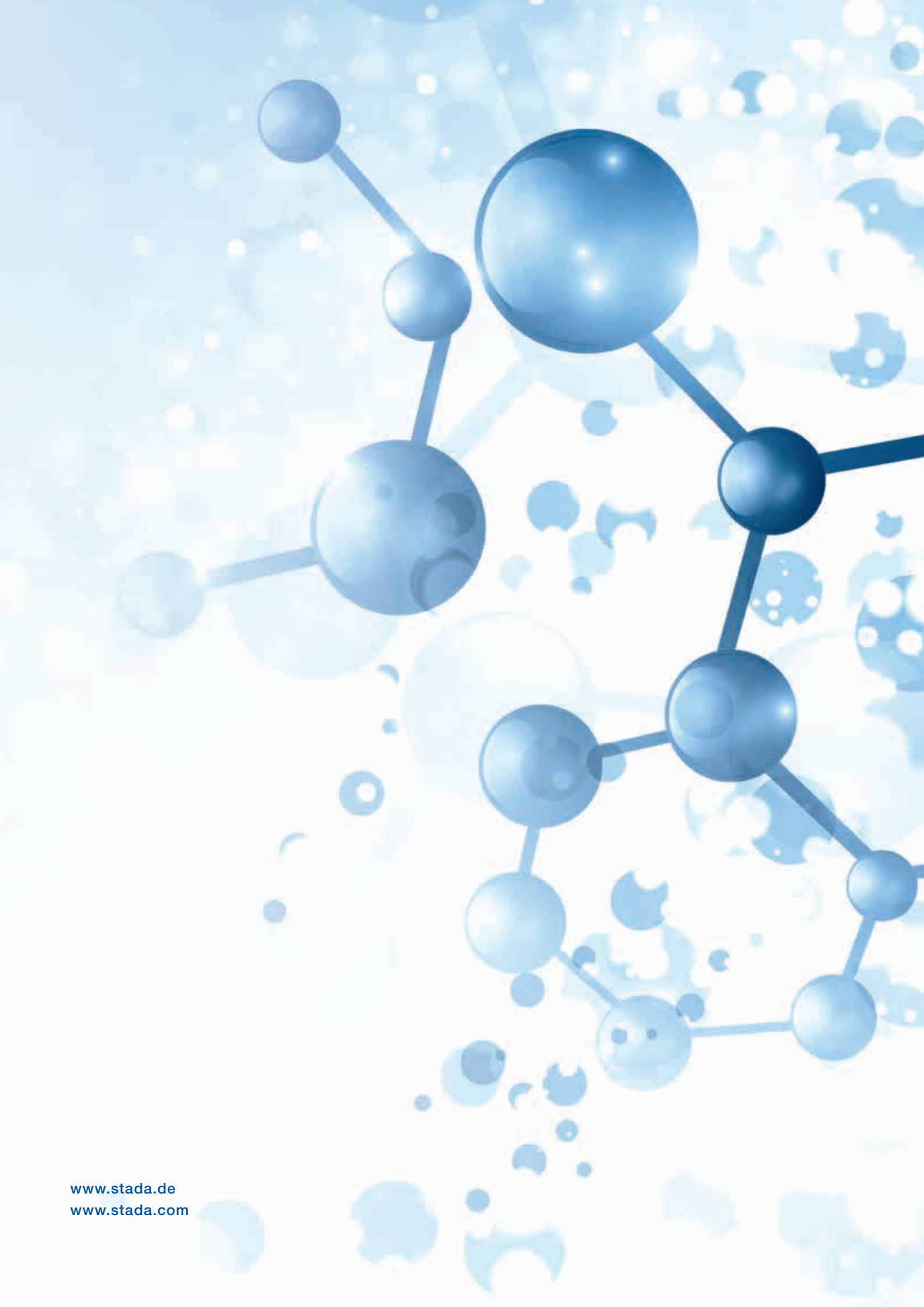
Asset/capital structure in € million	2015	2014	2013	2012	2011
Balance sheet total	3,287.4	3,335.5	3,413.2	2,982.8	2,799.8
Non-current assets	2,032.3	2,013.8	2,060.0	1,802.2	1,532.7
Current assets	1,255.1	1,321.7	1,353.2	1,180.6	1,267.1
Equity	1,018.5	903.4	1,010.1	910.3	863.9
Equity-to-assets ratio in percent	31.0%	27.1%	29.6%	30.5%	30.9%
Non-current liabilities	1,282.6	1,246.7	1,358.4	1,102.9	1,254.9
Current liabilities	986.3	1,185.4	1,044.7	969.6	681.0
Net debt	1,215.7	1,327.5	1,306.8	1,177.3	900.3

Capital expenditure/depreciation and amortization in € million	2015	2014	2013	2012	2011
Total capital expenditure	177.0	279.0	365.0	401.0	286.6
• on intangible assets	122.9	241.0	285.4	367.1	237.3
• on property, plant and equipment	53.5	37.9	78.7	30.3	31.7
• on financial assets/associates	0.6	0.1	0.9	3.6	17.6
Total depreciation and amortization	151.9	228.5	130.7	123.3	107.4
• on intangible assets	117.4	192.5	100.7	88.8	73.5
• on property, plant and equipment	34.4	33.4	29.1	33.3	29.3
• on financial assets	0.1	2.6	0.9	1.2	4.6

Employees	2015	2014	2013[1)]	2012[1)]	2011[1)]
Average number per year	10,441	10,209	8,841	7,814	7,826
Number as of the balance sheet date	10,532	10,363	9,825	7,761	7,900

Key figures per STADA share	2015	2014	2013	2012	2011
Market capitalization (year-end) in € million	2,327.9	1,530.8	2,171.7	1,448.3	1,135.1
Year-end closing price in €	37.34	25.25	35.93	24.41	19.25
Average number of shares (without treasury shares)	61,637,621	60,408,501	59,571,959	59,059,393	58,830,209
Basic earnings per share in €[2)]	1.79	1.07	2.04	1.46	0.37
Adjusted earnings per share in €	*2.69*	*3.08*	*2.70*	*2.50*	*2.49*
Diluted earnings per share in €[3)]	1.79	1.05	2.00	1.44	0.37
Adjusted diluted earnings per share in €	*2.69*	*3.04*	*2.65*	*2.47*	*2.44*
Dividend per share in €	0.70[4)]	0.66	0.66	0.50	0.37
Total dividend payments in € million	43.6[4)]	40.0	39.8	29.6	21.8
Distribution ratio in percent	39%[4)]	62%	33%	34%	99%

1) Employees of companies consolidated at only 50% have been included in accordance with their respective consolidation rate.
2) In accordance with IAS 33.10.
3) In accordance with IAS 33.31.
4) Proposed.



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