

# ANNUAL REPORT 2020



**STADA**

Caring for  
People's Health  
as a Trusted Partner



**2020**

**A Year like**

**none before**

**Peter Goldschmidt**  
CEO



Dear Investors,  
dear Partners,

2020 was for each of us a demanding year. Like all of you, we at STADA had to deal with new challenges and to adapt to a new situation in our jobs as well as at home with our family. I would like to express my gratitude to all employees worldwide. You have made an extraordinary contribution to our society through your tireless efforts.

We can be proud of the strong crisis resilience STADA has shown despite challenging market conditions during the pandemic. The company has proven itself to be a growth leader and go-to-partner in Consumer Healthcare and Generics, with a rapidly expanding Specialty Pharma presence in areas such as Parkinson's and biosimilars.

I'm particularly gratified by how our diverse global team has come through the crisis true to our Purpose of "Caring for People's Health as a Trusted Partner". Across the organization, people have pulled together, even if they have been physically distant; this close collaboration across continents truly embodies our value One STADA.

### **Keep Supplying Medicines**

We care for people's health as a trusted partner by being able to keep supplying medicines, even during lockdowns. Our 6,000 production staff did an outstanding job in these difficult times. STADA provides a broad portfolio from supplements that enable people to stay healthy and support their immune systems through to essential treatments for diseases in nearly every therapeutic area, such as cancer, heart, central nervous system, gastrointestinal and pain relief.



“ I am fully confident that STADA’s growth journey will continue. ”

STADA stepped up to the challenge of satisfying rising demand for medicines and other healthcare products during the coronavirus response, in March 2020 setting a record in terms of the company’s production output and best ever supply reliability. Working as a trusted partner throughout the supply chain has been crucial: I want to thank our hundreds of external partners who worked very closely by supporting our more than 20 own production sites. Here we have seen the importance of maintaining free movement of goods in international supply chains.

I personally feel very blessed to be part of a company that is strong and resilient, and at the same time caring and empathetic. Nine out of ten STADA people stated in three employee surveys that they are “proud to work for STADA”.

### **A Diverse and Unique Team**

At STADA, we are building an international and diverse team of talents. Everyone is unique, and we recognize our differences as our strength. How do we connect the uniqueness of each individual element of the STADA team? Our values of Entrepreneurship, Integrity, Agility and One STADA are the glue and the guiding principles of our organization.

I have never seen so many employees than over the last year stepping and speaking up and suggesting new business cases to support the sustainable growth of

our organization – even more important now that we need to find new ways of working and supplying during the crisis.

I am absolutely convinced that our culture, based on our shared purpose and values, was the basis for our strong performance, with double-digit sales and adjusted EBITDA growth in 2020. Alongside the acquisitions supporting our sales growth last year, it is also very relevant to highlight that our organic growth of 6% in 2020 was an outstanding achievement in a market that stagnated. This shows how we have lived our values of Agility and Entrepreneurship to seize on market opportunities, taking market share and stepping in when others could not supply.

### **Brands Growing In Importance**

Consumer Healthcare and Specialty brands now account for around half of STADA’s sales. As these products are typically branded and promoted to consumers and healthcare professionals respectively, they have the potential through differentiation and branding to offer sustainable margins over many years.

Evidence of STADA’s status as a partner of choice comes on top of the seven acquisitions completed during last year, with over 80 licensing deals done during 2020. These developments are important add-ons to our strong future launch pipeline. To be a trusted industry-leading development partner is a competitive advantage.

The acquisitions have brought a range of established brands such as Cardiomagnyl, Cetebe, Coldrex, FERN-C, Mebucaïne, Proenzi, Venoruton and Walmark into the

STADA organization, complementing the strength of existing franchises such as Grippostad, Zoflora, Hedrin, Magnetrans and Snup.

### **Consumer Healthcare Increasingly International**

The acquired brands also significantly strengthen our Consumer Healthcare position and portfolio in already strategically strong markets such as Germany, UK, Russia, the Czech Republic and many more, while providing a platform from which to grow our Consumer Healthcare business in many other countries. Brands such as Zoflora, Oilatum and Walmark are gaining traction in countries in Eastern Europe and in markets such as the Philippines, Vietnam and the UAE. Furthermore, we have taken initial steps into the US consumer healthcare market by launching our Bio360 probiotics and Nuvia supplements range.

At the same time, our Specialty Pharma pipeline of differentiated prescription products is coming to fruition, with several market entries planned for the near future. This includes further biosimilar launches, while our patented infusion gel formulation, Lecigon, is bringing a new treatment option for late-stage Parkinson's disease.

With a growing presence in Specialty Pharma and our continued strong standard generics development pipeline, we have a solid platform from which to keep growing. I am fully confident that STADA's growth journey will continue.

Under our private-equity ownership, we have developed a strategy for long-term, sustainable growth that is driven by our vision and values. Good margins are allowing us to continue investing in our business.

Underpinned by STADA's unique growth culture, we will continue STADA's growth and cultural journey with a focus on sustainability, both from an ESG perspective, but also in terms of investing in long-term growth opportunities. Our purpose, vision and values will remain our guiding north star as we continue to grow as One STADA.

*P. Gelber*

“

**STADA has proven  
itself to be a  
growth leader and  
go-to-partner.**

”



# A Challenge like never before



For 125 years, STADA has been supplying high-quality medicines, true to our Purpose of Caring for People's Health as a Trusted Partner. The past year has brought exceptional challenges to the whole pharmaceutical sector. But STADA has responded with dedication and resilience to keep supplying medicines.

Across more than 20 facilities, in our laboratories, in our warehouses, our Technical Operations colleagues have worked tirelessly to ensure patients and health-care professionals have reliable access to the treatment options they need for a wide array of health conditions. They have drawn support not only from thousands of STADA employees working from home, but also from our hundreds of supply-chain partners around the world.

While STADA has responded with agility to the pandemic, we have continued to strengthen our supply-chain infrastructure for a sustainable future. With zero critical observations from regulatory inspections in 2020, we reduced safety incident rates by a third and maintained supply service levels above 97%.

## Supply Chain

STADA stepped up to the challenge of satisfying rising demand for medicines and other healthcare products during the coronavirus response, setting a record in terms of the company's production output. In March 2020, production volumes were more than 10% above historically typical levels. Through the concerted efforts of our global Tech Ops team, strong supply-chain supply and performance was maintained throughout 2020.

## Caring for our own people's health



During the Covid crisis, STADA's utmost priority has been the health and safety of our colleagues and their families.



STADA has strictly followed all applicable national and regional rules and guidelines, and implemented wide-ranging safety measures, such as temperature checks and free Covid tests.



“

Caring for people’s health as a trusted partner means for me and my team to keep supplying medicines during difficult times.

”

Miguel Pagan  
Chief Technical Officer

While our Technical Operations team has striven tirelessly to keep supplying medicines, working as a trusted partner throughout the supply chain has been crucial. We are grateful to our hundreds of external partners who have supported us in raw materials, manufacturing, packaging, logistics and other functions to keep supplying, without interruption, generic, consumer healthcare and specialty medicines that provide the foundation for pharmaceutical care around the world.

### Donations

Recognising the differing needs of healthcare systems during the pandemic, STADA adopted a localised, targeted approach to supporting healthcare organizations around the world to combat Covid-19 infections by donating essential equipment and products, as well as providing tailored services, through its national affiliates.

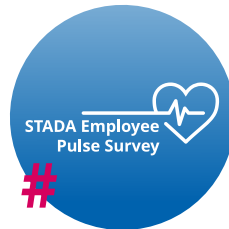
Among the regional and national initiatives were: responding to urgent need by donating 150 patient monitors in Serbia, Bosnia and Herzegovina and Montenegro; providing 23,600 first-aid packs that have been donated to 80 hospitals, 77 medical centres and 3,000 pharmacies in Spain; and donating packs of its Cetraben and Zeroderma emollients to alleviate dry skin in National Health Service staff in the UK.

### Thanking our Healthcare Professional Partners

Throughout the pandemic, STADA has been keen to support our healthcare professional partners around the world. Beyond the numerous targeted donation and support initiatives we have instigated, STADA wanted to personally say ‘thank you’ to all those working so hard on the front line to tackle and treat this terrible disease – not just doctors and nurses, but caregivers and community pharmacists caring for people’s health every day. We are touched and humbled by the positive response to our ‘thank-you’ videos.



To show our appreciation and to care for our colleagues’ health, we have sent care packages to our employees, with contents including protective masks and products to support their immune systems.



Through regular contact and employee surveys, STADA is ensuring that we understand how people are feeling and are dealing with these exceptional circumstances, whether working from home or from our facilities to keep supplying medicines.



The survey results are clear evidence that our employees around the world truly live our values and are highly engaged in Caring for People’s Health as a Trusted Partner.

# One Culture like never before

“

Our Purpose, Vision and Values act as a guiding north star.

”

Frank Staud  
Head of Global  
Communications





“ Uniqueness is the winning principle of our growth culture. ”

Simone Berger

Head of Global Human Resources



## Corporate Culture

Despite all the challenges, STADA managed to finish 2020 successfully and stronger than ever before. This was only possible because of our unique corporate culture, which is characterized by an outstanding commitment and a strong sense of ownership. The glue that connects the over 12,300 employees all over the world are the four corporate values: Agility, Entrepreneurship, Integrity and One STADA.

The extent to which these cultural cornerstones are actually rooted in the company was revealed in the three employee surveys conducted in 2020. Throughout all surveys, there was an impressively high participation rate of 80 % on average – that is far above any benchmark. With an overwhelming majority, the employees stated that they were proud to work for STADA and that the group acts in line with the four corporate values. Introduced only two years ago, these values – Agility, Entrepreneurship, Integrity and One STADA – were quickly operationalized into behaviours and have long since contributed to creating real value.

These values are now the strong DNA of the whole company thanks to the 12,300 individuals who are living up to them each day and who are following a common purpose: Caring for People's Health as a Trusted Partner in order to supply medicines to patients all over the world.

To really make a difference in people's lives, it is essential that everyone is able to contribute his or her skills and to benefit from the diverse personalities and backgrounds within the STADA team. In order to do so, STADA provides a work environment that empowers employees to own their uniqueness, because it is heterogeneous teams and complementing personalities that enable STADA to understand different markets on a deeper level as well as to continuously challenge the status quo for better customer-oriented solutions.

Uniqueness is the winning principle of STADA's growth culture that results in a strong competitive advantage, because this is what shapes the best team in the industry.



This picture was taken during our STADA Global Leadership Meeting in Rome in January 2020 shortly before the Covid-19 crisis broke out in Europe.

# Strong Brands like never before

Organic growth through line extensions, launches of established brands in new markets, and innovative marketing campaigns has combined with targeted acquisitions to make STADA one of the leading consumer healthcare companies in Europe. With a growing international presence, STADA is an ideal owner of local hero brands that benefit from the group's broad geographic footprint and expertise in handling complexity.



Zoflora,  
United Kingdom

“The strong brand heritage of Zoflora disinfectants in the UK is now being transferred to countries such as Australia, Saudi Arabia and Serbia.”

Roger Scarlett-Smith  
Head of UK/US

Lunestil, Belgium

“By introducing Lunestil duocapsules in Belgium as a local hero brand, STADA is offering consumers a natural way to promote sleep.”

Steffen Wagner  
Head of  
European Markets

Trofolastin, Spain

“Acquiring Trofolastin and Delapiel creates synergies in Spain with skincare brands like Ladival and Multilind.”

Steffen Wagner  
Head of  
European Markets



Consumer  
around t

# Healthcare the World



## Grippostad, Germany

“Our established cough, cold and immunity portfolio through brands like Grippostad in Germany has been strengthened by acquiring the Cetebe and Lemocin brands.”

Elco Ockers  
Head of Germany



## Takeda-Portfolio, Russia

“Buying a range of brands from Takeda has made STADA a leader in Russia’s consumer healthcare sector.”

Stephan Eder  
Head of Russia/CIS



## Walmark and Natures Aid, Vietnam

“Under the STADA brand, we are launching Walmark and Natures Aid supplements in Vietnam.”

Carsten Cron  
Head of Emerging Markets



## FERN-C, Philippines

“Partnering with singer and actress Sarah Geronimo in the Philippines is supporting our FERN-C vitamin C brand.”

Carsten Cron  
Head of Emerging Markets

# Portfolio – Growth Drivers like never before

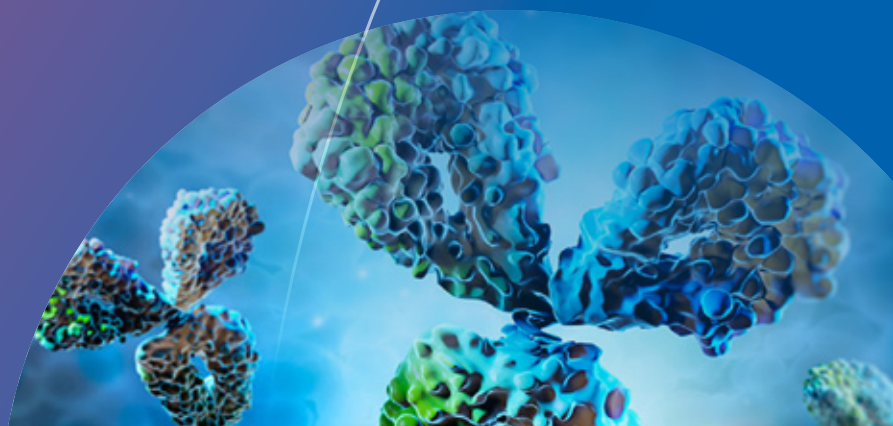
Generic medicines provide the backbone of healthcare systems around the world, giving patients and their caregivers access to high-quality treatment options for a huge range of conditions. For this reason, generics remain central to STADA's purpose of Caring for People's Health as a Trusted Partner.

At the same time, STADA is increasingly building on its expertise with proven generic ingredients to add value for patients and healthcare professionals, such as by offering known active ingredients in novel formulations or combinations that can improve quality of care. Such Specialty Pharmaceuticals in therapeutic areas such as Parkinson's disease and pain treatment are an increasingly important element of STADA's product portfolio.

“  
Partnerships stand  
at the heart of our  
biosimilars strategy.

Yann Brun  
Head of Global Development

”





“

**More than 80 deals done in 2020 bear testament to STADA's entrepreneurship.**

”

**Christoph Dengler**  
Head of Global Legal

### **Generics**

With the introduction of azacitidine and fulvestrant, STADA further enhanced its offering of affordable generic therapy options for oncologists and their patients. STADA's A-to-Z portfolio of generic cancer treatments ranges from anastrozole and ready-to-use bortezomib through to zoledronic acid.

Founded by pharmacists in Germany 125 years ago, STADA during 2020 strengthened its cooperation with the country's pharmacists by grouping together selected non-prescription products sold under their generic active ingredient names into attractive offers.

“Bundling our portfolio as we celebrate the company's 125-year anniversary marks a further step towards making collaboration between pharmacists and STADA as easy as possible“, commented Head of Germany Eelco Ockers.

### **Specialty Pharmaceuticals**

A prime example of STADA increasingly bringing added value to patients and caregivers via differentiated Specialty Pharmaceuticals is the acquisition in 2020 of an innovative therapy used for treating late-stage Parkinson's disease. The infusion of three proven active ingredients – levodopa, carbidopa and entacapone – is delivered directly into the small intestine through a discreet, light weight and wearable pump.

Building on the Parkinson's disease expertise that STADA and its Britannia affiliate already possess through their apomorphine-based therapies, initial launches in European markets are underway.

Partnerships are key to STADA's Specialty Pharmaceuticals strategy. Having created an extensive portfolio pipeline of follow-on biologic drugs, or 'biosimilars', through alliances, STADA in 2020 partnered with eye-care leader Bausch + Lomb, aimed at bringing the blockbuster ophthalmic medicine ranibizumab to North American markets.



# Numbers like never before



88

**Total  
Business Development Deals**



>97%

**Supply Service  
Level**



0

**Critical  
Observations**

**Quality/  
Continuing Compliance:  
Regulatory Inspections  
in 2020**



-33%

**Safety  
Incidents**

**Safety Incidents  
Rate Reduced**

“ Double digit sales growth, solid profit improvement and positive operative cash flow in Covid times show our resilience and sustainable performance. ”

Wolfgang Ollig  
Chief Financial Officer



Currency Adjusted  
Sales 2020  
€3,010.3 million



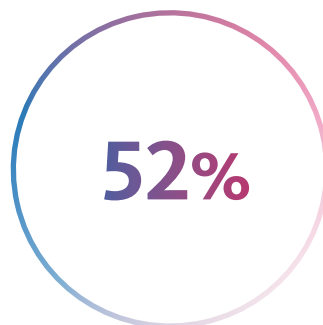
Currency Adjusted  
EBITDA  
+15% in 2020



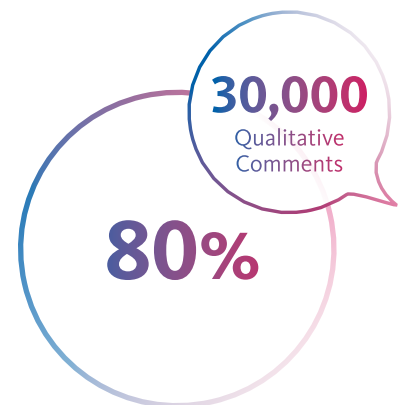
Operative Cash Flow  
71% Cash Conversion Rate



12,301  
Employees  
Worldwide

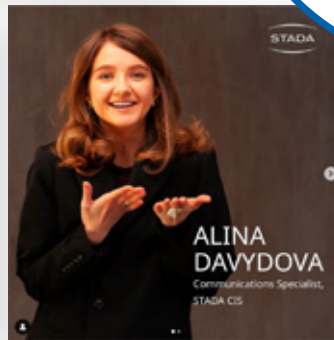


Women in  
Management Positions



Engagement Rate  
in the Global STADA  
Employee Survey

# Connected lik



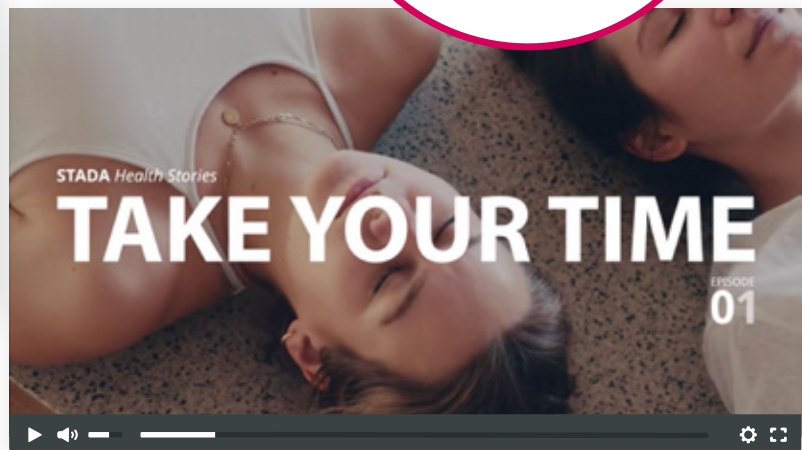
 

**Social Media Campaign: "Faces of STADA"**  
Let our leaders and employees talk to provide insights into the STADA company & culture.



**Caring People's as a Tr Part**

**Digital Campaign "Health Stories"**  
Position STADA as the healthcare partner via appealing format about people & health.





e never before



Caring for People's Health

**STADA TV Studio**  
Broadcasting events, kick-off STADA Health Report with live talk on LinkedIn, interviews & more.

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**Thank You Videos**  
Positive response to Covid-19 pandemic with well-received thank you videos for healthcare partners such as doctors, nurses and pharmacists.



# STADA KEY FIGURES

in € million	2020	2019	±%
<b>Key figures for the Group, adjusted for currency effects</b>			
Group sales	3,010.3	2,563.0	+18%
• Generics	1,645.3	1,523.3	+8%
• Branded Products	1,365.0	1,039.7	+31%
Operating profit (EBIT)	595.0	512.3	+16%
• Generics	398.6	387.8	+3%
• Branded Products	339.0	245.6	+38%
EBITDA	713.3	620.9	+15%
• Generics	455.5	441.8	+3%
• Branded Products	389.3	286.5	+36%
Adjusted for special items <sup>1)</sup> and currency effects <sup>2)</sup>			
<b>Reported key figures for the Group</b>			
Group sales	3,010.3	2,608.6	+15%
• Generics	1,645.3	1,534.7	+7%
• Branded Products	1,365.0	1,073.9	+27%
Operating profit (EBIT)	322.8	385.8	-16%
• Generics	331.1	345.8	-4%
• Branded Products	204.4	175.6	+16%
EBITDA	568.2	612.8	-7%
• Generics	423.7	436.2	-3%
• Branded Products	346.0	297.8	+16%
Gross profit <sup>3)</sup> from sales	1,599.5	1,422.1	+12%
Gross margin <sup>3)</sup>	53.1%	54.5%	-1.4 pp
Cash flow from operating activities	405.9	495.4	-18%
Investments <sup>3)</sup>	1,455.1	311.6	>+100%
Employees (average number – based on full-time employees)	12,301	10,626	+16%

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

2) The adjustment for currency effects is shown exclusively as an adjustment of the previous year. The adjustment for currency effects in financial year 2019 was carried out using the exchange rates of the reporting year. In addition, the key earnings figures are adjusted for realized and unrealized exchange rate effects in both the reporting year and the corresponding prior-year.

3) Investments were heavily influenced by the conclusion of acquisitions. In 2020, STADA made investments in the amount of €1,227.2 million for the acquisition of the Walmark Group, the Takeda product portfolio, the FERN-C product portfolio, the consumer healthcare product portfolio from GlaxoSmithKline, the product portfolio from Opti Pharm AG, the Orasept product portfolio as well as the Swedish Lobsor. In the previous year, investments were made for the acquisition of Biopharma in the amount of €46.3 million. Adjusted for the acquisitions listed above, investments in 2020 amounted to €227.9 million (-€37.4 million compared to the previous year).

**“ With STADA growing rapidly both organically and through acquisitions, integration plays a crucial role. ”**

**Benjamin Fischer**  
Head of Global  
Integration

”

**“ Efficient processes and resource allocation help us to deliver clarity. ”**

**Boris Döbler**  
Head of  
Global Financial Planning  
& Analysis

”

**“ We are strengthening and standardising processes across our facilities to improve efficiency. ”**

**Ana Passos**  
Head of Operations,  
Germany & Austria

”

**“ Through strong growth in Russia, STADA is earning its position as a trusted partner and an employer of choice. ”**

**Anna Kozlovskaya**  
Head of Communications, Russia/CIS

”

# STADA ANNUAL REPORT 2020

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# REPORT OF THE SUPERVISORY BOARD



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

## Ladies and Gentlemen,

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

### Excellent cooperation with the Executive Board and monitoring in challenging times

In financial year 2020, the Executive Board included Peter Goldschmidt as Chairman of the Executive Board, Dr. Wolfgang Ollig as Chief Financial Officer (from February 1, 2020) and Miguel Pagan Fernandez as Chief Technical Officer. The composition of the Supervisory Board remained unchanged in the reporting year.

With the exception of specific Supervisory Board issues, the members of the Executive Board regularly participated in the meetings of the Supervisory Board in financial year 2020. As in many other areas, the meetings had to be held as telephone and video conferences due to the Covid-19 pandemic. However, this prevented neither the Supervisory Board nor the Executive Board to maintain an intensive exchange which, as in the past, was professional and geared to the Company's success.

2020 was a highly demanding year for STADA, like for so many other companies worldwide. Faced with new challenges, the Group's over 12,300 employees stepped up to this situation, which was not comparable to anything experienced before.

Key topics between the Supervisory Board and the Executive Board were the business development of the Company and the Group, the fundamental alignment of the corporate strategy, the corporate planning of the Company and the Group as well as the position of the Company and the Group, but also especially the net assets and earnings situation. Another key topic which the Supervisory Board dealt with in the past year was the squeeze-out of STADA's minority shareholders in return for an appropriate cash compensation, which the Extraordinary General Meeting resolved on September 24, 2020 and which took effect on November 6, 2020 with entry in the Commercial Register.

The Supervisory Board talked regularly to the Executive Board about the financial and liquidity situation, considering especially the investment plans and corresponding financing in the Group, financing structures, refinancing strategies as well as the development of the debt-to-equity ratio.

The Supervisory Board discussed with the Executive Board measures for cost, tax and process optimization and also dealt with all relevant investments and acquisitions. In addition, the Executive Board briefed the Supervisory Board regularly, promptly and comprehensively on the risk situation, risk management, internal control systems and compliance-related questions.

Furthermore, the Supervisory Board and the Executive Board dealt with market structures, the development of demand, the competitive situation and the price, conditions and discount development as well as the development of market share of the Group and the relevant competitors. In addition, the Supervisory Board regularly gained an overview of the product development and product portfolio of the Group.

All employees together and yet everyone individually, from the supply chain employees up to management and the Executive Board, proved this year once again the strength of the One STADA spirit. Under extremely difficult conditions and in times characterized by the pandemic, STADA managed to evolve to an even more competitive Company. Proof of this are also the results and positive developments which form the basis for this Annual Report. The fact that STADA showed stronger growth in this environment than comparable companies in the industry is a good indicator of the professional cooperation between the Supervisory Board and the Executive Board.

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

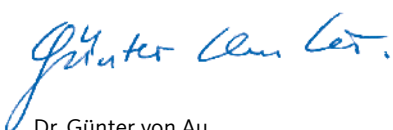
### **Annual and Consolidated Financial Statements, audit, Non-Financial Report**

The Annual Financial Statements of STADA Arzneimittel AG and the Consolidated Financial Statements as of December 31, 2020 as well as the Combined Management Report for STADA Arzneimittel AG and the Group for financial year 2020 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion. The Audit Committee awarded the audit contract on behalf of the Supervisory Board and determined the main areas for the audit with the auditor. The auditor issued a Statement of Independence to the Supervisory Board.

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 Combined Management Report for STADA Arzneimittel AG and the Group on financial year 2020. The Supervisory Board had at its disposal all the necessary documents and the auditors' reports, which were also the subject of extensive discussion with the auditors and the Executive Board during the balance sheet meeting. Following the final results of its own audit, the Supervisory Board raised no objections and approved the results of the audit. It approved the Annual Financial Statements and the Consolidated Financial Statements prepared by the Executive Board and audited by the auditor.

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

Bad Vilbel, March 10, 2021



Dr. Günter von Au  
Chairman of the Supervisory Board

“ We are transforming the way we collaborate with partners and customers in the UK. ”

**Mick Cox**  
Head of CHC, United Kingdom



“ Sharing best practice in the sense of One STADA is aiding our international consumer healthcare expansion. ”

**Claudia Schnepf**  
Head of CHC Brand Internationalisation



“ Aliud supports Germany’s healthcare system with high-quality, affordable generics. ”

**Ingrid Blumenthal**  
General Manager  
Aliud Pharma, Germany

“ Human Resources is supporting Entrepreneurship and Integrity across our organisation. ”

**Manfred Koch**  
Head of HR Germany





# COMBINED MANAGEMENT REPORT OF THE EXECUTIVE BOARD

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# FUNDAMENTAL INFORMATION ABOUT THE GROUP

## Introduction

Looking back at the STADA Group's 125-year tradition, the 2020 financial year, which was shaped by the Covid-19 pandemic, was one of the most demanding years in the Company's history. The past year brought special challenges for the entire pharmaceutical industry. But STADA reacted with resilience and the highest degree of agility possible to continuously ensure the supply of drugs.

Overall, 2020 was characterized by a volatile development of business activities and associated effects on the individual quarters. While the first quarter showed strong demand, among other things due to stockpiling by wholesalers, pharmacies and patients, development in the second and third quarters was characterized by purchasing restraint in the area of prescription generics and branded products, especially in the self-payer markets. Declining demand for generic prescription drugs resulted from fewer patient visits to doctors and hospitals during the pandemic. The decline in branded products in self-payer markets was based in particular on a significantly lower frequency of visits to pharmacies. The fourth quarter again saw stronger demand with corresponding positive effects on business development. Despite this unstable development, the Group grew faster than the market in the reporting year and expanded its market share.

During the pandemic, STADA took numerous measures at its sites worldwide in order to minimize the infection of employees with Covid-19. Overall, the Group showed with its highly diversified product portfolio that it can be successful even under difficult conditions. International business operations were maintained in particular in the areas of procurement, production and logistics and customers as well as patients were supplied with STADA products in all phases of the crisis. In accordance with STADA's purpose "Caring for people's health as a trusted partner", the Group thus achieved its primary goal of providing patients and consumers with essential medicines and other products, ensuring at the same time the well-being and safety of its employees, even under challenging conditions.

In financial year 2020, the STADA General Meeting resolved in accordance with Sections 327a ff. of the German Stock Corporation Act (AktG) to transfer the shares of the minority shareholders to Nidda Healthcare GmbH in return for an appropriate cash compensation. This so-called squeeze-out under stock corporation law became effective on November 6, 2020 with its entry into the commercial register. Since then, Nidda Healthcare GmbH has held 100% of outstanding STADA shares.

## Group's Business Model

### Orientation of the business model towards generics and branded products

STADA is an internationally-active health care Company organized as a stock corporation. The focus of its business activities is on the two segments Generics and Branded Products. In the reporting year, Generics had a share of approximately 55% and Branded Products approximately 45% of Group sales.

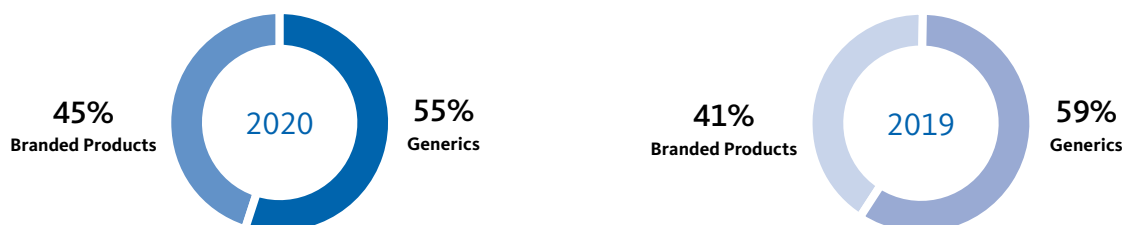
**Generics** represent the backbone of health care systems worldwide and give patients and their caregivers access to high-quality treatment options for a multitude of diseases. In comparison with the often significantly more expensive original products, generics are a more economical alternative and therefore make a significant contribution to the financial relief of health care systems. Generics continue to have relevant growth possibilities.

With the launch of Azacitidine and Fulvestrant, STADA further expanded the range of low-cost generic therapy options for oncologists and their patients. The A-to-Z portfolio of STADA's generic cancer therapies ranges from Anastrozole to ready-to-use Bortezomib and all the way to zoledronic acid.

At STADA, the **Branded Products** segment comprises in particular Consumer Healthcare brands (OTC and OTX) as well as prescription specialty pharmaceuticals (RX). The launch of locally successful branded products in additional international markets contributes, among other factors, to organic growth. In addition, the Branded Products portfolio is strengthened and expanded by acquisitions. So-called "local heroes" – regionally successful branded products – are growth drivers in this segment.

### Segments Generics and Branded Products

Share in %



While generics are marketed on the basis of competitive pricing and cost leadership, the sale of branded products focuses on product characteristics and, above all, on the recognition of the brand and trust in it. In doing so, the Group pursues the concept of so-called "strong brands", where brand awareness plays a major role.

In financial year 2020, development of both the Generics and the Branded segments was very successful. Reported sales for Generics increased by 7% to €1,645.3 million and sales for Branded Products rose by 27% to €1,365.0 million, also due to acquisitions. The Group is broadly diversified in both segments and, as a result, is extraordinarily resilient. Overall in the reporting year, the top 3 generic active ingredients and the top 3 branded products made up less than 20% of the respective segment sales.

### Operative positioning

The Group's operational positioning is based on a primary sales and earnings responsibility for the Generics and Branded Products segments by means of regional units to be able to react to country-specific market conditions. This positioning is supported by central Group functions such as product development, procurement, purchasing, production, quality management, finance, risk management, human resources (HR), legal, compliance and corporate governance.

## Management and Control

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

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

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

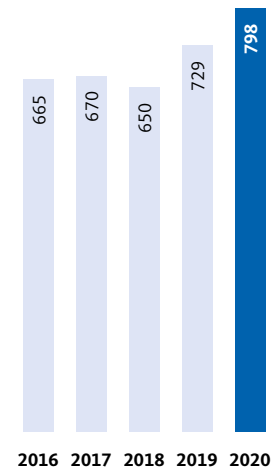
## Product Development

### Strategic orientation of development activities

One focus of the Group's development activities is on generics. So-called "specialties" are also developed in this area. These are generics which are particularly complex due to their technology or application form and the development of which is accordingly more expensive. In addition, the Group concentrates on branded products due to their growth potential. This includes development activities for branded products, particularly non-prescription medications, nutritional supplements and cosmetics.

An example of the successful development and launch of branded products is Nizoral® Care Scalp Tonic, which STADA introduced in the third quarter of 2020. This cosmetic product is a line extension of Nizoral® which was developed to protect and care for itchy and stressed scalp with a novel "SofTip" application. In addition, the Group was also able to continue innovations with Zoflora®, a brand of household disinfectant in the United Kingdom. In the course of 2020, a total of ten new variations were launched on the market. These included new fragrances and special products for households with pets. Zoflora® products combine long-lasting fragrance and effectiveness against 99.9% of bacteria and viruses, including the Covid-19 virus.

### 5-year development: Number of product launches



### High level of competence in development and regulatory

In financial year 2020, the Group once again demonstrated its strength in development and regulatory with the introduction of 798 individual products worldwide (previous year: 729). The fact that STADA has a well-stocked product pipeline is demonstrated by the more than 1,400 approval procedures for over 160 active pharmaceutical ingredients and combinations in more than 50 countries as of December 31, 2020. This includes all relevant generics as well as numerous branded products. In the reporting year, there were over 800 marketing authorization applications and more than 600 new marketing authorizations.

## Increasing expansion of the biosimilar portfolio

In light of the growth opportunities in the area of biosimilars, the Group is continuously expanding its biosimilar portfolio. This also includes the expansion of internal development expertise, aimed at leveraging these growth opportunities accordingly and growing further. STADA is currently on the market with two biosimilars – SILAPO<sup>®</sup>, a erythropoietin biosimilar, and Movymia<sup>®</sup>, a teriparatide biosimilar product. In addition, STADA has licensed further biosimilars that are currently in the development phase. Furthermore, there is a collaboration in place between STADA and XBrane Biopharma AB, a Swedish biosimilar company, for the joint development of a biosimilar ranibizumab and an option for additional biosimilars. Furthermore, there is an exclusive strategic partnership with Alvotech ehf, an international biopharmaceutical company, for the marketing of seven biosimilars in all European core markets and selected markets outside of Europe. This initially includes biosimilar candidates for the treatment of autoimmune diseases, cancer and inflammatory diseases as well as in the area of ophthalmology for patients throughout the world.

## Numerous cooperations and in-licensing for the further expansion of the product portfolio

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

In the second quarter of 2020, the Group announced that Bausch + Lomb, among the world's leading eye health business units of Bausch Health Companies Inc., had entered into an exclusive licensing agreement with STADA and its development partner XBrane Biopharma AB, a Northern European biosimilar developer, to commercialize a Lucentis (ranibizumab) biosimilar candidate under development in the US and Canada.<sup>1)</sup> The companies are seeking to maintain regulatory approval for all currently approved indications for Lucentis in both the United States and in Canada.

In addition, the Group completed more than 80 in-licensing deals in financial year 2020 for future product launches.

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

In the Branded Products segment, the Group's focus is, on the one hand, on the expansion of existing product lines. Two examples of this approach are Ladival<sup>®</sup> and Multilind<sup>®</sup>. On the other hand, STADA pursues the internationalization of successful branded products. In this regard, the Group is launching selected products in other markets that to date have been successful primarily at a regional level. For 2020, Zoflora<sup>®</sup>, Nizoral<sup>®</sup> Shampoo and Ladival<sup>®</sup> are notable examples.

## Procurement and Production

### Central needs planning and numerous international production sites

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

Overall, there were 20 production sites in the Group in the reporting year, with large sites in Serbia, Vietnam and the United Kingdom. For competitive reasons, a major share of the Group-wide production volume is manufactured in low-cost countries. STADA thus benefits from both structural cost advantages and lower costs per unit as a consequence of higher capacity utilization.

1) See the Company's press release of May 6, 2020.

### Ongoing investments

STADA continually invests in the Group’s own production facilities and test laboratories. Investments in the expansion and modernization of production sites and testing labs amounted to €42.5 million in financial year 2020 (previous year: €61.2 million).

## Sales and Marketing

### International Group structure with national-level sales companies

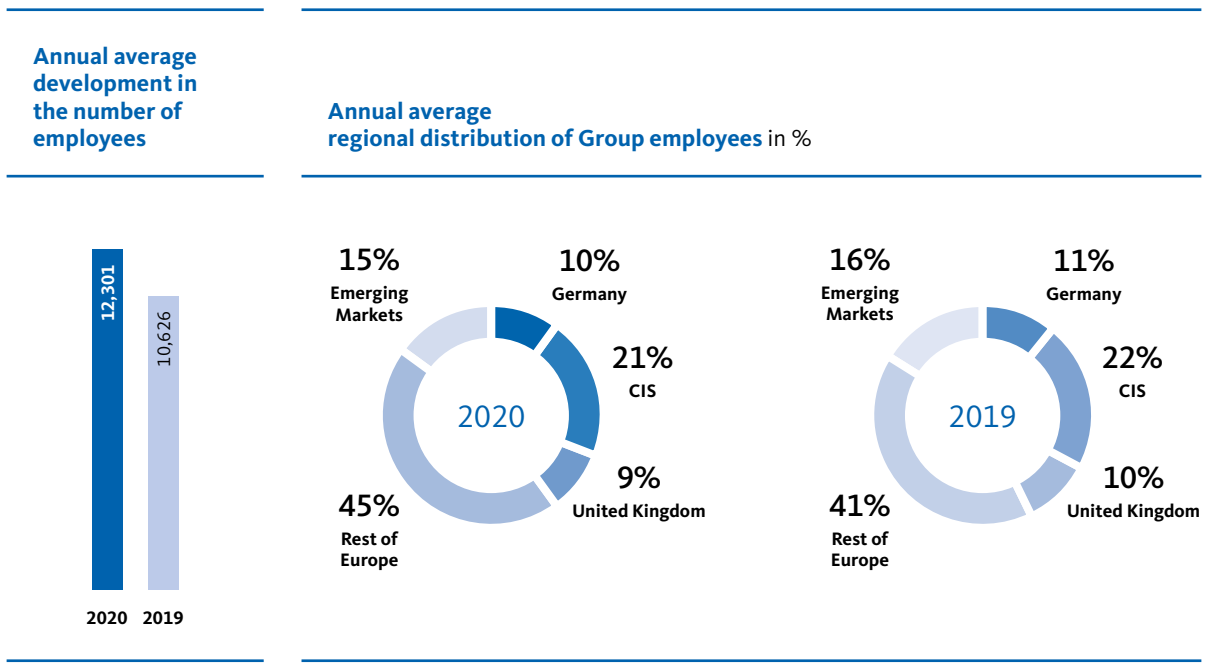
The STADA Group has an international sales structure made up of nationally focused sales companies. In accordance with the operational positioning, subsidiaries that are active in sales are organized centrally, but they nevertheless have a strong market proximity and thus also extraordinary sales strength. Including the export share, STADA sells its products in about 130 countries.

## Employees

### ONE STADA – global cooperation within the Group

STADA’s personnel policy is managed centrally by the Global Human Resources (HR) department at Group headquarters. Within this framework, the global functional areas “Talent Management”, “People Analytics” as well as “Compensation & Benefits” define the standards, guidelines and processes implemented by the international companies and supplemented in accordance with market-specific conditions. In view of a strong centrally managed international HR structure, there are also functional reporting lines from all local HR managers to the global HR management, as well as a global HR management team with local representatives from the largest market regions.

### Development in the number of employees



The average number of employees in the STADA Group increased in financial year 2020 by 16% to 12,301 (previous year: 10,626). The increase was mainly based on the initial consolidation of the Biopharma Group as of December 31, 2019 with approximately 290 employees, initial consolidation of the acquired Walmark Group in March 2020 with approximately 520 employees and the acquisition of the Takeda Portfolio including the takeover of approximately 420 employees, also in March 2020. In addition, in Serbia there was an internalizing of approximately 360 external employees as a result of a statutory change in April 2020. At the balance sheet date, the number of employees increased by 11% to 12,310 (previous year: 11,100). The increase was mainly attributable to the previously mentioned acquisitions of the Walmark Group and the Takeda portfolio as well as to the takeover of external employees in Serbia. Notwithstanding a further internationalization of the ONE STADA team, the Group continued to increase the number of employees in Germany in the reporting year.

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

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

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

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

## Objectives and Strategies

### Sustained profitable growth and long-term value enhancement also driven by STADA+

The significant goals of the STADA business model are to achieve sustained profitable growth and enhance Company value over the long term (see “Fundamental Information about the Group – Internal Management System”).

In this context, STADA consistently relies on the already existing five strategic pillars: leading marketing & sales capabilities, superior growth through pipeline acceleration, benchmark low-cost operating model, highly efficient and reliable supply chain as well as growth culture.

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#### Strategic Priorities

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**Leading marketing & sales capabilities**



**Superior growth through pipeline acceleration**



**Benchmark low-cost operating model**



**Highly efficient and reliable supply chain**



**Growth culture**

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The STADA+ initiative plays an important role in further strengthening the corporate growth strategy. Every employee has the opportunity to be an entrepreneur and submit a business case they developed themselves within the scope of this initiative.

The Group's corporate strategy focuses on increased investments in its core markets, new product launches, new marketing channels and efficiency enhancements in marketing & sales as well as general and administrative expenses. STADA also pursues targeted acquisitions to supplement organic growth and enters into worldwide strategic partnerships in the areas of development and production. The basic aim of these measures is to ensure that the Group continues to have a competitive product portfolio that generates sustainable growth also in the future.

## Internal Management System

In the reporting year, the key performance indicators of the divisions were the financial performance indicators **adjusted Group sales** and **EBITDA adjusted for special items**. Management of the change of adjusted Group sales and adjusted EBITDA occurred at the segment level. In principle, the adjustments are intended to achieve a better comparison of financial years.

In order to ensure the Company's sustained success, the relative change in **Group sales adjusted for currency and portfolio effects<sup>1)</sup>** played an important role as a performance indicator in financial year 2020. At STADA, **adjusted EBITDA<sup>2)</sup>**, which is used for management purposes, is understood as EBITDA adjusted for special items. Using this indicator, STADA measures its operational performance and the results of the individual segments, adjusted for impacts from special items that distort year-on-year comparisons. This includes income from associates and income from investments.

At the STADA Group, the financial performance indicators that are used for control purposes, i.e. for Group sales adjusted for currency and portfolio effects as well as EBITDA adjusted for special items were as follows:

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

1) Adjustment for currency effects is shown exclusively as an adjustment of the previous year. The currency adjustment for the 2019 financial year was carried out using the exchange rates for the reporting year.

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



Since January 1, 2021, the Executive Board has made use of the key performance indicators Group sales and EBITDA, adjusted in each case for special items and currency effects. The reason for modifying the performance indicators is that this allows the Group's growth and profitability, including the integration of the most recent acquisitions, to be managed without any dilution of the indicators caused by exchange rate developments. In addition, both performance indicators are now adjusted for the same effects, resulting in a harmonization of the management system.

## **Disclosures pursuant to Section 315b HGB**

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

# ECONOMIC REPORT

## Macroeconomic and Sector-Specific Environment

### Macroeconomic development

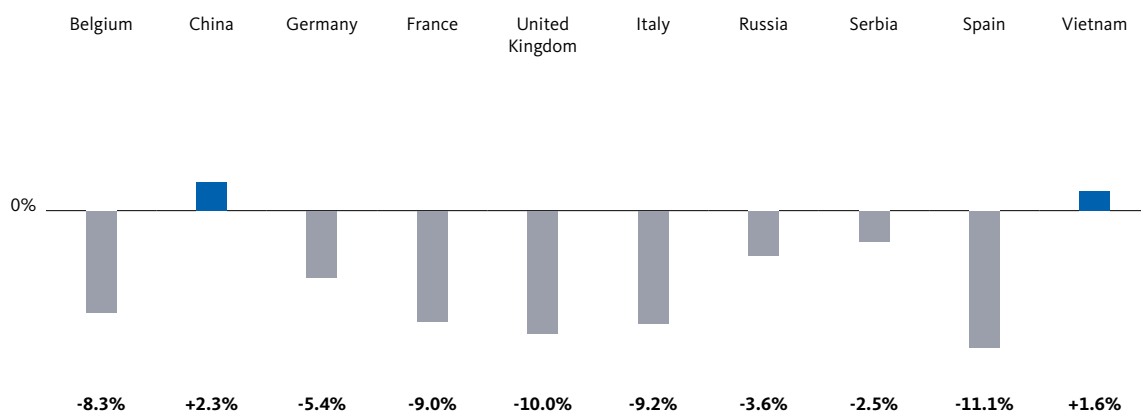
According to the calculations of the International Monetary Fund (IMF), the global economy in 2020 declined significantly compared to the previous year. While the growth rate for international gross domestic product still showed a plus of 3.0% in 2019, it was negative at 3.5% in 2020.<sup>1)</sup> Thus, the Corona crisis caused less economic damage worldwide than initially feared. Overall, the economic downturn in 2020 was by far the largest in decades and the pandemic posed major challenges to the global economy. Thanks to unprecedented economic stimulus packages and monetary policy support, major economies were able to cope with the consequences of the crisis better than expected.

Generally speaking, STADA is active in markets whose growth rates in gross domestic product in 2020 declined in line with the global economy. Regardless of this situation, the Group was able to record a positive business development and grow organically by 6% in a stagnating market and by a total of 18% when adjusted for currency effects and special items (see “Economic Report – General Statements of the Executive Board on the Course of Business in 2020”).

Despite a Covid-related weaker market environment, STADA achieved a currency adjusted EBITDA of +15% due to proactive profit & loss management as well as continuously high commitment throughout the Company (results of benchmark pulse survey).

The following chart shows economic development in selected countries.

**Growth rates for gross domestic product 2020<sup>1)</sup> in %**



1) Source: International Monetary Fund: World Economic Outlook January 2021.

## Sector-specific development

In financial year 2020, sales in the global generics market increased by approximately 0.5% to approximately €223.2 billion compared to the previous year.<sup>1)</sup> Generics thus had a share of approximately 21.0% of the international pharmaceutical market.<sup>1)</sup>

Sales of the global OTC market in 2020 increased by approximately 0.7% to approximately €68.3 billion compared to the previous year.<sup>1)</sup> The share of OTC products in the global pharmaceutical market was thus approximately 6.4%.<sup>1)</sup>

## Effects of the macroeconomic and sector-specific environment

The STADA Group is active in the health care market and therefore operates in a sector relatively unaffected by cyclical factors. In light of that, STADA's performance is generally less affected by international economic conditions than it is by the regulatory environment in each respective health care system. Over the course of the reporting year in the countries in which STADA is active, there were no significant changes in the health policy regulatory framework conditions that had a major impact on the Group's development.

Generally, there is a greater impact on STADA from economic factors in those countries that belong to so-called self-payer markets, because demand there also depends on the purchasing power of the population. This was particularly noticeable during the Covid-19 pandemic.

The Group considers the British pound, the Russian ruble, and the Serbian dinar as key national currencies with respect to the currency translation of sales and earnings in relation to the Group currency, the euro. In addition, the Kazakh tenge, the Swiss franc, the Ukrainian hryvnia and the Vietnamese dong are also of importance. The currency relations in other countries of relevance to STADA only have a minor impact in this regard. In financial year 2020, the decrease in value of the Russian ruble in relationship to the euro had a negative impact on earnings.

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

### Development of 2020 Compared to Outlook

In the Report on Expected Developments from the Annual Report 2019, the Executive Board anticipated further Group growth in financial year 2020 as compared with the previous year. In both segments, sales adjusted for currency and portfolio effects were expected to grow strongly and EBITDA adjusted for special items was expected to grow significantly. However, the outlook for the 2020 financial year published in the 2019 Annual Report could not yet take into account the impact of the Covid-19 pandemic. In the second quarter of 2020 it became apparent that the STADA Group's business development was being influenced by the pandemic. This particularly affected overall economic growth, including the development of the health-care market, with impacts on both the generics and OTC business. Therefore, based on the perspective at the time, the Executive Board assumed in the Interim Report on the First Six Months that the 2020 financial year would continue to be significantly affected by the Covid-19 pandemic. Notwithstanding this situation, the Executive Board aimed for growth in Group sales adjusted for currency and portfolio effects and EBITDA adjusted for special items in 2020.

With the development achieved in 2020, **Group sales adjusted for currency and portfolio effects** and **EBITDA adjusted for special items** defined on the basis of the previous year were in line with the forecast issued in the Annual Report 2019.

1) IQVIA Syndicated Analytics Service; prepared for STADA February 2021.

## Development of Financial Performance Indicators

### Financial performance indicators for the STADA Group

The development of financial performance indicators for the STADA Group in the reporting year was as follows:

Financial performance indicators in € million	2020	2019 <sup>1)</sup>	±%
<b>Group sales adjusted for currency and portfolio effects</b>	<b>2,694.9</b>	<b>2,554.4</b>	<b>+6%</b>
• Generics	1,620.6	1,518.5	+7%
• Branded Products	1,074.3	1,035.9	+4%
<b>EBITDA adjusted for special items</b>	<b>688.3</b>	<b>629.9</b>	<b>+9%</b>
• Generics	457.4	439.3	+4%
• Branded Products	377.5	298.0	+27%

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

## Results of Operations – Sales Development of the Group

### Increase in reported and adjusted Group sales

**Reported Group sales** increased in financial year 2020 by 15% to €3,010.3 million (previous year: €2,608.6 million). This development was mainly due to sales increases as a result of the acquisitions made in the Branded Products segment. In addition the positive sales development in the European and German generics segment as well as in the Russian, European and British branded products segment also made a contribution. **Group sales adjusted for special items** also increased by 15% to €3,010.3 million (previous year: €2,608.6 million).

Due to acquisitions, which were based on sales contributions from the acquired product portfolios as well as the acquired Walmark group, **portfolio changes** in the reporting year totaled €315.4 million. **Portfolio reductions** that resulted from sales contributions from the sold Slam Group and the Argentinian company Laboratorio Vannier S.A. amounted to only €8.6 million in 2019. As a net figure for both financial years, portfolio changes thus amounted to 12.0 percentage points. **(Organic) Group sales adjusted for special items and currency and portfolio effects** and corresponds to **Group sales adjusted for currency and portfolio effects** and increased by 6% to €2,694.9 million (previous year: €2,554.4 million). Given this organic sales increase, which was clearly above market growth of 1%, the Group managed to gain market share and further increase its competitiveness.

Applying the exchange rates for financial year 2020 compared to those for financial year 2019 for the translation of local sales contributions into the Group currency, the euro, STADA showed a negative **currency effect** in the amount of €45.6 million or an adjustment of previous year's sales by -2.1 percentage points. Currency developments thus had only a marginal impact on the operating business.

1) In the past, the additional depreciation, amortization and other valuation effects adjusted as special items due to purchase price allocations and significant product acquisitions were adjusted in relation to the base year 2013. In the reporting year, a change was made to the effect that all additional depreciation, amortization and valuation effects with an impact on the financial year are adjusted, which is why the corresponding comparative figures for the previous year were also adjusted. This applies to all key figures adjusted for special effects in this Annual Report.

In financial year 2020, the development of national currencies of greatest relevance to STADA – the British pound, Russian ruble and Serbian dinar – relative to the Group currency euros was as follows compared to the previous year:

Important currency relations in the national currency to 1 euro	Closing rate December 31 in local currency			Average rate for the reporting period		
	2020	2019	±%	2020	2019	±%
British pound	0.89903	0.85208	-6%	0.88921	0.87724	-1%
Russian ruble	91.46710	69.27810	-32%	82.64544	72.45524	-14%
Serbian dinar	117.58020	117.59280	0%	117.57759	117.86094	0%

In terms of percentage changes compared with the previous year, a depreciation of the respective national currency is shown in the table with a minus sign, while an appreciation is shown with a plus sign.

As a result, the British pound and the Russian ruble depreciated as of the reporting date December 31, 2020 and in reporting year 2020. The Russian ruble's foreign exchange share in Group sales amounted to less than 15% in 2020, the shares of the British pound and the Serbian dinar were clearly below that figure.

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

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

## Results of Operations – Earnings Development of the Group

### Good organic growth and market share gains

In the financial year, the STADA Group achieved good organic growth and gained further market share. Reported earnings figures were heavily burdened by one-time special items.

**Reported operating profit** decreased by 16% to €322.8 million in 2020 (previous year: €385.8 million). **Operating profit adjusted for special items** increased by 10% to €570.0 million (previous year: €519.4 million). The opposing developments between reported operating profit, operating profit (EBIT) adjusted for special items and operating profit adjusted for special items and currency and portfolio effects were due in particular to provisions for damages and foreign exchange expenses in connection with the granting of a loan for the acquisition of the Takeda product portfolio, both of which were adjusted as special items. The positive development of operating profit adjusted for special items was mainly attributable to sales increases in the German and European generics segment, in the Russian, British and European branded products segment, to earnings contributions of the acquisitions made as well as cost savings realized. Overall, the reporting year and the previous year comprised significant transformation and integration expenses, which burdened profit and which were not adjusted. Transformation expenses included, among other things, expenses in connection with IT infrastructure. Integration expenses encompassed restructuring costs and the ancillary costs for the acquisitions made in 2020.

**Reported EBITDA** showed a decrease of 7% to €568.2 million (previous year: €612.8 million). **EBITDA adjusted for special items** increased by 9% to €688.3 million (previous year: €629.9 million). The respective developments resulted in particular from the reasons already described above for reported operating profit and adjusted operating profit.

## Effect of special items on earnings

In **financial year 2020**, the Group registered a negative effect on earnings of €247.2 million before taxes or a negative effect on earnings of €214.6 million after taxes as a result of **special items**. The following overview shows the reconciliation of the reported financial performance indicators and other significant earnings figures of the STADA Group to those adjusted for special items:

in € million <sup>1)</sup>	2020 reported	Impairments/write-ups on non-current assets	Effects from purchase price allocations and product acquisitions <sup>2)</sup>	Effects from deconsolidation <sup>3)</sup>	Exchange rate expenses <sup>4)</sup>	Provisions for damages/ other	2020 adjusted for special items
<b>Operating profit</b>	<b>322.8</b>	<b>33.7</b>	<b>97.0</b>	<b>13.4</b>	<b>54.1</b>	<b>49.0</b>	<b>570.0</b>
Result from investments measured at equity	0.1	-	-	-	-	-	0.1
Investment income	0.0	-	-	-	-	-	0.0
<b>Earnings before interest and taxes (EBIT)</b>	<b>322.9</b>	<b>33.7</b>	<b>97.0</b>	<b>13.4</b>	<b>54.1</b>	<b>49.0</b>	<b>570.1</b>
Financial income and expenses	102.4	-	-	-	-	-	102.4
<b>Earnings before taxes (EBT)</b>	<b>220.5</b>	<b>33.7</b>	<b>97.0</b>	<b>13.4</b>	<b>54.1</b>	<b>49.0</b>	<b>467.7</b>
Income taxes	38.6	2.3	13.5	-	10.8	3.9	69.0
Result distributable to non-controlling shareholders	14.6	0.0	2.1	-	-	-	16.7
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income)</b>	<b>167.3</b>	<b>31.4</b>	<b>81.4</b>	<b>13.4</b>	<b>43.3</b>	<b>45.1</b>	<b>381.9</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>322.9</b>	<b>33.7</b>	<b>97.0</b>	<b>13.4</b>	<b>54.1</b>	<b>49.0</b>	<b>570.1</b>
Balance from depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	245.3	-33.7	-93.3	-	-	-	118.2
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>568.2</b>	<b>-</b>	<b>3.6</b>	<b>13.4</b>	<b>54.1</b>	<b>49.0</b>	<b>688.3</b>

1) As a result of the presentation in € millions, deviations due to rounding may occur in the tables.

2) In the past, the additional depreciation, amortization and other valuation effects adjusted as special items due to purchase price allocations and significant product acquisitions were adjusted in relation to the base year 2013. In the reporting year, a change was made to the effect that all additional depreciation, amortization and valuation effects with an impact on the financial year are adjusted, which is why the corresponding comparative figures for the previous year were also adjusted. This applies to all adjusted key figures for financial years 2020 and 2019 in this Annual Report.

3) Effects from the deconsolidation of the British Slam companies and the Argentinian Laboratorio Vannier as a result of their sale.

4) Exchange rate expenses in connection with a loan for the acquisition of the Takeda product portfolio.

In **financial year 2019, special items** resulted in a net burden on earnings of €133.6 million before taxes and €118.6 million after taxes. Reconciliation of reported financial performance indicators and other significant STADA Group earnings figures to those adjusted for special items was as follows:

in € million <sup>1)</sup>	2019 reported	Impairments/ write-ups on non-current assets	Effects from purchase price allocations and product acquisitions <sup>2)</sup>	Severance payments	2019 adjusted for special items
<b>Operating profit</b>	<b>385.8</b>	<b>66.5</b>	<b>52.8</b>	<b>14.3</b>	<b>519.4</b>
Result from investments measured at equity	0.0	-	-	-	0.0
Investment income	0.0	-	-	-	0.0
<b>Earnings before interest and taxes (EBIT)</b>	<b>385.8</b>	<b>66.5</b>	<b>52.8</b>	<b>14.3</b>	<b>519.4</b>
Financial income and expenses	45.1	-	-	-	45.1
<b>Earnings before taxes (EBT)</b>	<b>340.7</b>	<b>66.5</b>	<b>52.8</b>	<b>14.3</b>	<b>474.4</b>
Income taxes	26.9	3.7	7.4	0.1	38.1
Result distributable to non-controlling shareholders	11.1	0.3	3.5	-	14.9
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income)</b>	<b>302.7</b>	<b>62.5</b>	<b>41.9</b>	<b>14.2</b>	<b>421.3</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>385.8</b>	<b>66.5</b>	<b>52.8</b>	<b>14.3</b>	<b>519.4</b>
Balance from depreciation/amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	227.0	-66.5	-50.0	-	110.5
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>612.8</b>	<b>-</b>	<b>2.8</b>	<b>14.3</b>	<b>629.9</b>

The following tables show further key earnings figures of the STADA Group and the resulting margins, on both a reported and adjusted basis for 2020 and for the previous year.

### Development of the STADA Group's earnings figures (adjusted for special items<sup>3)</sup>)

in € million	2020	2019	±%
Operating profit	570.0	519.4	+10%
• Generics	400.4	384.7	+4%
• Branded Products	327.3	255.9	+28%
Operating profit margin <sup>4)</sup>	18.9%	19.9%	
• Generics	24.3%	25.1%	
• Branded Products	24.0%	23.8%	
EBITDA	688.3	629.9	+9%
• Generics	457.4	439.3	+4%
• Branded Products	377.5	298.0	+27%
EBITDA margin <sup>4)</sup>	22.9%	24.1%	
• Generics	27.8%	28.6%	
• Branded Products	27.7%	27.7%	

1) As a result of the presentation in € millions, deviations due to rounding may occur in the tables.

2) In the past, the additional depreciation, amortization and other valuation effects adjusted as special items due to purchase price allocations and significant product acquisitions were adjusted in relation to the base year 2013. In the reporting year, a change was made to the effect that all additional depreciation, amortization and valuation effects with an impact on the financial year are adjusted, which is why the corresponding comparative figures for the previous year were also adjusted. This applies to all adjusted key figures for financial years 2020 and 2019 in this Annual Report.

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

4) Based on relevant Group sales adjusted for special items.

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

in € million	2020	2019	±%
Operating profit	322.8	385.8	-16%
• Generics	331.1	345.8	-4%
• Branded Products	204.4	175.6	+16%
Operating profit margin <sup>1)</sup>	10.7%	14.8%	
• Generics	20.1%	22.5%	
• Branded Products	15.0%	16.4%	
EBITDA	568.2	612.8	-7%
• Generics	423.7	436.2	-3%
• Branded Products	346.0	297.8	+16%
EBITDA margin <sup>1)</sup>	18.9%	23.5%	
• Generics	25.8%	28.4%	
• Branded Products	25.3%	27.7%	

### Income statement and cost development

**Cost of sales** in the reporting year rose to €1,510.5 million (previous year: €1,239.2 million). This development was mainly based on increased sales, increased depreciation due to purchase price allocations, increased procurement costs arising from the Covid-19 pandemic as well as a changed product mix. Overall, cost of sales developed at a disproportionately higher rate than sales. The **cost of sales ratio** thus increased to 50.2% (previous year: 47.5%).

**Gross profit** increased to €1,499.9 million (previous year: €1,369.3 million). The gross margin decreased to 49.8% (previous year: 52.5%) – due to higher scheduled depreciation and amortization as well as measurement effects as a consequence of acquisitions made in 2020 and higher procurement costs resulting from the Covid-19 pandemic.

**Selling expenses** increased to €651.1 million (previous year: € 581.6 million), but at a lower rate than the increase in sales and mainly due to the acquisitions made. The selling expenses ratio was 21.6% (previous year: 22.3%).

**General and administrative expenses** increased to €231.1 million (previous year: €214.8 million). The increase was partly due to the acquisitions that were made.

**Research and development expenses** were €84.9 million (previous year: €72.8 million). The sales-related ratio of research and development expenses was 2.8% (previous year: 2.8%).

Development costs reported by STADA include non-capitalized development costs, which consist mainly of costs associated with regulatory requirements and the optimization of existing products. This cost item does not include payments for the development of new products, since STADA usually capitalizes these costs. Development costs for new products of €18.4 million were capitalized in financial year 2020 (previous year: €20.4 million). This corresponds to a capitalization rate of 17.8% (previous year: 21.9%). This amount does not include capitalized borrowing costs and the capitalization of software totaling €4.7 million (previous year: €4.6 million).

1) Based on relevant reported Group sales.



**Other income** decreased to €28.8 million (previous year: €42.7 million). The decrease was due to lower income from write-ups, among other factors.

**Other expenses** increased to €238.7 million (previous year: €157.0 million). The increase resulted in particular from the establishment of provisions for damages, increased exchange rate expenses, primarily in connection with a loan for the acquisition of the Takeda product portfolio as well as expenses from deconsolidations in connection with the sale of the British subsidiaries Slam Trading Limited and LAS Trading Limited and the Argentinian subsidiary Laboratorio Vannier.

**Financial income** decreased to €1.9 million (previous year: €3.6 million). Relatively high earnings in the previous year resulted primarily from the accrued interest on the purchase price receivable for STADA Vietnam J.V. Co. Ltd., which was finally sold in the previous year.

**Financial expenses** increased to €104.3 million (previous year: €48.6 million), in particular due to increased financial liabilities in connection with the acquisitions made.

The **financial result**, which is composed primarily of financial income and financial expenses, amounted to -€102.3 million (previous year: -€45.1 million). The largest operative-related individual item in this regard was the interest expense in the amount of €104.3 million (previous year: €48.6 million).

In financial year 2020, STADA Arzneimittel AG was financed at interest rates between 1.01% p.a. and 3.50% p.a. (previous year: 1.01% p.a. and 3.50% p.a.). In addition, the Group financed itself at interest rates of between 0.85% p.a. and 10.19% p.a. (previous year: 1.01% p.a. and 69.15% p.a.), whereby the high interest rate in the previous year was due to the company Laboratorio Vannier in Argentina which was deconsolidated in 2020 and the carrying amounts of which are not material for the Group as a whole. As of the reporting date December 31, 2020, the weighted average interest rate for non-current financial liabilities was approximately 3.84% p.a. (December 31, 2019: approximately 3.07% p.a.). As of the reporting date, the average weighted interest rate for current financial liabilities amounted to approximately 4.27% p.a. (December 31, 2019: 8.00% p.a.). The average weighted interest rate for all Group financial liabilities amounted to 3.87% p.a. as of December 31, 2020 (December 31, 2019: approximately 3.22% p.a.).

Expenses from **income taxes** showed an increase to €38.6 million in the reporting year (previous year: €26.9 million). The reported tax rate was 17.5% (previous year: 7.9%). The tax rate adjusted for was 14.8% (previous year: 8.0%).

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

**Reported sales** and sales adjusted for special items for the **Generics** segment increased by 7% to €1,645.3 million in financial year 2020 (previous year: €1,534.7 million). **Sales** of the **Generics** segment **adjusted for special items and currency and portfolio effects** also showed an increase of 7% to €1,620.6 million (previous year: €1,518.5 million). The respective developments were mainly attributable to sales increases in Belgium, Germany, France and Switzerland. The acquired product portfolio of Opti Pharm also contributed to the positive development of reported generics sales in the Swiss market. Generics had a 54.7% share in Group sales (previous year: 58.8%).

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

In **Europe**, sales generated with generics rose by 9% to €1,062.2 million (previous year: €978.9 million). The main growth drivers in this regard were the sales increases in Belgium, France and Switzerland - in particular as a result of positive volume effects as well as the previously mentioned sales contribution from the acquired Opti Pharm product portfolio.

In **Germany**, sales of generics increased by 4% to €341.3 million (previous year: €328.5 million). The increase was mainly attributable to positive volume effects, sales contributions from new product launches and reduced sales deductions.

In **CIS**, currency-adjusted sales generated with generics increased by 12%. In light of the depreciation of the ruble, sales in euro were at the prior-year level of €96.1 million (previous year: €96.1 million).

In the reporting year, STADA achieved sales amounting to €169.0 million with products that contain the Group's top three active pharmaceutical ingredients in terms of sales (previous year: €144.9 million). These products thus had a 10.3% share of sales in the Generics segment (previous year: 9.4%).

**Reported operating profit** in the **Generics** segment registered a decrease in 2020 of 4% to €331.1 million (previous year: €345.8 million). **Reported EBITDA** for **Generics** decreased by 3% to €423.7 million (previous year: €436.2 million). Both developments were based in particular on a provision for damages and the deconsolidation of the Argentinian company Laboratorio Vannier. The reported operating profit margin in the Generics segment amounted to 20.1% (previous year: 22.5%). The reported EBITDA margin for Generics was 25.8% (previous year: 28.4%).

**Operating profit adjusted for special items** for **Generics** increased in the reporting period by 4% to €400.4 million (previous year: €384.7 million). **EBITDA adjusted for special items** for **Generics** increased by 4% to €457.4 million (previous year: €439.3 million). The respective developments were due to sales increases in the German and European generics segment. The operating profit margin of Generics adjusted for special items was 24.3% (previous year: 25.1%). The EBITDA margin of Generics, adjusted for special items was 27.8% (previous year: 28.6%).

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

**Reported sales** and sales adjusted for special items for the **Branded Products** segment increased by 27% to €1,365.0 million in the reporting year (previous year: €1,073.9 million). **Sales adjusted for special items as well as currency and portfolio effects** in the **Branded Products** segment showed an increase of 4% to €1,074.3 million (previous year: €1,035.9 million). In addition to the acquisitions, on which the growth in reported sales and sales adjusted for special effects was mainly based, these developments were attributable in particular to increased sales in Russia and in the United Kingdom. Branded Products contributed 45.3% to Group sales (previous year: 41.2%).

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

Currency-adjusted sales generated with branded products increased in **CIS** by 99% – mainly as a result of sales growth in the Russian market. This development was mainly based on sales contributions from the acquired Takeda product portfolio and, to a limited extent, from positive volume effects. In light of the depreciation of the ruble, sales in euro increased to by 74% to €407.0 million (previous year: €233.6 million).

Sales generated with branded products increased in **Europe** by 43% to €390.6 million (previous year: €274.0 million). Sales contributions from the acquired Walmark Group and the acquired product portfolio from GlaxoSmithKline were the primary contributors to this development.

In the **United Kingdom**, currency-adjusted sales generated with branded products showed an increase of 14%. The increase in sales was mainly attributable to positive volume effects and to sales contributions from the acquired product portfolio from GlaxoSmithKline. In light of the depreciation of the British pound, sales in euro rose by 12% to €246.0 million (previous year: €219.6 million).

Sales generated with branded products decreased in **Germany** by 24% to €176.2 million (previous year: €232.4 million). This development was mainly based on a weak flu season as well as decreased demand for common cold products and sun protection products.

In the reporting year, STADA achieved sales of €208.3 million from the Group's top three branded products in terms of sales (previous year: €194.4 million). These products thus contributed 15.3% to sales in the Branded Products segment (previous year: 18.1%).

**Reported operating profit for Branded Products** increased in 2020 by 16% to €204.4 million (previous year: €175.6 million). **Reported EBITDA for Branded Products** also increased by 16% to €346.0 million (previous year: €297.8 million). The increases resulted from the positive development in Russia as a result of the acquisitions made as well as positive developments in Europe and the United Kingdom. The reported operating profit margin in the Branded Products segment amounted to 15.0% (previous year: 16.4%). The reported EBITDA margin for Branded Products was 25.3% (previous year: 27.7%).

**Operating profit adjusted for special items in Branded Products** registered an increase in the reporting year of 28% to €327.3 million (previous year: €255.9 million). **EBITDA adjusted for special items for Branded Products** increased by 27% to €377.5 million (previous year: €298.0 million). The respective developments were based primarily on the reasons already listed for the reported earnings figures in the Branded Products segment. In addition, the reported earnings figures of the Branded Products segment were impacted by provisions for damages, which were adjusted as a special item. The operating profit margin of Branded Products adjusted for special items was 24.0% (previous year: 23.8%). The EBITDA margin of Branded Products, adjusted for special items was 27.7% (previous year: 27.7%).

## Financial Position

### Stable financial position

The financial position of the STADA Group in financial year 2020 was stable. This is demonstrated both by several items in the cash flow statement and by a variety of indicators that are presented in various parts of this chapter, including liquidity analysis.

### Principles and goals of STADA financial management

In terms of financing strategy, the Group focused on providing for financial flexibility in the reporting year. In this context, STADA covered its financing needs through loans from Nidda, promissory note loans, a bond and factoring.

The Group reduced financial risks to the extent possible via natural hedging and derivative financial instruments. In principle, STADA did not issue or hold derivative financial instruments for speculative purposes in 2020. The "Opportunities and Risk Report" contains details on managing individual financial risks.

## Financing structure

The financing in the nominal amount of €2,734.5 million as of December 31, 2020 was comprised of the following:

Financial instruments in € million	Nominal value	Maturity
Promissory note loans	41.5	April 26, 2021
Bond	267.4	April 8, 2022
Promissory note loans	7.0	April 26, 2023
	<b>315.9</b>	
Further bank loans	286.0	rolling
<b>Total financial liabilities</b>	<b>601.9</b>	
Loan from Nidda Healthcare Holding GmbH	2,132.6	
<b>Total financing</b>	<b>2,734.5</b>	

On December 20, 2018, STADA reported that it and certain of its significant subsidiaries – in line with the instruction received from Nidda – had granted certain in rem security to secure capital market liabilities and other debt financing which is borrowed and/or guaranteed by Nidda and its associates.<sup>1)2)</sup> The grant of such in rem security gave the right for holders of the STADA €300,000,000 1.75% fixed rate notes due 2022 to demand repayment of their principal and accrued interest on such STADA Notes. On January 8, 2019, STADA published the relevant tender offer, whose final expiration date was June 19, 2019.<sup>3)</sup> On June 21, 2019, STADA announced that under the tender offer, since its announcement on January 8, 2019, bonds in a nominal amount of €6,676,000 had been repurchased.<sup>3)</sup>

To refinance the Group, there was a corporate bond with a nominal value of €267.4 million as of Dec. 31, 2020 (December 31, 2019: €267.4 million) and an interest rate of 1.75% p.a. In addition, as of the balance sheet date, the Group held promissory note loans with a total nominal value of €48.5 million (December 31, 2019: €48.5 million) and further bank loans in the amount of €286.0 million (December 12, 2019: €40.1 million).

In the reporting year, STADA Arzneimittel AG was financed at interest rates between 1.01% p.a. and 3.50% p.a. (previous year: 1.01% p.a. and 3.50% p.a.). In addition, the Group financed itself at interest rates of between 0.85% p.a. and 10.19% p.a. (previous year: 1.01% p.a. and 69.15% p.a.), whereby the high interest rate in the previous year was due to borrowings attributable to the company Laboratorio Vannier in Argentina, which was deconsolidated in 2020 and the carrying amounts of which are not material for the Group as a whole. As of December 31, 2020, the weighted average interest rate for non-current financial liabilities was approximately 3.84% p.a. (December 31, 2019: approximately 3.07% p.a.). As of the reporting date, the average weighted interest rate for current financial liabilities amounted to approximately 4.27% p.a. (December 31, 2019: 8.00% p.a.). The average weighted interest rate as of December 31, 2020 for all Group financial liabilities amounted to approximately 3.87% p.a. (December 31, 2019: approximately 3.22% p.a.).

The following table shows how the financial liabilities in the STADA Group were structured as of the balance sheet date:

Current remaining terms of financial liabilities as of Dec. 31, 2020 in k €	<1 year	1–3 years	3–5 years	>5 years	Total	thereof as of
						Dec. 31, 2020 > 1 year in %
Promissory note loans	41,491	6,992	–	–	48,483	14%
Bond	–	266,946	–	–	266,946	100%
Amounts due to banks	106,518 <sup>4)</sup>	178,116	–	–	284,634	63%
Amounts due to shareholders	–	–	2,128,943	–	2,128,943	100%
<b>Total</b>	<b>148,009</b>	<b>452,054</b>	<b>2,128,943</b>	<b>–</b>	<b>2,729,006</b>	<b>95%</b>

1) See the Company's press release of December 20, 2018.

2) This collateral security was maintained as usual as part of the follow-up financing in financial years 2019 and 2020.

3) See [www.stada.de/investor-relations/anleihen/anleihe-2015/disclaimer.html](http://www.stada.de/investor-relations/anleihen/anleihe-2015/disclaimer.html).

4) A portion of the liabilities to banks reported as of December 31, 2020 with a remaining term of up to 1 year was extended in February 2021 with maturity in February 2023.

## Liquidity analysis

Company liquidity was secured at all times in financial year 2020. It was based primarily on cash inflows from operating activities as well as the borrowing of funds. Cash inflows from operating activities were affected by the profitability of business activities and the net working capital, in particular receivables. In the reporting year, STADA had borrowings from Nidda, promissory note loans, a bond and factoring available for financing.

## Cash flow analysis

Cash flow statement (abridged) in k €	2020	2019 <sup>1)</sup>
Cash flow from operating activities	405,890	495,404
Cash flow from investing activities	-1,225,343	-264,988
<b>Free cash flow</b>	<b>-819,453</b>	<b>230,416</b>
Cash flow from financing activities	886,509	-368,021
Non-cash changes to cash and cash equivalents	-7,094	-150
<b>Cash flow</b>	<b>59,962</b>	<b>-137,755</b>

**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 €405.9 million in the reporting year (previous year<sup>1)</sup>: €495.4 million). This development was mainly based on increased cash outflows from working capital, especially for inventories and trade accounts receivable. Among other things, this resulted from the acquisitions made in financial year 2020. There were also higher income tax payments than in the previous year.

**Cash flow from investing activities**, which includes cash outflows for investments reduced by the inflows from disposals, amounted to -€1,225.3 million in the reporting year (previous year: -€265.0 million).

The cash flow from investing activities was influenced in financial year 2020 in particular by payments for significant investments in intangible assets for the expansion of the product portfolio in the amount of €407.8 million. Of this amount, €313.1 million was attributable to the acquisition of the branded product portfolio in more than 40 countries for various therapeutic areas from GlaxoSmithKline. Within the scope of business combinations, there were net payments made from the acquisition of the Czech Walmark Group, the acquisition of pharmaceutical products from the Takeda Group with associated processes (including VAT) as well as the acquisition of the Swedish Lobsor Pharmaceuticals in the amount of €731.1 million.

In 2020, STADA thus spent a total of €1,138.9 million for **acquisitions** – as part of business combinations in accordance with IFRS 3 and significant investments in intangible assets for the expansion of the product portfolio (previous year: €182.6 million). This primarily included the product portfolios of Takeda and GlaxoSmithKline as well as the companies Walmark and Lobsor Pharmaceuticals.

**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 expansion of the product portfolio, amounted to €25.4 million in the reporting year (previous year: €26.6 million). These comprise, in particular, individual insignificant payments for the development and acquisition of approvals or approval dossiers.

1) The previous year's figures were adjusted in accordance with IAS 8 as part of a change in presentation for interest paid. Presentation of interest paid no longer occurs within cash flow from operating activities, but in cash flow from financing activities.

**Payments for investments in property, plant and equipment** in 2020 amounted to €64.7 million (previous year: €82.7 million). This also includes investments in production sites, manufacturing facilities and test laboratories, mainly in the United Kingdom and Serbia, for which additions amounting to a total of €42.5 million were recorded in 2020 (previous year: €61.2 million).

Payments for **investments in financial assets** in the reporting year were €1.1 million (previous year: €4.5 million).

As a result of **disposals**, STADA recorded an inflow of payments totaling €4.8 million in cash flow from investing activities in financial year 2020 (previous year: €31.5 million). Payments from the disposal of shares in consolidated companies and from the disposal of non-current assets held for sale resulted in the reporting year from the sale of the Argentinian company Laboratorio Vannier and the British companies Slam Trading Limited and LAS Trading Limited.

**Cash flow from financing activities** in 2020 were €886.5 million (previous year<sup>1)</sup>: -€368.0 million). This development was primarily due to high borrowings, mainly resulting from loans granted to STADA by Nidda Healthcare Holding GmbH. Offsetting cash outflows resulted from the repayment of financial liabilities, in particular for loans granted by Nida Healthcare Holding GmbH, as well as from the settlement of liabilities existing for financial year 2019 under the domination and profit and loss transfer agreement with Nidda Healthcare GmbH. In addition, significant payments resulted from the change in minority interests in connection with further share acquisitions in the Vietnamese subsidiary Pymepharco. Furthermore, interest paid has also been reported in cash flow from financing activities since the 2020 financial year. The figures from the previous year have been adjusted accordingly.

**Free cash flow**, i.e. cash flow from ongoing operating activities plus cash flow from investing activities, was -€819.5 million in the reporting year (previous year<sup>1)</sup>: €230.4 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals was €319.7 million (previous year<sup>1)</sup>: €388.2 million).

**Cash flow** for financial year 2020 net of all inflows and outflows from cash flow from operating activities, cash flow from investing and financing activities as well as changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation amounted to €60.0 million (previous year: -€137.8 million).

## Investments

Investment volume for the Group in the reporting year amounted to €1,455.1 million (previous year: €311.6 million). In this regard, investments in property, plant and equipment (not including rights of use in accordance with IFRS 16) totaled €89.8 million (previous year: €97.1 million). In relation to Group sales, the share of investments in property, plant and equipment amounted to 4.3% (previous year: 4.2% of Group sales). Investments in intangible assets were €1,324.4 million (previous year: €195.6 million). Of this amount, €881.7 million was based on business combinations in accordance with IFRS 3 (previous year: €28.3 million). In 2020, 9% of the total investment volume was used for property, plant and equipment (previous year: 35%) and 91% for intangible assets (previous year: 63%).

1) The previous year's figures were adjusted in accordance with IAS 8 as part of a change in presentation for interest paid. Presentation of interest paid no longer occurs within cash flow from operating activities, but in cash flow from financing activities.

## Acquisitions for the further expansion of business activities

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

In the fourth quarter of 2019, STADA announced that it would acquire **Walmark a.s.**, a leading manufacturer of consumer healthcare products in Eastern Europe.<sup>1)</sup> Walmark has a portfolio of well-known consumer healthcare products in a number of categories, including vitamins and minerals, children's health, women's health, men's health, joint care, digestive and bowel as well as cough and cold. With Walmark, the Group strengthens its global branded product portfolio and its presence in Eastern Europe – especially in the Czech Republic, Slovakia, Romania, Bulgaria and Hungary. Conclusion of the transaction took place in the first quarter of 2020.<sup>2)</sup>

Further, in the fourth quarter of 2019, STADA announced that it would acquire a portfolio of selected products from **Takeda Pharmaceutical Company Limited** for a total value of US\$660 million.<sup>3)</sup> The portfolio comprises around 20 over-the-counter OTC products and prescription drugs. The transaction enables the Group to more intensively expand its branded products business in Russia and the CIS and to further internationalize the business. The acquisition was completed in the first quarter of 2020.<sup>4)</sup>

In the first quarter of 2020, the Group announced that it would acquire the **FERN-C portfolio** in the Philippines, one of the leading brands in the growing local vitamin C market.<sup>5)</sup> The acquisition strengthens the Group's portfolio in the Asia-Pacific region. STADA has been selling pharmaceutical products in the Philippines for some time, formerly through Croma Medic Inc. which has since been renamed STADA Philippines Inc. The acquisition was concluded in the first quarter of 2020.

In addition, in the first quarter of 2020, STADA announced that it was acquiring 15 **consumer healthcare products** in more than 40 countries, mainly in Europe and including France, Germany, Italy, Poland, Russia, Spain and Switzerland, for various therapeutic areas from GlaxoSmithKline.<sup>6)</sup> With the acquisition, the Group further expands its global branded product business. Conclusion of the acquisition took place in the second quarter of 2020.

In addition, in the first quarter of 2020, STADA acquired the product portfolio of **Opti Pharm AG**, a Swiss company specializing in the trade and distribution of pharmaceutical products. The acquisition strengthens the Group's sales activities in Switzerland. The acquisition was completed in the second quarter of 2020.

In the fourth quarter of 2020, STADA acquired **Lobsor Pharmaceuticals AB**.<sup>7)</sup> The acquisition of an innovative Parkinson's therapy for the treatment of late-stage Parkinson's disease strengthens the Group's presence in the field of branded specialty pharmaceuticals. As part of the acquisition, STADA purchased the rights to a triple combination product that is administered using modern pump technology and has already been successfully launched in Northern Europe. The conclusion of the transaction coincided with the acquisition in the fourth quarter of 2020.

1) See the Company's press release of November 4, 2019.

2) See the Company's press release of March 5, 2020.

3) See the Company's press release of November 5, 2019.

4) See the Company's press release of March 4, 2020.

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

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

7) See the Company's press release of October 2, 2020.

## Net Assets

The audited consolidated financial statements prepared as of December 31, 2019 included the effects of the acquisition of the Biopharma Group on the basis of a preliminary purchase price allocation. The final purchase price allocation for this business combination was used as the basis for preparing the consolidated financial statements as of December 31, 2020. The adjustments required by the finalization also had an impact on the closing data as reported in these Consolidated Financial Statements for the comparative period of 2019.<sup>1)</sup> This accounts for differences in the prior-year figures in the consolidated statement of financial position for financial year 2020 with those disclosures that were included in the Consolidated Financial Statements prepared as of December 31, 2019.

### Development of the balance sheet

Balance sheet (abridged)	Dec. 31, 2020 in k €	Dec. 31, 2020 in %	Dec. 31, 2019 in k €	Dec. 31, 2019 in %
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>3,322,851</b>	<b>63.2%</b>	<b>2,288,235</b>	<b>59.2%</b>
Intangible assets	2,767,035	52.6%	1,782,432	46.1%
Property, plant and equipment	491,867	9.4%	461,143	11.9%
Other assets	63,949	1.2%	44,660	1.2%
<b>Current assets</b>	<b>1,935,346</b>	<b>36.8%</b>	<b>1,575,848</b>	<b>40.8%</b>
Inventories	830,132	15.8%	638,673	16.5%
Trade accounts receivable	694,782	13.2%	615,090	15.9%
Other assets	144,431	2.7%	112,917	2.9%
Cash and cash equivalents	266,001	5.1%	206,039	5.3%
Non-current assets and disposal groups held for sale	-	-	3,129	0.1%
<b>Total assets</b>	<b>5,258,197</b>	<b>100.0%</b>	<b>3,864,083</b>	<b>100.0%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>1,017,351</b>	<b>19.3%</b>	<b>1,195,468</b>	<b>30.9%</b>
<b>Non-current borrowed capital</b>	<b>2,930,891</b>	<b>55.7%</b>	<b>1,416,347</b>	<b>36.7%</b>
Other non-current provisions	41,726	0.8%	41,006	1.1%
Financial liabilities	2,580,996	49.1%	1,244,788	32.2%
Other liabilities	308,169	5.9%	130,553	3.4%
<b>Current borrowed capital</b>	<b>1,309,955</b>	<b>24.9%</b>	<b>1,252,268</b>	<b>32.4%</b>
Other provisions	61,951	1.2%	18,261	0.5%
Financial liabilities	148,009	2.8%	40,082	1.0%
Trade accounts payable	529,571	10.1%	414,024	10.7%
Other liabilities	570,424	10.8%	779,901	20.2%
Non-current liabilities and associated liabilities of disposal groups held for sale	-	-	-	-
<b>Total equity and liabilities</b>	<b>5,258,197</b>	<b>100.0%</b>	<b>3,864,083</b>	<b>100.0%</b>

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

As of December 31, 2020, **net debt** amounted to -€2,463.0 million (December 31, 2019: -€1,078.8 million). The figure includes a shareholders' loan of €2,128.9 million.

The **equity ratio** as of the reporting date was 19.3% (December 31, 2019: 30.9%).

1) See Note 8. in the notes to the consolidated financial statements for a detailed presentation of the effects of the final purchase price allocation as compared to the preliminary purchase price allocation.



**Net assets** amounted to €5,258.2 million as of December 31, 2020 (December 31, 2019: €3,864.1 million).

Significant changes in assets are described below.

**Intangible assets** increased by €984.6 million to €2,767.0 million as of the balance sheet date (December 31, 2019: €1,782.4 million). This development was mainly due to the acquisitions made.

As of December 31, 2020, intangible assets included goodwill in the amount of €419.9 million (December 31, 2019: €408.8 million). The change is due to the acquisitions of the Walmark Group, the Takeda product portfolio and Lobsor Pharmaceuticals. There was also an increase from the acquisition of a branded product portfolio from GlaxoSmithKline with a carrying amount as of December 31, 2020 of €304.1 million. In addition, in 2020, development costs amounting to €23.1 million were capitalized as internally created intangible assets (December 31, 2019: €25.0 million). Amortization of capitalized development costs amounted to approximately €13 million (December 31, 2019: approximately €12 million). In total, STADA recognized impairments, net of write-ups, on intangible assets totaling €28.2 million in 2020 (previous year: €65.9 million).

**Property, plant and equipment** increased to €491.9 million as of December 31, 2020 (December 31, 2019: €461.1 million). This growth was mainly based on the acquisition of the Walmark Group as well as investments in production facilities in Germany and the United Kingdom.

As of the balance sheet date, **inventories** amounted to €830.1 million (December 31, 2019: €638.7 million). The development was primarily attributable to the sales growth, the new introduction of product portfolios and acquisitions.

In specific situations STADA puts – following the principle of market proximity – certain range considerations deliberately aside in favor of possible operating opportunities. In individual cases this – if the utilization of opportunities cannot be realized as expected – can lead to value allowances for inventories which burden earnings. Total burdens in the amount of €69.7 million as of December 31, 2020 were incurred due to impairments net of reversals (December 31, 2019: €40.9 million).

**Trade accounts receivable** recorded an increase to €694.8 million as of the balance sheet date (December 31, 2019: €615.1 million). This increase was mainly due to acquisitions.

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

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

**Financial assets** as of December 31, 2020 were €14.1 million (December 31, 2019: €6.4 million).

**Investments measured at equity** amounted to €2.7 million as of the balance sheet date (December 31, 2019: €3.1 million).

**Deferred tax assets** rose to €44.2 million as of December 31, 2020 (December 31, 2019: €33.5 million). This increase resulted for the most part from increased temporary differences in inventories.

**Other financial assets** in the amount of €46.8 million (December 31, 2019: €60.1 million) included, among other things, positive market values of derivative financial instruments which were €0.8 million as of the reporting date (December 31, 2019: €0.4 million) and which consisted of currency forwards. In addition, this item includes receivables from factoring transactions, which for German Group companies amounted to €5.3 million (December 31, 2019: €4.4 million) and receivables from Nidda in the amount of €7.5 million (December 31, 2019: €44.1 million).

**Other assets** increased to €91.0 million as of December 31, 2020 (December 31, 2019: €48.1 million). The increase resulted in particular from increased income tax payables in Russia arising from the acquisition of the Takeda product portfolio as well as increased advance payments in Germany and Serbia.

**Cash and cash equivalents**, which include cash and call deposits as well as current financial investments, registered an increase as of the balance sheet date to €266.0 million (December 31, 2019: €206.0 million). This was attributable to the effects described as part of the explanations on the Consolidated Cash Flow Statement. Additional details on the development of cash and cash equivalents can be found in the Consolidated Cash Flow Statement.

As of December 31, 2020, there were **assets and disposal groups held for sale** in the amount of €0.0 million (December 31, 2019: €3.1 million).

**Equity** declined to €1,017.4 million as of December 31, 2020 (December 31, 2019: €1,195.5 million).

**Retained earnings including net income** comprise net income for financial year 2020 as well as the earnings achieved in previous periods, provided these were not distributed, including the amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account. In the context of measuring the defined benefit obligations as of December 31, 2020, net income in the amount of €2.9 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. This is mainly based on the decrease in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2020 in comparison with December 31, 2019. In addition, this item also includes currency translation differences related to the revaluation of net debt recognized in equity from performance-oriented pension plans as well as the deferred taxes they incur, which, in financial year 2020, amounted to expenses recognized in equity of €0.2 million.

**Other reserves** include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The decrease in other reserves in the reporting year was attributable in particular to the depreciation of the Russian ruble since December 31, 2019 which led to earnings from currency translation with no effect on income of companies reporting in the Russian ruble and the British pound.

The Group's **current and non-current financial liabilities** of €148.0 million and €2,581.0 million as of December 31, 2020, (December 31, 2019: €40.1 million and €1,244.8 million) mainly comprise a shareholder loan in the amount of €2,128.9 million (December 31, 2019: €929.6 million), promissory note loans with a nominal value of €48.5 million (December 31, 2019: €48.5 million) and a bond with a nominal value in the amount of €267.4 million (December 31, 2019: a bond with a nominal value in the amount of €267.4 million).

**Trade accounts payable** recorded an increase to €529.6 million as of the balance sheet date (December 31, 2019: €414.0 million). This development was mainly based in particular on balance sheet date effects as well as the acquisitions made.

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

**Deferred tax liabilities** decreased to €139.5 million as of December 31, 2020 (December 31, 2019: €91.6 million). The increase was mainly attributable to the acquisitions of the Walmark Group and Lobsor Pharmaceuticals.

**Other financial liabilities** decreased to €504.5 million as of the balance sheet date (December 31, 2019: €618.7 million) and include liabilities from discount agreements of German STADA companies in the amount of €127.0 million (December 31, 2019: €150.9 million) and a liability from the domination and profit and loss transfer agreement with the Nidda Healthcare GmbH in the amount of €153.0 million (December 31, 2019: €349.6 million). This also resulted from the purchase price liability for Lobsor Pharmaceuticals.

**Income tax liabilities** decreased to €55.6 million as of December 31, 2020 (December 31, 2019: €59.4 million). This decrease was mainly attributable lower income tax receivables in Russia.

**Other liabilities** rose to €178.4 million as of December 31, 2020 (December 31, 2019: €139.2 million).

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

### Introduction

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

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

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

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

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

The full Annual Financial Statements of STADA Arzneimittel AG are available on the STADA website at [www.stada.com/de](http://www.stada.com/de) or [www.stada.com](http://www.stada.com).

### Results of Operations

Results of operations in k €	2020	2019
Revenue	683,773	566,727
<b>Net profit before profit transfer</b>	<b>153,005</b>	<b>349,550</b>

In financial year 2020, **STADA Arzneimittel AG's sales** increased by 20.7% to €683.8 million (previous year: €566.7 million).

In this regard, sales to third parties increased as compared with the previous year. This was mainly attributable to higher license income.

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

Other operating income increased to €80.2 million (previous year: €63.2 million) – due in particular to the rise in exchange rate gains on currencies to €29.9 million (previous year: €13.4 million) and the increase in income mainly relating to other periods from intra-Group charges to €25.8 million (previous year: €7.6 million). However, this was offset by lower income from write-ups of €6.2 million (previous year: €21.1 million).

As a result of the increase in sales, the cost of materials increased to €231.4 million (previous year: €176.1 million). Personnel expenses rose to €116.0 million (previous year: €114.4 million). Amortization/depreciation of non-current intangible assets and property, plant and equipment recorded a decrease to €83.5 million (previous year: €93.7 million). The decrease resulted for the most part from lower unscheduled amortization on approvals and brands. Depreciation of financial assets showed an increase to €10.2 million (previous year: €1.1 million). However, these were offset by write-ups on financial assets of €6.2 million (previous year: €14.5 million). Other operating expenses rose to €289.0 million (previous year: €192.1 million) – especially due to expenses for damages of €24.0 million (previous year: €0), exchange rate expenses of €39.0 million (previous year: €13.6 million), expenses for marketing compensation of €14.5 million (previous year: €0) and higher intercompany recharges of €13.4 million (previous year: €11.6 million).

In light of the economically challenging financial year 2020, income from profit transfer agreements and associates of €74.0 million (previous year: €96.7 million) showed a regressive development. Investment income showed an increase to €72.6 million (previous year: €181.8 million). Income from intercompany loans to associates were stable at €31.0 million (previous year: €31.5 million). Other interest and similar income increased to €18.1 million (previous year: €11.4 million). Interest and similar expenses increased to €69.6 million (previous year: €42.1 million).

**STADA Arzneimittel AG's net profit** was, due to the domination and profit and loss transfer agreement, completely transferred to Nidda Healthcare GmbH. Prior to the profit transfer, net profit amounted to €153.0 million (previous year: €349.6 million). In the reporting year, there was a tax expense of €8.5 million (previous year: tax income of € 14.8 million).

## Financial Position

**STADA Arzneimittel AG's cash flow from operating activities** increased to €1,295.8 million in financial year 2020 (previous year: €160.1 million). This increase was particularly the result of increased loan liabilities to associates, especially to Nidda Healthcare GmbH.

**Cash flow from investing activities** amounted to -€571.2 million (previous year: -€121.3 million) and was based primarily on higher investments in intangible current assets.

**Cash flow from financing activities** was -€725.3 million (previous year: -€108.6 million). The net change in financial liabilities (loans, promissory note loans and a bond) declined to €0.0 million (previous year: -€136.2 million). Inflows resulted in particular from intercompany loans.

Cash and cash equivalents decreased to € 90.7 million (previous year: €91.5 million). The primary goal of financial management is constant securing of liquidity and the limitation of risks associated with the financing. In the reporting year, current debt financing was geared toward the capital markets and was primarily based on current and non-current funds from Nidda, promissory note loans, a bond and factoring. The average capital-weighted interest rate on the interest-bearing financial liabilities of STADA Arzneimittel AG on December 31, 2020 was 3.28% (December 31, 2019: 3.07%).

## Net Assets

Net assets in k €	2020	2019
Non-current assets	2,900.0	2,416.3
Current assets	1,193.4	733.2
Equity	886.8	886.8
Provisions	177.3	115.9
Liabilities	3,036.7	2,153.5

In financial year 2020, **STADA Arzneimittel AG's non-current assets** increased to €2,900.0 million (previous year: €2,416.3 million). This development was based primarily in the increase in intangible assets to €859.9 million (previous year: €460.5 million). Primarily responsible for the increase are the acquisitions of the Takeda product portfolio and the GSK portfolio.

Financial assets showed an increase to €1,986.9 million (previous year: €1,902.5 million). Intercompany loans to associates, which were primarily used to finance acquisitions in the Central Europe region, decreased to €467.9 million (previous year: €479.6 million).

In 2020, **STADA Arzneimittel AG's current assets** increased to €1,193.4 million (previous year: €733.2 million). The primary reason for this was attributable to the increase in receivables from associates to €1,029.6 million (previous year: €582.1 million). This was mainly related to an increase in current loans to subsidiaries. Bank balances remained constant at €90.7 million (previous year: €91.5 million). Inventories increased to €52.7 million (previous year: €48.4 million).

**STADA Arzneimittel AG's equity** remained unchanged at €886.8 million (previous year: €886.8 million). The equity ratio decreased to 21.6% (previous year: 28.1%).

**STADA Arzneimittel AG's provisions** increased to €177.3 million (previous year: €115.9 million). The development was mainly the result of an increase in provisions for damages and the increase in marketing compensation.

**STADA Arzneimittel AG's liabilities** amounted to €3,036.7 million (previous year: €2,153.5 million). The development resulted for the most part from the liability due to the increase in liabilities to associates to €2,659 million (previous year: €1,794 million). Trade accounts payable increased to €51.7 million (previous year: €36.7 million). Other liabilities increased to €9.8 million (previous year: €7.2 million). In addition to the assets recognized in the balance sheet, STADA took advantage of off-balance sheet assets. These primarily include leased or rented items within the usual framework such as company cars and rented building space.

The **balance sheet total** of **STADA Arzneimittel AG** rose to €4,102.5 million (previous year: €3,156.3 million).

## General Statements of the Executive Board on the Course of Business in 2020

In financial year 2020, STADA faced major challenges due to the Covid-19 pandemic, which the Group was, however, able to master successfully. In addition to the increase in Group sales and adjusted key earnings figures, STADA achieved progress in implementing numerous measures to further increase efficiency. In addition, the Group launched a growth initiative under the name "STADA+" to boost competitiveness. Furthermore, STADA's five strategic priorities also made a significant contribution to the continuation of the growth path the Company has been taking. Overall, the outlook published in the Annual Report 2019 was achieved. Group sales adjusted for currency and portfolio effects increased in 2020 by 6% to €2,694.9 million, while reported Group sales increased by 15% to €3,010.3 million. Adjusted EBITDA defined on the basis of the previous year rose by 9% to €688.3 million.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

No events occurred between the end of financial year 2020 and the date of signing of the Combined Management Report and the Consolidated Financial Statements for 2020 which have a significant, or possibly significant effect on the net assets, financial position and results of operations of the STADA Group.

# REPORT ON EXPECTED DEVELOPMENTS

## Business model positioned for long-term growth

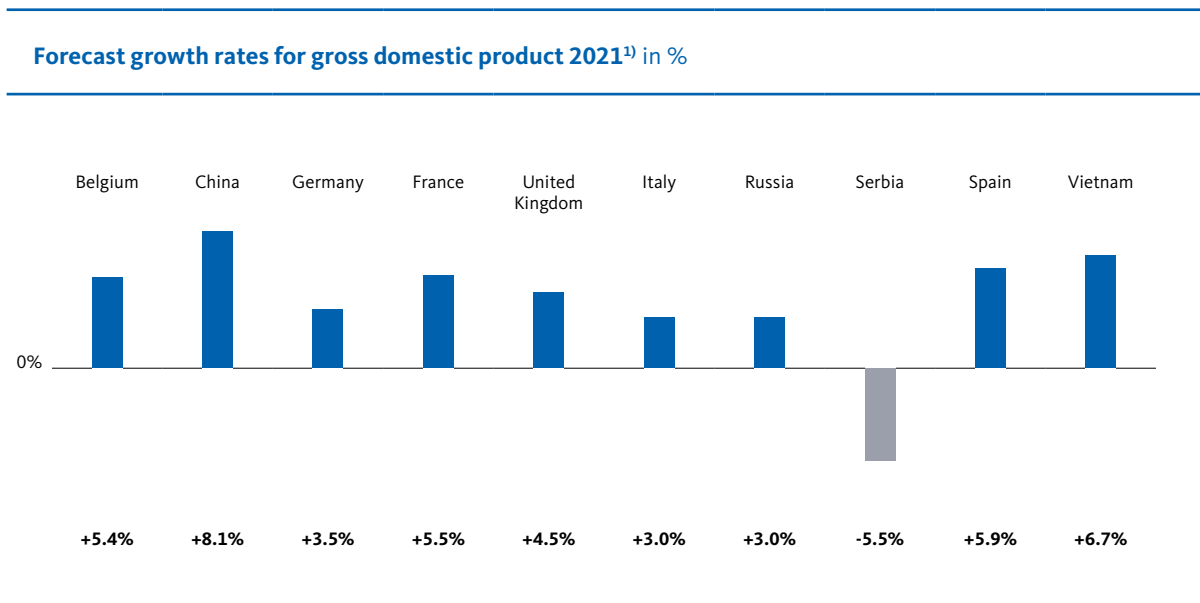
STADA's business model will, also in the future, remain concentrated on the health care market with a focus on pharmaceuticals. The Group will thus continue to be active in one of the world's growth industries. This notwithstanding, the sales and earnings development of the Group will be subject to partially opposing factors also in financial year 2021. Economic, regulatory and competitive framework conditions can vary from year to year and from country to country. More detailed information on risks can be found in the "Opportunities and Risk Report". In light of the broad range of initiatives for efficiency enhancement, the corporate strategy geared toward further growth as well as the comprehensive opportunities management, the Executive Board expects to achieve growth, also in the future. Details on the Group's opportunities management are also available in the "Opportunities and Risk Report."

As part of its successful product development and active acquisition policy, STADA will continuously expand the Group portfolio in both the Generics and Branded Products segments with value-adding acquisitions. In the area of generics, the Group relies on expansion in markets with relatively low penetration rates, development of so-called specialty pharmaceuticals and the steady expansion of the biosimilar portfolio. In the Branded Products segment, expansion and the increasing internationalization of successful brands also present additional promising growth opportunities.

## Macroeconomic outlook

Given the ongoing Covid-19 pandemic, the outlook for the global economy remains reserved. Although recently approved vaccines offer hope for a turnaround in the Covid-19 pandemic later this year, renewed waves and new variants of the virus are a cause for concern. In light of the ongoing pandemic, the IMF forecasts a growth rate of 5.5% for global gross domestic product.<sup>1)</sup> According to the IMF, the recovery will be slow, uneven, uncertain and susceptible to reversals. The pandemic will cause long-term economic damage in many countries. It will also increase social inequality and wipe out progress made in poverty reduction. According to the IMF, Corona research could have a positive impact on further development.

The following chart shows the economic forecast for selected countries.



<sup>1)</sup> Source: International Monetary Fund: World Economic Outlook January 2021.

## Sector-specific outlook

For the international pharmaceutical market, the international market research institute IQVIA forecasts average annual sales growth of 4–5% from 2021 to 2025.<sup>1)</sup>

For the global generics market, IQVIA experts predict average annual sales growth of 6.2% between 2021 and 2025.<sup>1)</sup> It should, however, be taken into account that the actual growth rates of reported sales in markets where significant discounts must be granted, should be substantially below gross sales generally recorded by the market research institutions before discounts.

The average annual sales volume for the newly available active pharmaceutical ingredients (including biologics) introduced into generics competition between 2021 and 2025 in the largest European pharmaceutical markets of Germany, France, Italy, the United Kingdom and Spain will, in line with STADA's calculations on the basis of IQVIA data, be more than €5.4 billion.<sup>2)</sup>

This forecast is supported by estimates from IQVIA, according to which annual generics growth in the EU (EU27) from 2021 to 2025 is expected to be 4.5%<sup>3)</sup> on average. For selected markets in Eastern Europe<sup>3)</sup>, IQVIA estimates average generics growth per year in this period at 11.3%<sup>3)</sup>. At the same time, the annual growth rate of the Russian generics market is expected to average 12.3%<sup>3)</sup>.

According to expert forecasts, the average annual growth rates for sales in the international OTC market will be at 5.0% between 2021 and 2025.<sup>1)</sup> For the European OTC market (EU27), IQVIA's forecast for annual sales growth in this period is 1.8%.<sup>1)</sup>

## Basis of the outlook

The outlook for financial year 2021 was made taking into account the events known when this Annual Report was prepared. It is also based on the details of the overall economic outlook and the sector-specific outlook.

The outlook is also supported by the following assumptions:

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

## Outlook for STADA Arzneimittel AG

For financial year 2021, the Executive Board expects slight sales growth for STADA Arzneimittel AG. In terms of net profit before profit transfer, the Executive Board anticipates a clear increase.

1) IQVIA Syndicated Analytics Service; prepared for STADA February 2021.

2) IQVIA MIDAS MAT/12/2020 sales volumes in 2020 at ex-factory prices for active pharmaceutical ingredients (including biologics) for which an expiry of the patent or other relevant commercial property rights relevant for generic competition is expected by 2025 from today's perspective. STADA's expectation as to when an active pharmaceutical ingredient will become available for generic competition is subject to continuous legal review and may change significantly in the future compared to the current expectation on which these data are based. The sales volumes that will then actually become newly available for generic competition on the corresponding dates are subject to fluctuations, which may depend, among other things, on changed market success, legal framework conditions or market structures.

3) Russia, Serbia, Ukraine, Kazakhstan and Bosnia and Herzegovina.



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

### Summarizing outlook

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

There are, however, also associated operative risks and challenges that are due in particular to amended or additional government regulations (e.g. additional official requirements for clinical studies which could lead to extended development times for biosimilars) and/or intense competition. As a result, STADA will also face non-operational influence factors in future, such as negative Group-relevant currency relations as well as the effects of the ongoing conflict in Ukraine and the associated sanctions against Russia. Furthermore, the potentially negative macroeconomic consequences in connection with the United Kingdom's departure from the EU may have an effect. The Covid-19 pandemic will be one of the biggest challenges in financial year 2021. This will particularly impact overall economic growth, including the development of the health-care market, with effects on both the generics and OTC business. For this reason, the Executive Board assumes, from today's perspective, that the 2021 financial year will continue to be significantly affected by the pandemic. This notwithstanding, the Executive Board – in view of the numerous initiatives to increase efficiency, the corporate strategy geared to further growth and comprehensive opportunity management – is aiming for above-market growth, with Group sales and EBITDA, both adjusted for special items as well as currency effects, increasing slightly.

# OPPORTUNITIES AND RISK REPORT

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

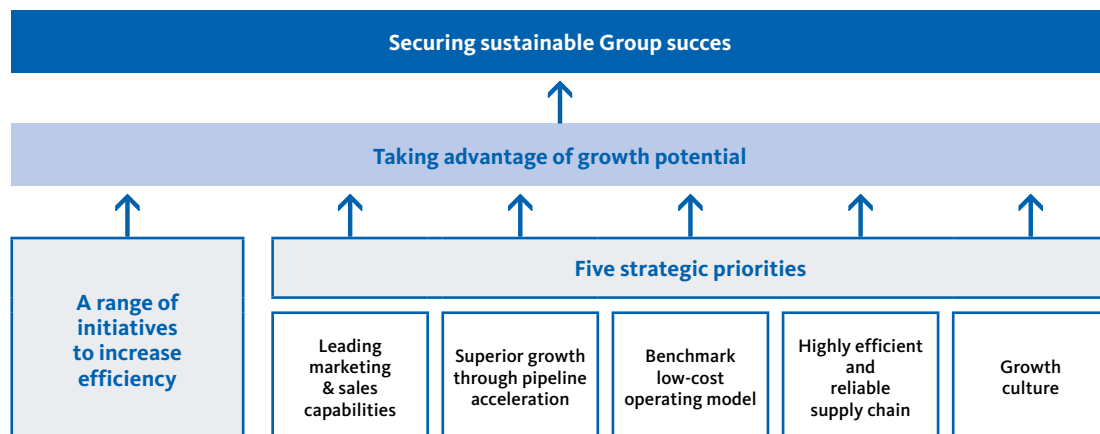
In view of the fact that the health-care and pharmaceutical sectors are relatively non-cyclical, economic cycles have only a limited impact on the Group. In addition, the dependence on negative developments or events is kept as low as possible due to the international positioning and the diversified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

## Comprehensive opportunities management to take advantage of existing growth opportunities

Opportunities management at STADA is an ongoing task. Within the scope of these efforts, the Group continuously evaluates opportunities for growth. STADA's management continuously monitors the markets and competitors in order to be able to recognize and analyze the changing requirements, trends and opportunities in the frequently fragmented markets and to align its actions accordingly. Moreover, there is a regular exchange of experiences within the individual departments which helps to identify and take advantage of additional opportunities and synergies.

Based on the continuous implementation of the numerous efficiency improvement initiatives and STADA's five strategic priorities, opportunity management serves to optimally exploit growth potential.

### A range of initiatives to increase efficiency and five strategic priorities of the STADA Group for the optimal utilization of growth potential



## Risk Management

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

The objective of the risk management system is to ensure that all risks are identified and assessed throughout the Group as early as possible so that they can be managed and minimized with targeted measures in the Group. At the same time, it is important to fully comply with all relevant regulatory requirements for such a system. The company-wide standard and integrated approach to risk management is intended to ensure the efficiency of Group-wide risk management and make it possible to aggregate risks and provide transparent reporting.

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

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

1. the **Risk Management & Database department**, which is vertically and horizontally integrated in the Company and is responsible for the planning and further development of the risk management system (including the Group-wide establishment of the risk management software "CRISAM" from calpana), as well as the methods and procedures used to identify and assess risks and support the local risk managers;
2. the local **risk officers** who identify and assess risks (including measures) and document and update them in the risk management system and who are integrated in all corporate units and subsidiaries throughout the Group.
3. **Review and coordination** by the Risk Management & Database department with the locally responsible risk officers on current issues and on the identified risk situation in the individual divisions in the Group (especially with regard to risk aggregates);
4. The Company-specific **risk management guide**, which defines the risk management terms, risk policy and the risk management system including the risk management process and responsibilities.
5. **Risk reporting** at Group and individual-company level.

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

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

At STADA, the **risk management process** comprises the phases of risk identification, risk measurement, risk control, risk monitoring, risk aggregation and risk reporting. With the introduction of the new risk management software CRISAM at the end of the third quarter of 2020, the general risk management process has not changed.

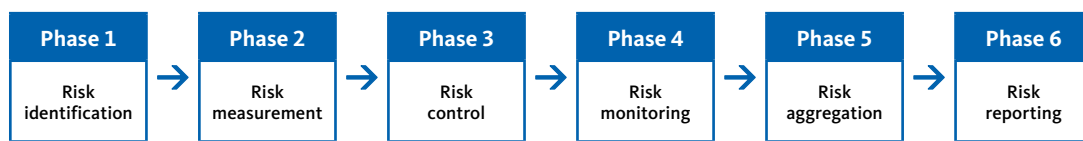
In preparation for meeting the expanded requirements of the revised auditing standard IDW PS 340 n.F., which took effect in 2021, the assessment of individual risks was extended to include a gross assessment, i.e. an assessment of individual risks before taking into account implemented and effective control and monitoring instruments, and the recording of measures was revised when the new CRISAM risk management software was introduced at the end of the third quarter of 2020. These expansions ensure that the increased requirements of IDW PS 340 n.F. are met in the recording of risks and measures from 2021.

The introduction of these innovations has not led to any changes in the general flow of the continuous risk management process outlined below.

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### Risk management process of the STADA Group

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

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

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

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

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

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

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

The relevant period for internal regular reporting to the Executive Board is the current year plus two additional years. In addition, there is an area-related internal recording and monitoring of long-term risks beyond this relevant period. The assessment of the individual risks as well as the overall risk situation of STADA in the Combined Management Report relates to December 31, 2020. There were no relevant changes after the balance-sheet date that would have necessitated an amended presentation of STADA's risk situation. There is, however, no way to fully identify and manage risks with absolute certainty.

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

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

It includes, among other things:

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

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

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

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

## Evaluation of risk categories

The evaluation of individual risks is generally conducted for individual segments in the form of net risks, i.e. the individual risks are evaluated under consideration of implemented and effective management and control instruments. If no segment is explicitly referenced, the described risks affect both the Branded Products and Generics segments. As already described under “Risk management process,” the introduction of the CRISAM risk management software at the end of the third quarter of 2020 created the possibility of also performing a gross assessment when evaluating individual risks. In addition, measures recording was also revised. The risk reporting system remained unchanged in 2020. An adjustment will be made in the current financial year 2021.

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

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

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

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

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

### Risk matrix

Probability	high	moderate	high	high
	moderate	low	moderate	high
	low	low	low	moderate
		low	moderate	high
		Impact		

STADA classifies the identified risks in the risk reporting in accordance with the risk categories presented below. The chart shows all relevant risk categories in accordance with the STADA evaluation scheme. Individual risks and aggregate risks that were classified as “high” as of the balance-sheet date December 31, 2020 are to be considered particularly relevant.

Risk category	Risk subcategories (individual risk or aggregate risk)	Probability of occurrence	Net impact
<b>Industry risks</b>	Market position (competitors)	moderate	high
	Marketing (market penetration)	high	high
<b>Regulatory risks</b>	Health policy (price change)	high	high
<b>Economic risks</b>	No relevant risks	no relevant risks	no relevant risks
<b>Product portfolio risks</b>	Licenses & approvals (Prescription Status)	moderate	high
	Licenses & approvals (Prescription Status)	moderate	high
<b>Legal risks</b>	No relevant risks	no relevant risks	no relevant risks
<b>Corporate strategy risks</b>	No relevant risks	no relevant risks	no relevant risks
<b>Performance-related risks</b>	Production & purchasing (supply interruption)	moderate	high
<b>Personnel risks</b>	No relevant risks	no relevant risks	no relevant risks
<b>Compliance risks</b>	No relevant risks	no relevant risks	no relevant risks
<b>Risks in relation to information technology</b>	No relevant risks	no relevant risks	no relevant risks
<b>Financial risks</b>	Taxes (audits)	moderate	high
<b>Other risks</b>	Pandemic	moderate	high

As a supplement to the tabular presentation and regardless of the degree of evaluation, the current main risk categories for the STADA business model, based on the general risk reporting from Risk Management as of December 31, 2020 are explained in detail below.

## Business-related risks

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

### Industry risks, regulatory and economic risks

#### a) Industry risks

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

STADA is subject to constantly changing market conditions in the individual national markets. In terms of competition, the risks exist on the basis of strong competition in particular in terms of pricing, range of products and services as well as supply and discount conditions of existing and new competitors. In terms of demand, there is also the risk of a potential increase in purchasing power of individual customer groups such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers or mail-order companies. Such developments could weaken STADA's competitive position, for example through the (partial) loss of newly planned tenders or through a (partial) loss of previously won tenders,

and consequently result in a loss in sales or earnings. However, STADA principally takes advantage of opportunities arising in individual markets or individual products or product groups and is also willing to accept, if necessary, temporary losses, for example, in national markets with major potential for growth or to maintain or expand its market position. Overall, STADA tries to counteract industry risks through a diversification of brands and products.

Since the beginning of the conflict between Russia and Ukraine in 2014, business development of STADA has been impaired in both the Russian and Ukrainian markets. In financial year 2020, too, the partial reluctance to buy remained noticeable. As a result of the continued lack of momentum in the development of real income, the buying power of the Russian population remained limited in 2020, and pressure on the pricing thus remained accordingly.

In the MENA region, the ongoing politically uncertain situation in the reporting year continued to have a negative impact on export business in this region. It is currently unclear how the situation in this region will develop and, as a result, the remaining export business could continue to be negatively impacted.

In connection with the exit of the United Kingdom from the EU, there is the risk that it could cause a shifting of market share toward local competitors in the self-payer area.

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

## **b) Regulatory risks**

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

The national markets in which STADA is active are characterized by a large number of regulations. The changing, lifting or passing of new regulations could have significant economic and strategic impacts on STADA and the economic success of individual products or investments. Regulations at a national or supranational level are highly significant if, for example, they affect the market structure, pricing, reimbursement or approvals of pharmaceutical products. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms concerning discounts, reduction or exclusion of cost reimbursement). Furthermore, direct costs for the fulfillment of requirements (e.g. during approval) or increased indirect costs (e.g. through evasive action by competitors or consumers) can be incurred. This can reduce the profitability of products affected in the markets and prevent the market launch of a product in individual cases. STADA assumes that the extent of price regulation and pricing pressure will remain, primarily in the Generics segment. STADA counters these risks, among other things, through a targeted expansion of the product portfolio in less regulated areas.

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

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



### c) Economic risks

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

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

In the referendum on June 23, 2016, the majority of voters in the United Kingdom voted in favor of the United Kingdom leaving the EU ("Brexit"). Following lengthy negotiations, the EU and the United Kingdom were able to agree on a trade and cooperation agreement which was signed on December 30, 2020. The agreement took effect on January 1, 2021, subject to ratification by the European Parliament. This is still pending.

So far, the British economy has shown itself to be robust in relation to the effects of the "Brexit". However, there is a risk that negative consequences of the new agreement will only emerge with time. There is also a risk that the impact of the Covid-19 pandemic on the UK economy will further intensify these negative effects. This could lead to an economic downturn that would increase cost pressure in the health-care system and, consequently, result in price cutting measures. Furthermore, in the event of an economic downturn, there is a risk of a general reluctance to purchase on the part of consumers in the self-payer area.

### Product portfolio risks

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

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

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

## Legal risks

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

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

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

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

## Operational risks

### a) Corporate strategy risks

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

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

### b) Performance-related risks

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

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

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

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

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

### **c) Personnel risks**

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

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

### **d) Compliance risks**

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

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

## e) Risks in relation to information technology

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

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

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

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

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

## Financial risks

To the extent that it is possible, STADA counters financial risks with finance policy methods and specific risk management. The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, transactions above a certain relevance threshold determined by the Executive Board require a prior decision on the part of the Executive Board and may also be subject to approval from the Supervisory Board. The Executive Board is also regularly informed of the nature, scope and number of current risks.

### a) Liquidity risks

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

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing of Nidda, or fluctuation in the operational development of business. The goal of the liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by way of maintaining a sufficient supply of liquidity reserves. In 2020, STADA financed itself with current and non-current borrowings from Nidda, promissory note loans, bonds, a revolving credit facility and factoring.

### b) Currency risks

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

Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations. These particularly result from fluctuations of the US dollar, Russian ruble, British pound, Swiss franc, Serbian dinar as well as the Ukrainian hryvnia in relation to the euro. A currency risk consists of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency or as a result of exchange rate fluctuation (transaction risk). However, STADA is only subject to this risk to a limited extent, as the Company counters currency-related risks

through, in addition to natural hedges, the use of derivative financial instruments. These are used to hedge currency risks from operating activities, financial transactions and investments. In the reporting year, STADA made use of foreign-exchange futures contracts and interest/currency swaps. The maturity of futures contracts is aligned with the terms of the underlying transactions. The remaining term of the contracts is currently up to one year.

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

A currency sensitivity analysis on the basis of the outstanding foreign currency items as of December 31, 2020 showed that in financial year 2020, an appreciation or devaluation of the functional currency compared with the ruble by 10% with otherwise unchanged conditions would change the EBITDA by approximately €27.2 million (previous year: €2.0 million) (translation risk). At the same time, an appreciation or devaluation of the functional currency in relation to the British pound of 10% with otherwise unchanged conditions would lead to a change in EBITDA of approximately €2.2 million (previous year: €6.5 million) (translation risk).

### **c) Interest rate risks**

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

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

A sensitivity analysis has shown that an increase in market interest rates of 100 basis points in financial year 2020 would have led to a burden on earnings in the amount of €9.4 million (previous year: €6.2 million) and a decrease in market interest rates of 100 basis points would have led to a relief on earnings in the amount of €0.4 million (previous year: €0.4 million).

### **d) Default risks**

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

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

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

### e) Tax risks

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

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

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

### f) Impairment risks

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

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

### Other risks

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

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

Should STADA no longer meet the necessary criteria according to IFRS 10 ("Consolidated Financial Statements") for control, and consequently for consolidation of subsidiaries due to particular capital constraints or other measures – such as may arise 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.

The SARS-CoV-2 Corona virus, which first appeared in Wuhan (China) in December 2019, has become a Covid-19 pandemic in 2020, affecting all countries throughout the world. The pandemic and the associated restrictions have had a significant impact on the global economy and thus also on the business operations of the STADA Group. Significant sources of risk such as a slowdown in active ingredient and product deliveries, less contact with doctors and pharmacists as well as reduced consumer purchasing power could lead to product shortages and lower sales volumes with a corresponding impact on STADA's market situation and sales.

## Summary evaluation of risks

The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks on the basis of the applied risk management system.

While the assessments of individual risks changed in the reporting year due to the development of external conditions, changes in STADA's business portfolio, the effects of the Company's own counter-measures and adjustments to risk assessments, the overall risk situation for STADA – with the exception of the Covid-19 pandemic – did not change significantly overall in the reporting year compared to the previous year, despite regionally varying economic development.

STADA currently considers the Covid-19 pandemic, including the corresponding risks, to be one of the greatest challenges for its business activities. Inventories of active ingredients and finished products were increased in order to ensure the ability to deliver to customers and the Group's own production. Protective measures were also taken for STADA's employees.

In addition to the pandemic, the unchanged geopolitical situation in the CIS region and the possible consequences of the UK leaving the EU are seen as further risks.

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

“ We work closely every day with our partners to keep supplying medicines. ”

**Jesus Corchero Romero**  
Head of  
Global Operations



“ Collaborating and listening is key to internal communications. Perhaps that’s why I sing in a choir and am a fan of podcasts! ”

**Martina Hientz**  
Head of  
Global Internal  
Communications



“ For me, leading people means enabling them to make a difference in the market. ”

**Salvatore Butti**  
General Manager Italy



“ Agility is essential to ensuring reliable supplies in a volatile environment. ”

**Brigitte Michaud**  
Head of  
Global Supply Chain





# COMBINED SEPARATE NON-FINANCIAL REPORT

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# COMBINED SEPARATE NON-FINANCIAL REPORT

The Non-Financial Reporting for STADA Arzneimittel AG and the Group has been prepared in the form of a Combined Separate Non-Financial Report (hereinafter “Non-Financial Report”) pursuant to Section 289b of the German Commercial Code (HGB) in conjunction with Section 315b HGB and in accordance with Section 315c in conjunction with Section 289c through e HGB.

Topics such as product safety and quality, portfolio development, human resources (HR) as well as internal control and risk management are regulated centrally at STADA through Group-wide corporate policies. Other Corporate Social Responsibility (CSR) matters are primarily the responsibility of the individual national companies on a decentralized basis. Accordingly, in the following reporting, a distinction is made between the Group, its parent company and individual national companies in terms of the facts presented and their concepts. Unless otherwise stated in this connection, the respective facts and circumstances relate to the Group.

For reporting on non-financial aspects, there are established processes at STADA to survey these worldwide and collect them centrally. In addition, the Group has systems in place to record and monitor CSR-related matters. In view of the increasing importance of “CSR”, STADA also reports on non-financial key figures such as “Climate change: carbon footprint”, “Health and safety: accident rate” and “Gender diversity”, which are significant performance indicators for the Group.

As an internationally-active health-care group, STADA has been assuming responsibility for its employees, society and the environment for 125 years – because responsible action as well as socially and ecologically sustainable management are the foundation for long-term success. In this Non-Financial Report, STADA provides information on significant non-financial aspects for financial year 2020, on the aspects that are necessary for an understanding of business operations as well as the earnings and position of the Group. Furthermore, the effects of business activities on the aspects as well as their impact on business processes are taken into account. The reporting period is January 1, 2020 through December 31, 2020. The contents of the report are based exclusively on the definition of materiality and the content requirements of the HGB. Because STADA would like to wait for current regulatory developments of the EU Commission, the Company remains in the coordination process with regard to non-financial reporting on a framework to be applied in the future in accordance with Section 289d HGB.

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

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

The Non-Financial Report has been subjected to an external business assessment in accordance with ISAE 3000 (revised) on a voluntary basis with limited assurance through the auditor. A corresponding report regarding this business assessment can be found in the chapter “Further Information”.

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

### **125 years of corporate responsibility**

In 1895, the founders of the Professional Community of German Pharmacists (STADA) set a goal to care for the well-being of its patients by preparing certain medicines in accordance with standardized guidelines. Since then, the preservation of society's greatest asset, health, has been the focus of business activities throughout the Group. To this day, STADA contributes to efficient and affordable health care and preventive health care while, at the same time helping to ease the burden on health-care systems.

## **Business Model and Strategy**

STADA is an internationally-active health-care Company organized as a stock corporation that sells its products in about 130 countries. STADA Arzneimittel AG, based in Bad Vilbel, is the parent company of the Group. In financial year 2020, STADA's two segments, Generics and Branded Products, achieved adjusted Group sales of €2,694.9 million and adjusted EBITDA of €688.3 million.

### **Sustained profitable growth and long-term value enhancement**

The significant goals of the STADA business model are to achieve sustained profitable growth and enhance Company value over the long term (see "Fundamental Information about the Group – Internal Management System").

To achieve this, in 2020 STADA continued the numerous measures taken so far to further increase efficiency. In addition, the Group launched a growth initiative under the name "STADA+" to increase competitiveness. Furthermore, STADA's five strategic priorities made a significant contribution to the continuation of the growth path the Company has been pursuing (see "Fundamental Information about the Group – Internal Management System").

The Group's corporate strategy focuses on increased investments in its core markets, new product launches, new marketing channels and efficiency enhancements in marketing & sales as well as general and administrative expenses. STADA also pursues targeted acquisitions to supplement organic growth and enters into worldwide strategic partnerships in the areas of development and production. The basic aim of these measures is to ensure that the Group continues to have a competitive product portfolio that generates sustainable growth in the future.

### **Focus on growth markets**

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

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

In the Branded Products segment, the Group benefits in particular from demographic change and increasing health awareness. Because both of these factors lead to an increasing need to live happier, healthier and longer through individual health management, this is accompanied by a willingness to provide for one's own well-being through one's own financial resources.

## Product Safety and Quality

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

### Good Clinical Practice

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

### Good Manufacturing Practices

Within the scope of the manufacture of pharmaceutical products, STADA also follows the so-called Good Manufacturing Practice (GMP) standards for its quality assurance and control. These represent the guidelines for quality assurance in terms of both the processes and the environment in the production of pharmaceuticals and active ingredients as well as cosmetics. STADA is also certified in accordance with external, international quality assurance systems and, at its numerous production sites, not only focuses on GMP standards, but also on all relevant ISO standards. Group-wide quality assurance is carried out centrally through STADA Arzneimittel AG, whereby individual national companies are supported by regional quality assurance officers. In the 2020 financial year, the focus was on quality control, where the emphasis was on greater standardization of processes and the continuation of digitization projects. The Group also focused on consolidating the new organizational model, harmonizing and standardizing quality systems at the acquired Biopharma and Walmark production sites as well as on performance management programs and reporting systems.

Within the scope of GMP audits, compliance with GMP quality standards is regularly reviewed at both STADA's production facilities and at suppliers and contract manufacturers. In light of the Covid-19 pandemic, these audits took place online in 2020. Following the same principle, various EU and non-EU regulatory authorities also carried out inspections at the Group's manufacturing sites. No critical defects were identified during the inspections carried out at STADA production sites in financial year 2020.

## Good Pharmacovigilance Practices

As part of a Group-wide global pharmaceutical safety system – the so-called STADA Global Pharmacovigilance System – the safety of all STADA pharmaceuticals worldwide is monitored and ensured through the collection and evaluation of all reported pharmaceutical risks. Here, STADA's subsidiaries work in accordance with standard operating procedures (SOPs) issued by the Corporate Pharmacovigilance department. In accordance with Good Pharmacovigilance Practices (GVP) and as part of the Global Pharmacovigilance Quality System, adherence to legal requirements and STADA standard operating procedures is monitored globally by means of a pharmacovigilance auditing system. Pharmacovigilance audits required in accordance with GVP are conducted by auditors from the Medical Affairs/Corporate Pharmacovigilance department. Additionally, STADA's GVP conformity is regularly inspected by authorities such as the German Federal Institute for Drugs and Medical Devices (BfArM). The inspections made in financial year 2020 were concluded without critical results.

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

## Contributions to Society

The Group makes a significant contribution to society by providing access to affordable health care through its generic and biosimilar portfolios, thereby reducing cost pressures on health-care systems. At the same time, with its Branded Products portfolio, STADA contributes not only to health care in general, but also to preventive health care.

### Product portfolio and development

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

STADA's business model is focused on supplying the global health-care market with a near-comprehensive portfolio comprising products with patent-free active ingredients at competitive prices. In the Generics segment, STADA pursues the goal of launching a generic product in the respective market directly following expiration of the original product's patent protection. In the Branded Products segment, which also generally includes active ingredients that are no longer protected, the focus is on additional benefits for patients – such as a long-lasting effect and fewer side effects. One example worth mentioning here is Lecigon, a triple-combination product administered using modern pump technology.

STADA has implemented a Group-wide “Idea-to-Market” process for the execution of this concept. As part of this process, a detailed evaluation of all product ideas for the Generics and Branded Products segments is carried out from a technical, regulatory and commercial standpoint and according to a global market analysis. All applicable quality requirements regarding the safety and efficacy of a product are reviewed during the development cycle and particularly in the context of the approval process.

The entire process is accompanied by the Executive Board through regular consultations in the form of reports, presentations and discussions. This ensures that the current portfolio composition follows the strategy of the Group as a whole. Continuous optimization of the product portfolio is monitored via the corresponding number of new product launches and the number of ongoing approval procedures (see “Fundamental Information about the Group – Group’s Business Model”).

### STADA as a health partner

The Group sees itself not only as responsible for providing society with access to safe and affordable health care, but also has a broader understanding of its role as a health-care partner. For this reason, STADA applies various measures in support of government efforts to increase social health literacy and to achieve an awareness of the responsible handling of one’s own health. Within this framework, the Group has for some time been contributing to social education by publishing high-quality health information. For example, STADA offers a health blog accessible to everyone ([www.yourhealth.stada](http://www.yourhealth.stada)) and is present in the social networks with various health topics. The Group fulfills its purpose through its commitment to enhancing physical and mental well-being: “STADA: Caring for people’s health as a trusted partner”.

During the Covid-19 pandemic, the Group was also able to live up to its purpose and meet growing demand for medicines and other health-care products. For example, in March 2020, STADA achieved the highest production output in its 125-year history, as the pandemic significantly increased demand for critical drugs. In addition, STADA pursued a local, targeted strategy to support health authorities around the world in the fight against Covid-19 infections by donating key equipment and products and offering customized services through its national subsidiaries. Donations included monitors for the health-care sector in Serbia, first aid kits in Spain, medications in Russia, skin care products for health-care professionals in the UK, face masks in Italy, and pharmacy queue stickers in Austria and Ireland.

The STADA Health Report, which has been published since 2014, represents a further offer of high-quality health information. A key element of the report, which is supported by experts from the world of medicine, science, sport and lifestyle, is an annual study. Surveys carried out among the population on their attitudes, desires, behaviors and knowledge related to the topic of health form the basis of the respective studies. Since 2018, the survey has been conducted in various countries. Approximately 24,000 people in twelve European countries were surveyed for the STADA Health Report 2020, which was published in various languages under the title “Do all Roads Lead to Health?” (see <https://www.stada.com/media/health-report/health-report-2020>).

## Responsible Corporate Governance and Compliance

As an internationally-active Group, STADA is subject to a wide range of legal framework conditions. Adherence to these conditions forms the foundation of responsible, sustainable and successful corporate governance – because unlawful behavior or even the appearance of a breach of the law can damage the reputation and market position of the Company in a lasting manner and cause significant financial loss. For this reason, the principles of transparent, responsible and value-oriented corporate governance determine the actions of STADA’s Executive Board and Supervisory Board. Furthermore, in addition to legal requirements and further regulations, the regulatory framework in which the Company operates encompasses the provisions of its Internal Control and Risk Management System, the STADA Code of Conduct and corporate policies on specific topics derived from it.

STADA’s Code of Conduct is published on the Company’s website at [www.stada.com/de](http://www.stada.com/de) or [www.stada.com](http://www.stada.com).

## STADA Code of Conduct

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

In the reporting year, the focus was on, among other things, ensuring that the special challenges posed by "Compliance during Corona" were met. This included, among other things, the data protection assessment of issues relating to working from home or new security measures such as Corona testing. A further focus was on compliance-related post-merger integration, for example of Walmark, a leading Eastern European consumer health-care company. In addition, a global (virtual) compliance conference was held, further strengthening the exchange within the global Compliance Organization. To support this, additional regional compliance functions were also created and compliance expertise within the company was further expanded and consolidated.

A global "Sales and Marketing" policy and an update on the global archiving policy were implemented to further strengthen the Compliance Management System.

A detailed review of the Compliance Management System is planned for financial year 2021 in order to make additional local adjustments as part of "Best Practice Sharing" and to further strengthen the global Compliance Management System.

## Compliance management

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

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

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

Through a regular review of the existing Compliance Management System, it is continuously optimized and the international exchange among compliance officers is intensified. In financial year 2017, an expanded reporting system from the subsidiaries to the Compliance Office was set up which is developed on an ongoing basis. As part of this system, disclosures from sub-

subsidiaries regarding individual compliance topics are collected and evaluated in order to, in turn, derive new optimization measures from them. There is also a regular exchange with Internal Audit, where risks and further optimization measures are discussed.

### Internal Control and Risk Management System

STADA's Internal Control and Risk Management System, which is designed to ensure the responsible handling of risks, represents the basis for responsible corporate governance. It puts the Executive Board in a position to recognize Group-wide risks and market tendencies so that it can immediately react to relevant changes in the risk profile. In this regard, all departments are connected to the Risk Management System, thus allowing for comprehensive risk monitoring, including the monitoring of potential risks from non-financial areas. The monitoring of non-financial risks is conducted in the same way as financial risks. Generally speaking, for each risk recorded, the indirect impact of the risk is assessed and presented in addition to the direct impact. The inclusion of indirect effects also ensures that non-financial risks are recorded so that their financially measurable impact can be determined and mapped in the Risk Management System.

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

### Employee Matters

STADA's personnel policy is managed centrally by the Global Human Resources department at Group headquarters. In this regard, the global functional departments "Talent Management", "People Analytics" as well as "Compensation & Benefits" lay out the standards, guidelines and processes that are implemented by the international subsidiaries and supplemented in accordance with the conditions specific to the market. In view of a strong centrally managed international HR structure, there are also functional reporting lines from all local HR managers to the global HR management, as well as a global HR management team with local representatives from the largest market regions.

In view of the global Covid-19 pandemic, numerous measures were implemented in 2020 with employee concerns in mind. The focus of these measures was on the safety and health of employees. Measures were initiated globally, adapted to local situations and implemented in accordance with the respective legal requirements. In Germany, a Company Agreement on measures to be taken during the Covid-19 pandemic was adopted. The agreement regulates prevention and protection measures intended to protect both production and production-related employees in particular, who, as far as possible, must work on site at a STADA location despite the crisis situation. Depending on the respective situation, employees with office workstations primarily worked from home and were equipped with the appropriate materials for this purpose.

In the reporting year, two HR Leadership conferences took place, bringing together HR representatives from headquarters and those responsible for personnel from the larger subsidiaries in order to improve international cooperation. Both conferences were conducted virtually due to the global Covid-19 pandemic. The focus of the event, which takes place twice a year in different countries in which STADA is active, is especially the presentation of global projects.



Actions initiated globally in financial year 2020 included conducting three Pulse Surveys to look at employee commitment, particularly during the Covid-19 pandemic, with above-average results. Global leadership development programs were held virtually and 360-degree feedback was conducted for the STADA Global Leadership Team. Furthermore, in the reporting year, the process of creating and implementing the new SAP-based HR IT environment was continued, enabling the standardization and digitalization of Group-wide HR processes. Following the global roll-out at the end of 2020, the first two modules will be used in all countries. Additional modules will follow in 2021. The Compensation & Benefits department developed and implemented a global Compensation & Benefits policy to ensure clarity, transparency and equal treatment in the relevant areas in the event of inquiries.

### **Employee recruitment and retention**

As part of the recruitment process, all interviews were conducted virtually, in line with the current Covid-19 pandemic situation. To as great an extent as possible, the onboarding process for new employees also took place only virtually.

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

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

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

In order to deal responsibly with the labor of each individual employee – one of the Company's key resources – STADA has, among other things, established Company health management at its headquarters in Bad Vilbel, which helps the workforce stay physically fit. This includes, for example, a fitness room, yoga classes, massage services and sports groups, as well as an annual Health Day held at two locations in Bad Vilbel, all of which was only held in 2020 if possible and in compliance with Covid-19 safety measures.

In the reporting year, in line with STADA's purpose "Caring for people's health as a trusted partner", a global digital health challenge was carried out. The objective of the challenge was to reinforce positive habits for promoting employee health and well-being. More than 3,600 employees worldwide took part in the "One STADA Health Challenge".

### **Training and development**

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

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

Two global programs are used in the Group with the aim of recruiting and promoting young talent. Over the course of the 24-month “Impact” trainee program, graduates are trained in four functional areas at STADA and prepared for a potential long-term position in the STADA Group. The “Accelerate” program, which was initiated in the reporting year and will be launched in 2021, is targeted toward people with initial work experience and aims to train future managers during a 24-month program.

In 2020, nine people underwent training in different areas of the Company. As part of its development program, the Company also offers students the opportunity to gain practical experience in the pharmaceutical industry with an internship or clerkship.

## Employee communication

All news that is published by STADA in the area of internal communication is based on the four corporate values Agility, Entrepreneurship, Integrity and One STADA. In addition to these basic rules for the Code of Conduct, the STADA Vision and the so-called STADA Purpose form the basis for all information communicated internally and externally. 2020 was particularly challenging for internal communication, not least because of the Covid-19 pandemic. It was important that the roughly 12,500 employees were kept comprehensively up-to-date during the lock-down phases. This presented the department with new challenges. Additional measures such as CEO video messages, special editions of the employee magazine “One STADA News” or the distribution of packages with products such as mouth-nose protection and vitamin C to all employees worldwide were just a few of the measures that were implemented.

In addition, around 1,000 new employees were welcomed following the acquisitions of Walmark and the Takeda portfolio. Their integration was accompanied by a range of measures. Local employee meetings, for example, were held to welcome the new employees. In the case of Walmark, events were held at the same time in eight different countries and with a Global SEC member present to help the new teams made up of local STADA and former Walmark employees grow together.

In the second and third quarters, particular attention was paid to an internal growth initiative targeted primarily at promoting entrepreneurship as a corporate value and motivating employees to develop business cases and drive them forward. To this end, in addition to a virtual global leadership meeting, key topics were set for the intranet and the employee magazine.

With respect to the Covid-19 pandemic, safety and health as well as employee appreciation were top priorities in communication efforts. The CEO and local managing directors, for example, provided regular, high-level information on current developments and resulting safety measures. In the intranet, all country sites had their own Corona Information Centers, where a range of information was bundled. Appreciation for the exceptional performance, especially of the teams in production, laboratories and logistics, also played an important role. In a special issue of the employee magazine, SEC members and colleagues from the home office thanked them for their efforts with short personal messages. A video that was included on external channels such as the website and LinkedIn in addition to internal channels, showed those employees who worked in the production facilities all the time. This underscored their tremendous commitment to STADA's most important mission during this extraordinary time: #KeepSupplyingMedicines.

Even though face-to-face meetings were not possible due to the Corona situation, there were numerous virtual meetings offering the possibility to interact with each other and not only to maintain but also to promote personal exchanges. At the end of July, for example, a virtual global employee meeting was held for the first time during which the CEO also answered questions via live chat. The various departments, including Global Communications and HR, also organized virtual meetings to inform the teams in the countries about strategic and thematic priorities.

## Employee rights and occupational safety

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

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

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

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

## Fostering equal opportunity

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

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

The proportion of women employed in management positions at the Group in 2020 amounted to approximately 52% (previous year: approximately 51%).

There has been a new global definition of gender diversity at STADA since 2019. This definition provides for a division into “upper, middle and lower management levels”. The “upper management level” includes all members of the STADA Global Leadership Team. In this Group, women had a share of 23% in 2020. In financial year 2020, the management levels were divided into “middle” and “lower” management levels for the first time. The middle management level leads the lower management level. The lower management level manages individual employees. For the “middle management levels”, the share of women was 49%. For the “lower management level”, the proportion of women was 57%.

## Important non-financial performance indicators

Gender diversity share of women in %	2020	2019
Upper management level	23%	– <sup>1)</sup>
Middle management level	49%	– <sup>1)</sup>
Lower management level	57%	– <sup>1)</sup>
Management levels, total	52%	51%

1) No detailed information possible on individual management levels.

## Health, Safety and Environmental Protection

### Management processes

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

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

For this reason, STADA has established corresponding responsibilities and processes both at Group and location-related levels. To this end, globally valid HSE guidelines are defined at Group level, their implementation is accompanied at the location level and verified by internal or external audits.

At individual production locations, local HSE guidelines and procedures were, in turn, defined that ensure compliance with legal requirements and guarantee continuous improvement in accordance with the principles of Plan-Do-Check-Act. In order to have these processes monitored externally on a regular basis, there are HSE Management Systems with certification in accordance with the relevant ISO standards at approximately 80% of the larger production sites. Other sites have initiated development of ISO-compliant HSE management systems and will continue to do so in the coming year.

#### Locations with certified ISO management systems (as of the end of 2020):

Location	ISO 45001	ISO 14001
Vrsac, Serbia	X	X
Dubovac, Serbia	X	X
Sabac, Serbia	X	X
Podgorica, Montenegro	X	X
Banja Luka, Bosnia-Herzegovina	X	X
Huddersfield, UK	X	X
Nizny Novgorod <sup>1)</sup> , Russia	X	X
Obninsk, Russia		X
Bila Tserka, Ukraine		X

The effectiveness and success of the local management systems are also regularly acknowledged through external awards. The Russian location in Obninsk received the nomination from the Kaluga Region Government once again in 2020 as "Environmental responsibility for production organization".

### Health and occupational safety

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

1) GOST 12.0.230.1-2015 occupational safety and health protection in connection with GOST 12.0.230-2007.

In the reporting year, the programs at all locations to further improve responsibility and awareness of occupational safety at all hierarchical levels and to enhance the occupational safety culture were continued.

This included the strengthening of “Near Miss” programs (a program to detect and prevent unsafe behavior/unsafe situations) and integrated HSE/Gemba walk-throughs.

With the onset of the Covid-19 pandemic, STADA established a Steering Committee with senior executives that supported the implementation of local protection concepts for both production and sales sites worldwide. Similarly, global reporting of Covid-19 infections has been introduced and the approach in countries regularly coordinated.

In March 2020, STADA introduced mandatory home office work worldwide for several weeks as an immediate measure and flexibly adapted this to the infection situation in the countries on a case-by-case basis during the year based on local conditions. There were also various protective measures, such as the development of occupancy plans for the offices. To further increase employee safety, plexiglas screens were installed as partitions in meeting rooms and open-plan offices. Furthermore, all employees were sent a “health package” with mouth-nose protection masks and health-promoting products.

Extensive measures were taken at all production sites worldwide. In addition to adapting operational procedures to ensure social distancing rules at all workplaces, these also included the obligation to measure the temperatures of all employees and the mandatory requirement to wear mouth/nose protective masks. Further protective measures were introduced with regard to external companies and, depending on the local pandemic situation, extensive possibilities or obligations were introduced for PCR or antigen tests for employees.

In the case of employees who tested positive for Covid-19, operational contacts were identified and quarantined and/or tested for Covid-19 in accordance with local regulations.

Especially in the context of the Covid-19 pandemic, active and intensive communication was of utmost importance. Employee surveys conducted in 2020 showed that employees felt that they had been well informed and protected in the workplace.

**Important non-financial performance indicators**

In the reporting year, as a result of the broad range of measures, it was possible to significantly reduce the number of accidents (accidents >1 lost work day) as compared to 2019:

Health and safety: Accident rate	2020	2019
Accident rate <sup>1)2)</sup>	0.48	0.60

In 2020, intensive work was also carried out at all sites to ensure that “Safety first” aspect could be experienced. To this end, annual HSE programs are defined and processed for each site. At the global level, accident investigations were harmonized in 2020 so that accident causes can be uniformly identified and processed across all sites.

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

1) All production locations; accident rate calculated for every 200,000 working hours for accidents >1 lost day (not including commuting accidents).  
 2) Work-related accidents with lost time >24 h per 200,000 working hours.

## Environmental protection

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

Even though the direct environmental impact of the locations are relatively low compared to other industries, there are management systems certified in accordance with ISO 14001 at approximately 80% of the larger locations. As part of the local environmental programs, measures relating to in particular to energy, water/wastewater and waste were planned and implemented accordingly. STADA initiated a global project on the “STADA Carbon Strategy” at the end of 2020. Over the course of this project, the Company will set long-term CO<sub>2</sub> targets in the current year and, based on a comprehensive baseline analysis, determine the path to achieve these targets.

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

Within the framework of the HSE reporting, both absolute and relative, related to production volume, key figures were determined. Compared to financial year 2019, energy consumption and the resulting CO<sub>2</sub> emissions were as follows in the reporting year:

### Important non-financial performance indicators

Climate change: Carbon footprint <sup>1)</sup>	2020	2019
Energy consumption – total (MWh)	277,000	252,000
Scope 1: CO <sub>2</sub> emissions <sup>2)</sup> (tons of CO <sub>2</sub> eq.)	31,000	30,000
Scope 2: CO <sub>2</sub> emissions <sup>3)</sup> (tons of CO <sub>2</sub> eq.)	112,000	95,000

In 2020, energy consumption and CO<sub>2</sub> emissions increased slightly compared to 2019 primarily for two reasons. Firstly, the increase was due to the acquisitions of the two new production sites in Trinec (Czech Republic) and Bila Tserka (Ukraine). Secondly, the increase was due to the increase in production, which could not be fully offset by the energy efficiency measures.

## Observance of Human Rights

For STADA, good corporate governance means that the focus is not only on the achievement of goals, but also on the way in which these goals are achieved. The Company goal of achieving economic success in line with ethical responsibility, is also mirrored in STADA’s Code of Conduct, which provides guidance to employees particularly for proper behavior when facing legal or ethical challenges. It includes, for example, behavioral guidelines for dealing with each other and with third parties as well as rules regarding tolerance, respect and discrimination. In addition, the Code of Conduct explicitly states that STADA markets and sells its products in accordance with all relevant rules and regulations and prohibits the use of forced or exploitative child labor in any form whatsoever.

1) All production locations.

2) Scope 1: Direct emissions (production locations).

3) Scope 2: Indirect emissions from energy purchasing (production locations).

Contracts negotiated since financial year 2016 pursuant to the Corporate Policies and which have been negotiated in connection with the production of finished goods include additional clauses on the topic of Corporate Social Responsibility within the scope of which STADA and its suppliers are increasingly obligated to comply with the ten principles of the UN Global Compact. This is associated with an obligation to, among other things, support and respect the protection of international human rights and ensure that neither party is complicit in any violations of human rights and commits to the removal of all forms of compulsory labor and to the elimination of child labor. Within the context of an increasingly sustainable cooperation with STADA suppliers, measures were looked at in the reporting year to determine the extent to which compliance with basic environmental and social standards can be improved and, if necessary, monitored. This was followed by potential evaluation approaches such as self-disclosures (e.g. in the form of questionnaires) and audits. Accordingly, the objective in the current financial year is to integrate an option for auditing suppliers on the subject of Corporate Social Responsibility in the contractual clauses for suppliers.



“ Partnerships are central to STADA’s biosimilars strategy. ”

**Michael Mack**  
Head of Biotechnology



“ We have an ambitious launch schedule planned to take STADA Nordic to the next level. ”

**Inge-Merete Larsen**  
General Manager Nordics



“ STADA is interested in licensing products from, and licensing our brands to, partners in China. ”

**Judy Tang**  
Head of BD&L China



“ Local licensing deals will help to expand our portfolio in the MENA region. ”

**Hossam Lofty**  
Head of Portfolio MENA



# STADA CONSOLIDATED FINANCIAL STATEMENTS 2020

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## CONSOLIDATED INCOME STATEMENT

<b>Consolidated Income Statement</b> in k €	<b>2020</b>	<b>2019</b>	<b>Note<sup>1)</sup></b>
Sales	3,010,315	2,608,563	11.
Cost of sales	1,510,458	1,239,225	12.
<b>Gross profit</b>	<b>1,499,857</b>	<b>1,369,338</b>	
Selling expenses	651,150	581,593	13.
General and administrative expenses	231,069	214,830	14.
Research and development expenses	84,907	72,782	15.
Other income	28,790	42,661	16.
Other expenses	238,690	156,994	17.
<b>Operating profit</b>	<b>322,831</b>	<b>385,800</b>	
Result from investments measured at equity	93	-6	
Investment income	7	0	
Financial income	1,901	3,571	
Financial expenses	104,340	48,634	
<b>Financial result</b>	<b>-102,339</b>	<b>-45,069</b>	18.
<b>Earnings before taxes</b>	<b>220,492</b>	<b>340,731</b>	
Income tax expenses	38,593	26,888	19.
<b>Earnings after taxes</b>	<b>181,899</b>	<b>313,843</b>	
thereof			
• distributable to the shareholders of STADA Arzneimittel AG (net profit)	167,314	302,697	
• distributable to non-controlling shareholders	14,585	11,146	20.
Profit transfer to Nidda Healthcare GmbH	153,005	349,550	

1) The following Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in k €	2020	2019	Note <sup>1)</sup>
<b>Earnings after taxes</b>	<b>181,899</b>	<b>313,843</b>	
<b>Items to be recycled to the income statement in future:</b>			
<b>Currency translation gains and losses</b>	<b>-127,191</b>	<b>75,412</b>	34.
thereof			
• income taxes	741	-387	19.
<b>Gains and losses on financial assets (FVOCI)</b>	<b>-27</b>	<b>-7</b>	46.
thereof			
• income taxes	10	2	19.
<b>Items not to be recycled to the income statement in future:</b>			
<b>Gains and losses on financial assets (FVOCI)</b>	<b>5,842</b>	<b>130</b>	25.
<b>Revaluations of net debt from defined benefit plans</b>	<b>-2,912</b>	<b>-5,323</b>	35.
thereof			
• income taxes	-106	734	19.
<b>Other comprehensive income</b>	<b>-124,288</b>	<b>70,212</b>	
<b>Consolidated comprehensive income</b>	<b>57,611</b>	<b>384,055</b>	
thereof			
• distributable to the shareholder of STADA Arzneimittel AG	43,210	372,334	
• distributable to non-controlling shareholders	14,401	11,721	

1) The following Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

# CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet in k €	Dec. 31, 2020	Dec. 31, 2019 <sup>1)</sup>	Note <sup>2)</sup>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>3,322,851</b>	<b>2,288,235</b>	
Intangible assets	2,767,035	1,782,432	23.
Property, plant and equipment	491,867	461,143	24.
Financial assets	14,113	6,393	25.
Investments measured at equity	2,710	3,067	26.
Other financial assets	657	340	29.
Other assets	2,271	1,328	30.
Deferred tax assets	44,198	33,532	
<b>Current assets</b>	<b>1,935,346</b>	<b>1,575,848</b>	
Inventories	830,132	638,673	31.
Trade accounts receivable	694,782	615,090	27.
Return assets	838	689	28.
Income tax receivables	8,747	5,659	
Other financial assets	46,149	59,808	29.
Other assets	88,697	46,761	30.
Cash and cash equivalents	266,001	206,039	32.
Non-current assets and disposal groups held for sale	-	3,129	33.
<b>Total assets</b>	<b>5,258,197</b>	<b>3,864,083</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,017,351</b>	<b>1,195,468</b>	34.
Share capital	162,090	162,090	34.1.
Capital reserve	514,206	514,206	34.2.
Retained earnings including net income	776,985	806,278	34.3.
Other reserves	-522,172	-400,829	34.4.
Treasury shares	-1,403	-1,403	34.5.
<b>Equity attributable to shareholders of the parent company</b>	<b>929,706</b>	<b>1,080,342</b>	
Shares relating to non-controlling shareholders	87,645	115,126	34.6.
<b>Non-current borrowings</b>	<b>2,930,891</b>	<b>1,416,347</b>	
Other non-current provisions	41,726	41,006	35.
Financial liabilities	2,580,996	1,244,788	36.
Other financial liabilities	157,780	36,333	39.
Other liabilities	10,862	2,635	40.
Deferred tax liabilities	139,527	91,585	
<b>Current borrowings</b>	<b>1,309,955</b>	<b>1,252,268</b>	
Other provisions	61,951	18,261	41.
Financial liabilities	148,009	40,082	36.
Trade accounts payable	529,571	414,024	37.
Contract liabilities	591	1,590	38.
Income tax liabilities	55,645	59,364	
Other financial liabilities	346,702	582,368	39.
Other liabilities	167,486	136,579	40.
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	-	-	
<b>Total equity and liabilities</b>	<b>5,258,197</b>	<b>3,864,083</b>	

1) The previous year's figures as of December 31, 2019 have been adjusted in accordance with the purchase price allocation of the Biopharma Group, which has since been finalized. Details can be found in Note 8. "Business combinations".

2) The following Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

# CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in k €	2020	2019 <sup>1)</sup>	Note <sup>2)</sup>
Earnings after taxes	181,899	313,843	
Depreciation and amortization net of write-ups of non-current assets	245,239	227,001	22.
Income tax expense	38,592	26,888	19.
Income tax paid	-63,892	-47,879	
Interest income and expenses	102,439	45,063	18.
Interest and dividends received	698	1,065	
Result from investments measured at equity	-93	6	26.
Result from the disposals of non-current assets	12,054	-920	16./17.
Additions to/reversals of other non-current provisions	3,551	5,353	35.
Currency translation income and expenses	79,039	964	16./17.
Other non-cash expenses and gains <sup>3)</sup>	317,908	215,628	
<b>Gross cash flow</b>	<b>917,434</b>	<b>787,012</b>	
Changes in inventories	-279,838	-145,778	31.
Changes in trade accounts receivable	-115,095	-60,294	27.
Changes in trade accounts payable	51,062	85,470	37.
Changes in other net assets, unless attributable to investing or financing activities <sup>3)</sup>	-167,673	-171,006	
<b>Cash flow from operating activities</b>	<b>405,890</b>	<b>495,404</b>	42.
Payments for purchases of			
• intangible assets	-433,231	-161,694	
• property, plant and equipment	-64,732	-82,718	
• financial assets	-1,133	-4,504	
• business combinations in accordance with IFRS 3	-703,662	-47,538	
• business combinations in accordance with IFRS 3 (VAT)	-27,391	-	
Proceeds from the disposal of			
• intangible assets	214	53	
• property, plant and equipment	4,823	6,755	
• financial assets	-	-	
• shares in consolidated companies	0	1,903	
• non-current assets held for sale (IFRS 5)	-231	22,755	
<b>Cash flow from investing activities</b>	<b>-1,225,343</b>	<b>-264,988</b>	42.
Borrowing of funds	2,237,567	12,905	36.
Settlement of financial liabilities	-806,753	-152,093	36.
Settlement of liabilities from leases	-29,803	-26,298	
Interest paid	-93,942	-51,324	
Dividend distribution and profit transfer	-368,523	-151,211	34.
Changes in non-controlling interests	-52,037	-	34.
Changes in treasury shares	-	-	34.
<b>Cash flow from financing activities</b>	<b>886,509</b>	<b>-368,021</b>	42.
<b>Changes in cash and cash equivalents</b>	<b>67,056</b>	<b>-137,605</b>	42.
Changes in cash and cash equivalents due to the scope of consolidation	1,751	-	
Changes in cash and cash equivalents due to exchange rates	-8,845	-150	
<b>Net change in cash and cash equivalents</b>	<b>59,962</b>	<b>-137,755</b>	32.
<b>Balance at beginning of the period</b>	<b>206,039</b>	<b>343,794</b>	
<b>Balance at end of the period</b>	<b>266,001</b>	<b>206,039</b>	

1) The previous years' figures have been adjusted with regard to a change in the presentation of interest paid in accordance with IAS 8. Accordingly, interest paid is no longer reported in cash flow from operating activities, but within cash flow from financing activities.

2) The following Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

3) Non-cash additions to accruals for discounts to health insurance organizations in 2020 in the amount of €162.3 million (previous year: €150.5 million) are recognized in gross cash flow and are therefore not included in changes in other net assets

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<b>Consolidated Statement of Changes in Equity</b>				
in k €				
<b>2020</b>	<b>Number of shares</b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings including net income</b>
<b>Balance as of December 31, 2020</b>	<b>62,342,440</b>	<b>162,090</b>	<b>514,206</b>	<b>776,985</b>
Profit transfer to Nidda Healthcare GmbH	-	-	-	-153,005
Dividend distribution	-	-	-	-
Capital increase from share options	-	-	-	-
Changes in treasury shares	-	-	-	-
Changes in retained earnings	-	-	-	-
Changes in non-controlling interests	-	-	-	-40,805
Changes in the scope of consolidation	-	-	-	-36
Other comprehensive income	-	-	-	-2,761
Net income	-	-	-	167,314
<b>Balance as of Jan. 1, 2020</b>	<b>62,342,440</b>	<b>162,090</b>	<b>514,206</b>	<b>806,278</b>
<b>Previous year</b>				
<b>Balance as of December 31, 2019</b>	<b>62,342,440</b>	<b>162,090</b>	<b>514,206</b>	<b>806,278</b>
Profit transfer to Nidda Healthcare GmbH	-	-	-	-349,550
Dividend distribution	-	-	-	-
Capital increase from share options	-	-	-	-
Changes in treasury shares	-	-	-	-
Changes in retained earnings	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Changes in the scope of consolidation	-	-	-	-
Other comprehensive income	-	-	-	-5,475
Net income	-	-	-	302,697
<b>Balance as of Jan. 1, 2019</b>	<b>62,342,440</b>	<b>162,090</b>	<b>514,206</b>	<b>858,606</b>

Currency translation reserve	FVOCI reserve	Treasury shares	Equity attributable to shareholders of the parent	Shares held by non-controlling shareholders	Group equity
-528,096	5,924	-1,403	929,706	87,645	1,017,351
-	-	-	-153,005	-	-153,005
-	-	-	-	-18,973	-18,973
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-40,805	-22,909	-63,714
-	-	-	-36	-	-36
-127,159	5,816	-	-124,104	-184	-124,288
-	-	-	167,314	14,585	181,899
<b>-400,937</b>	<b>108</b>	<b>-1,403</b>	<b>1,080,342</b>	<b>115,126</b>	<b>1,195,468</b>
<b>-400,937</b>	<b>108</b>	<b>-1,403</b>	<b>1,080,342</b>	<b>115,126</b>	<b>1,195,468</b>
-	-	-	-349,550	-	-349,550
-	-	-	-	-17,022	-17,022
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
74,989	123	-	69,637	575	70,212
-	-	-	302,697	11,146	313,843
<b>-475,926</b>	<b>-15</b>	<b>-1,403</b>	<b>1,057,558</b>	<b>120,427</b>	<b>1,177,985</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## General Information

### 1. Corporate information

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

The Consolidated Financial Statements of STADA Arzneimittel AG for financial year 2020 were approved for publication by the Executive Board on March 10, 2021.

### 2. Basis of preparation of the financial statements

The Consolidated Financial Statements prepared for STADA Arzneimittel AG as parent Company as of December 31, 2020, were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315e (1) of the German Commercial Code (HGB).

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

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

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

### 3. Consequences of new or amended standards and interpretations

In financial year 2020, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2020.

The Group has applied Definition of a Business (amendments to IFRS 3) to business combinations for which the acquisition dates are on or after January 1, 2020 in order to assess whether it has acquired a company or a group of assets. In determining whether a particular group of activities and assets is a business, the Group assesses whether the group of assets and activities acquired includes at least one resource input and one substantive process, and whether the acquired group has the ability to generate output.

The Group has the option to apply a “concentration test” that provides a simplified assessment of whether an acquired group of activities and assets is not a business. The optional concentration test is met if the fair value of the gross assets acquired is substantially concentrated in a single identifiable asset or a group of similar identifiable assets.

In the statement of cash flows, a change in presentation has been made whereby interest paid, taking advantage of the option under IAS 7.33, is now shown in cash flow from financing activities and no longer within cash flow from operating activities. Because interest paid as financing expenses results directly from the borrowings of financial liabilities, which are also included in the cash flow from financing activities, the changed presentation leads, from STADA's perspective, to the financial statements providing more relevant information on the impact of these transactions on STADA's cash flows. The comparative figures from the previous year have been adjusted accordingly. As a result of the change in presentation, cash flow from operating activities increased in financial year 2020 by €93.9 million; this was countered by a decrease in cash flow from financing activities. For the previous year, this resulted in an increase in cash flow from operating activities of €51.3 million, while cash flow from financing activities decreased accordingly due to the increased cash outflows.

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

From today's perspective, no or no significant effects on the Consolidated Financial Statements are expected from the future application of the further standards (LIBOR Reform, IAS1) and interpretations not yet applied.

#### **4. Changes in accounting policies**

There were no changes in accounting and valuation methods with significant effects on the presentation of STADA's net assets, financial position and results of operations or cash flows in financial year 2020 other than the effects already mentioned from the change in presentation according to which interest paid, taking advantage of the option in accordance with IAS 7.33, is now reported in cash flow from financing activities and no longer within cash flow from operating activities.

#### **5. Scope of consolidation**

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

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

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

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

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associates included in financial year 2020 and are as follows:

Number of companies in the scope of consolidation	Germany	International	Total
<b>Jan. 1, 2020</b>	<b>10</b>	<b>70</b>	<b>80</b>
Additions	1	21	22
Disposals	-	9	9
<b>Dec. 31, 2020</b>	<b>11</b>	<b>82</b>	<b>93</b>

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

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

In the second quarter of 2020, the Argentine subsidiary Laboratorio Vannier S.A. was sold. The company had already been reported as held for sale as of March 31, 2020 in accordance with IFRS 5. The Company's assets and liabilities were reported within non-current assets and disposal groups held for sale as well as associated liabilities as of March 31, 2020. As part of this disclosure, there was an impairment loss of €5.1 million already in the first quarter of 2020, which is included in other expenses. The deconsolidation as of April 30, 2020 also resulted in additional expenses of €6.4 million, which were also recognized under other expenses. In this regard, the reclassification of a €6.3 million expense from currency effects was carried out from equity in the income statement from currency effects.

In addition, UK subsidiaries Slam Trading Limited and LAS Trading Limited were sold in the second quarter of 2020. In this context, Lowry Solutions Limited and the non-operating companies Socialites E-Commerce Limited, Socialites Retail Limited, Fresh Vape Electronic Cigarettes Limited were also deconsolidated. These deconsolidations, which were carried out as of May 31, 2020, resulted in a total loss of €7.0 million, which was recognized in other expenses. In this regard, the recycling of a €5.6 million expense from currency effects was carried out from equity in the income statement.

In addition, in the second quarter of 2020, the American subsidiary STADA Corp. was included in the scope of consolidation of STADA as of April 30, 2020 and the German subsidiary Natures Aid Deutschland GmbH as of May 1, 2020.

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

In the third quarter of 2020, the Bulgarian subsidiary STADA Pharmaceuticals Bulgaria EOOD (formerly STADA Bulgaria EOOD) was founded and included in the scope of consolidation.

Further, the Lithuanian subsidiary UAB Walmark was merged with the Lithuanian subsidiary UAB STADA-Nizhpharm-Baltija as of September 1, 2020 and subsequently renamed UAB STADA Baltics.

As of October 2, 2020, STADA gained control over the Swedish company Lobsor Pharmaceuticals AB, a company that specializes in innovative therapies for late-stage Parkinson's disease. The company has been included in the Consolidated Financial Statements as of October 1, 2020. At that time, the newly-founded STADA Sweden Holding AB, which carried out the acquisition of Lobsor Pharmaceuticals, was also included in the Consolidated Financial Statements.

In the fourth quarter, the two Swiss sister companies Spirig HealthCare AG, a consolidated subsidiary, and STADA Aesthetics AG, a non-consolidated subsidiary, were merged into Spirig.

In the Consolidated Financial Statements of the STADA Group, 89 companies were consolidated as subsidiaries and four companies as associates as of the reporting date on December 31, 2020.

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

in € million	2020	2019
Share of result from continuing operations	0.1	-0.1
Share of result from discontinued operations	-	-
Share of other comprehensive income	-	-
<b>Share of comprehensive income</b>	<b>0.1</b>	<b>-0.1</b>
Reclassification of the shares held by STADA in Stellapharm J.V. (IFRS 5)	-	-21.4
Dividend distribution of SAS SANTRALIA, formerly Pharm Ortho Pedic SAS	-0.2	-
<b>Aggregate carrying amount</b>	<b>2.7</b>	<b>3.1</b>

In this context, the share in the French Pharm Ortho Pedic SAS was reduced from 30% to 25% in the third quarter of 2020 due to a merger. Also as a result of this merger, Pharm Ortho Pedic SAS was renamed SAS SANTRALIA.

Significant non-controlling interests exist in the STADA Group as of December 31, 2020 in the German BIOCEUTICALS Arzneimittel AG and the German NorbiTec GmbH.

The share in Pymepharco Joint Stock Company increased from 72% to 98.22% due to the acquisition of additional shares in financial year 2020. Hence, there are no material non-controlling interests in Pymepharco as of December 31, 2020, the presentation of the influence of other shareholders in Pymepharco as of December 31, 2020 and the presentation of the summarized financial information as of December 31, 2020 and for the financial year 2020, respectively, is therefore omitted.

For the previous year, the following information on the influence of other shareholders in Pymepharco as of December 31, 2019:

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

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

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

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

In the following, information on the cash flow for Pymepharco for financial year 2019 is presented.

2019 in k €	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities
Pymepharco Joint Stock Company	5,627	-18,613	-5,786

In the following, the influence of other shareholders on BIOEUTICALS Arzneimittel AG as of December 31, 2020 is presented:

Name of subsidiary	Headquarters/ place of founding	Share of voting rights held by non-controlling interests	Result of non-controlling interests in 2020 in k €	Accumulated non-controlling interests as of Dec. 31, 2020 in k €
BIOEUTICALS Arzneimittel AG	Germany	48.66%	9,018	63,199

The disclosures for the previous year are as follows:

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

In the following, the financial information for BIOCEUTICALS Arzneimittel AG as of December 31, 2020 and for financial year 2020 is summarized:

in k €	Assets as of Dec. 31, 2020		Liabilities as of Dec. 31, 2020	
	non-current	current	non-current	current
BIOCEUTICALS Arzneimittel AG	81,758	76,708	9,736	8,137

in k €	Sales	Earnings after taxes in 2020		Total earnings in 2020	Dividends to non-controlling interests in 2020
		distributable to STADA	distributable to non-controlling interests		
BIOCEUTICALS Arzneimittel AG	69,343	21,135	9,018	30,153	10,563

For the previous year, the following information is provided in addition to the combined financial information for BIOCEUTICALS Arzneimittel AG:

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

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

In the following, information on the cash flow for BIOCEUTICALS Arzneimittel AG for financial years 2020 and 2019 is presented.

in k €	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities	
	2020	2019	2020	2019	2020	2019
BIOCEUTICALS Arzneimittel AG	33,382	33,072	-	-9,120	-28,929	-47,749

In the following, the influence of other shareholders on NorBiTech GmbH as of December 31, 2020 is presented:

Name of subsidiary	Headquarters/ place of founding	Share of voting rights held by non-controlling interests	Result of non-controlling interests in 2020 in k €	Accumulated non-controlling interests as of Dec. 31, 2020 in k €
NorBiTech GmbH	Germany	33.33%	4,696	10,017

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share of voting rights held by non-controlling interests	Result of non-controlling interests in 2019 in k €	Accumulated non-controlling interests as of Dec. 31, 2019 in k €
NorBiTech GmbH	Germany	33.33%	4,234	11,131

In the following, the financial information for NorBiTech GmbH as of December 31, 2020 and for financial year 2020 is summarized:

in k €	Assets as of Dec. 31, 2020		Liabilities as of Dec. 31, 2020	
	non-current	current	non-current	current
NorBiTech GmbH	7,856	26,423	957	3,272

in k €	Earnings after taxes in 2020				
	Sales	distributable to STADA	distributable to non-controlling interests	Total earnings in 2020	Dividends to non-controlling interests in 2020
NorBiTech GmbH	-	9,392	4,696	14,088	5,810

For the previous year, the following information is provided in addition to the combined financial information for NorBiTech GmbH:

in k €	Assets as of Dec. 31, 2019		Liabilities as of Dec. 31, 2019	
	non-current	current	non-current	current
NorBiTech GmbH	8,854	29,630	1,386	3,707

in k €	Sales	Earnings after taxes in 2019		Total earnings in 2019	Dividends to non-controlling interests in 2019
		distributable to STADA	distributable to non-controlling interests		
NorBiTech GmbH	–	8,467	4,234	12,701	3,664

In the following, information on the cash flow for NorBiTech GmbH for financial years 2020 and 2019 is presented.

in k €	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities	
	2020	2019	2020	2019	2020	2019
NorBiTech GmbH	25,826	23,627	-721	102	-9,430	-19,120



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

#### Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
AO Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	51.34%	subsidiary
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
EG Labo – Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France	100%	subsidiary
EG S.p.A., Milan, Italy	100%	subsidiary
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany	100%	subsidiary
Natures Aid Germany GmbH, Bad Vilbel, Germany	100%	subsidiary
OOO Hemofarm, Obninsk, Russia	100%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria	100%	subsidiary
Spirig HealthCare AG, Egerkingen, Switzerland	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia	100%	subsidiary
STADA d.o.o., Zagreb, Croatia	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg	100%	subsidiary/not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria	100%	subsidiary
STADA PHARMA CZ s.r.o., Prague, Czech Republic	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India	100%	subsidiary/ not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA Pharmaceuticals Australia Pty. Ltd., Sydney, Australia	100%	subsidiary
STADA Pharmaceuticals Bulgaria EOOD (formerly STADA Bulgaria EOOD), Sofia, Bulgaria	100%	subsidiary
STADA Poland Sp. z o.o., Piaseczno, Poland	100%	subsidiary
STADA Service Holding B.V., Breda, Netherlands	100%	subsidiary
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China	100%	subsidiary/not included
STADA Sweden Holding AB, Stockholm, Sweden	100%	subsidiary
STADA Thailand Company, Ltd., Bangkok, Thailand	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom	100%	subsidiary
Walmark a.s., Třinec, Czech Republic	100%	subsidiary
XBrane Biopharma AB, Solna, Sweden	7.08%	investment

## Indirect investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint-Brieuc, France	20%	associate
ALIUD PHARMA GmbH, Laichingen, Germany	100%	subsidiary
Biopharma-Invest LLC, Bila Tserkva, Ukraine	100%	subsidiary
Britannia Pharmaceuticals Ltd., Reading, United Kingdom	100%	subsidiary
Brituswip Ltd., Reading, United Kingdom	50%	joint venture/not included
Centrafarm B.V., Breda, Netherlands	100%	subsidiary
Centrafarm Nederland B.V., Breda, Netherlands	100%	subsidiary
Centrafarm Services B.V., Breda, Netherlands	100%	subsidiary
Clonmel Healthcare Ltd., Clonmel, Ireland	100%	subsidiary
CNRD 2009 Ireland Ltd., Dublin, Ireland	50%	joint venture/not included
Crosspharma Ltd., Belfast, United Kingdom	100%	subsidiary
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam	43%	investment
DH-norm s.r.o., Třinec, Czech Republic	100%	subsidiary
Fresh Vape Electronic Cigarettes Ltd., Huddersfield, United Kingdom	100%	subsidiary/not included
Genus Pharmaceuticals Holdings Ltd., Huddersfield, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Healthypharm B.V., Breda, Netherlands	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia	100%	subsidiary
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia and Herzegovina	91.50%	subsidiary
Hemofarm d.o.o. Sarajevo, Sarajevo, Bosnia and Herzegovina	100%	subsidiary/not included
Hemofarm Komerac d.o.o., Skopje, Macedonia <sup>1)</sup>	99.18%	subsidiary/not included
Hemofarm S.à R.L., Constantine, Algeria	40%	investment
Hemomont d.o.o., Podgorica, Montenegro	71.02%	subsidiary
Hemopharm GmbH, Bad Vilbel, Germany	100%	subsidiary
Idelyn s.r.o., Třinec, Czech Republic	100%	subsidiary
Internis Pharmaceuticals Ltd., Huddersfield, United Kingdom	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China	35.50%	investment
LCM Ltd., Huddersfield, United Kingdom	100%	subsidiary
Lobsor Pharmaceuticals AB, Uppsala, Sweden	100%	subsidiary
Lowry Solutions Ltd., Huddersfield, United Kingdom	100%	subsidiary/not included
Natures Aid Ltd., Huddersfield, United Kingdom	100%	subsidiary
Nextgen360 Ltd. (formerly: BSMW Ltd.), Huddersfield, United Kingdom	100%	subsidiary
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan	100%	subsidiary
NorBiTec GmbH, Uetersen, Germany	66.66%	subsidiary
OOO Aqualor, Nizhny Novgorod, Russia	100%	subsidiary
OOO Dialogfarma, Moscow, Russia	50%	associate
Pharmaceutical Plant Biopharma LLC, Bila Tserkva, Ukraine	100%	subsidiary
PharmTechService LLC, Bila Tserkva, Ukraine	50%	associate
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam	20%	investment
Proenzi s.r.o., Třinec, Czech Republic	100%	subsidiary
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam	98.22%	subsidiary
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam	49%	investment
Quatropharma Holding B.V., Breda, Netherlands <sup>1)</sup>	100%	subsidiary

1) Currently in the process of liquidation.

## Indirect investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
S.A. Eurogenerics N.V., Brussels, Belgium	100%	subsidiary
SAS SANTRALIA (formerly: Pharm Ortho Pedic SAS, Trélazé, France)	25%	associate
SIA STADA Latvia (formerly: SIA Walmark), Riga, Latvia	100%	subsidiary
Socialites E-Commerce Ltd., Huddersfield, United Kingdom	100%	subsidiary/not included
Socialites Retail Ltd., Huddersfield, United Kingdom	100%	subsidiary/not included
STADA Bulgaria EOOD (formerly: Walmark Bulgaria EOOD), Sofia, Bulgaria	100%	subsidiary
STADA CEE GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Consumer Health Deutschland GmbH (formerly: STADA GmbH), Bad Vilbel, Germany	100%	subsidiary
STADA Corp., New Jersey, USA	100%	subsidiary
STADA Estonia OÜ (formerly: Walmark Estonia OÜ), Tallinn, Estonia	100%	subsidiary
STADA Genéricos, S.L., Barcelona, Spain	100%	subsidiary/not included
STADA HEMOFARM S.R.L., Temeswar, Romania	100%	subsidiary
STADA Hungary Kft., Budapest, Hungary	100%	subsidiary
STADA IT Solutions d.o.o., Vrsac, Serbia	100%	subsidiary
STADA, LDA, Paco de Arcos, Portugal	100%	subsidiary/not included
STADA M&D S.R.L., Bucharest, Romania	100%	subsidiary
STADA Medical GmbH (formerly: STADA Consumer Health Deutschland GmbH), Bad Vilbel, Germany	100%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates	100%	subsidiary
STADA Nordic ApS, Herlev, Denmark	100%	subsidiary
STADAPHARM GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Pharma Magyarország Kft. (formerly: STADA Hungary LLC), Budapest, Hungary	100%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China	83.351%	subsidiary
STADA Philippines Inc., Manila, Philippines	100%	subsidiary
STADA-Ukraine DO., Kiew, Ukraine	100%	subsidiary
STADA Vietnam Ltd., Tuy Hoa City, Vietnam	100%	subsidiary
Sundrops Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom	100%	subsidiary
Thornton & Ross Ireland Ltd., Clonmel, Ireland	100%	subsidiary
UAB STADA-Baltics (formerly: UAB STADA-Nizhpharm-Baltija) Vilnius, Lithuania	100%	subsidiary
VALOSUN a.s., Prague, Czech Republic	100%	subsidiary
Valosun-PL Sp. Z o.o., Cieszyn, Poland	100%	subsidiary
VALOSUN SK spol. s.r.o., Senec, Slovakia	100%	subsidiary
Vaping Holdco Limited, Stockport, United Kingdom	100%	subsidiary/not included
Velefarm A.D., Belgrade, Serbia	19.65%	investment
Velexfarm d.o.o., Belgrade, Serbia	100%	subsidiary
Vetfarm A.D., Belgrade, Serbia	15%	investment
WALMARK Romania S.R.L., Bucharest, Romania	100%	subsidiary
WALMARK Sp. Z o.o., Sosnowiec, Poland	100%	subsidiary
Wavita EU s.r.o., Prague, Czech Republic	100%	subsidiary
Well Light Investment Company Limited, Ho Chi Minh City, Vietnam	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom	100%	subsidiary

The exemption rule in Section 264 Paragraph 3 HGB was applied to ALIUD PHARMA GmbH, BEPHA investmentsgesellschaft für Pharmawerte mbH, Hemopharm GmbH, Mobilat Produktions GmbH, Natures Aid Germany GmbH, STADA CEE GmbH, STADA Medical GmbH, STADA Consumer Health Germany GmbH and STADAPHARM GmbH.

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

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

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

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

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

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

## 7. Currency translation

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

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

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

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

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

Significant currency relations in local currency to 1 euro	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2020	2019	±%	2020	2019	±%
British pound	0.89903	0.85208	-6%	0.88921	0.87724	-1%
Swiss franc	1.08020	1.08710	+1%	1.07031	1.11270	+4%
Russian ruble	91.46710	69.27810	-32%	82.64544	72.45524	-14%
Serbian dinar	117.58020	117.59280	+0%	117.57759	117.86094	+0%
Ukrainian hryvnia	34.76890	26.58330	-31%	30.81270	28.92892	-7%
US dollar	1.22710	1.11890	-10%	1.14128	1.11959	-2%

In terms of percentage changes compared with the previous year, a depreciation of the respective national currency is shown in the table with a minus sign, while an appreciation is shown with a plus sign.

## 8. Business combinations

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

### Assumption of control over the Ukrainian Biopharma Group

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

First-time inclusion of the Biopharma Group in the Consolidated Financial Statements of STADA Arzneimittel AG took place as of December 31, 2019. The purchase price allocation was taken into account on a provisional basis in the Consolidated Financial Statements as of December 31, 2019. The purchase price allocation has now been finalized and has been included accordingly in the Consolidated Financial Statements for the 2020 financial year. The adjustments required by the finalization also had an impact on the closing data as reported in these Consolidated Financial Statements for the comparative period of 2020. This justifies deviations from comparative figures in the consolidated financial statements for financial year 2020 with disclosures that were included in the Consolidated Financial Statements prepared as of December 31, 2019.

The adjustments related to the finalization of the purchase price allocation as of December 31, 2019 are as follows:

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

The final purchase price allocation for this business combination resulted in goodwill of €10.3 million, mainly from the acquired sales structures and the associated sales expertise. In this regard, goodwill was distributed in accordance with its share to the respective business segment, so that the majority was allocated to the Branded Products segment and a smaller part to the Generics segment.

in € million	
Purchase price for 100% of the shares of the company	49.4
Proportionate fair values of the assets and liabilities acquired	39.1
<b>Goodwill</b>	<b>10.3</b>

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

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

Intangible assets and property, plant and equipment were amortized as scheduled in the reporting year.

The gross value of the trade accounts receivable was €5.5 million. Trade accounts receivable were recorded at their fair value in the amount of €5.4 million.

Sales of the Biopharma Group amounted to approximately €5.4 million in the reporting year. Earnings after taxes of this group of companies amounted to approximately -€2.3 million in financial year 2020.

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

#### Assumption of control over the Czech Walmark Group

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

A total of €140.2 million was invested in the acquisition and it was paid in full in cash. The amount is made up of the following components: A payment of €89.7 million was made to the seller as the base purchase price. A further payment made to the seller amounted to €8.3 million and was used to repay the shareholder loan existing at the time of purchase. The purchase price thus totaled €98.0 million. In addition, €42.2 million was transferred to the Walmark group for repayment of the bank loan existing at the time of purchase.

The final purchase price allocation resulted in goodwill, which was fully allocated to the Branded Products segment, of €24.7 million from this business combination, which is comprised as follows:

in € million	
Purchase price for 100% of the shares of the company	98.0
Proportionate fair values of the assets and liabilities acquired	73.3
<b>Goodwill</b>	<b>24.7</b>

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

The net translation difference of the carrying amount of goodwill at the end of the reporting period amounts to -€0.8 million.

The adjustments in connection with the finalization of the purchase price allocations as of March 1, 2020 were comprised as follows:

Fair values in € million	March 1, 2020 (fair value)
Intangible assets	108.5
Property, plant and equipment	23.1
Other non-current assets	0.1
Deferred tax assets	0.5
Inventories	14.7
Trade accounts receivable	12.8
Other receivables	1.1
Other current assets	1.7
Income tax receivables	0.3
Cash and cash equivalents	5.5
<b>Assets</b>	<b>168.3</b>
Other non-current provisions	0.1
Financial liabilities	42.5
Other financial liabilities	4.4
Trade accounts payable	17.7
Deferred tax liabilities	24.2
Other provisions	0.3
Other liabilities	5.8
<b>Liabilities</b>	<b>95.0</b>

Intangible assets and property, plant and equipment were amortized as scheduled in the reporting year.

The gross value of the trade accounts receivable was €12.9 million, which were deemed fully recoverable. Trade accounts receivable were recorded at their fair value in the amount of €12.8 million.



Sales of the Walmark Group amounted to about €40.9 million in the reporting year. Earnings after taxes of this group of companies amounted to approximately -€10.3 million in financial year 2020.

If an acquisition of the Walmark group had already taken place on January 1, 2020, sales of around €51.6 million and earnings after taxes of around -€12.4 million would have been included.

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

STADA acquired pharmaceutical products and associated processes from the Takeda Group as of March 3, 2020. The products have been included in the Consolidated Financial Statements from March 1, 2020. The purchase price for the acquisition in the amount of €551.3 million was paid entirely in cash.

The final purchase price allocation resulted in goodwill, which was fully allocated to the Branded Products segment, of €4.3 million from this business combination, which is comprised as follows:

in € million	
Purchase price	551.3
Proportionate fair values of the assets and liabilities acquired	547.0
<b>Goodwill</b>	<b>4.3</b>

In this regard, goodwill resulted primarily from the strengthening of the global branded products portfolio and from an expansion of the presence in the CIS region.

The net translation difference of the carrying amount of goodwill at the end of the reporting period amounts to +€0.6 million.

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

Fair values in € million	
Intangible assets	541.5
Deferred tax assets	2.4
Inventories	18.4
<b>Assets</b>	<b>562.3</b>
Trade accounts payable	12.1
Deferred tax liabilities	3.0
Other liabilities	0.2
<b>Liabilities</b>	<b>15.3</b>

Intangible assets were amortized as scheduled in the reporting year.

Sales of the acquired Takeda product portfolio since first-time consolidation amounted to approximately €132.3 million, while earnings after taxes for the same period were approximately -€0.4 million. This financial information was not available for the two months prior to the initial consolidation period.

### Assumption of control over the Swedish company Lobsor Pharmaceuticals AB

STADA assumed control over the Swedish Lobsor Pharmaceuticals as of October 2, 2020. The company, which sells a Parkinson's product for late-stage treatment of the disease, has been included as a subsidiary in the Consolidated Financial Statements from October 1, 2020.

A total of €162.1 million was invested in the acquisition. The amount is made up of the following components: A payment of €60.0 million was made to the seller as the base purchase price. The remaining amount is to be paid on the one hand upon achievement of an accumulated sales target and, on the other hand, depending on annual sales.

The final purchase price allocation resulted in goodwill, which was fully allocated to the Branded Products segment, of €4.5 million from this business combination, which is comprised as follows:

in € million	
Purchase price for 100% of the shares of the company	162.1
Proportionate fair values of the assets and liabilities acquired	157.6
<b>Goodwill</b>	<b>4.5</b>

In this regard, goodwill resulted primarily from the strengthening of the global branded products portfolio and from an expansion of the presence for the treatment of Parkinson's disease to complement the existing APO-go® portfolio.

The following balance sheet values were applied on October 1, 2020 at the acquisition date as values for the assets acquired and liabilities assumed in the context of business combinations:

Fair values in € million	Oct. 1, 2020 (fair value)
Intangible assets	198.2
Property, plant and equipment	0.7
Deferred tax assets	0.5
Trade accounts receivable	0.3
Other receivables	0.1
Cash and cash equivalents	0.2
<b>Assets</b>	<b>200.0</b>
Other non-current provisions	1.8
Trade accounts payable	0.5
Deferred tax liabilities	40.1
Other liabilities	0.1
<b>Liabilities</b>	<b>42.4</b>

Intangible assets and property, plant and equipment were amortized as scheduled in the reporting year.

The gross value of the trade accounts receivable was €0.3 million, which were deemed fully recoverable. Trade accounts receivable were recorded at their fair value in the amount of €0.3 million.

Sales of Lobsor Pharmaceuticals amounted to about €0.7 million in the reporting year. Earnings after taxes of this company amounted to approximately -€3.2 million in financial year 2020.

If an acquisition of Lobsor Pharmaceuticals had already taken place on January 1, 2020, sales of around €2.5 million and earnings after taxes of around -€5.4 million would have been included.

## 9. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell is determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group as well as the umbrella brand Pymepharco capitalized in the context of achieving control over Pymepharco. Impairment tests are carried out for the umbrella brands with indefinite useful lives at the level of the individual company or, for the umbrella brand Hemofarm, at the level of the individual companies that generate sales under the Hemofarm umbrella brand. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

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

**Property, plant and equipment** is accounted at cost less depreciation and any impairment losses plus write-ups. Depreciation begins when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized.

Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

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

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

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

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

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

**Inventories** include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Historical costs or costs of sales are determined based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable

value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

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

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

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

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

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

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

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

STADA assumes that the Covid-19 situation prevailing at the time of the preparation of the Consolidated Financial Statements will be limited in terms of its duration. Accordingly, STADA does not expect any significant effects on the Consolidated Financial Statements. However, effects arising from Covid-19 on the Consolidated Financial Statements could result from the following reasons: Interest rate adjustments in various countries, increasing volatility in foreign currency exchange rates, deteriorating creditworthiness, payment defaults or delayed payments, delays in orders received and executed or modified cost structures, limited utilization of assets, volatility in financial and commodity markets, limited or no access to customers' operating premises or difficulty in making forecasts and projections due to uncertainties regarding the amount and timing of cash flows. These factors may affect the fair values and carrying amounts of assets and liabilities, the amount and timing of earnings recognition, and cash flows. It is reasonably possible that adjustments to assumptions and carrying amounts may be necessary in financial year 2021. At this point in time, STADA anticipates that the assumptions made appropriately reflect the situation at the time of the preparation of the Consolidated Financial Statements.

Furthermore, the potentially negative macroeconomic consequences in connection with the United Kingdom's exit from the EU could also have an impact.

The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets evaluated according to IFRS 3 and the consideration transferred plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this that are primarily based on estimates and assumptions. Insofar as contingent purchase price components are agreed, the expected future consideration is measured in the context of the business combination and recognized as other financial liability. At STADA, these are future milestone payments or license fees, the probability of which STADA estimates at the time of the company acquisition and discounts based on the expected payment dates in order to determine the amount of the other financial liability. In the following periods, this assessment is updated and the change is recognized at fair value through profit or loss in other expenses.

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units, aggregated into operating segments, which are based on certain assumptions, are to be determined for this purpose. In this regard, both an allocation from "Corporate Assets" to the carrying amounts of the respective cash-generating units and an allocation from "Corporate Costs" are carried out in the calculation of the respective value in use on the basis of individual appropriate distribution keys. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets. Due to the current market developments in connection with the Covid-19 pandemic, a moderate earnings discount was applied to the planning in order to adequately reflect current market uncertainties. Accordingly, the interest rate calculated for the cash-generating units includes the market parameters influenced by the Covid-19 pandemic. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment requirement may be necessary in subsequent years.

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

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

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

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



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

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

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

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

## Notes to the Consolidated Income Statement

### 11. Sales

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

The increase in sales in financial year 2020 was based for the most part on the acquisitions made as well as on good sales development in the German, Belgian and French generics segment as well as in the Russian and British branded products segment. This was countered by development in the German branded products segment. Portfolio changes influenced sales with €315.4 million as an adjustment for the reporting year and with €8.6 million as an adjustment for the previous year while exchange-rate related effects reduced sales in the previous year with €45.6 million. For information on how sales are broken down according to segments, please refer to “Segment reporting” in Note 44.

### 12. Cost of sales

Cost of sales is divided into the following items:

in k €	2020	2019
Material expenses	1,144,637	966,949
Impairment, depreciation and amortization	170,847	123,203
Expenses from inventory write-downs	69,717	40,914
Remaining cost of sales	125,257	108,159
<b>Total</b>	<b>1,510,458</b>	<b>1,239,225</b>

Impairment, depreciation and amortization in the amount of €170.8million (previous year: €123.2 million) mainly included amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured – in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value netted with reversals. The reversals amounted to €7.6 million in financial year 2020 (previous year: €11.9 million).

### 13. Selling expenses

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

In the reporting year, marketing expenses in the amount of €301.1 million (previous year: €265.3 million) corresponded to a share of 46% in selling expenses (previous year: 46%). In addition, selling expenses included depreciation in the amount of €19.1 million (previous year: €17.0 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 2020, the general and administrative expenses included depreciation in the amount of €17.0 million (previous year: €15.8 million).

General and administrative expenses showed an increase of €231.1 million (previous year: €214.8 million). The increase resulted, among other things, from acquisitions made. The share of general and administrative expenses in Group sales amounted to 7.7% (previous year: 8.2%).

#### 15. Research and development expenses

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

In financial year 2020, research and development expenses increased by €12.1 million compared to the previous year.

The research and development expenses included depreciation in the amount of €4.5 million (previous year: €4.4 million). Development costs for new products in the amount of €18.4 million (previous year: €20.4 million) were capitalized in financial year 2020 (see the Notes on the item "Intangible assets").

#### 16. Other income

Other income is divided into the following items:

in k €	2020	2019
Income from write-ups	3,597	8,579
Income from the reversal of impairments on receivables	8,806	10,237
Income from received insurance compensations	154	72
Income from the disposal of non-current assets	1,947	2,616
Remaining other income	14,286	21,157
<b>Total</b>	<b>28,790</b>	<b>42,661</b>

Income from write-ups in financial year 2020 is made up of many individual items in the Group companies and related to the Generics segment with €0.1 million and the Branded Products segment with €3.5 million (previous year: €2.5 million in the Generics segment and €6.1 million in the Branded Products segment). The write-ups relate for the most part to various pharmaceutical approvals and trademarks, the scheduled amortization of which is reported within cost of sales.

The remaining other income includes, for the most part, compensation claims and other income not directly associated with functional costs, which comprises many insignificant individual items in the Group companies.

## 17. Other expenses

Other expenses are broken down as follows:

in k €	2020	2019
Impairment losses on non-current assets excluding goodwill	37,337	75,125
Other personnel expenses	30,656	26,200
Expenses from valuation allowances in accounts receivable	2,370	1,469
Losses from the disposal of non-current assets	14,001	1,697
Currency translation expenses	79,039	964
Expenses for legal disputes	45,835	5,551
Remaining other expenses	29,452	45,988
<b>Total</b>	<b>238,690</b>	<b>156,994</b>

Other expenses include impairment losses in the amount of €37.3 million (previous year: €75.1 million) that exclusively relate to impairment losses on non-current assets excluding goodwill in the reporting year. The impairment losses relate for the most part to various pharmaceutical approvals and trademarks, the scheduled amortization of which is reported within cost of sales. The impairment losses mainly related to an approval in the Generics segment (€8.9 million) due to the discontinuation of development activities, expenses from the deconsolidation of the Argentinean subsidiary Laboratorio Vannier S.A. (€5.1 million) as well as an approval in the Branded Products segment (€3.8 million) due to negative future business prospects. In the previous year, there were impairments mainly due to two approvals in the Branded Products segment (€24.8 million and €9.3 million) due to negative future business prospects as well as a project under development in Generics (€12.4 million) due to the discontinuation of development activities.

Furthermore, other expenses included personnel expenses in the amount of €30.7 million (previous year: €26.2 million), which in the reporting year mainly resulted from expenses due to changes in management (previous year: severance payments for a BPO restructuring program as well as expenses as a result of changes in management). Regular personnel expenses are appropriately allocated to the functional areas. The severance payments were primarily related to employees whose regular personnel expenses were reported under administrative expenses.

In other expenses, in the reporting year there were expenses from impairments on receivables in the amount of €2.4 million (previous year: €1.5 million).

Losses from the disposal of non-current assets amounted to €14.0 million in the reporting year and mainly included effects from the deconsolidation of the Argentinean subsidiary Laboratorio Vannier S.A. as well as the British subsidiaries Slam Trading Limited and LAS Trading Limited.

Net currency translation expenses in the amount of €79.0 million (previous year: €1.0 million) were reported under other expenses, consisting of currency translation income of €68.1 million (previous year: €28.4 million) and currency translation expenses of €147.1 million (previous year: €29.4 million). This development was based on adverse developments in the significant currencies in various national currencies. In particular, there were increased expenses in the reporting year due to the devaluation of the Russian ruble for liabilities in the transaction currency euro.

Expenses for legal disputes in the amount of €45.8 million (previous year: €5.6 million) primarily related to provisions created for damages in Germany as well as in the CIS region.

## 18. Financial result

The **result from investments measured at equity** in financial year 2020, as was the case in the previous year, relates to the companies AELIA SAS, Dialogfarma LLC, SAS SANTRALIA (formerly Pharm Ortho Pedic SAS) and PharmTechService LLC 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** were composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in k €	2020	2019
Interest income	1,901	3,571
Interest expense	104,340	48,634
<b>Interest result</b>	<b>102,439</b>	<b>45,063</b>
thereof from financial instruments of the valuation categories in accordance with IFRS 9:		
• loans and receivables (AC)	1,895	1,339
• financial assets at fair value through other comprehensive income (FVOCI)	-1,236	-1,541
• financial assets and liabilities at fair value through profit and loss (FVPL)	-3,592	-2,817
• financial liabilities measured at amortized costs (AC)	-98,881	-43,451

The interest result in financial year 2020 included a net interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of €0.6 million (previous year: €0.8 million).

The interest result includes further interest expenses in connection with leases in accordance with IFRS 16 in the amount of €3.9 million (previous year: €3.3 million).

In the reporting year, STADA Arzneimittel AG refinanced at interest rates between 1.01% p.a. and 3.50% p.a. (previous year: 1.01% p.a. and 3.50% p.a.). In addition, the Group financed itself at interest rates of between 0.85% p.a. and 10.19% p.a. (previous year: 1.01% p.a. and 69.15% p.a.), whereby the high interest rate in the previous year was due to borrowings for the company Laboratorio Vannier in Argentina, which was deconsolidated in 2020 and for which the carrying amounts are not material for the Group as a whole. As of the reporting date December 31, 2020, the weighted average interest rate for non-current financial liabilities was approximately 3.84% p.a. (December 31, 2019: approximately 3.07% p.a.). The average weighted interest rate for current financial liabilities was approximately 4.27% p.a. as of the balance sheet date (December 31, 2019: 8.00% p.a.). For all of the Group's financial liabilities, the weighted average interest rate as of December 31, 2020 was approximately 3.87% p.a. (December 31, 2019: approximately 3.22% p.a.).

Borrowing costs capitalized as part of the cost of qualifying assets amounted to €4.2 million in financial year 2020 (previous year: €3.7 million). A capitalization rate of 3.17% for intangible assets (previous year: 3.0%) was taken as a basis.

In financial year 2020, as was the case in the previous year, there was no other financial income or other financial expenses.

## 19. Income tax expense

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

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

in k €	2020	2019
<b>Actual income tax expenses</b>	<b>59,129</b>	<b>32,370</b>
Tax expense in the current period	50,730	45,857
Tax expense (previous year: tax income) from previous periods	8,399	13,487

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

in k €	2020	2019
<b>Deferred taxes</b>	<b>-20,536</b>	<b>-5,482</b>
• from temporary differences	-21,817	-4,918
• from loss/interest carryforwards	1,281	-564

The effective income tax rate amounted to 17.5% for financial year 2020. The effective income tax rate in the previous year was 7.9%. The nominal income tax rate amounted to 28.3% in financial year 2020 for STADA Arzneimittel AG in Germany. This includes corporate tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% of corporate tax as well as trade tax with an assessment rate of 357%. The nominal income tax rate of STADA Arzneimittel AG is thus unchanged as compared to the previous year.

For temporary differences from Group investments amounting to € 13.1 million (previous year: €15.7 million), no deferred tax liabilities were recognized, as in the foreseeable future it is unlikely that there will be a reversal in these temporary differences.

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 STADA Arzneimittel AG to earnings before taxes. The tax effects of the respective tax rates to be applied locally depending on their applicable national and legal forms are reported in a separate reconciliation.

in k €	2020	2019
<b>Earnings before taxes</b>	<b>220,492</b>	<b>340,731</b>
Nominal income tax rate of STADA Arzneimittel AG (in %)	28.3%	28.3%
<b>Expected income tax expense</b>	<b>62,443</b>	<b>96,495</b>
Deviation in local tax rate	-28,097	-28,875
Tax effects from loss carryforwards, tax credits, interest carryforwards and prior-year taxes	6,188	-12,031
Effects from tax rate changes	32,413	10,850
Tax effects from disposals	-4,274	-
Tax effect from the fiscal unity with the shareholder	-30,215	-39,089
Other tax effects	134	-462
<b>Income tax expense shown on the income statement</b>	<b>38,593</b>	<b>26,888</b>
Effektive income tax rate (in %)	17.5%	7.9%

Without the tax effect from the fiscal unity with the shareholder in the amount of -€30.2 million (previous year: -€39.1 million), the effective tax rate would have been 31.2% (previous year: 19.4%).

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

The tax expense of STADA Arzneimittel AG, as in the previous year, was mainly influenced by the domination and profit and loss transfer agreement with the shareholder Nidda Healthcare GmbH. This resulted in a change in the tax status of STADA Arzneimittel AG, which has been included in the single tax entity of Nidda BondCo GmbH with its tax results since 2018 and must pay corporate tax. No tax allocation agreement was concluded with Nidda Healthcare GmbH as the direct parent company and/or Nidda BondCo GmbH as the indirect parent company.

Income taxes are therefore reported in accordance with the formal approach. Accordingly, all deferred taxes of the former German controlling Company STADA Arzneimittel AG were transferred to the new controlling company Nidda BondCo GmbH. Nidda BondCo GmbH also has to pay corporate tax, solidarity surcharge and trade tax on the taxable income of STADA Arzneimittel AG.

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

in k €	Dec. 31, 2020	Dec. 31, 2019
Income tax receivables	8,747	5,659
Income tax liabilities	55,645	59,364
<b>in k €</b>		
Deferred tax assets	44,198	33,532
Deferred tax liabilities	139,527	91,585
Deferred taxes as of December 31	-95,328	-58,053
Difference compared to previous year	-37,275	-455
thereof		
• recognized in income	20,536	5,482
• recognized through other comprehensive income	645	349
• acquisitions/disposals/changes in the scope of consolidation	-61,636	-4,007
• currency translation differences	3,179	-2,279

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

in k €	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	1,501	1,125	145,670	100,069
Property, plant and equipment	1,352	2,157	9,740	9,682
Financial assets	405	543	1,035	-
Inventories	18,366	13,749	712	616
Receivables	557	374	4,200	809
Other assets	5,553	2,398	261	804
Other non-current provisions	2,355	3,023	723	-
Other provisions	11,029	5,564	2,200	4,362
Liabilities	12,575	12,859	519	864
Loss carryforwards	16,038	17,362	-	-
<b>Total</b>	<b>69,731</b>	<b>59,154</b>	<b>165,060</b>	<b>117,207</b>
Offsetting	25,533	25,622	25,533	25,622
<b>Deferred taxes as per balance sheet</b>	<b>44,198</b>	<b>33,532</b>	<b>139,527</b>	<b>91,585</b>

Deferred tax liabilities reported by STADA resulted, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. The increase in deferred tax liabilities from intangible assets compared with the previous year resulted mainly from the acquisitions Walmark and Lobsor, where the measurement of the assets at fair value led to an increase in the carrying amount and thus to an increased temporary difference. Overall, deferred tax liabilities increased as of December 31, 2020 to €139.5 million (December 31, 2019: €91.6 million). In addition, this development was attributable to higher taxable temporary differences from receivables. The slight reduction in loss carryforwards resulted in particular from the utilization of tax loss carryforwards and the deconsolidation of Laboratorio Vannier. Offsetting effects resulted from the build-up of exchange rate-related losses and the addition of companies with existing tax loss carryforwards.



Tax advantages that are expected from the future utilization of tax loss carryforwards are reported under the item “Tax loss carryforwards”, insofar as their utilization is probable. Tax loss carryforwards capitalized as of December 31, 2020 amounted to €64.1 million in financial year 2020 (December 31, 2019: €57.9 million).

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

in k €	Dec. 31, 2020	Dec. 31, 2019
Loss carryforwards expiry date within		
• 1 year	1,383	-
• 2 years	5,292	-
• 3 years	-	-
• 4 years	2,874	-
• 5 years	942	1,598
• after 5 years	-	-
• unlimited carryforward	53,654	56,294

Deferred tax assets of €7.3 million have been recognized for companies that incurred a loss in the current or previous year. Management expects to generate sufficient taxable income in future periods to realize the benefits of the deferred tax assets.

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

in k €	Dec. 31, 2020	Dec. 31, 2019
Expiry date for loss carryforwards and similar items within		
• 1 year	7,102	-
• 2 years	-	-
• 3 years	-	-
• 4 years	-	-
• 5 years	968	-
• after 5 years	-	76
• unlimited carryforward	34,439	17,667
Temporary differences	-	-

## 20. Income attributable to non-controlling interests

in k €	Dec. 31, 2020	Dec. 31, 2019
<b>Earnings after taxes</b>	<b>181,899</b>	<b>313,843</b>
• thereof distributable to the shareholder (previous year: shareholders) of STADA Arzneimittel AG (net income)	167,314	302,697
• thereof distributable to noncontrolling interests	14,585	11,146

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

## 21. Number of employees and personnel expenses

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

	2020	2019
Technical Operations (Production/Quality Assurance/Logistics/Procurement/Supply Chain)	6,613	5,489
Marketing/Sales	3,938	3,294
Administration with Finance/IT	1,042	1,200
Product Development	708	643
<b>Entire Group</b>	<b>12,301</b>	<b>10,626</b>
<b>Personnel expenses (in € million)</b>	<b>478.0</b>	<b>420.9</b>

The average number of employees in the STADA Group increased in financial year 2020 by 16% to 12,301 (previous year: 10,626). The increase was mainly based on the first-time consolidation of the Biopharma Group as of December 31, 2019, with approximately 290 employees, the first-time consolidation of the acquired Walmark Group in March 2020 with approximately 520 employees and the acquisition of the Takeda portfolio including the takeover of approximately 420 employees also in March 2020. In addition, a legal change in Serbia in April 2020 resulted in the internalization of approximately 360 external employees. As of the reporting date, the number of employees rose by 11% to 12,310 (previous year: 11,100). The increase was largely due to the previously mentioned acquisitions of the Walmark group and the Takeda portfolio, as well as the takeover of the external employees in Serbia.

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, increased in financial year 2020 to €478.0 million (previous year: €420.9 million). The increase was mainly due to the previously mentioned first-time consolidations and acquisitions.

## 22. Depreciation, amortization and impairment losses

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

in k €	2020	2019
<b>Scheduled depreciation/amortization</b>	<b>211,499</b>	<b>160,455</b>
Intangible assets	148,267	103,794
Property, plant and equipment	63,232	56,661
<b>Impairment losses</b>	<b>37,337</b>	<b>75,124</b>
Intangible assets	31,753	74,480
thereof		
• goodwill	-	-
Property, plant and equipment	481	49
thereof		
• land and buildings	0	-
• plant and machinery	-20	13
• other fixtures and fittings, tools and equipment	501	36
• advance payments	-	-
Financial assets	-	595
thereof		
• investments	-	595
Non-current assets held for sale	5,103	-

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

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

Depreciation and amortization increased by 31.8% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

The impairment losses on non-current assets held for sale related to the Argentinian subsidiary Laboratorio Vannier S.A. which was presented as held for sale in accordance with IFRS 5 as of March 31, 2020 and which was sold in the second quarter of 2020.

## Notes to the Consolidated Balance Sheet

### 23. Intangible assets

Intangible assets developed as follows in financial year 2020:

2020 in k €	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Rights of use	Goodwill	Advance payments made and capitalized development costs for current projects	Total
<b>Costs as of Jan. 1, 2020</b>	<b>2,433,789</b>	<b>7,794</b>	<b>483,627</b>	<b>260,024</b>	<b>3,185,234</b>
Currency translation	-182,022	-	-25,528	-6,370	-213,920
Changes in the scope of consolidation	-12,521	-	-507	0	-13,028
Additions	364,341	1,442	-	81,947	447,730
Additions from business combinations in accordance with IFRS 3	847,783	-	33,575	381	881,739
Disposals	1,052	124	-	746	1,922
Reclassifications from non-current assets and disposal groups held for sale	14,114	-	-	-	14,114
Transfers	22,343	-	-	-22,150	193
<b>Costs as of Dec. 31, 2020</b>	<b>3,486,775</b>	<b>9,112</b>	<b>491,167</b>	<b>313,086</b>	<b>4,300,140</b>
<b>Accumulated depreciation as of Jan. 1, 2020</b>	<b>1,227,712</b>	<b>3,388</b>	<b>74,805</b>	<b>96,897</b>	<b>1,402,802</b>
Currency translation	-38,016	-	-3,538	-3,203	-44,757
Changes in the scope of consolidation	-11,549	-	-	-	-11,549
Scheduled depreciation/amortization	144,766	3,501	-	-	148,267
Impairment losses	9,855	-	-	21,898	31,753
Disposals	742	125	-	5	872
Write-ups	3,597	-	-	-	3,597
Reclassifications from non-current assets and disposal groups held for sale	11,058	-	-	-	11,058
Transfers	70	-	-	-70	0
<b>Accumulated depreciation as of Dec. 31, 2020</b>	<b>1,339,557</b>	<b>6,764</b>	<b>71,267</b>	<b>115,517</b>	<b>1,533,105</b>
<b>Residual carrying amounts as of Dec. 31, 2020</b>	<b>2,147,218</b>	<b>2,348</b>	<b>419,900</b>	<b>197,569</b>	<b>2,767,035</b>
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>1,206,077</b>	<b>4,406</b>	<b>408,822</b>	<b>163,127</b>	<b>1,782,432</b>

Additions from business combinations in accordance with IFRS 3 resulted in the reporting year from the acquisition of the Walmark Group, the Takeda product portfolio as well as Lobsor Pharmaceuticals.

Furthermore, in the reporting year, there were increased additions from the acquisitions of the Fern-C portfolio in the Philippines, 15 consumer healthcare products in more than 40 countries for various therapeutic areas from GlaxoSmithKline, the product portfolio of the Swiss Optipharm AG and the Ukrainian Orasept product portfolio.

Impairment losses of €31.8 million mainly related to an approval in the Generics segment (€8.9 million) due to the discontinuation of development activities and an approval in the Branded Products segment (€3.8 million) due to negative future business prospects.

The umbrella brand Hemofarm which was capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in capitalized trademarks recognized as an intangible asset with an indefinable useful life, because STADA intends to make continuing use of it. As of December 31, 2020, this umbrella brand continues to have a carrying amount of €39.2 million.

In the context of the impairment test of December 31, 2020, an unchanged royalty rate of 2% and a discount rate of 9.3% (previous year: 12.9%) were used. There was no necessity for impairment for the reporting year.

Furthermore, in the context of the control assumed over Pymepharco in 2013, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinable useful life as a trademark, as STADA intends to continue to use the trademark. As of December 31, 2020, it has a carrying amount of €8.3 million (previous year: €9.2 million). The change is a result of different exchange rates. In the context of the impairment test of December 31, 2020, an unchanged royalty rate of 2% and a discount rate of 10.2% (previous year: 13.7%) were used. There was no necessity for impairment for the reporting year.

The Vannier umbrella brand with an indefinite useful life, which was capitalized in the previous year as part of the acquisition of Laboratorio Vannier but fully impaired, was sold in the financial year within the scope of the sale of the company.

Borrowing costs capitalized in 2020 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to €4.2 million (previous year: €3.7 million). In financial year 2020, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 3.2% (previous year: 3.0%).

Development costs of €23.1 million were capitalized in the reporting year (previous year: €25.0 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 an expense in the period in which they are incurred (see Note 15.). In financial year 2020, these development costs amounted to €84.9 million (previous year: €72.8 million).

Amortization of intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of €148.3 million (previous year: €103.8 million).

In financial year 2020, impairments on intangible assets were recognized in the total amount of €31.8 million (previous year: €74.5 million). As in the previous year, no valuation allowances on goodwill were recorded in the reporting year.

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

Intangible assets developed as follows in the previous year:

2019 in k €	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Rights of use	Goodwill	Advance payments made and capitalized development costs for current projects	Total
<b>Costs as of Jan. 1, 2019</b>	<b>2,214,297</b>	–	<b>461,468</b>	<b>253,333</b>	<b>2,929,098</b>
Adjustments under IFRS 16	–	7,062	–	–	7,062
<b>Costs as of Jan. 1, 2019, adjusted</b>	<b>2,214,297</b>	<b>7,062</b>	<b>461,468</b>	<b>253,333</b>	<b>2,936,160</b>
Currency translation	54,101	–	11,867	4,165	70,133
Changes in the scope of consolidation	-251	–	–	–	-251
Additions	102,381	739	–	64,330	167,450
Additions from business combinations in accordance with IFRS 3	18,024	–	10,292	–	28,316
Disposals	1,272	7	–	1,157	2,436
Reclassifications to non-current assets and disposal groups held for sale	-11,609	–	–	-2,505	-14,114
Transfers	58,118	–	–	-58,142	-24
<b>Costs as of Dec. 31, 2019</b>	<b>2,433,789</b>	<b>7,794</b>	<b>483,627</b>	<b>260,024</b>	<b>3,185,234</b>
<b>Accumulated depreciation as of Jan. 1, 2019</b>	<b>1,069,778</b>	–	<b>72,716</b>	<b>79,399</b>	<b>1,221,893</b>
Currency translation	21,138	–	2,089	1,623	24,850
Changes in the scope of consolidation	-251	–	–	–	-251
Scheduled depreciation/amortization	100,399	3,395	–	–	103,794
Impairment losses	55,462	–	–	19,018	74,480
Disposals	1,185	7	–	1,135	2,327
Write-ups	7,304	–	–	1,275	8,579
Reclassifications to non-current assets and disposal groups held for sale	-11,058	–	–	–	-11,058
Transfers	733	–	–	-733	0
<b>Accumulated depreciation as of Dec. 31, 2019</b>	<b>1,227,712</b>	<b>3,388</b>	<b>74,805</b>	<b>96,897</b>	<b>1,402,802</b>
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>1,206,077</b>	<b>4,406</b>	<b>408,822</b>	<b>163,127</b>	<b>1,782,432</b>
<b>Residual carrying amounts as of Jan. 1, 2019 adjusted</b>	<b>1,144,519</b>	<b>7,062</b>	<b>388,752</b>	<b>173,934</b>	<b>1,714,267</b>
<b>Residual carrying amounts as of Dec. 31, 2018</b>	<b>1,144,519</b>	–	<b>388,752</b>	<b>173,934</b>	<b>1,707,205</b>

Additions from business combinations in accordance with IFRS 3, which relate to the fair value calculated in the context for the purchase price allocations, resulted in 2019 from the acquisition of the Biopharma Group.

For 2019, impairment losses were recognized mainly on two approvals in the Branded Products segment (€24.8 million and €9.3 million, respectively) due to negative future business prospects and one project under development in the Generics segment (€12.4 million) due to the discontinuation of development activities.

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

<b>Expected amortization</b> in k €	
2021	158,531
2022	156,602
2023	158,720
2024	161,101
2025	163,531

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

<b>Residual carrying amount</b> in € million	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Generics	184.9	189.0
Branded Products	235.0	219.8
<b>Total</b>	<b>419.9</b>	<b>408.8</b>

In comparison with the previous year, there were changes in the carrying amounts of goodwill for the most part as a result of the acquisition of the Walmark Group, the Takeda product portfolio and Lobsor Pharmaceuticals. This led to addition to goodwill in the Branded Products segment from the initial consolidation in the amount of €33.5 million. This addition was partially compensated by exchange rate related changes. In addition, there were insignificant exchange-rate related changes in the Generics segment.

In the context of the regular impairment tests for capitalized goodwill of November 30, 2020, the discounted cash flow method was used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

<b>According to segment, defined as cash-generating unit</b>	<b>Growth rates of the forward projection phase 2020</b> in %	<b>WACCs 2020</b> in %
Generics	1.2%	10.0%
Branded Products	1.3%	10.0%

In the previous year, the applied parameters as of December 31, 2019 were as follows:

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

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. This detailed planning period reflects the assumptions for short and medium-term market developments. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of 50% of the expected long-term inflation rate is assumed. In the previous year a specific estimated growth rate in the amount of the expected long-term inflation rate was assumed for the period after this three-year detailed planning horizon. The detailed planning phase for determining the value in use are based on assumptions from past experience expanded to include current developments and verified using external market data and analyses. The most important assumptions include the development of future sales prices, amounts and costs, the influence of the regulatory market environment, investments, market share, exchange rates and growth rates. Due to current market developments in connection with the Covid-19 pandemic, a moderate discount was applied to the planning in order to adequately reflect current market uncertainties. Accordingly, the interest rate calculated for the cash-generating units includes the market parameters affected by the Covid-19 pandemic. Significant changes to the assumptions described above would influence the determination of the value in use of the cash-generating units. The discount rates applied are determined on the basis of external factors derived from the market and adjusted for the respective predominant risks of the cash-generating units.

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



## 24. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2020:

2020 in k €	Land, leasehold rights and buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Rights of use	Advance payments and construction in progress	Total
<b>Costs as of Jan. 1, 2020</b>	<b>284,973</b>	<b>307,105</b>	<b>119,277</b>	<b>70,445</b>	<b>71,886</b>	<b>853,686</b>
Currency translation	-9,873	-17,863	-4,450	-4,941	-5,099	-42,225
Changes in the scope of consolidation	-702	-1,720	-58	-3,056	-14	-5,550
Additions	1,941	11,120	7,761	39,425	46,129	106,376
Additions from business combinations in accordance with IFRS 3	12,400	6,615	813	4,002	-	23,830
Disposals	2,461	1,986	5,986	8,069	559	19,061
Reclassifications to non-current assets and disposal groups held for sale	-	-	-	-	-	-
Transfers	11,845	55,101	4,698	-98	-71,739	-193
<b>Costs as of Dec. 31, 2020</b>	<b>298,124</b>	<b>358,372</b>	<b>122,055</b>	<b>97,708</b>	<b>40,604</b>	<b>916,863</b>
<b>Accumulated depreciation as of Jan. 1, 2020</b>	<b>107,935</b>	<b>176,173</b>	<b>87,430</b>	<b>20,444</b>	<b>561</b>	<b>392,543</b>
Currency translation	-2,015	-9,295	-2,758	-1,349	-	-15,417
Changes in the scope of consolidation	-45	-1,304	-31	-2,128	-	-3,508
Scheduled depreciation	7,521	21,882	10,631	23,198	-	63,232
Impairment losses	0	-20	501	-	-	481
Disposals	790	1,898	4,190	5,299	158	12,335
Write-ups	-	-	-	-	-	-
Reclassifications to non-current assets and disposal groups held for sale	-	-	-	-	-	-
Transfers	-	-53	92	-39	-	0
<b>Accumulated depreciation as of Dec. 31, 2020</b>	<b>112,606</b>	<b>185,485</b>	<b>91,675</b>	<b>34,827</b>	<b>403</b>	<b>424,996</b>
<b>Residual carrying amounts as of Dec. 31, 2020</b>	<b>185,518</b>	<b>172,887</b>	<b>30,380</b>	<b>62,881</b>	<b>40,201</b>	<b>491,867</b>
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>177,038</b>	<b>130,932</b>	<b>31,847</b>	<b>50,001</b>	<b>71,325</b>	<b>461,143</b>

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

As in the previous year, no borrowing costs were capitalized for property, plant and equipment in financial year 2020.

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

2019 in k €	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Rights of use	Advance payments and construction in progress	Total
<b>Costs as of Jan. 1, 2019</b>	<b>271,526</b>	<b>261,344</b>	<b>117,435</b>	–	<b>42,826</b>	<b>693,131</b>
Adjustments under IFRS 16	–	–	–	51,917	–	51,917
<b>Costs as of Jan. 1, 2019, adjusted</b>	<b>271,526</b>	<b>261,344</b>	<b>117,435</b>	<b>51,917</b>	<b>42,826</b>	<b>745,048</b>
Currency translation	3,694	7,986	2,844	1,619	1,778	17,921
Changes in the scope of consolidation	–	–	–	–	–	–
Additions	1,273	9,298	7,189	13,374	62,286	93,420
Additions from business combinations in accordance with IFRS 3	7,986	6,659	1,358	911	198	17,112
Disposals	1,945	5,510	8,332	3,993	15	19,795
Reclassifications to non-current assets and disposal groups held for sale	-45	–	–	–	–	-45
Transfers	2,484	27,328	-1,217	6,617	-35,187	25
<b>Costs as of Dec. 31, 2019</b>	<b>284,973</b>	<b>307,105</b>	<b>119,277</b>	<b>70,445</b>	<b>71,886</b>	<b>853,686</b>
<b>Accumulated depreciation as of Jan. 1, 2019</b>	<b>101,099</b>	<b>157,092</b>	<b>82,928</b>	–	<b>545</b>	<b>341,664</b>
Currency translation	872	4,481	1,548	248	16	7,165
Changes in the scope of consolidation	–	–	–	–	–	–
Scheduled depreciation	6,937	19,461	9,738	20,525	–	56,661
Impairment losses	–	13	36	–	–	49
Disposals	839	4,872	5,668	1,595	–	12,974
Write-ups	–	–	–	–	–	–
Reclassifications to non-current assets and disposal groups held for sale	-22	–	–	–	–	-22
Transfers	-112	-2	-1,152	1,266	–	0
<b>Accumulated depreciation as of Dec. 31, 2019</b>	<b>107,935</b>	<b>176,173</b>	<b>87,430</b>	<b>20,444</b>	<b>561</b>	<b>392,543</b>
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>177,038</b>	<b>130,932</b>	<b>31,847</b>	<b>50,001</b>	<b>71,325</b>	<b>461,143</b>
<b>Residual carrying amounts as of Jan 1, 2019, adjusted</b>	<b>170,427</b>	<b>104,252</b>	<b>34,507</b>	<b>51,917</b>	<b>42,281</b>	<b>403,384</b>
<b>Residual carrying amounts as of Dec. 31, 2018</b>	<b>170,427</b>	<b>104,252</b>	<b>34,507</b>	–	<b>42,281</b>	<b>351,467</b>

## 25. Financial assets

Financial assets developed as follows in financial year 2020:

2020 in k €	Shares in affiliated companies and other investments	Other Financial assets	Total
<b>Cost as of Jan. 1, 2020</b>	22,426	-	22,426
Currency translation	465	-	465
Changes in the scope of consolidation	-621	-	-621
Additions	1,440	-	1,440
Disposals	-	-	-
Change in the fair value (FVOCI)	5,842	-	5,842
Reclassifications from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
<b>Cost as of Dec. 31, 2020</b>	<b>29,552</b>	<b>-</b>	<b>29,552</b>
<b>Accumulated impairments as of Jan. 1, 2020</b>	<b>16,033</b>	<b>-</b>	<b>16,033</b>
Currency translation	1	-	1
Changes in the scope of consolidation	-595	-	-595
Impairment losses	-	-	-
Disposals	-	-	-
Write-ups	-	-	-
Reclassifications from non-current assets and disposal groups held for sale	-	-	-
Transfers	-	-	-
<b>Accumulated impairments as of Dec. 31, 2020</b>	<b>15,439</b>	<b>-</b>	<b>15,439</b>
<b>Residual carrying amounts as of Dec. 31, 2020</b>	<b>14,113</b>	<b>-</b>	<b>14,113</b>
<b>Residual carrying amounts as of Dec. 31, 2019</b>	<b>6,393</b>	<b>-</b>	<b>6,393</b>

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

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

Financial assets developed as follows in the previous year:

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

## 26. Investments measured at equity

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

Investments measured at equity developed as follows in financial year 2020 compared with the previous year:

in k €	2020	2019
<b>As of Jan. 1</b>	<b>3,067</b>	<b>24,568</b>
Reclassification of the shares held by STADA in Stellapharm J.V. (IFRS 5)	-	-21,356
Addition PharmTechService LLC	-	1,185
Interest rate effect Stellapharm J.V. (formerly STADA Vietnam J.V.)	-	551
Dividend distribution	-175	-1,765
Results from associates	93	-6
Currency translation	-275	-110
<b>As of Dec. 31</b>	<b>2,710</b>	<b>3,067</b>

The decrease in investments accounted for using the equity method in the 2020 financial year resulted primarily from currency translation effects and from the dividend distribution by SAS SANTRALIA, previously Pharm Ortho Pedic SAS.

In the previous year, the decrease in shares measured at equity resulted mainly from the reclassification of the shares held by STADA in Stellapharm J.V. (formerly STADA Vietnam J.V.) into non-current assets held for sale (IFRS 5). Interest rate effects related exclusively to Stellapharm J.V. because the equity carrying amount of Stellapharm J.V. corresponded to the contractually agreed selling price for the sale on December 31, 2019 of the shares held by STADA under consideration of a relevant discounting effect. Dividend distributions in the previous year mainly resulted from the dividends paid by Stellapharm J.V. for financial year 2019, which represented partial payments in connection with the agreement concluded in the fourth quarter of 2017 to sell the shares in this company held by STADA.

## 27. Trade accounts receivable

Trade accounts receivable are composed as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
Trade accounts receivable from third parties	773,857	707,302
Trade accounts receivable from non-consolidated companies	1,799	1,787
Valuation allowances vis-à-vis third parties	-105,374	-108,849
Financial assets (FVOCI)	24,500	14,850
<b>Total</b>	<b>694,782</b>	<b>615,090</b>

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

The regulations on the classification of financial assets resulted for receivables eligible for factoring due to the current business model, that these financial assets, which continue to be included in trade accounts receivable, are measured at fair value without effect on profit or loss under IFRS 9. Changes in the fair value of these receivables are recognized directly in equity in the FVOCI reserve. Financial assets measured at fair value recorded directly in equity are generally subject to the same impairment model as financial assets measured at amortized cost.

Overall, impairments on trade accounts receivable developed as follows:

in k €	2020	2019
<b>As of Jan. 1</b>	<b>108,849</b>	<b>132,110</b>
Added	1,068	1,785
Utilized	-1,695	20,780
Reversed	-2,404	7,685
Additions from business combinations in accordance with IFRS 3	681	121
Changes in the scope of consolidation	-94	-
Currency translation differences	-1,031	3,298
<b>As of Dec. 31</b>	<b>105,374</b>	<b>108,849</b>

### Value adjustment matrix

The figures for financial year 2020 were as follows:

Trade accounts receivable in k €	Credit default rate	Trade accounts receivable, net	ECL IFRS 9	IVA w/o ECL IFRS 9	Trade accounts receivable, gross
Cluster 1 – low risk	0%–1.5%	592,813	2,143	96,838	689,651
Cluster 2 – medium risk	1.6%–3.0%	79,166	1,352	5,040	84,206
Cluster 3 – increased risk	3.1%–5.0%	-	-	-	-
Cluster 4 – high risk	>5.0%	-	-	-	-
<b>Total</b>		<b>671,978</b>	<b>3,495</b>	<b>101,879</b>	<b>773,857</b>

The previous year resulted in the following presentation:

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

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

## 28. Return assets

As of December 31, 2020, return assets due after a year amounted to €0.8 million (previous year: €0.7 million). The return assets relate to anticipated returns in connection with contracts with customers for which reutilization is expected.

## 29. Other financial assets

Other financial assets were composed as follows:

in k €	Dec. 31, 2020		Dec. 31, 2019	
	Total	thereof: current	Total	thereof: current
Loan receivables	130	130	535	535
Derivative financial assets	839	839	418	418
Other financial assets	45,837	45,180	59,195	58,855
<b>Total</b>	<b>46,806</b>	<b>46,149</b>	<b>60,148</b>	<b>59,808</b>

The derivative financial assets included the positive market values of currency forwards (see Note 46.1.).

The remaining financial assets included receivables from the German factoring business in the amount of €5.3 million and receivables from Nidda Healthcare GmbH in the amount of €7.5 million. In addition, other financial assets also comprise many insignificant individual items in the Group companies.

As of December 31, 2020, other financial assets included impairments in the amount of €9.8 million (previous year: €9.5 million). There were no outstanding amounts for non-impaired other financial assets.

## 30. Other assets

Other assets were composed as follows:

in k €	Dec. 31, 2020		Dec. 31, 2019	
	Total	thereof: current	Total	thereof: current
Other receivables due from the tax authorities	50,420	50,394	25,195	25,167
Prepaid expenses/deferred charges	32,329	31,399	17,563	17,392
Other assets	8,219	6,904	5,331	4,202
<b>Total</b>	<b>90,968</b>	<b>88,697</b>	<b>48,089</b>	<b>46,761</b>

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

As of December 31, 2020, other assets included write-downs in the amount of €0.0 million (previous year: €6.5 million).

### 31. Inventories

in k €	2020	2019
Materials and supplies	159,706	155,758
Work in progress	49,557	50,558
Finished goods and merchandise	586,525	418,539
Advance payments to suppliers	34,344	13,818
<b>Total</b>	<b>830,132</b>	<b>638,673</b>

In financial year 2020, impairments netted with reversals were made on the net realizable value of inventories in the amount of €69.7 million (previous year: €40.9 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2020, reversals here amounted to €7.6 million (previous year: €11.9 million).

### 32. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as current and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subject to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on the availability of cash and cash equivalents amount to €4.0 million (previous year: €5.0 million) and, as in the previous year, exclusively relate to cash and cash equivalents in China.

The increase in cash and cash equivalents from €206.0 million as of December 31, 2019 to €266.0 million as of December 31, 2020 resulted from the effects described as part of the explanations in the Consolidated Cash Flow Statement. Further details on the development of cash and cash equivalents can be found in the Consolidated Cash Flow Statement.

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

As of December 31, 2020, in the STADA Group, there were no assets held for sale (previous year: €3.1 million).

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



### 34. Equity

Group equity amounted to €1,017.4 million as of the balance sheet date (previous year: €1,195.5 million). This corresponds to equity ratio of 19.3% (previous year: 30.9%).

#### 34.1. Share capital

As of December 31, 2020, share capital amounted to €162,090,344.00 (December 31, 2019: €162,090,344.00) and was divided into 62,342,440 registered shares (December 31, 2019: 62,342,440), each with an arithmetical share of share capital of €2.60 per share, and is fully paid. Each share grants one vote in the General Meeting.

Authorized capital as of December 31, 2020 is comprised as follows:

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

#### 34.2. Capital reserve

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

#### 34.3. Retained earnings including net income

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

In the context of measuring the defined benefit obligations as of December 31, 2020, net income in the amount of €2.9 million after deferred taxes – not considering amounts attributable to non-controlling interests – resulted from the remeasurement. It is mainly based on the decrease in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2020 in comparison with December 31, 2019. In addition, this item also includes currency translation differences related to the revaluation of net debt recognized in equity from performance-oriented pension plans as well as the deferred taxes they incur, which, in financial year 2020, amounted to income recognized in equity of €0.2 million.

In financial year 2020, retained earnings were also significantly impacted by the increase in shares in the Vietnamese subsidiary Pymepharco Joint Stock Company. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration must be recognized in equity in accordance with IFRS 10 and allocated to the owners of the parent company. The resulting decrease in retained earnings amounts to €40.8 million.

### 34.4. Other reserves

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

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

The increase in other reserves compared to the previous year primarily resulted from the appreciation of the Russian ruble and the British pound since December 31, 2019, which led to income from the currency translation of the companies that are accounted for in the Russian ruble and British pound.

Conversely, the sale of the British Slam and the Argentinian Vannier resulted in an increase of €11.9 million due to the disposal of the corresponding reserves.

### 34.5. Treasury shares

As of the balance sheet date, the Company held 84,273 treasury shares (December 31, 2019: 84,273), each with an arithmetical par value of €2.60, which is equivalent to 0.14% (December 31, 2019: 0.14%) of the share capital. In financial year 2020, no treasury shares were sold.

### 34.6. Shares relating to non-controlling shareholders

Shares held by non-controlling interests related as of December 31, 2020 to the minority interests of other shareholders in the subsidiaries BIOCEUTICALS Arzneimittel AG, Hemofarm Banja Luka, Hemomont, NorBiTec GmbH, Pymepharco, and STADA Pharmaceuticals (Beijing).

## 35. Other non-current provisions

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

in k €	Dec. 31, 2020	Dec. 31, 2019
Germany	19,326	19,166
International	22,400	21,840
<b>Total</b>	<b>41,726</b>	<b>41,006</b>

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

In financial year 2020, at no subsidiaries did the plan assets exceed the pension obligations, with the result that for the current financial year, as was the case in the previous year, there was no need to report under other assets as assets from overfunded pension plans.

Plan assets were divided according to investment type as follows:

Share of plan assets in k €	2020	2019
Cash and cash equivalents	1,879	1,288
Equity securities	9,946	9,188
Debt securities	32,550	28,520
Real estate	2,985	2,543
Derivatives	-	-
Shares in investment funds	10,321	10,655
Insurance policies	39,914	52,529
Other	14	14
<b>Total</b>	<b>97,609</b>	<b>104,737</b>

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

Share of plan assets (quoted market price) in k €	2020	2019
Cash and cash equivalents	1,879	1,288
Equity securities	9,946	9,188
Debt securities	32,550	28,520
Real estate	2,985	2,543
Derivatives	-	-
Shares in investment funds	10,321	10,655
Insurance policies	-	-
Other	14	14
<b>Total</b>	<b>57,695</b>	<b>52,208</b>

For German Group companies, pension obligations developed as follows:

Projected benefit obligations (DBO) for pension commitments in k €	2020	2019
<b>As of Jan. 1</b>	<b>59,482</b>	<b>53,307</b>
Current service cost	11	9
Past service cost	-	-
Plan settlements	-	-
Interest cost	757	1,047
Benefits paid from plan assets in connection with settlements	-	-
Other benefits paid from plan assets	-1,529	-1,223
Benefits paid by employer	-728	-735
Revaluations:		
• gains (-)/losses (+) due to changed demographic assumptions	-13,082	-
• gains (-)/losses (+) due to changed financial assumptions	1,019	7,121
• gains (-)/losses (+) due to experience-based changes	25	-44
<b>As of Dec. 31</b>	<b>45,955</b>	<b>59,482</b>

The gain from a change in demographic assumptions resulted from the discontinuation of an entitlement to a surviving dependents' pension for a current pension commitment.

For international Group companies, pension obligations developed as follows:

Projected benefit obligations (DBO) for pension commitments in k €	2020	2019
<b>As of Jan. 1</b>	<b>75,131</b>	<b>86,753</b>
Current service cost	2,611	2,807
Past service cost	-42	-1,165
Plan settlements	-733	-
Interest cost	1,087	1,982
Benefits paid from plan assets in connection with settlements	-1,053	-30,686
Other benefits paid from plan assets	1,327	439
Benefits paid by employer	-842	-814
Employee contributions	630	579
Insurance premiums for death and disability benefits	-280	-234
Business combinations	23	-
Disposals	-	-
Reclassifications	-	-
Revaluations:		
• gains (-)/losses (+) due to changed demographic assumptions	-241	-635
• gains (-)/losses (+) due to changed financial assumptions	6,181	14,002
• gains (-)/losses (+) due to experience-based changes	53	100
Currency changes	-2,109	2,090
Other	-99	-87
<b>As of Dec. 31</b>	<b>81,644</b>	<b>75,131</b>

In financial year 2020, there were only special events with an immaterial impact on the balance sheet, mainly due to changes in statutory retirement ages in some Eastern European countries.

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

Fair value of plan assets in k €	2020	2019
<b>As of Jan. 1</b>	<b>46,696</b>	<b>41,578</b>
Interest income	588	810
Employer contributions	6	66
Employee contributions	-	-
Benefits paid from plan assets in connection with settlements	-	-
Other benefits paid from plan assets	-1,529	-1,223
Actuarial gains (+)/losses (-) on plan assets (not included in interest result)	-12,312	5,465
Other	-	-
<b>As of Dec. 31</b>	<b>33,449</b>	<b>46,696</b>

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

Fair value of plan assets in k €	2020	2019
<b>As of Jan. 1</b>	<b>58,041</b>	<b>72,747</b>
Interest income	782	1,624
Employer contributions	2,678	2,939
Employee contributions	630	579
Benefits paid from plan assets in connection with settlements	-1,053	-30,686
Other benefits paid from plan assets	1,327	439
Insurance premiums for death and disability benefits	-280	-234
Business combinations	-	-
Disposals	-	-
Reclassifications	-	-
Actuarial gains (+)/losses (-) on plan assets (not included in interest result)	3,461	9,023
Currency changes	-1,327	1,715
Other	-99	-105
<b>As of Dec. 31</b>	<b>64,160</b>	<b>58,041</b>

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

Net debt from defined benefit plans in k €	2020	2019
<b>As of Jan. 1</b>	<b>12,786</b>	<b>11,729</b>
Expenses from pension plans recognized in the income statement	180	246
Revaluations:		
• gains (-)/losses (+) due to changed demographic assumptions	-13,082	-
• gains (-)/losses (+) due to changed financial assumptions	1,019	7,121
• gains (-)/losses (+) due to experience-based changes	25	-44
• actuarial gains (+)/losses (-) on plan assets (not included in interest result)	12,312	-5,465
Employer contributions	-6	-66
Benefits paid by employer	-728	-735
Currency changes	-	-
<b>As of Dec. 31</b>	<b>12,506</b>	<b>12,786</b>

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

Net debt from defined benefit plans in k €	2020	2019
<b>As of Jan. 1</b>	<b>17,090</b>	<b>14,006</b>
Expenses from pension plans recognized in the income statement	2,141	2,017
Revaluations:		
• gains (-)/losses (+) due to changed demographic assumptions	-241	-635
• gains (-)/losses (+) due to changed financial assumptions	6,181	14,002
• gains (-)/losses (+) due to experience-based changes	53	100
• actuarial gains (-)/losses (+) on plan assets (not included in interest result)	-3,461	-9,022
Employer contributions	-2,678	-2,939
Benefits paid by employer	-842	-814
Business combinations	23	
Disposals	-	-
Reclassifications	-	-
Currency changes	-782	375
<b>As of Dec. 31</b>	<b>17,484</b>	<b>17,090</b>

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

in k €	2020	2019
Projected benefit obligations for pension commitments	114,690	120,975
Fair value of plan assets	97,609	104,737
<b>Net obligation</b>	<b>17,081</b>	<b>16,238</b>
Effect from the limit on a defined benefit asset in accordance with IFRIC 14	-	-
<b>Net liability recognized in the balance sheet</b>	<b>17,081</b>	<b>16,238</b>

The amount of the pension provisions recognized as of the balance sheet date for companies without plan assets were as follows:

in k €	2020	2019
Projected benefit obligations for pension commitments	12,909	13,638
<b>Net liability recognized in the balance sheet</b>	<b>12,909</b>	<b>13,638</b>

Expenses for defined benefit plans amounted to net expenses in the total amount of €2.3 million in financial year 2020 (previous year: €2.3 million) and consisted of the following components:

in k €	2020	2019
Current service cost	2,622	2,816
Past service cost	-42	-1,165
Plan settlements	-733	-
Net interest expense:		
• interest expense (DBO)	1,844	3,029
• interest income (plan assets)	-1,370	-2,434
• interest income from reimbursement	-	-
• interest expense (+)/interest income (-) from the limit on an asset	-	-
Administration costs	-	17
Other	-	-
<b>Total</b>	<b>2,321</b>	<b>2,263</b>

Gains from plan assets amounted to an expense of €11.7 million in financial year 2020 (previous year: income of €6.3 million) for German Group companies and income of €4.2 million (previous year: income of €10.6 million) for foreign Group companies.

The amount of the negative income from plan assets for German Group companies is largely determined by the fact that the plan assets of a commitment are adjusted to the value of the gross obligation on the basis of the reinsurance available for this purpose; this has decreased significantly due to the discontinuation of an entitlement to surviving dependents' benefits in the case of a current pension commitment and has thus had a reducing effect on income on plan assets. The income on plan assets outside Germany is mainly attributable to a positive performance of plan assets in the United Kingdom and Switzerland.

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, 2020	Dec. 31, 2019
Discount rate	1.0%	1.3%
Salary trend	3.0%	3.0%
Pension trend	1.4%	1.4%
Inflation	1.5%	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, 2020	Dec. 31, 2019
Discount rate	1.1%	1.5%
Salary trend	2.0%	2.2%
Pension trend	1.3%	1.2%
Inflation	1.7%	1.7%

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

<b>Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2020 (k €45,955) for changed assumptions in k €</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Discount rate +0.5%	-2,691	-5,403
Discount rate -0.5%	2,945	6,282
Salary trend +0.5%	3	5
Salary trend -0.5%	-2	-4
Pension trend +0.5%	2,915	6,208
Pension trend -0.5%	-2,674	-5,394

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

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

<b>Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2020 (k €81,644) for changed assumptions in k €</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Discount rate +0.5%	-6,066	-5,677
Discount rate -0.5%	6,913	6,486
Salary trend +0.5%	828	793
Salary trend -0.5%	-793	-756
Pension trend +0.5%	2,418	2,118
Pension trend -0.5%	-1,457	-2,036

As of December 31, 2020, the weighted duration of the pension obligations amounted to 12 years (previous year: 20 years) for German Group companies and 18 years (previous year: 18 years) for international Group companies.

The reduction in duration for German Group companies is based on the discontinuation of an entitlement to a surviving dependents' pension in the case of a current pension commitment.

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

<b>Expected pension payments in accordance with maturity dates in k €</b>	<b>Germany</b>	<b>International</b>
Less than 1 year	2,282	3,027
Between 1 and 2 years	2,261	2,617
Between 2 and 3 years	2,255	2,690
Between 3 and 4 years	2,233	2,722
Between 4 and 5 years	2,212	3,648
Between 5 and 10 years	10,700	17,641



For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan assets, are expected in the amount of €0.8 million for German Group companies and €5.1 million for international Group companies.

The regulations of IAS 19 require a presentation of the benefit plans that generate obligations for the Company. For the STADA Group, pension plans in Germany, the United Kingdom and Switzerland account for the largest share of total obligations with 80%. Accordingly, the following details focus on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz – BetrAVG) in which minimum legal requirements are attached to company pension plans. Regulations and legal precedents within labor law must also be followed. The retirement benefit plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension. In the calculation of the amount of the pension obligations, the Heubeck 2018G mortality tables were used as a basis for consideration of mortality and fluctuation. There is also an early retirement arrangement for selected employees.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2020, plan assets amounted to €33.4 million and were composed of three different plans. There were no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the material obligation regarding its amount and including associated risks was outsourced externally. Furthermore, there is also the common risk of the interest rate development.

The pension commitment for the former Chairman of the Executive Board Hartmut Retzlaff was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as a defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly in the balance sheet. The existing plan assets lead to a provision of zero due to offsetting that must be carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

In the United Kingdom, STADA provides its employees with defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plans are subject to the UK Trust Law and the UK Pension Regulator. The pension plans are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and thereby ensuring sufficient assets to cover the technical provisions of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases, which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

As of December 31, 2020, plan assets amounted to €27.7 million. All assets have quoted market prices on an active market. In the calculation of the amount of the pension obligations, the mortality tables of the S3 Series (S3PA) were used as a basis for consideration of the mortality also including the projection table CMI 2019 as well as the long-term trend toward improved mortality of 1.25%. Fluctuation assumptions are no longer relevant for the pension plan.

In Switzerland, every employer must offer its employees a pension plan in accordance with federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG). Employees whose salary exceeds the entry limit are obliged to be insured – this is re-determined periodically. The BVG requires a minimum plan (the “BVG minimum”) that must always be covered. STADA's Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the

age of retirement. Plan participants can opt for a capital option. In the calculation of the amount of the pension obligations, the BVG 2015 GT mortality tables were used as a basis for consideration of mortality and fluctuation under consideration of future improvements in the mortality rate in accordance with the CMI model.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to €32.3 million in financial year 2020 (previous year: €28.6 million).

The other non-current provisions developed as follows:

Other non-current provisions in k €	2020	2019
<b>As of Jan. 1</b>	<b>11,130</b>	<b>7,726</b>
Current service cost	708	597
Past service cost	27	3,105
Plan settlements	-	-
Interest cost	151	203
Benefits paid	-1,338	-753
Business combinations	128	-
Revaluations:		
• gains (-)/losses (+) due to changed demographic assumptions	275	-416
• gains (-)/losses (+) due to changed financial assumptions	-52	699
• gains (-)/losses (+) due to experience-based changes	746	-82
Currency changes	-39	51
Reclassifications	-	-
<b>As of Dec. 31</b>	<b>11,736</b>	<b>11,130</b>

### 36. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the reporting date:

	Amounts due to shareholders		Liabilities from promissory note loans		Amounts due to banks		Liabilities from bonds		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Dec. 31 in T €										
Remaining term up to 1 year	-	-	41,491	-	106,518 <sup>1)</sup>	40,082	-	-	148,009	40,082
Remaining terms over 1 year to 3 years	-	-	6,992	41,463	178,116	136	266,946	266,591	452,054	308,190
Remaining terms over 3 years to 5 years	2,128,943	929,609	-	6,989	-	-	-	-	2,128,943	936,598
Remaining term over 5 years	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>	<b>2,128,943</b>	<b>929,609</b>	<b>48,483</b>	<b>48,452</b>	<b>284,634</b>	<b>40,218</b>	<b>266,946</b>	<b>266,591</b>	<b>2,729,006</b>	<b>1,284,870</b>

1) A portion of the liabilities to banks reported as of December 31, 2020 with a remaining term of up to 1 year was extended in February 2021 with maturity in February 2023.

In 2018, STADA reported that it and certain of its significant subsidiaries – in line with the instruction received from Nidda – had granted certain in rem security to secure certain capital market liabilities and other debt financing which is borrowed and/or guaranteed by Nidda and its associates. The grant of such in rem security gave the right for holders of the STADA € 300,000,000 1.75% fixed rate notes due 2022 to demand repayment of their principal and accrued interest on such STADA Notes. On January 8, 2019, STADA published the relevant tender offer, whose final expiration date was June 19, 2019. On June 21, 2019, STADA announced that under the tender offer, since its announcement on January 8, 2019, bonds in a nominal amount of €6,676,000 had been repurchased. The presentation as of December 31, 2020 is made in accordance with the maturity of the bond in 2022.

In addition, STADA received a loan with a nominal volume of €2,132.6 million from Nidda Healthcare Holding GmbH intended, among other things, to refinance the repayment of financial liabilities and the financing of acquisition activities.

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2020, from interest payments and repayment of financial liabilities for the coming years are presented in the following table:

	2021			2022			>2023		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
in k €									
Cash flow from financial liabilities	24,745	67,443	50,793	10,115	76,055	436,990	96	165,673	2,139,597

The following projection of cash flow from financial liabilities was generated in the previous year:

	2020			2021			>2022		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
in k €									
Cash flow from financial liabilities	6,282	33,820	40,121	5,194	32,988	41,500	4,871	90,650	1,204,003

For financial liabilities existing as of the reporting date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. The variable interest payments from the promissory note loans were determined based on the interest rate last fixed before December 31, 2020.

For financial liabilities, the cash-effective changes of which included in cash flow from financing activities resulted in the reporting year in the following reconciliation:

2020 in k €	Financial liabilities
<b>As of Jan. 1</b>	<b>1,284,870</b>
Inflows from business combinations in accordance with IFRS 3	42,195
Cash inflows from additions	2,237,567
Cash outflows from repayments	806,753
Changes in the scope of consolidation	-2,491
Effects from currency translation	-30,680
Reclassification from other financial liabilities	-
Other non-cash effective changes	4,298
<b>As of Dec. 31</b>	<b>2,729,006</b>

For financial liabilities, the cash-effective changes of which included in cash flow from financing activities resulted in the previous year in the following reconciliation:

2019 in k €	Financial liabilities
<b>As of Jan. 1</b>	<b>1,423,329</b>
Cash inflows from additions	12,905
Cash outflows from repayments	152,093
Changes in the scope of consolidation	-
Effects from currency translation	279
Reclassification from other financial liabilities	-
Other non-cash effective changes	450
<b>As of Dec. 31</b>	<b>1,284,870</b>

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the Notes on the capital management of liquidity risk (see Note 48.5.).

### 37. Trade accounts payable

Trade accounts payable are comprised as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
Trade accounts payable to third parties	359,789	269,530
Trade accounts payable to parent companies and non-consolidated Group companies	7,202	4,154
Advances received on orders from third parties	743	436
Liabilities from outstanding accounts	161,837	139,904
<b>Total</b>	<b>529,571</b>	<b>414,024</b>

Of the total amount of trade accounts payable, €0.0 million (previous year: €0.5 million) is due after one year and €0.9 million (previous year: €0.0 million) due after five years.

For the most part, the changes were based on trade accounts payable on offsetting reporting date effects within the individual Group companies.

### 38. Contract liabilities

Contractual liabilities in the reporting year amounted to €0.6 million (previous year: €1.6 million) and consisted exclusively of down payments received where it is assumed that performance will be rendered in 2021. No revenues from contractual obligations that were rendered in previous periods were recognized.

### 39. Other financial liabilities

Other financial liabilities are broken down as follows:

in k €	Dec. 31, 2020		Dec. 31, 2019	
	Total	thereof: current	Total	thereof: current
Purchase price liabilities	113,349	2,514	1,790	487
Liabilities from leases	68,661	21,724	55,476	20,553
Liabilities to shareholders from domination and profit and loss transfer agreement	153,005	153,005	349,550	349,550
Liabilities from derivative financial instruments	865	865	926	926
Other financial liabilities	168,602	168,594	210,959	210,852
<b>Total</b>	<b>504,482</b>	<b>346,702</b>	<b>618,701</b>	<b>582,368</b>

As of December 31, 2020, purchase price liabilities resulted primarily from liabilities from earn-out agreements in connection with the acquisition of Lobsor Pharmaceuticals and the acquisition of additional shares in the Vietnamese subsidiary Pympharco. In addition, there were outstanding purchase price liabilities for product acquisitions in the United Kingdom. In the previous year, these were based exclusively on product acquisitions in the United Kingdom.

Lease liabilities are due as follows:

in k €	Lease instalments		Interest		Lease liabilities	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
	Remaining term up to 1 year	24,406	22,837	2,682	2,283	21,724
Remaining terms over 1 year	54,654	39,390	7,717	4,468	46,937	34,923
<b>Total</b>	<b>79,060</b>	<b>62,227</b>	<b>10,399</b>	<b>6,751</b>	<b>68,661</b>	<b>55,476</b>

The increase in lease liabilities in the course of the financial year was mainly influenced by the extension of contracts in the area of building leases.

Liabilities to shareholders from the domination and profit and loss transfer agreement relate exclusively to liabilities from the profit transfer in the amount of €153.0 million (previous year: €349.6 million) in accordance with the current domination and profit and loss transfer agreement with Nidda Healthcare GmbH.

In addition, negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2020, this related to currency forwards (see Note 46.1.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

in k €	Derivative financial liabilities	
	Dec. 31, 2020	Dec. 31, 2019
Remaining term up to 1 year	865	926
Remaining terms over 1 year to 3 years		-
Remaining terms over 3 years to 5 years		-
Remaining terms over 5 years		-
<b>Total</b>	<b>865</b>	<b>926</b>

Remaining financial liabilities primarily included liabilities from discount agreements of German STADA companies in the amount of €127.0 million (previous year: €150.9 million) and also comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of €168.6 million (previous year: €210.9 million) within one year, in the amount of €0.0 million (previous year: €0.1 million) after one year and up to five years.

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2020, from interest payments and repayment for liabilities from leases as well as from derivative financial instruments for the coming years are presented in the following table:

in k €	2021			2022			>2023		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flow from leases	2,682	-	21,724	1,994	-	15,475	5,723	-	31,463
Cash flow from derivatives	-	-	-	-	-	-	-	-	-

The following projection of cash flows from finance lease liabilities in accordance with IAS 17 as well as derivatives was generated in the previous year:

in k €	2020			2021			>2022		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flow from leases	2,283	-	20,553	1,507	-	15,945	2,960	-	18,978
Cash flow from derivatives	-	-	-	-	-	-	-	-	-

Included were all financial instruments used by STADA which existed as of the respective reporting date and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the Notes on financial instruments Note 46. and Note 47.6.

#### 40. Other liabilities

Other liabilities were comprised as follows:

in k €	Dec. 31, 2020		Dec. 31, 2019	
	Total	thereof: current	Total	thereof: current
Tax liabilities	22,820	22,820	18,248	18,248
Personnel related liabilities	77,945	77,918	65,304	65,295
Other liabilities	77,583	66,748	55,662	53,036
<b>Total</b>	<b>178,348</b>	<b>167,486</b>	<b>139,214</b>	<b>136,579</b>

The increase in other liabilities resulted primarily from an increase in personnel-related liabilities and in other liabilities.

The increase in personnel liabilities resulted primarily from German and Russian Group companies, among other things in connection with expenses incurred as a result of changes in management.

The increase in other liabilities resulted on the one hand from additions due to the business combinations and, on the other hand, from Covid-related extensions of payment terms. They are also made up of many immaterial individual items at the Group companies.

#### 41. Other provisions

Other provisions are composed as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
Provisions for damages	46,744	4,628
Provisions for returns	15,207	13,633
<b>Total</b>	<b>61,951</b>	<b>18,261</b>

Provisions for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
<b>As of Jan. 1</b>	<b>4,628</b>	<b>5,113</b>
Added	45,529	1,324
Utilized	17	31
Reversed	1,930	1,649
Changes in the scope of consolidation	-476	-
Currency translation differences	-990	-129
<b>As of Dec. 31</b>	<b>46,744</b>	<b>4,628</b>

Utilization is expected within the next twelve months.

Provisions for returns developed as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
<b>As of Jan. 1</b>	<b>13,633</b>	<b>17,430</b>
Added	8,646	8,122
Utilized	5,991	10,080
Reversed	1,329	1,841
Changes in the scope of consolidation	290	-
Currency translation differences	-42	2
<b>As of Dec. 31</b>	<b>15,207</b>	<b>13,633</b>



## Other Disclosures

### 42. 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 €405.9 million in the reporting year (previous year<sup>1)</sup>: €495.4 million). This development was mainly attributable to significantly higher cash outflows from working capital, particularly for inventories and trade accounts receivable. This resulted, among other things, from an increase for the companies and product portfolios acquired in the 2020 financial year while they were part of the Group. In addition, there were higher income tax payments than in the previous year. The increase in other non-cash income and expenses compared with the previous year resulted in particular from higher inventory write-downs and significant additions to provisions for damages in Germany and the CIS region.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to -€1,225.3 million in the reporting year (previous year: -€265.0 million).

In financial year 2020, payments for investments in intangible assets in the amount of €433.2 million (previous year: €161.7 million). Of this total, €407.8 million (previous year: €135.1 million) related to significant investments in intangible assets for the expansion of the product portfolio, €313.1 million of which relates to the acquisition of a branded products portfolio from GlaxoSmithKline. In the context of business combinations, there were net cash outflows from the acquisition of the Czech Walmark Group, the acquisition of the product portfolio from Takeda (including VAT), and the acquisition of the Swedish Lobsor Pharmaceuticals in the total amount of €731.1 million.

Proceeds from the disposal of non-current assets amounted to €4.8 million in the financial year (previous year: €31.5 million). Proceeds from the disposal of shares in consolidated companies as well as from the disposal of non-current assets held for sale resulted in the reporting year from the sale of the Argentinian company Laboratorio Vannier as well as the British companies Slam Trading Limited and LAS Trading Limited.

Cash flow from financing activities comprise payments from changes in financial liabilities, for dividend distributions and treasury shares as well as from additions to equity. Furthermore, since financial year 2020, interest paid is also presented in cash flow from financing activities. Cash flow from financing activities amounted to €886.5 million in financial year 2020 (previous year<sup>1)</sup>: -€368.0 million). This development was primarily due to high borrowings, mainly resulting from loans granted to STADA by Nidda Healthcare Holding GmbH. Offsetting cash outflows resulted from the repayment of financial liabilities, in particular for loans granted by Nidda Healthcare Holding GmbH, as well as from the settlement of liabilities existing for financial year 2019 under the domination and profit and loss transfer agreement with Nidda Healthcare GmbH. There were also significant payments from the change in minority interest in connection with the acquisition of additional shares in the Vietnamese subsidiary Pymepharco.

Given the still, free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to -€819.5 million in financial year 2020 (previous year<sup>1)</sup>: €230.4 million).

Cash pursuant to IAS 7 is made up of cash and cash equivalents.

1) The previous year's figures were adjusted in accordance with IAS 8 as part of a change in presentation for interest paid. Presentation of interest paid no longer occurs within cash flow from operating activities, but in cash flow from financing activities.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

in k €	2020	2019 <sup>1)</sup>
<b>Cash flow from operating activities</b>	<b>405,890</b>	<b>495,404</b>
Cash flow from investing activities	-1,225,343	-264,988
+ payments for investments in business combinations in accordance with IFRS 3 (incl. VAT)	731,053	47,538
+ payments for significant investments in intangible assets for the short-term expansion of the product portfolio	407,830	135,071
- proceeds from disposals in significant disinvestments	-	145
- proceeds (+)/payments (-) from disposals in consolidated companies	0	1,903
- proceeds (+)/payments (-) from the sale of non-current assets held for sale (IFRS 5)	-231	22,755
<b>Adjusted free cash flow</b>	<b>319,661</b>	<b>388,222</b>

### 43. Segment Reporting

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

In accordance with the reporting structure, the Group is managed by operating segment, i.e. in accordance with the two segments Generics and Branded Products.

Generics are products for the health care market – usually with a pharmaceutical character – which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the three following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient  
or
- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have expired,  
or
- the product is sold under its international non-proprietary name (INN).

Branded products are products for the health care market which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,  
or
- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

1) The previous year's figures were adjusted in accordance with IAS 8 as part of a change in presentation for interest paid. Presentation of interest paid no longer occurs within cash flow from operating activities, but in cash flow from financing activities.

All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments, are recognized under the reconciliation Group holdings/other and consolidation.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the netting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

#### 43.1. Information by operating segment

in k €		2020	2019
<b>Generics</b>	<b>External sales</b>	<b>1,645,293</b>	<b>1,534,678</b>
	Sales with other segments	599	239
	Total sales	1,645,892	1,534,917
	Operating profit	331,117	345,810
	Scheduled depreciation/amortization	68,934	66,596
	Impairment losses	23,695	26,323
	Reversals	-100	-2,527
	EBITDA	423,744	436,196
	Special items within EBITDA <sup>1)</sup>	33,608	3,072
	thereof:		
	• effects from purchase price allocations and product acquisitions <sup>1)</sup>	129	2,804
	• effects from deconsolidations	6,406	-
	• exchange rate expenses	-215	-
	• expenses for damages	27,288	-
	• severance payments	-	268
	<i>EBITDA adjusted</i>	<i>457,352</i>	<i>439,267</i>
	Other significant non-cash items within operating result	-220,562	-177,143
<b>Branded Products</b>	<b>External sales</b>	<b>1,365,022</b>	<b>1,073,885</b>
	Sales with other segments	-	-
	Total sales	1,365,022	1,073,885
	Operating profit	204,378	175,605
	Scheduled depreciation/amortization	131,447	80,084
	Impairment losses	13,642	48,177
	Reversals	-3,497	-6,052
	EBITDA	345,972	297,814
	Special items within EBITDA <sup>1)</sup>	31,544	182
	thereof:		
	• effects from purchase price allocations and product acquisitions <sup>1)</sup>	4,149	-1
	• effects from deconsolidations	6,970	-
	• exchange rate expenses	-666	-
	• expenses for damages	21,091	-
	• severance payments	-	183
	<i>EBITDA adjusted</i>	<i>377,516</i>	<i>297,997</i>
	Other significant non-cash items within operating result	-84,746	-18,384

1) Relates to additional depreciation and amortization and other valuation effects due to purchase price allocations and significant product acquisitions. Unlike in previous years, these were no longer made only in relation to the basis year 2013, which is why the corresponding comparative figures for the previous year have also been adjusted. See also explanations in the Chapter "Effect of special items on earnings" in the Economic Report.

in k €		2020	2019
<b>Reconciliation Group holdings/ other and consolidation</b>	<b>External sales</b>	-	-
	Sales with other segments	-599	-239
	Total sales	-599	-239
	Operating profit	-212,664	-135,615
	Scheduled depreciation/amortization	11,118	13,775
	Impairment losses	-	625
	Reversals	-	-
	EBITDA	-201,546	-121,215
	Special items within EBITDA	55,014	13,863
	thereof:		
	• effects from purchase price allocations and product acquisitions	-	-
	• effects from deconsolidations	-	-
	• exchange rate expenses	54,956	-
	• expenses for damages	-	-
	• severance payments	58	13,863
	<i>EBITDA adjusted</i>	<i>-146,532</i>	<i>-107,352</i>
	Other significant non-cash items within operating result	-92,163	-21,026
<b>Group</b>	<b>External sales</b>	<b>3,010,315</b>	<b>2,608,563</b>
	Sales with other segments	-	-
	Total sales	3,010,315	2,608,563
	Operating profit	322,831	385,800
	Scheduled depreciation/amortization	211,499	160,455
	Impairment losses	37,337	75,125
	Reversals	-3,597	-8,579
	EBITDA	568,170	612,795
	Special items within EBITDA <sup>1)</sup>	120,166	17,117
	thereof:		
	• effects from purchase price allocations and product acquisitions <sup>1)</sup>	4,278	2,803
	• effects from deconsolidations	13,376	-
	• exchange rate expenses	54,075	-
	• expenses for damages	48,379	-
	• severance payments	58	14,314
	<i>EBITDA adjusted</i>	<i>688,336</i>	<i>629,912</i>
	Other significant non-cash items within operating result	-397,471	-216,553

#### 43.2. Reconciliation of segment results to net profit

in k €		2020	2019
	Adjusted EBITDA for segments <sup>1)</sup>	834,868	737,264
	Special items within EBITDA <sup>1)</sup>	65,152	3,254
	Reconciliation Group holdings/other and consolidation	-201,546	-121,215
	Depreciation, amortization, impairment losses and reversals	245,239	227,001
	Financial income	1,901	3,571
	Financial expenses	104,340	48,634
	<b>Earnings before taxes, Group</b>	<b>220,492</b>	<b>340,731</b>

1) Relates to additional depreciation and amortization and other valuation effects due to purchase price allocations and significant product acquisitions. Unlike in previous years, these were no longer made only in relation to the basis year 2013, which is why the corresponding comparative figures for the previous year have also been adjusted. See also explanations in the Chapter "Effect of special items on earnings" in the Economic Report.

### 43.3. Information by country

in k €	Sales development by location of the company		Non-current assets	
	2020	2019	Dec. 31, 2020	Dec. 31, 2019
Germany	680,579	679,856	1,286,727	854,448
Russian Federation	432,977	285,281	490,421	217,174
United Kingdom	343,815	310,850	417,888	465,940
Italy	254,593	251,249	40,638	38,157
Belgium	210,043	190,209	6,683	7,393
Other countries	1,088,308	891,118	1,016,545	660,462
<b>Total, Group</b>	<b>3,010,315</b>	<b>2,608,563</b>	<b>3,258,902</b>	<b>2,243,574</b>

In the presentation of sales by location of the Company, sales to third parties are shown in accordance with the invoicing Company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

### 43.4. Information on important customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities with a single external customer or customer group amount to at least 10% of the company's total sales revenues. This applied to one customer in the reporting year. The sales revenues identified with this customer amounted to €418.2 million (previous year: €338.4 million). The sales revenues generated were attributable to the Generics segment and the Branded Products segment. The same information also applied to the previous year.

## 44. Contingent liabilities

Contingent liabilities describe possible obligations to third parties based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA's control. As of the reporting date, these contingent liabilities were considered improbable and are therefore not accounted. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated.

At STADA, there are contingent liabilities in connection with, among other things, patent risks for certain active pharmaceutical ingredients and the current or pending legal proceedings associated with them. The possible obligations as of December 31, 2020 amounted to approximately €14.2 million (previous year: €58.8 million). The decrease of €44.6 million compared with the previous year is mainly due to the establishment of provisions for previously existing contingent liabilities as well as the elimination of patent risk for active pharmaceutical ingredients.

Provisions were not created for contingent liabilities as the probability of an outflow of assets is below 50%. Outflows potentially resulting from these risks would generally be short-term.

#### 45. Other financial obligations

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

in k €	Dec. 31, 2020	Dec. 31, 2019
Lease liabilities	5,432	5,265
Other financial obligations	94,876	99,998
<b>Total</b>	<b>100,308</b>	<b>105,263</b>

In the information on future obligations from leasing relationships as of December 31, 2020, however, obligations from short-term leases as well as leases for low-value assets are included because these are not accounted for in other financial liabilities.

The total of future payments under leases as of the end of the previous financial year can be broken down according to remaining term as follows:

in k €	Lease liabilities	
	Dec. 31, 2020	Dec. 31, 2019
Remaining term up to 1 year	4,250	3,505
Remaining terms over 1 year to 5 years	1,164	1,336
Remaining terms over 5 years	18	424
<b>Total</b>	<b>5,432</b>	<b>5,265</b>

The obligations for short-term leases amounted to €0.4 million as of December 31, 2020 (previous year: €0.3 million).

In financial year 2020, lease payments in the amount of €17.5 million (previous year: €11.8 million) were recognized as an expense. Included in this figure were expenses in the amount of €1.2 million for short-term leases (previous year: €1.9 million) and €0.8 million for leases for low value assets (previous year: €0.6 million).

Other financial obligations include long-term obligations for logistics and accounting services. Furthermore, contingent liabilities in the amount of €36.0 million (previous year: €33.7 million) in Spain, Belgium and the United Kingdom, as well as additional guarantees assumed by the STADA Group are included in other financial liabilities, among other things.

## 46. Disclosures about financial instruments

### 46.1. Carrying amounts, valuation rates and fair values in accordance with valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IFRS 9: AC (at amortized cost) refers to loans and receivables, FVPL (fair value through profit and loss) refers to financial assets and liabilities held for sale, FVOCI (fair value through other comprehensive income) refers to assets and liabilities measured at fair value through other comprehensive income, AC (financial liabilities measured at amortized cost) refers to financial liabilities measured at amortized cost.

in k €	Category	Carrying amount Dec. 31, 2020	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IFRS 16	Fair value Dec. 31, 2020
<b>ASSETS</b>							
Cash and cash equivalents	AC	266,001	266,001	-	-	-	266,001
Trade accounts receivable:							
• at amortized cost	AC	670,282	670,282	-	-	-	670,282
• at fair value through other comprehensive income	FVOCI	24,500	-	24,500	-	-	24,500
Other financial assets:							
• at amortized cost	AC	45,967	45,967	-	-	-	45,967
Derivative financial assets:							
• Derivative financial assets with hedge accounting	n/a	789	-	-	789	-	789
• Derivative financial assets without hedge accounting	FVPL	50	-	-	50	-	50
<b>EQUITY AND LIABILITIES</b>							
Trade accounts payable	AC	529,571	529,571	-	-	-	529,571
Amounts due to banks	AC	284,634	284,634	-	-	-	305,746
Promissory note loans	AC	48,483	48,483	-	-	-	49,360
Bond	AC	266,946	266,946	-	-	-	268,718
Financial liabilities due to shareholders	AC	2,128,942	2,128,942	-	-	-	2,207,893
Other financial liabilities	AC	434,956	434,956	-	-	-	434,956
Lease liabilities	n/a	68,661	-	-	-	68,661	68,661
Derivative financial liabilities with hedge accounting	n/a	778	-	-	778	-	778
Derivative financial liabilities without hedge accounting	FVPL	87	-	-	87	-	87
<b>Thereof aggregated</b>							
Financial assets at amortized cost	AC	982,250	982,250	-	-	-	982,250
Financial assets FVOCI	FVOCI	24,500	-	24,500	-	-	24,500
Financial liabilities measured at amortized cost	AC	3,693,532	3,693,532	-	-	-	3,796,244

For the previous year, the following disclosures are made on carrying amounts, valuation rates and fair values by valuation category:

in k €	Category	Carrying amount Dec. 31, 2019	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Valuation rate in accordance with IFRS 16	Fair value Dec. 31, 2019
<b>ASSETS</b>							
Cash and cash equivalents	AC	206,039	206,039	-	-	-	206,039
Trade accounts receivable:							
• at amortized cost	AC	600,240	600,240	-	-	-	600,240
• at fair value through other comprehensive income	FVOCI	14,850	-	14,850	-	-	14,850
Other financial assets:							
• at amortized cost	AC	59,730	59,730	-	-	-	59,730
Derivative financial assets:							
• Derivative financial assets with hedge accounting	n/a	375	-	-	375	-	375
• Derivative financial assets without hedge accounting	FVPL	43	-	-	43	-	43
<b>EQUITY AND LIABILITIES</b>							
Trade accounts payable	AC	414,024	414,024	-	-	-	414,024
Amounts due to banks	AC	40,218	40,218	-	-	-	40,218
Promissory note loans	AC	48,452	48,452	-	-	-	49,988
Bond	AC	266,591	266,591	-	-	-	271,881
Financial liabilities due to shareholders	AC	929,609	929,609	-	-	-	942,347
Other financial liabilities	AC	562,299	562,299	-	-	-	562,299
Lease liabilities	n/a	55,476	-	-	-	55,476	55,476
Derivative financial liabilities with hedge accounting	n/a	615	-	-	615	-	615
Derivative financial liabilities without hedge accounting	FVPL	311	-	-	311	-	311
<b>Thereof aggregated</b>							
Financial assets at amortized cost	AC	866,009	866,009	-	-	-	866,009
Financial assets FVOCI	FVOCI	14,850	-	14,850	-	-	14,850
Financial liabilities measured at amortized cost	AC	2,261,193	2,261,193	-	-	-	2,280,757

Since cash and cash equivalents as well as trade accounts receivable mainly have short residual terms, their carrying amounts as of the closing date correspond approximately to their fair value.

Deviations of the fair values from the carrying amounts occur as shown in the chart above in the case of promissory note loans, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values for liabilities to credit institutes.



The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respective current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade payables as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

The table below shows how the valuation rates of financial instruments measured at fair value were determined for the respective valuation categories of financial instruments:

Fair values by hierarchy level on a recurring basis in k €	Level 1		Level 2		Level 3	
	Quoted prices in active markets		Valuation methods with input parameters observable in the market		Valuation methods with input parameters not observable in the market	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Financial assets (FVOCI)						
• Financial assets	11,711	4,165	-	-	-	-
• Receivables that can be factored	-	-	24,500	14,850	-	-
Financial assets held for trading (FVPL)						
• Currency forwards	-	-	50	43	-	-
Derivative financial assets with a hedging relationship						
• Fair value hedges	-	-	789	375	-	-
Financial liabilities held for trading (FVPL)						
• Currency forwards	-	-	87	262	-	-
Derivative financial liabilities with a hedging relationship						
• Fair value hedges	-	-	778	615	-	-

Financial assets recognized at fair value through other comprehensive income (FVOCI) include receivables that can be factored. These financial assets, which are still included in trade accounts receivable, are recognized at fair value through other comprehensive income. Changes in the fair value of these receivables – which differs from the measurement at amortized cost to only a minor extent – are recognized through other comprehensive income in the FVOCI reserve. This category also includes the shares in the Swedish company XBrane. Because the company's shares are traded on the stock exchange, they have been classified in level 1.

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If a need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period. In the financial year, there were no reclassifications between the respective hierarchy levels.

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

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

STADA designates currency forwards (EUR/RUB, EUR/CZK, EUR/USD, EUR/GBP, EUR/AUD, EUR/PLN and EUR/CHF) as fair value hedges that are concluded to hedge the currency risks from intercompany loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates, are offset by the changes in value spot components of the currency forwards of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective.

In financial year 2020, as in the previous year, there were no financial assets or liabilities measured at fair value allocated to hierarchy level 3.

#### 46.2. Net earnings from financial instruments by valuation category

Net earnings recognized through profit or loss from financial assets and liabilities can be broken down as follows:

Net earnings by valuation category in k €	From interest and dividends	From subsequent measurement			From disposals	Net earnings	
		at fair value	currency translation	value adjustment		Dec. 31, 2020	Dec. 31, 2019
Financial assets at amortized cost	1,895	-	14,918	6,436	-	23,249	6,876
Financial assets FVOCI	-1,229	-	-	-	-	-1,229	-1,315
Financial assets held for trading FVPL	-	698	-	-	-2,998	-2,300	-2,823
Financial liabilities measured at amortized cost	-98,881	-	-75,103	-	-	-173,984	-54,008
Financial liabilities held for trading FLHfT	59	-117	-	-	-833	-891	-10,448
<b>Total</b>	<b>-99,156</b>	<b>581</b>	<b>-60,185</b>	<b>6,436</b>	<b>-3,831</b>	<b>-155,155</b>	<b>-61,718</b>

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result. Dividends received are disclosed in investment income. With the exception of the valuation results from currency swaps recognized at fair value through profit or loss, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to the fulfillment of currency swaps.

#### Total interest income and expenses from financial instruments not measured at fair value through profit or loss

in k €	2020	2019
<b>Interest income</b>		
• from financial assets measured at amortized cost	-17	-19
<b>Interest expense</b>		
• from financial liabilities measured at amortized cost	2,266	2,920

### 46.3. Factoring

#### Factoring transactions with the transfer of essentially all opportunities and risks

There are revolving receivable selling agreements with banks and financial institutes (together “receivables buyers”) with the transfer of essentially all opportunities and risks for two agreements without a general purchase limit and for two agreements with a purchase limit of €33.9 million. The agreements have an unlimited term with regular termination possibilities, whereby STADA is free to decide if and in what amount the revolving nominal volume is utilized. The risks that are relevant for the risk evaluation with regard to the sold receivables are the credit risk as well as the risk of delayed payment (late payment risk). In return for a fixed program fee and, for two programs, through payment of a monthly discount fee recognized in expenses at the time of derecognition, both risks are fully transferred to the buyer of the receivable.

The nominal volume of receivables sold by STADA but not yet paid under the factoring agreements amounted to €64.9 million on the reporting date.

#### Factoring transactions with distribution of essential opportunities and risks for which control of the asset remains with STADA

There are factoring agreements pursuant to which STADA, on a revolving basis, sells trade accounts receivable up to a total general purchase limit of €135.5 million to banks and financial institutes. The agreements have an unlimited term with regular termination possibilities, whereby STADA is free to decide if and in what amount the revolving nominal volume is utilized. The risks that are relevant for the risk evaluation with regard to the sold receivables are the credit risk as well as the risk of delayed payment (late payment risk). The credit risk is partially transferred to the buyer of the receivable. The late payment risk continues to be borne in its entirety by STADA. The maximum credit risk to be borne by STADA, translated into euro, amounted to €1.7 million as of the reporting date. The other credit-risk related defaults are assumed by the buyer. The late payment risk continues to be borne in its entirety by STADA. The maximum risk of loss for STADA resulting from the credit risk and the late payment risk from the receivables sold as of the reporting date, translated into euro, amounted to €1.6 million. The nominal volume of receivables sold by STADA but not yet paid under the factoring agreements amounted to €69.9 million on the reporting date. The ongoing commitment of STADA as of December 31, 2020, translated into euro, amounted to €1.6 million and the carrying amounts of the associated liability, translated into euro, amounted to €1.6 million.

## 47. Risk management, derivative financial instruments and disclosures on capital management

### 47.1. 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, transactions above a certain relevance threshold determined by the Executive Board require a prior decision on the part of the Executive Board and may also be subject to approval from the Supervisory Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks.

### 47.2. Currency risks

STADA's Group and reporting currency is the euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

However, STADA is only subject to this risk to a limited extent, as the Company counters currency-related risks through, in addition to natural hedges, the use of derivative financial instruments. These are used to hedge currency risks from operating activities, financial transactions and investments. In the reporting year, STADA made use of foreign-exchange futures contracts and currency swaps. The maturity dates of futures contracts is adjusted to the term of the underlying transaction. The remaining term of the contracts is currently up to one year.

In the context of the Consolidated Financial Statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and depreciation is generally positive.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions, they are compared with the balances of assets or equity and liabilities from the aggregation. This results in the subsequent material outstanding foreign currency items as of the respective reporting dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% devaluation of the euro in comparison with respective functional currency are as follows:

	Dec. 31, 2020		
in k €	Czech koruna	Russian ruble	US dollar
Outstanding foreign currency item	37,852	-120,818	111,482
Income (+)/expense (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-6,356	-27,216	-11,148
Income (+)/expense (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	6,356	27,216	11,148
Equity increase (+)/equity reduction (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-6,633	-52,755	-11,149
Equity increase (+)/equity reduction (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	6,633	52,755	11,149

	Dec. 31, 2019		
in k €	British pound	Russian ruble	Ukrainian hryvnia
Outstanding foreign currency item	29,209	18,147	-14,873
Income (+)/expense (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-6,469	-2,021	-1,741
Income (+)/expense (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	6,469	2,021	1,741
Equity increase (+)/equity reduction (-) from an appreciation of the euro in comparison to the respective functional currency by 10%	-8,446	-19,326	-1,412
Equity increase (+)/equity reduction (-) from a depreciation of the euro in comparison to the respective functional currency by 10%	8,446	19,326	1,412

In this regard, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in Czech koruna, Russian ruble and US dollar relate to a balance from international Group companies in euro and outstanding foreign currency reserves in Czech koruna, Russian ruble and US dollar. The reported outstanding foreign currency positions in the previous year in US dollar relate exclusively to foreign currency holdings in

US dollar at German and international Group companies. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the reporting date, an appreciation or a devaluation of the respective functional currency by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of €57.6 million (previous year: €13.8 million) or in the amount of earnings of €57.6 million (previous year: €13.8 million).

### 47.3. Interest rate risks

STADA is subject to interest risks from the investment of financial assets as well as financial debts, primarily in the euro zone.

In 2020, an average of 13% (previous year: 25%) of financial liabilities denominated in euro had fixed interest rates.

In 2020, STADA did not enter into any interest rate hedging transactions.

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors – if relevant – are generally included in the calculation:

- Changes in the market interest rate of original financial liabilities with variable interest rates that were not hedged against interest rate risks

in € million	Dec. 31, 2020	Dec. 31, 2019
Income (+)/expense (-) from an increase in the market interest rate level of 100 basis points	-9.4	-6.2
Income (+)/expense (-) from a decrease in the market interest rate level of 100 basis points	+0.4	+0.4

The interest rate risk is of secondary importance at STADA.

### 47.4. Default risks

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

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

STADA's maximum credit default risk is calculated from the carrying amount of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of €36.9 million (previous year: €34.4 million) as of the reporting date (see Note 46.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

#### 47.5. Liquidity risks

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of 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. STADA finances itself with short-term and long-term borrowings from banks, promissory note loans, bonds and factoring. Furthermore, STADA also has solid cash flow from operating activities.

#### 47.6. Derivative financial instruments and hedging instruments

STADA counters currency risks with derivative financial instruments which are exclusively used to hedge currency risks resulting from operating activities and financial transactions. Derivative financial instruments are neither held nor issued for speculation purposes.

The total volume of currency rate related derivatives is comprised as follows:

in k €	Dec. 31, 2020		Dec. 31, 2019	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives without hedging relationship</b>				
Currency swaps and currency forwards	16,098	-37	11,469	-268
<b>Derivatives with hedging relationship</b>				
Currency swaps and currency forwards	139,199	11	87,177	-240
<b>Total</b>	<b>155,297</b>	<b>-26</b>	<b>98,646</b>	<b>-508</b>

STADA designates currency forwards (EUR/RUB, EUR/CZK, EUR/USD, EUR/GBP, EUR/AUD, EUR/PLN and EUR/CHF) as fair value hedges that are concluded to hedge the currency risks from intercompany loans. The changes in value of the underlying transaction which result from changes to the respective currency exchange rates, are offset by the changes in value spot components of the currency forwards of the currency forwards. The objective of fair value hedges is to hedge against the currency risk of these financial liabilities. Credit risks are not part of this hedging. The effectiveness of the hedging relationship is reviewed both prospectively and retrospectively on each closing date. As of the closing date, all designated hedging relationships were sufficiently effective. In the reporting period, new fair value hedges with a nominal volume totaling €429.0 million were designated for reduction of the fair value risk (previous year: €284.7 million). At STADA, as of December 31, 2020, there were currency derivatives with a net fair value of k €11 (December 31, 2019: -k €240) which were designated as hedging instruments within the scope of fair value hedges. Losses recognized in currency translation of k €16,743 (previous year: losses of k €9,237) resulted in financial year 2020 from the carrying amount adjustment of the underlying transaction, from the changes in fair values of the spot components of the hedging transactions, gains of k €16,743 (previous year: k €9,237) were recognized in the currency translation result.

Hedging of currency risk in k €	Remaining term up to 1 year	Total nominal volume Dec. 31, 2020	Total nominal volume Dec. 31, 2019	Average hedging rate/price
Currency forwards RUB	16,098	16,098	7,025	92.2867
Currency swaps RUB	49,822	49,822	34,872	91.3258
Currency swaps CHF	-	-	1,829	-
Currency swaps GBP	36,116	36,116	49,980	0.9137
Currency forwards AUD	1,226	1,226	1,213	1.6307
Currency swaps DKK	-	-	2,011	-
Currency swaps CZK	50,192	50,192	-	26.4643
Currency swaps USD	1,843	1,843	-	1.2210

Dec. 31, 2020

Hedging of currency risk in k €	Carrying amount	Balance sheet item	Fair value adjustments for measurement of inefficiencies	Nominal volume
<b>Currency forwards</b>				
• derivative assets	789	other financial assets	-	51,664
• derivative liabilities	-778	other financial liabilities	-	87,535

Previous year:

Dec. 31, 20219

Hedging of currency risk in k €	Carrying amount	Balance sheet item	Fair value adjustments for measurement of inefficiencies	Nominal volume
<b>Currency forwards</b>				
• derivative assets	375	other financial assets	-	49,173
• derivative liabilities	-615	other financial liabilities	-	38,004

#### 47.7. Disclosures on capital management

The objectives of STADA's capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth as well as guaranteeing attractive dividend payments and the capital service. STADA capital management consistently aims for the Group companies to have an equity basis that corresponds with local requirements. When implementing and checking the Group's capital and liquidity, the legal requirements are taken into account.

An important key figure for capital management at STADA is the net debt to adjusted EBITDA ratio, which amounted to 3.6 in financial year 2020 (previous year: 1.7).

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
Non-current financial liabilities	2,580,996	1,244,788
Current financial liabilities	148,009	40,082
<b>Gross debt</b>	<b>2,729,005</b>	<b>1,284,870</b>
Cash, cash equivalents and securities classified as available for sale	266,001	206,039
<b>Net debt</b>	<b>2,463,004</b>	<b>1,078,831</b>
<b>EBITDA (adjusted)</b>	<b>688,336</b>	<b>625,481</b>
<b>Net debt to adjusted EBITDA ratio</b>	<b>3.6</b>	<b>1.7</b>

The financing agreements stipulate a right of return for the bonds, promissory note loans or bank loans on the part of the respective investors in the case of a change of control and a change to STADA's rating. Nidda Healthcare Holding AG (now Nidda Healthcare Holding GmbH), as part of the takeover offer, agreed to provide STADA with financing for the financing amounts for which an early repayment of the STADA financing is upcoming. The loan of the shareholder amounts to €2,128.9 million as of December 31, 2020 (previous year: €929.6 million) and is reported under non-current financial liabilities. This loan was included in the calculation of net debt.

#### 48. Related party transactions

Nidda Healthcare GmbH holds 100% of outstanding shares in STADA Arzneimittel AG. The STADA Consolidated Financial Statements are included in the financial statements of the Nidda Group. There is a domination and profit and loss transfer agreement in place between Nidda Healthcare GmbH and STADA Arzneimittel AG.

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies as well as their parent companies have entered into related party transactions. In accordance with IAS 24, directly or indirectly controlled, for reasons of materiality not consolidated, subsidiaries, associates and joint ventures as well as parent companies and affiliated companies and persons in key positions and their close relatives are considered related parties. Generally, all transactions with related companies and persons are settled at conditions in line with the market.

##### 48.1. Related party transactions

Persons in key positions are the board members of STADA Arzneimittel AG, the remuneration of whom, is presented as the summary in Note 50.

##### Share-based remuneration in the form of a share purchase plan

The main shareholders of Nidda German Topco GmbH's most senior parent company, Nidda Topco S.à r.l., Luxembourg, have offered a share purchase plan to selected managers of the Group, including all members of STADA's Executive Board and some members of its Supervisory Board (managers in key positions). Pursuant to the conditions of the offer, the managers in question are authorized to acquire a stake in a German limited partnership (GmbH & Co KG). The limited partnership stake in the partnership amounts to € 7.3 million and is held by managers in key positions (24%), other managers (48%) and the main shareholders of Nidda Topco S.à r.l., Luxembourg, as well as third parties (28%). Accordingly, the partnership holds 8.0% of ordinary shares issued of Nidda Topco S.à r.l., Luxembourg.



The purchase price of the limited partnership stake in the GmbH & Co KG is determined on each acquisition date on the basis of the fair value of the ordinary shares of Nidda Topco S.à r.l., Luxembourg, and the additional special features of the program. The fair value of the ordinary shares of Nidda Topco S.à r.l., Luxembourg, is determined on the basis of the discounted cash flow valuation taking into account the expected cash flow from the investment in STADA as well as for the financing instruments issued by the Nidda Group companies. The purchase price calculation is considered to be the fair value of the limited partnership stake in the GmbH & Co KG, but not as the granting of additional remuneration for the management. In the event of continued employment by the company, the management will participate in the change in the fair value of the ordinary shares of Nidda Topco S.à r.l., Luxembourg, through this investment by ultimately selling the shares together with the other shareholders of Nidda Topco S.à r.l., Luxembourg.

Neither Nidda Topco S.à r.l., Luxembourg, nor Nidda German Topco GmbH or any other Group company is obligated to pay any amount to the management under this program. In accordance with IFRS 2, the program is treated as a share-based remuneration plan that does not grant any or no significant additional remuneration to managers.

#### 48.2. Transactions with related companies

Bain Capital Investors, LLC, Wilmington, Delaware, USA, and Cinven (Luxco 1) S.A., Luxembourg, exercise direct joint control over the subsidiary Nidda Topco S.à r.l., which in turn indirectly over the following subsidiaries – Nidda Midco S.à r.l., Nidda German Topco GmbH, Nidda German Midco GmbH, Nidda BondCo GmbH and Nidda Healthcare Holding GmbH – through the direct shareholder Nidda Healthcare GmbH which holds the outstanding shares in STADA Arzneimittel AG. The indirect subsidiary of Cinven (Luxco 1) S.A., Cinven Capital Management (VI) General Partner Limited, St. Peter Port, Guernsey, is the fund manager for certain entities of the Sixth Cinven Fund in the sense of an investment management company.

Trade accounts receivable and trade accounts payable of the STADA Group essentially relate to related party transactions as follows:

in k €	Dec. 31, 2020	Dec. 31, 2019
<b>Trade accounts receivable</b>		
Non-consolidated subsidiaries	13	-4
Non-consolidated joint ventures	169	182
Associates	1,558	1,657
Joint ventures	-	-
<b>Other financial receivables</b>		
Non-consolidated subsidiaries	9	-
Non-consolidated joint ventures	-	-
Associates	47	-
Joint ventures	-	-
<b>Trade accounts payable</b>		
Non-consolidated subsidiaries	199	-
Non-consolidated joint ventures	-	-
Associates	-	2
Joint ventures	-	-
<b>Other financial liabilities</b>		
Non-consolidated subsidiaries	-	-
Non-consolidated joint ventures	-	-
Associates	-	-
Joint ventures	-	-

Income and expenses of the STADA Group essentially relate to related party transactions as follows:

in k €	2020	2019
<b>Sales</b>		
Non-consolidated subsidiaries	135	312
Non-consolidated joint ventures	-	-
Associates	2,445	2,637
Joint ventures	-	-
<b>Interest income</b>		
Non-consolidated subsidiaries	24	77
Non-consolidated joint ventures	-	-
Associates	-	-
Joint ventures	-	-
<b>Interest expense</b>		
Non-consolidated subsidiaries	1,435	4,337
Non-consolidated joint ventures	-	-
Associates	-	-
Joint ventures	-	-

In addition, there are business relationships between STADA and its affiliated companies from which outstanding trade accounts payable in the amount of €0.4 million arise as of the reporting date December 31, 2020 (previous year: €0.8 million). The transaction volume with these companies in 2020 amounted to a total of €3.5 million (previous year: €8.2 million).

In addition, the following disclosures on related party transactions are made:

As of December 31, 2020, STADA Arzneimittel AG has a financial obligation to Nidda Healthcare Holding GmbH in the amount of €1,945.0 million (December 31, 2019: €929.6 million) with an interest rate of EURIBOR +3.5% p.a. (December 31, 2019: EURIBOR +3.5% p.a.). Furthermore, as of December 31, 2020 Nizhpharm has a financial obligation to Nidda Healthcare Holding GmbH in the amount of €183.9 million with a fixed interest rate of 3.75% p.a. (December 31, 2019: €0.0 million). Further details on financial liabilities can be found in the Notes (Note 36.)

In addition, other financial receivables from the parent companies in the amount of €30.4 million (December 31, 2019: €44.3 million) apply as of the balance sheet date, especially in connection with their fiscal unity. Other financial liabilities to the parent companies amounted to €164.4 million (December 31, 2019: €385.7 million) on the balance sheet date and were mainly composed of liabilities from the profit and loss transfer agreement as well as interest accruals.

Furthermore, there are business relationships between STADA and its parent company which consist, in particular, of a consulting contract for management services as well as an agency agreement. STADA Arzneimittel AG is invoiced for services within the scope of the agency agreement. Outstanding trade accounts payable as of the balance sheet date on December 31, 2020 were €7.1 million (December 31, 2019: €3.8 million). The transaction volume with these companies in 2020 amounted to a total of €9.4 million (December 31, 2019: €3.8 million).

#### 49. Remuneration of the Executive Board and the Supervisory Board

The core elements of the system applied for members of the Executive Board include non-performance related remuneration that takes the tasks and performance of the member of the Executive Board into consideration along with a component that depends on the achievement of annual performance goals ("Short Term Incentive", STI). In addition to the annual performance-related remuneration, members of the Executive Board receive a long-term planned remuneration component ("Long-Term Incentive", LTI). The individual performance-related components are limited to a maximum amount.

The remuneration system for the Supervisory Board includes an annual fixed remuneration as well as a variable component, depending on an average performance figure from the last three years. The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount. In addition, Supervisory Board members receive a fixed remuneration for committee activities.

For explanations on share-based remuneration in the form of a stock purchase plan for persons in key positions, we refer to Note 48.1.

Presented below is the total remuneration of the Executive Board and Supervisory Board of STADA Arzneimittel AG pursuant to IAS 24. Insofar as there are deviations, separate disclosures are made in accordance with Section 314 (1) No. 6 HGB in connection with Section 315e HGB.

in k €	Short-term remuneration current		Long-term remuneration non-current		Termination benefits		Expenses for pension commitments earned in the current year		Total remuneration	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Members of the Executive Board	3,329	3,371	761	490	–	613	–	–	4,090	4,474
Members of the Supervisory Board	828	790	–	–	–	–	–	–	828	790

Total Executive Board remuneration in accordance with Section 315e HGB at STADA Arzneimittel AG amounted to a total of €4.1 million (previous year: €3.9 million).

Remuneration to former members of the Executive Board (Section 315e HGB) amounted to a total of k €954 for financial year 2020.

As of December 31, 2020, there were no outstanding liabilities to members of the Executive Board in office in the financial year from severance payments (previous year: €0.6 million). There were outstanding liabilities to them from bonuses of €1.7 million (previous year: €2.1 million). Outstanding liabilities to former members of the Executive Board arising from severance payments amounted to €0.9 million (previous year: €0.6 million), there were no longer any outstanding liabilities from bonuses (previous year: €0.2 million).

The fair value of pension commitments to former Executive Board members amounted to k €39,855 as of December 31, 2020.

There were no loans granted to members of the Executive Board or Supervisory Board at STADA Arzneimittel AG as of the reporting date. Nor has STADA taken on any contingent liabilities for the benefit of the members of governing bodies of STADA Arzneimittel AG.

## 50. Fees for the auditor

For the services provided by the auditors, PricewaterhouseCoopers GmbH, the following fees were recognized as expenses in financial year 2020 and in the previous year.

in k €	2020	2019
Fees for the auditor	998	775
• thereof for audit services	944	693
• thereof for other confirmation services	-	17
• thereof for other services	-	65
• thereof for tax consultancy services	54	-

The fees for audit services relate to payment for the audit of the Consolidated Financial Statements and for the audit of the Financial Statements of STADA Arzneimittel AG and its German subsidiaries at the end of the financial year.

The fees presented in the previous year under other confirmation services relate to services in connection with a voluntary audit of the risk management system.

## 51. Events after the end of the financial year

There were no material events after the balance sheet date that could have a significant effect on the net assets, financial position and results of operations of the STADA Group.

## 52. Dividend

In view of the domination and profit and loss transfer agreement dated December 19, 2017, an amount of €153,005,178.92 will be transferred to Nidda Healthcare GmbH. Due to the profit transfer, the annual result amounts to €0.00, as in the previous year.

As compensation for the loss of the dividend entitlement, the domination and profit and loss transfer agreement provides for a compensation payment to outside STADA shareholders by Nidda Healthcare GmbH, which is due on the third banking day after the Annual General Meeting of STADA Arzneimittel AG. Accordingly, after the Annual General Meeting 2020, Nidda Healthcare GmbH paid outside STADA shareholders compensation in the gross amount per STADA share of €3.82 or €3.53 net at current taxation rates.

After the squeeze-out of the minority shareholders took effect with entry of the transfer resolution in the commercial register on November 6, 2020 (squeeze-out under stock corporation law), Nidda Healthcare GmbH holds all outstanding shares, so that no further compensation payment will be granted in the future.

Bad Vilbel, March 10, 2021



Peter Goldschmidt  
Chairman of the Executive Board



Dr. Wolfgang Ollig  
Chief Financial Officer



Miguel Pagan Fernandez  
Chief Technical Officer

“ We are growing strongly in the Philippines through leading brands like FERN-C. ”

**Sharmaine Abarientos**  
General Manager Philippines



“ Acquisitions and organic growth have given STADA critical mass in skincare in Spain. ”

**Mar Fábregas Brillas**  
General Manager Spain



“ STADA is introducing a new generation of consumer healthcare brands in the US with Bio360 and Nuvia. ”

**Dan Brown**  
General Manager USA



“ We are integrating exciting new products into STADA’s portfolio in Romania. ”

**Mihai Fugarevici**  
General Manager Romania

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## RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Combined Management Report includes a fair review of the course of business and business performance and the net assets, financial position and results of operations of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 10, 2021



Peter Goldschmidt  
Chairman of the Executive Board



Dr. Wolfgang Ollig  
Chief Financial Officer



Miguel Pagan Fernandez  
Chief Technical Officer



# INDEPENDENT AUDITOR'S REPORT

To STADA Arzneimittel AG, Bad Vilbel

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

### *Audit Opinions*

We have audited the consolidated financial statements of STADA Arzneimittel AG, Bad Vilbel, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of STADA Arzneimittel AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### *Basis for the Audit Opinions*

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### ***Key Audit Matters in the Audit of the Consolidated Financial Statements***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- 1. Recoverability of goodwill and other intangible assets**
- 2. Revenue recognition including expected revenue reductions**
- 3. Accounting treatment of material acquisitions**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

#### **1. Recoverability of goodwill and other intangible assets**

1. The "Intangible assets" balance sheet item reported in the Company's consolidated financial statements included EUR 420 million (8% of consolidated total assets) for "Goodwill" and EUR 2,147 million (41% of consolidated total assets) for "Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights". While goodwill and other intangible assets with indefinite useful lives must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for intangible assets with definite useful lives if there are indications of impairment ("triggering events").

Goodwill is tested for impairment at the level of the group of cash-generating units to which the relevant goodwill is allocated. In an impairment test, the carrying amount of the respective cash-generating unit (including the affected goodwill) is compared against the higher of the value in use and the fair value less costs of disposal. In a first step, the Company generally conducts the test based on the value in use. For the umbrella brands with indefinite useful lives, the relief from royalty method is initially applied. The Company has identified certain indicators, which are monitored and in case of negative development trigger an impairment test for assets with definite useful lives. In the case of regulatory drug approvals, however, an impairment test is carried out in each instance at the end of the financial year. Brands and regulatory drug approvals are normally measured based on the present value of future cash flows generated by the affected asset from marketing the respective products. An impairment loss is recognized if the recoverable amount is less than the respective carrying amount. Present value is calculated using discounted cash flow models. The starting point is the Group's financial plan, which is projected forward using growth assumptions, taking into account the expected effects of the ongoing corona crisis on the business activities of the Group. The discount rate used is the weighted cost of capital for the relevant cash-generating unit or group of cash-generating units.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows, the discount rate used, the rate of growth and other assumptions, and is therefore, also against the background of the effects of the corona crisis, subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular significance for our audit.

2. As part of our audit, we reviewed the methodological procedure adopted for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. We verified the appropriateness of the future cash inflows used in the measurement, among other things by comparing this data with the current budgets in the financial planning adopted by the executive directors, and by reconciling it against general and sector-specific market expectations. In this context, we also evaluated the assessment of the executive directors regarding the effects of the corona crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we reproduced the sensitivity analyses performed by the Company and carried out our own additional sensitivity analyses with respect to those cash-generating units with low headroom (recoverable amount compared with the carrying amount). Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash flows. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.
3. The Company's disclosures on goodwill and intangible assets are contained in notes 9 "Accounting policies" and 23 "Intangible assets" to the consolidated financial statements.

## 2. Revenue recognition including expected revenue reductions

1. The EUR 3,010 million reported under "Sales" in the Company's consolidated financial statements relates primarily to the sale of products and provision of services. Since large-volume transactions are involved, the company has established comprehensive processes and systems for recognizing and deferring sales. Revenue is recognized when the goods have been delivered or the services rendered. The transaction price represents the consideration that is expected to be received by the Company in exchange for the promised services. The transaction price takes into account variable components of consideration (e.g., discounts to health insurance organizations, other health sector institutions and customers, as well as expected returns). When recognizing revenue, material assumptions have to be made with respect to discounts that must subsequently be granted and returns that must subsequently be accepted, and the corresponding revenue adjustments have to be recognized. Particularly in Germany, discount arrangements with health insurance organizations are agreed for a specific pharmaceutical ingredient by means of tenders over a specific period of time. The corresponding drug is initially sold to patients at a binding sales price, which is then subject to a discount subsequently granted to the respective health insurance organization.

The revenue adjustments are based to a large degree on the executive directors' estimates and assumptions and are therefore subject to considerable uncertainties. Against this background and due to the underlying complexity of the measurement underlying this material item, this matter was of particular significance for our audit.

2. Our audit included assessing the appropriateness and effectiveness of the processes and controls within the Company's internal control system established to realize revenue and make revenue adjustments, including the IT systems used. To this end, we also involved our specialists from Risk Assurance Services (RAS). With the knowledge that the complexity of the accounting treatment and the estimates and assumptions give rise to an increased risk of accounting misstatements, we assessed the appropriateness of the estimates made by the executive directors with respect to revenue adjustments. At the same time, we verified and assessed the methodology applied by the executive directors to make revenue adjustments. We also used the detailed information obtained to assess the relevant assumptions made by the executive directors as of the balance sheet date. In addition, we verified the consistency of the methods used by the Company to recognize revenue and make revenue adjustments. We also compared the revenue adjustments with contract documents.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors concerning the recognition and measurement of revenue were sufficiently documented and that the estimates applied and the assumptions made by the executive directors were consistently derived.

3. The Company's disclosures relating to revenue recognition are contained in notes 9 "Accounting policies" and 11 "Sales" to the consolidated financial statements.

### 3. Accounting treatment of material acquisitions

1. In the Company's consolidated financial statements as of December 31, 2020, a product portfolio comprising 15 brands recognized following the acquisition of GlaxoSmithKline Consumer Healthcare Holdings (No. 2) Limited, Brentford, United Kingdom, is reported under the "Intangible assets" balance sheet item as a material addition (EUR 313.1 million) during the reporting period at amortized cost of EUR 304.1 million. In addition, the acquisitions of pharmaceutical products of the Takeda Group and the associated processes, the Walmark Group and Lobsor Pharmaceuticals AB resulted in each case in the acquisition of a controlling influence over the companies or their operations in 2020 as well as in investments totaling EUR 811.4 million.

The acquisition of the 15 brands from GlaxoSmithKline Consumer Healthcare Holdings (No. 2) Limited, Brentford, United Kingdom, is accounted for as an asset acquisition, in which the acquired brands were recognized at their respective cost, which was attributed to them on the basis of their fair values, and subject to amortization.

The acquisitions of pharmaceutical products from the Takeda Group and associated processes, the Walmark Group and Lobsor Pharmaceuticals AB were accounted for as business combinations by recognizing the acquired assets and liabilities at their respective fair values. The purchase price for the pharmaceutical products of the Takeda Group and associated processes amounted to EUR 551.3 million as of the acquisition date (March 3, 2020). Taking into account the acquired net assets amounting to EUR 547.0 million, acquired goodwill amounted to a total of EUR 4.3 million. The acquisition of the Walmark Group took place as of March 4, 2020 for a purchase price of EUR 98.0 million. Taking into account the acquired net assets amounting to EUR 73.3 million, acquired goodwill amounted to a total of EUR 24.7 million. Lobsor Pharmaceuticals AB was acquired as of October 2, 2020 for a purchase price totaling EUR 162.1 million. Taking into account the acquired net assets amounting to EUR 157.6 million, acquired goodwill amounted to a total of EUR 4.5 million.

Due to the complexity of identifying and measuring the assets and liabilities acquired as part of the business combinations as well as the material cumulative impact of the acquisitions on the assets, liabilities, financial position, and financial performance of the STADA Group, these were of particular significance in the context of our audit.

2. As part of our audit of the accounting treatment of the acquisitions of intangible assets and operations, we initially inspected and assessed the respective contractual agreements. In this context, among other things, we reconciled the purchase prices paid by the Group companies as consideration for the assets and operations acquired with the supporting documentation, as provided to us. The recognition and measurement of the acquisitions was assessed in particular on the basis of the criteria for an asset acquisition or a business combination. In so doing, we examined whether the accounting treatment for the acquisition of the 15 brands from GlaxoSmithKline as asset acquisitions and the acquisitions of pharmaceutical products from the Takeda Group and associated processes, the Walmark Group and Lobsor Pharmaceuticals AB as business combinations is appropriate. We assessed the opening balance sheets underlying the business combination. A valuation report was available to us for the purchase price allocation performed pursuant to IFRS 3, and we assessed this report accordingly. Given the specific measurement characteristics, we were assisted by our internal valuation specialists. Among other things, they assessed the appropriateness of the methods on which the measurements were based as well as the measurement parameters used. We assessed fair values that were measured centrally (e.g., of brands and drug approvals) by reconciling quantity analyses with the original financial accounting records and the parameters used. We also used checklists to establish whether the requirements set out in IFRS 3 for disclosures in the notes had been complied with in full.

On the basis of our audit procedures, we were able to satisfy ourselves that the accounting treatment of the acquisitions of intangible assets and the business combinations was appropriate overall, taking into consideration the assumptions and measurement parameters underlying the measurement.

3. The Company's disclosures with respect to material acquisitions by the Company are contained in sections 8 "Business combinations", 9 "Accounting policies" and 23 "Intangible assets" of the notes to the consolidated financial statements.

### ***Other Information***

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards) included in section "Employees" of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### ***Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report***

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

#### *Reasonable Assurance Conclusion*

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file STADA\_AG\_KA\_KLB\_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

#### *Basis for the Reasonable Assurance Conclusion*

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

#### *Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents*

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.



### ***Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents***

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

### ***Further Information pursuant to Article 10 of the EU Audit Regulation***

We were elected as group auditor by the annual general meeting on May 14, 2020. We were engaged by the supervisory board on December 9, 2020. We have been the group auditor of STADA Arzneimittel AG, Bad Vilbel, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## **GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Dr. Bernd Roese.

Frankfurt am Main, March 10, 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

(sgd. Dr. Bernd Roese)  
Wirtschaftsprüfer  
(German Public Auditor)

(sgd. ppa. Katrin Blumert)  
Wirtschaftsprüferin  
(German Public Auditor)

# INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING<sup>1)</sup>

## To STADA Arzneimittel AG, Bad Vilbel

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of STADA Arzneimittel AG, Bad Vilbel (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report").

## Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

## Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance

1) PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent assurance report.

that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

### Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

### Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 10 March 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke  
Wirtschaftsprüfer  
German public auditor

ppa. Urata Biqkaj  
Wirtschaftsprüferin  
German public auditor

# BOARDS OF THE COMPANY

## The STADA Supervisory Board

(as of March 1, 2021)

Dr. Günter von Au, Munich, Germany (Chairman)

Markus Damm<sup>1)</sup>, Wetter, Germany (Deputy Chairman)

Dr. Eric Cornut, Binningen, Switzerland

Jan-Nicolas Garbe, Frankfurt am Main, Germany

Benjamin Kunstler, London, United Kingdom

Dr. Klaus Scheja<sup>1)</sup>, Ebsdorfergrund, Germany

Bruno Schick, Frankfurt am Main, Germany

Dr. Michael Siefke, Gräfelfing, Germany

Jens Steegers<sup>1)</sup>, Frankfurt am Main, Germany

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

<sup>1)</sup> Employee representative.

## The STADA Executive Board

(as of March 1, 2021)



**Peter Goldschmidt**

Chairman of the Executive Board (since September 1, 2018)

Member of the Executive Board since 2018

Contract until August 31, 2024



**Dr. Wolfgang Ollig**

Chief Financial Officer (since February 1, 2020)

Member of the Executive Board since 2020

Contract until January 31, 2023



**Miguel Paganz Fernandez**

Chief Technical Officer (since July 1, 2018)

Member of the Executive Board since 2018

Contract until June 30, 2024

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

## The STADA Advisory Board

(as of March 1, 2021)

Dr. Thomas Meyer, Seelze, Germany (Chairman)

Dr. Frank-R. Leu, Gießen, Germany (Deputy Chairman)

Rika Aschenbrenner, Mainburg, Germany

Alfred Böhm, Munich, Germany, since May 14, 2020

Dr. Maria Haas-Weber, Hanau, Germany, until May 14, 2020

Dr. Stefan Hartmann, Gilching, Germany

Björn Kaufmann, Burscheid, Germany

Reimar Michael von Kolczynski, Stuttgart, Germany

Klaus Lieske, Waltrop, Germany

Dr. Achim Luckau, Frankfurt am Main, Germany

Dr. Wolfgang Schlags, Mayen, Germany

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

# GLOSSARY A-Z

**Active ingredient**

In the pharmaceutical market: the active ingredient of a dosage form (also API – Active Pharmaceutical Ingredient).

**Approval**

Permission under drug law to market a drug in a national market.

**Audit**

In the pharmaceutical market: Control of equipment and documentation from manufacturers or upstream suppliers.

**Biosimilar**

A biosimilar is a drug with an active pharmaceutical ingredient produced in a biotechnological process that has been developed in comparison with an original product already on the market. It is so similar to the original product that it has proven therapeutic equivalence and is comparable in terms of safety and quality. Therefore, a biosimilar is an equivalent successor product of an off-patent biopharmaceutical product.

**Commercial property rights**

Offer inventors or companies protection against competition for an invention for a limited period of time. The best-known commercial property right is the patent.

**Dossier**

Diabetes mellitus, more commonly known simply as diabetes, refers to a group of metabolic disorders, the main symptom of which is the excretion of sugar in urine.

**Epoetin or erythropoietin**

Epoetin or erythropoietin is a biopharmaceutical active ingredient in protein form that is produced from living cell lines. The erythropoietin biosimilar developed by BIOEUTICALS Arzneimittel AG is epoetin zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate blood formation and in cancer therapy.

**GMP**

Good Manufacturing Practice – international production standard in the pharmaceutical industry.

**Indication**

Diseases for which a certain drug is used.

**Patent**

In the pharmaceutical market: commercial property right granting market exclusivity for a limited period (in the EU 20 years, for example) for active pharmaceutical ingredients.

**Prescription**

The legal requirement that drugs may only be dispensed to patients on the basis of a doctor's prescription, depending on their risk potential.

**Ranibizumab**

Ranibizumab is a monoclonal antibody fragment, used in the treatment of wet age-related macular degeneration (AMD) and for impaired visual acuity associated with a diabetic macular edema.

**Teriparatide**

Teriparatide is a fragment of the human parathormone for hypodermic injection which is produced biotechnologically. Teriparatide is used to treat postmenopausal women with manifest osteoporosis at high risk of fracture, men with osteoporosis associated with high risk of fracture, and glucocorticoid-induced osteoporosis in adults at increased risk of fracture.

# PUBLISHING INFORMATION

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The Annual Reports can be found on the Company website ([www.stada.com/de](http://www.stada.com/de) and [www.stada.com](http://www.stada.com)).

## Forward-looking statements

This STADA Arzneimittel AG (hereinafter "STADA") annual report contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the Company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the net assets, financial position and results of operations, growth or performance being materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. Where necessary, STADA will also make forward-looking statements in other reports, presentations, documents sent to stakeholders, and press releases. Moreover, from time to time our representatives may make verbal forward-looking statements. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA does not assume any obligation to update these forward-looking statements.

## Rounding

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euros, while the Notes present these figures with greater accuracy normally in thousands of euros. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from the figures actually achieved in euros; by their nature, these differences cannot be considered material.



# FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

<b>Financial key figures</b> in € million	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total Group sales	3,010.3	2,608.6	2,330.8	2,313.9	2,139.2
• Generics	1,645.3	1,534.7	1,382.8	1,361.7	1,280.7
• Branded Products	1,365.0	1,073.9	948.0	952.2	858.5
Operating profit	322.8	385.8	378.1	192.3	178.1
EBITDA	568.2	612.8	530.6	363.8	361.5
EBIT	322.9	385.8	381.8	194.6	178.9
Earnings before taxes (EBT)	220.5	340.7	342.9	147.7	127.4
Cash flow from operating activities <sup>1)</sup>	405.9	495.4	320.3	262.9	333.5
<b>Asset/capital structure</b> in € million	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total equity and liabilities	5,258.2	3,864.1	3,560.1	3,204.5	3,440.4
Non-current assets	3,322.9	2,288.2	2,113.8	1,880.6	1,949.5
Current assets	1,935.3	1,575.8	1,446.3	1,323.9	1,490.9
Equity	1,017.4	1,195.5	1,178.0	1,006.4	1,047.1
Equity-to-assets ratio in percent	19.3%	30.9%	33.1%	31.4%	30.4%
Non-current borrowed capital	2,930.9	1,416.3	1,102.4	157.6	1,493.7
Current borrowed capital	1,309.9	1,252.3	1,279.7	2,040.5	899.6
Net debt	2,463.0	1,078.8	1,079.5	1,054.7	1,118.2
<b>Capital expenditure/depreciation and amortization</b> in € million	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total capital expenditure	1,455.1	311.6	422.2	113.6	189.7
• on intangible assets	1,324.4	195.6	368.6	57.3	130.5
• on property, plant and equipment	129.3	110.4	53.3	56.0	54.3
• on financial assets/associates	1.4	5.6	0.3	0.3	4.9
Total depreciation and amortization	248.8	235.6	164.7	169.2	182.7
• on intangible assets	180.0	178.3	129.9	128.1	145.3
• on property, plant and equipment	63.7	56.7	34.8	40.7	33.9
• on financial assets	-	0.6	-	0.4	3.5
• on non-current assets held for sale	5.1	-	-	-	-
<b>Employees</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Average number per year	12,301	10,626	10,247	10,832	10,839
Number as of the balance sheet date	12,310	11,100	10,416	10,176	10,923

1) The prior year figures for 2019 were adjusted with regard to changed reporting of interest paid in accordance with IAS 8. Accordingly, interest paid is no longer reported under cash flow from operating activities but within cash flow from financing activities. For financial years prior to 2019, this reporting change was not accounted for retroactively.



Caring for People's Health

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