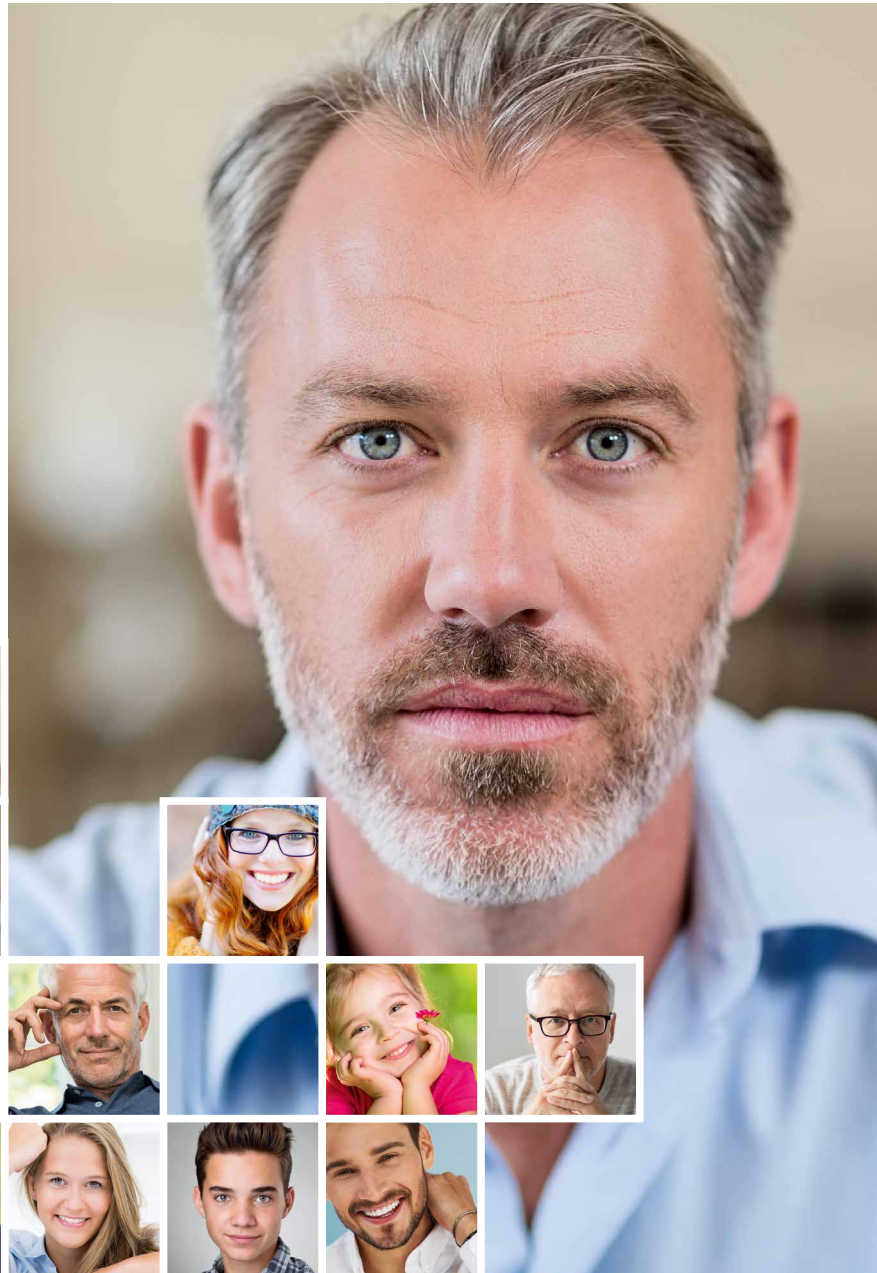


Brands for People



STADA KEY FIGURES

Key figures for the Group in € million	Q2/2017 ¹⁾	Q2/2016	± %	H1/2017 ¹⁾	H1/2016	± %
Group sales	576.9	537.5	+7%	1,143.2	1,034.7	+10%
• Generics ²⁾	348.5	319.9	+9%	674.4	627.2	+8%
• Branded Products	228.4	217.5	+5%	468.8	407.3	+15%
<i>Group sales adjusted for currency and portfolio effects</i>	<i>557.9</i>	<i>535.7³⁾</i>	<i>+4%</i>	<i>1,096.4</i>	<i>1,032.4</i>	<i>+6%</i>
• Generics ²⁾	<i>336.6</i>	<i>318.1³⁾</i>	<i>+6%</i>	<i>648.3</i>	<i>624.9</i>	<i>+4%</i>
• Branded Products	<i>221.3</i>	<i>217.5³⁾</i>	<i>+2%</i>	<i>448.1</i>	<i>407.3</i>	<i>+10%</i>
Operating profit	63.0	79.9	-21%	139.4	136.3	+2%
• Generics ²⁾	67.4	55.0	+23%	122.6	104.6	+17%
• Branded Products	31.9	41.9	-24%	72.8	70.7	+3%
<i>Operating profit, adjusted⁴⁾⁵⁾</i>	<i>101.8</i>	<i>85.4</i>	<i>+19%</i>	<i>183.4</i>	<i>153.6</i>	<i>+19%</i>
• Generics ²⁾	<i>68.1</i>	<i>54.3</i>	<i>+25%</i>	<i>124.4</i>	<i>105.6</i>	<i>+18%</i>
• Branded Products	<i>52.2</i>	<i>50.2</i>	<i>+4%</i>	<i>97.7</i>	<i>88.7</i>	<i>+10%</i>
EBITDA	112.4	115.5	-3%	220.9	200.7	+10%
• Generics ²⁾	81.5	67.1	+21%	151.0	129.3	+17%
• Branded Products	64.5	62.1	+4%	121.5	104.7	+16%
<i>EBITDA, adjusted⁴⁾⁵⁾</i>	<i>129.2</i>	<i>110.2</i>	<i>+17%</i>	<i>237.7</i>	<i>202.3</i>	<i>+18%</i>
• Generics ²⁾	<i>81.3</i>	<i>66.0</i>	<i>+23%</i>	<i>150.7</i>	<i>129.6</i>	<i>+16%</i>
• Branded Products	<i>64.4</i>	<i>60.4</i>	<i>+7%</i>	<i>121.4</i>	<i>108.6</i>	<i>+12%</i>
EBIT	64.0	81.0	-21%	141.7	137.3	+3%
<i>EBIT, adjusted⁴⁾⁵⁾</i>	<i>102.8</i>	<i>86.4</i>	<i>+19%</i>	<i>185.7</i>	<i>154.6</i>	<i>+20%</i>
EBT	53.4	67.5	-21%	120.2	111.3	+8%
<i>EBT, adjusted⁴⁾⁵⁾</i>	<i>92.2</i>	<i>73.4</i>	<i>+25%</i>	<i>164.2</i>	<i>129.3</i>	<i>+27%</i>
Net income	41.1	52.4	-22%	90.3	82.0	+10%
<i>Net income, adjusted⁴⁾⁵⁾</i>	<i>60.8</i>	<i>56.0</i>	<i>+9%</i>	<i>114.1</i>	<i>96.1</i>	<i>+19%</i>
Cash flow from operating activities	29.2	65.9	-56%	89.5	113.0	-21%
Capital expenditure	35.8	58.4	-39%	63.3	95.0	-33%
Depreciation and amortization (net of write-ups)	48.3	34.5	+40%	79.2	63.4	+25%
Employees (average number – based on full-time employees) ⁶⁾	11,013	10,809	+2%	11,017	10,781	+2%
Employees (as of the balance sheet date – based on full-time employees)	11,013	10,809	+2%	11,013	10,809	+2%
Key share figures	Q2/2017	Q2/2016	± %	H1/2017	H1/2016	± %
Market capitalization in € million (June 30)	3,870.8	2,895.2	34%	3,870.8	2,895.2	34%
Closing price (XETRA®) in € (June 30)	62.09	46.44	34%	62.09	46.44	34%
Average number of shares (without treasury shares)	62,258,129	62,256,520	0%	62,257,972	62,256,297	0%
Earnings per share in €	0.66	0.84	-21%	1.45	1.32	+10%
<i>Earnings per share in €, adjusted⁴⁾⁵⁾</i>	<i>0.97</i>	<i>0.90</i>	<i>+8%</i>	<i>1.83</i>	<i>1.54</i>	<i>+19%</i>

1) As part of the preparation of the Consolidated Financial Statements of STADA Arzneimittel AG, the most up-to-date planning information available was used for STADA Vietnam J.V. Co. Ltd. for April to June 2017 as a result of a lack of financial information.

2) Figures for the reporting period and the corresponding period of the previous year include the non-core activity "Commercial Business", which was previously disclosed separately.

3) Sales of the corresponding period of the previous year adjusted for currency and portfolio effects represent the comparable basis which is relevant for the key figure of the current reporting period.

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

5) Within the context of this interim report, adjustments in connection with the key earnings figures generally relate to special items.

6) This average number includes changes in the scope of consolidation on a pro-rata basis.



INTERIM REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER OF 2017

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GROUP INTERIM MANAGEMENT REPORT

Overview

Operational development at the STADA Group was good in the first six months of 2017, which was particularly attributable to sound development in the Belgian Generics segment and the Russian Branded Products segment. As a result of several items such as consultancy services related to the takeover process, however, special items in the total amount of € 17.1 million before and € 12.3 million after taxes were recorded in the second quarter of 2017, influencing the development of key earnings figures in the first six months of 2017.

Reported Group sales in the first six months of the current financial year increased by 10% to € 1,143.2 million (1-6/2016: € 1,034.7 million). After deduction of effects on sales based on changes in the Group portfolio and currency effects, adjusted Group sales increased by 6% to € 1,096.4 million (1-6/2016: € 1,032.4 million). The improved development in reported Group sales compared with adjusted Group sales was primarily attributable to positive translation effects.

Reported EBITDA increased by 10% to € 220.9 million (1-6/2016: € 200.7 million). Reported net income recorded an increase of 10% to € 90.3 million (1-6/2016: € 82.0 million). The Group recorded an increase in adjusted EBITDA of 18% to € 237.7 million (1-6/2016: € 202.3 million). Adjusted net income increased by 19% to € 114.1 million (1-6/2016: € 96.1 million).

The financial position of the STADA Group recorded positive development in the first six months of 2017. Net debt was at € 1,110.9 million as of June 30, 2017 (December 31, 2016: € 1,118.2 million). The net debt to adjusted EBITDA ratio in the first six months of 2017 improved to 2.3 with a linear extrapolation of the adjusted EBITDA of the first six months of 2017 on a full-year basis (1-6/2016: 3.0).

At the beginning of the third quarter of 2017, changes were made to the STADA Executive Board. At its meeting of July 4, 2017, the STADA Supervisory Board consented to Dr. Wiedenfels resigning from office as Chairman and member of the Executive Board and to Mr. Kraft resigning from office as a member of the Executive Board.¹⁾ Both resigned from office with immediate effect. At the same time, the Supervisory Board appointed Mr. Engelbert Coster Tjeenk Willink as a member and Chairman of the Executive Board and Dr. Bernhard Düttmann as a member of the Executive Board and Chief Financial Officer. Both of the new Executive Board members were appointed with immediate effect and for a period up to December 31, 2017.

The planned mergers of STADA GmbH and STADAvita GmbH²⁾ as well as STADApHarm GmbH and cell pharm Gesellschaft für pharmazeutische Präparate mbH³⁾ were legally completed in the second quarter of 2017. The organizational and sales structures were bundled in the new STADA GmbH and the new STADAPHARM GmbH with effect from June 30, 2017.⁴⁾

On April 10, 2017, STADA announced that following a careful review, the Executive Board and Supervisory Board had decided to support the voluntary public tender offer from Bain Capital and Cinven at a total price of € 66.00 per share.⁵⁾ On April 27, 2017, Nidda Healthcare Holding AG, the acquiring company of Bain Capital and Cinven, published the offer document on the tender for all outstanding shares of STADA Arzneimittel AG.⁶⁾ The offer was tied to a minimum acceptance threshold of 75%. On May 11, 2017, STADA announced that the Executive Board and Supervisory Board had issued their Reasoned Joint Statement in accordance with Section 27 of the German Securities Acquisition and Transfer Act (WpÜG). In this statement, after careful and in-depth examination, they recommended that STADA shareholders accept the offer as it is in the best interests of the company and its stakeholders.⁷⁾ On June 7, 2017, Nidda Healthcare reduced the minimum acceptance threshold for its voluntary public takeover offer from 75% to 67.5%, thereby extending the original acceptance period by two weeks until June 22, 2017.⁸⁾ All other offer conditions remained unchanged. In accordance with the applicable specifications of the WpÜG, the STADA Executive Board and STADA Supervisory Board published an additional Reasoned Joint Statement on the changed offer on June 9, 2017.⁹⁾ Following expiration of the acceptance period, on June 26, 2017, STADA announced that 65.52% of the STADA shares issued had been tendered by the end of the acceptance period.¹⁰⁾ The minimum acceptance threshold was therefore not reached. On July 4, 2017, STADA confirmed that Nidda Healthcare had informed them that they were considering submitting an application to the German Federal Financial Supervisory Authority (BaFin) for exemption from the one-year exclusion period from making a new takeover offer.¹¹⁾ On July 10, 2017, STADA announced that Nidda Healthcare had informed them that it had submitted an application for exemption from the one-year exclusion period for submission of a new takeover offer to BaFin in accordance

1) See the Company's ad hoc release and investor news of July 4, 2017.

2) Continuation of the business of the transferred STADA GmbH.

3) Continuation of the business of the transferred STADAPHARM GmbH.

4) See the Company's press release of May 10, 2017.

5) See the Company's ad hoc release of April 10, 2017.

6) See the Company's investor news of April 27, 2017.

7) See the Company's investor news of May 11, 2017.

8) See the Company's ad hoc release of June 7, 2017.

9) See the publication in the Federal Gazette on June 9, 2017.

10) See the Company's ad hoc release of June 26, 2017.

11) See the Company's ad hoc release of July 4, 2017.

with Section 26 (2) of the WpÜG. STADA approved the exemption from the exclusion period.¹⁾ BaFin lifted the exclusion period with immediate effect on the same day.²⁾ On July 19, 2017, STADA announced that Nidda Healthcare had published the offer document on the new and improved offer.³⁾ On July 25, 2017, STADA announced that the Executive Board and Supervisory Board had issued their Reasoned Joint Statement in accordance with Section 27 of the WpÜG. Following a careful and in-depth examination, both Boards recommended that STADA shareholders accept the offer as it is in the best interests of the company and its shareholders.⁴⁾

For a number of reasons, STADA, from today's vantage point, does not expect a linear continuation of the good development in key earnings figures in the second half of 2017. This is primarily attributable to looming disadvantageous exchange rate developments of the Russian ruble and British pound sterling compared with the euro as well as seasonally increasing marketing expenses and increased internationalization activities.

The Executive Board continues to expect further growth for financial year 2017. Group sales adjusted for currency and portfolio effects will be between € 2.280 billion and € 2.350 billion, adjusted EBITDA between € 430 million and € 450 million and adjusted net income between € 195 million and € 205 million. The Executive Board expects the ratio of net debt – excluding further acquisitions and subject to a possible takeover – to adjusted EBITDA to be at a level of below 3.

Sales development of the STADA Group

Reported Group sales increased by 10% to € 1,143.2 million in the first six months of 2017 (1-6/2016: € 1,034.7 million).

After deducting effects on sales based on changes in the **Group portfolio** and **currency effects**, **adjusted Group sales** increased by 6% to € 1,096.4 million in the first six months of 2017 (1-6/2016: € 1,032.4 million).

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

in € million	Q2/2017	Comparable period for Q2/2017	±%	Q2/2016	Comparable period for Q2/2016	±%
Reported Group sales	576.9	537.5	+7%	537.5	539.7	0%
• Generics	348.5	319.9	+9%	319.9	335.5	-5%
• Branded Products	228.4	217.5	+5%	217.5	204.2	+7%
Currency effects	-6.1	-	-	31.4	-	-
• Generics	-3.4	-	-	11.7	-	-
• Branded Products	-2.7	-	-	19.7	-	-
Portfolio changes	12.9	1.9	-	10.3	2.9	-
• Generics	8.6	1.9	-	2.5	1.2	-
• Branded Products	4.3	0.0	-	7.8	1.7	-
Group sales adjusted for currency and portfolio effects	557.9	535.7	+4%	558.6	536.8	+4%
• Generics	336.6	318.1	+6%	329.1	334.3	-2%
• Branded Products	221.3	217.5	+2%	229.4	202.5	+13%

1) See the Company's ad hoc release of July 10, 2017.

2) See the Company's investor news of July 10, 2017.

3) See the Company's investor news of July 19, 2017.

4) See the Company's investor news of July 25, 2017.

in € million	H1/2017	Comparable period for H1/2017	±%	H1/2016	Comparable period for H1/2016	±%
Reported Group sales	1,143.2	1,034.7	+10%	1,034.7	1,025.9	+1%
• Generics	674.4	627.2	+8%	627.2	636.6	-1%
• Branded Products	468.8	407.3	+15%	407.3	389.3	+5%
Currency effects	-20.1	-	-	47.5	-	-
• Generics	-9.3	-	-	18.7	-	-
• Branded Products	-10.8	-	-	28.8	-	-
Portfolio changes	26.8	2.3	-	21.2	8.2	-
• Generics	16.9	2.3	-	5.1	4.7	-
• Branded Products	9.9	0.0	-	16.1	3.5	-
Group sales adjusted for currency and portfolio effects	1,096.4	1,032.4	+6%	1,061.0	1,017.7	+4%
• Generics	648.3	624.9	+4%	640.8	631.9	+1%
• Branded Products	448.1	407.3	+10%	420.0	385.8	+9%

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

- In the first six months of 2017, portfolio changes totaled € 26.8 million and in the retroactive consideration as an adjustment for the comparable period of the previous year totaling € 2.3 million. This represents 2.4 percentage points.
- Applying the exchange rates of the first six months of 2017 compared with those of the first six months of 2016 for the translation of local sales contributions into the Group currency euro, STADA recorded a positive currency effect on Group sales in the amount of € 20.1 million or 1.9 percentage points.

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

Significant currency relations in local currency to € 1	Closing rate on June 30 in local currency			Average rate for the reporting period		
	H1/2017	H1/2016	±%	H1/2017	H1/2016	±%
British pound sterling	0.87933	0.82650	+6%	0.86005	0.77842	+10%
Russian ruble	67.54490	71.52000	-6%	62.73488	78.41935	-20%
Serbian dinar	120.84860	123.31150	-2%	123.39322	122.93110	0%

As the currency relations in other countries relevant for STADA only had a minor impact on the translation of sales and earnings in local currencies into the Group currency euro, they are not included in this report.

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

Earnings development of the STADA Group

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

As a result of several items such as the aforementioned consultancy services related to the takeover process, special items in the amount of € 17.1 million before or € 12.3 million after taxes were recorded in the second quarter of 2017, influencing the development of key earnings figures in the first six months of 2017.

Reported operating profit increased by 2% to € 139.4 million in the first six months of 2017 (1-6/2016: € 136.3 million). **Reported EBITDA** recorded an increase of 10% to € 220.9 million (1-6/2016: € 200.7 million). **Reported net income** achieved growth of by 10% to € 90.3 million (1-6/2016: € 82.0 million). **Adjusted operating profit** recorded growth of 19% to € 183.4 million (1-6/2016: € 153.6 million). **Adjusted EBITDA** increased by 18% to € 237.7 million (1-6/2016: € 202.3 million). **Adjusted net income** increased by 19% to € 114.1 million (1-6/2016: € 96.1 million).

The increase in adjusted net income was primarily attributable to a further optimized financial result and a continued low tax rate.

In the **second quarter of 2017, special items** amounted to a net burden on earnings in the amount of € 38.8 million before or € 19.7 million after taxes. The reconciliation of the reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items is as follows:

in € million ¹⁾	Q2/2017 reported	Impair- ments/ write-ups on fixed assets	Effects from purchase price allocations and product acquisitions ²⁾	Consultancy services in connection with the takeover process	Reversal of tax provisions	Q2/2017 adjusted
Operating profit	63.0	17.5	4.2	17.1	-	101.8
Result from investments measured at equity	1.1	-	-	-	-	1.1
Investment income	-	-	-	-	-	-
Earnings before interest and taxes (EBIT)	64.0	17.5	4.2	17.1	-	102.8
Financial income and expenses	10.7	-	-	-	-	10.7
Earnings before taxes (EBT)	53.4	17.5	4.2	17.1	-	92.2
Income taxes	9.8	3.0	0.5	4.8	10.4	28.5
Result distributable to non-controlling shareholders	2.5	0.3	0.1	-	-	2.9
Result distributable to share- holders of STADA Arzneimittel AG (net income)	41.1	14.2	3.6	12.3	-10.4	60.8
Earnings before interest and taxes (EBIT)	64.0	17.5	4.2	17.1	-	102.8
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	48.4	-17.5	-4.4	-	-	26.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	112.4	-	-0.2	17.1	-	129.2

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

2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.

In the **second quarter of 2016**, **special items** resulted in a net burden on earnings in the amount of € 5.9 million before or € 3.6 million after taxes. The reconciliation of the reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items is as follows:

in € million ¹⁾	Q2/2016 reported	Impair- ments/ write-ups on fixed assets	Effects from purchase price allocations and product acquisitions ²⁾	Currency effects CIS/Eastern Europe ³⁾	Measure- ment of derivative financial instruments	Other ⁴⁾	Q2/2016 adjusted
Operating profit	79.9	6.4	5.0	-2.0	-	-4.0	85.4
Result from investments measured at equity	1.0	-	-	-	-	-	1.0
Investment income	0.0	-	-	-	-	-	0.0
Earnings before interest and taxes (EBIT)	81.0	6.4	5.0	-2.0	-	-4.0	86.4
Financial income and expenses	13.5	-	-	-	-0.5	-	13.0
Earnings before taxes (EBT)	67.5	6.4	5.0	-2.0	0.5	-4.0	73.4
Income taxes	12.9	1.4	0.9	0.0	0.2	-0.3	15.1
Result distributable to non-controlling shareholders	2.2	0.0	0.1	-	-	-	2.3
Result distributable to shareholders of STADA Arzneimittel AG (net income)	52.4	5.0	4.0	-2.0	0.3	-3.7	56.0
Earnings before interest and taxes (EBIT)	81.0	6.4	5.0	-2.0	-	-4.0	86.4
Balance from depreciation/ amortization and impairments/write- ups of intangible assets (including goodwill), property, plant and equipment and financial assets	34.5	-6.4	-4.4	-	-	-	23.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	115.5	-	0.6	-2.0	-	-4.0	110.2

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

3) Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/Eastern Europe.
4) Relates to miscellaneous extraordinary income, among other things for a milestone payment received in the United Kingdom.

Special items in the first six months of 2017 amounted to a net burden on earnings of € 44.0 million before or € 23.8 million after taxes. The reconciliation of reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items is as follows:

in € million ¹⁾	H1/2017 reported	Impair- ments/ write-ups on fixed assets	Effects from purchase price allocations and product acquisitions ²⁾	Consultancy services in connection with the takeover process	Reversals of tax provisions	H1/2017 adjusted
Operating profit	139.4	18.2	8.7	17.1	-	183.4
Result from investments measured at equity	2.3	-	-	-	-	2.3
Investment income	-	-	-	-	-	-
Earnings before interest and taxes (EBIT)	141.7	18.2	8.7	17.1	-	185.7
Financial income and expenses	21.5	-	-	-	-	21.5
Earnings before taxes (EBT)	120.2	18.2	8.7	17.1	-	164.2
Income taxes	24.9	3.3	1.2	4.8	10.4	44.6
Result distributable to non-controlling shareholders	5.0	0.3	0.2	-	-	5.5
Result distributable to share- holders of STADA Arzneimittel AG (net income)	90.3	14.6	7.3	12.3	-10.4	114.1
Earnings before interest and taxes (EBIT)	141.7	18.2	8.7	17.1	-	185.7
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets	79.2	-18.2	-9.0	-	-	52.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	220.9	-	-0.3	17.1	-	237.7

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

2) Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.

Due to **special items**, the Group recorded a burden on earnings of € 18.0 million before or € 14.1 million after taxes In the **first six months of 2016**. The reconciliation of reported financial key performance indicators and further essential key earnings figures of the STADA Group to those adjusted for special items was as follows in the first six months of the previous year:

in € million ¹⁾	H1/2016 reported	Impair- ments/ write-ups on fixed assets	Effects from purchase price allocations and product acquisitions ²⁾	Currency effects CIS/Eastern Europe ³⁾	Measure- ment of derivative financial instruments	Other ⁴⁾	H1/2016 adjusted
Operating profit	136.3	6.9	10.0	4.4	-	-4.0	153.6
Result from investments measured at equity	1.0	-	-	-	-	-	1.0
Investment income	0.0	-	-	-	-	-	0.0
Earnings before interest and taxes (EBIT)	137.3	6.9	10.0	4.4	-	-4.0	154.6
Financial income and expenses	26.0	-	-	-	-0.7	-	25.3
Earnings before taxes (EBT)	111.3	6.9	10.0	4.4	0.7	-4.0	129.3
Income taxes	24.7	1.5	1.9	0.6	0.2	-0.3	28.4
Result distributable to non-controlling shareholders	4.6	0.0	0.2	-	-	-	4.8
Result distributable to shareholders of STADA Arzneimittel AG (net income)	82.0	5.4	8.1	3.8	0.5	-3.7	96.1
Earnings before interest and taxes (EBIT)	137.3	6.9	10.0	4.4	-	-4.0	154.6
Balance from depreciation/ amortization and impairments/write- ups of intangible assets (including goodwill), property, plant and equipment and financial assets	63.4	-6.9	-8.8	-	-	-	47.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	200.7	-	1.2	4.4	-	-4.0	202.3

In the tables below, further essential key earnings figures of the Group including the resulting margins are presented both as reported figures as well as adjusted for the aforementioned special items for the first six months of 2017 and the second quarter of 2017 and the corresponding period of the previous year.

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

3) Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/Eastern Europe.
4) Relates to miscellaneous extraordinary income, among other things for a milestone payment received in the United Kingdom.

Development of the STADA Group's reported key earnings figures

in € million	Q2/2017	Q2/2016	± %	H1/2017	H1/2016	± %
Operating profit	63.0	79.9	-21%	139.4	136.3	+2%
• Generics	67.4	55.0	+23%	122.6	104.6	+17%
• Branded Products	31.9	41.9	-24%	72.8	70.7	+3%
Operating profit margin ¹⁾	10.9%	14.9%		12.2%	13.2%	
• Generics	19.3%	17.2%		18.2%	16.7%	
• Branded Products	14.0%	19.3%		15.5%	17.4%	
EBITDA	112.4	115.5	-3%	220.9	200.7	+10%
• Generics	81.5	67.1	+21%	151.0	129.3	+17%
• Branded Products	64.5	62.1	+4%	121.5	104.7	+16%
EBITDA margin ¹⁾	19.5%	21.5%		19.3%	19.4%	
• Generics	23.4%	21.0%		22.4%	20.6%	
• Branded Products	28.3%	28.5%		25.9%	25.7%	
EBIT	64.0	81.0	-21%	141.7	137.3	+3%
EBIT margin ¹⁾	11.1%	15.1%		12.4%	13.3%	
EBT	53.4	67.5	-21%	120.2	111.3	+8%
EBT margin ¹⁾	9.2%	12.6%		10.5%	10.8%	
Net income	41.1	52.4	-22%	90.3	82.0	+10%
Net income margin ¹⁾	7.1%	9.7%		7.9%	7.9%	
Earnings per share in €	0.66	0.84	-21%	1.45	1.32	+10%

Development of the STADA Group's adjusted²⁾ key earnings figures

in € million	Q2/2017	Q2/2016	± %	H1/2017	H1/2016	± %
<i>Operating profit, adjusted</i>	<i>101.8</i>	<i>85.4</i>	<i>+19%</i>	<i>183.4</i>	<i>153.6</i>	<i>+19%</i>
• <i>Generics</i>	<i>68.1</i>	<i>54.3</i>	<i>+25%</i>	<i>124.4</i>	<i>105.6</i>	<i>+18%</i>
• <i>Branded Products</i>	<i>52.2</i>	<i>50.2</i>	<i>+4%</i>	<i>97.7</i>	<i>88.7</i>	<i>+10%</i>
<i>Operating profit margin¹⁾, adjusted</i>	<i>17.6%</i>	<i>15.9%</i>		<i>16.0%</i>	<i>14.8%</i>	
• <i>Generics</i>	<i>19.5%</i>	<i>17.0%</i>		<i>18.4%</i>	<i>16.8%</i>	
• <i>Branded Products</i>	<i>22.9%</i>	<i>23.1%</i>		<i>20.8%</i>	<i>21.8%</i>	
<i>EBITDA, adjusted</i>	<i>129.2</i>	<i>110.2</i>	<i>+17%</i>	<i>237.7</i>	<i>202.3</i>	<i>+18%</i>
• <i>Generics</i>	<i>81.3</i>	<i>66.0</i>	<i>+23%</i>	<i>150.7</i>	<i>129.6</i>	<i>+16%</i>
• <i>Branded Products</i>	<i>64.4</i>	<i>60.4</i>	<i>+7%</i>	<i>121.4</i>	<i>108.6</i>	<i>+12%</i>
<i>EBITDA margin¹⁾, adjusted</i>	<i>22.4%</i>	<i>20.5%</i>		<i>20.8%</i>	<i>19.6%</i>	
• <i>Generics</i>	<i>23.3%</i>	<i>20.6%</i>		<i>22.3%</i>	<i>20.7%</i>	
• <i>Branded Products</i>	<i>28.2%</i>	<i>27.8%</i>		<i>25.9%</i>	<i>26.7%</i>	
<i>EBIT, adjusted</i>	<i>102.8</i>	<i>86.4</i>	<i>+19%</i>	<i>185.7</i>	<i>154.6</i>	<i>+20%</i>
<i>EBIT margin¹⁾, adjusted</i>	<i>17.8%</i>	<i>16.0%</i>		<i>16.2%</i>	<i>14.9%</i>	
<i>EBT, adjusted</i>	<i>92.2</i>	<i>73.4</i>	<i>+25%</i>	<i>164.2</i>	<i>129.3</i>	<i>+27%</i>
<i>EBT margin¹⁾, adjusted</i>	<i>16.0%</i>	<i>13.7%</i>		<i>14.4%</i>	<i>12.5%</i>	
<i>Net income, adjusted</i>	<i>60.8</i>	<i>56.0</i>	<i>+9%</i>	<i>114.1</i>	<i>96.1</i>	<i>+19%</i>
<i>Net income margin¹⁾, adjusted</i>	<i>10.5%</i>	<i>10.4%</i>		<i>10.0%</i>	<i>9.3%</i>	
<i>Earnings per share in €, adjusted</i>	<i>0.97</i>	<i>0.90</i>	<i>+8%</i>	<i>1.83</i>	<i>1.54</i>	<i>+19%</i>

1) Related to relevant Group sales.

2) Adjusted for special items.

Cost of sales increased in line with increased sales to € 575.8 million in the first six months of 2017 (1-6/2016: € 529.3 million). The increase in cost of sales was lower than the increased sales, particularly due to an exchange-rate related improvement in purchasing conditions in the CIS subgroup.

Gross profit increased to € 567.4 million in the first six months of 2017 (1-6/2016: € 505.4 million). The gross margin improved to 49.6% (1-6/2016: 48.8%). This was particularly due to an improved discount rate in the German Generics segment, for example as a result of the STADAPharm discount agreements, which fully expired in December 2016, as well as in the Generics and Branded Products segments in the Serbian subgroup.

Selling expenses increased to € 243.5 million in the first six months of 2017 (1-6/2016: € 232.8 million). This development was mainly based on increased marketing and sales expenses in the Branded Products segment, mainly in Russia, the United Kingdom and Italy.

Other income increased to € 11.7 million in the first six months of the current financial year (1-6/2016: € 8.4 million). This development was particularly attributable to write-ups on non-current assets in the Branded Products segment.

Other expenses increased to € 64.5 million in the first six months of 2017 (1-6/2016: € 22.9 million). This development was primarily attributable to increased write-downs on non-current assets in the Branded Products segment, of which Fultium-D3 vitamin drops are the largest single item, as well as consultancy expenses in connection with the takeover process and write-downs on trade accounts receivable.

The decline in **financial expenses** to € 23.1 million in the first six months of 2017 (1-6/2016: € 27.0 million) was primarily attributable to lower expenses from the measurement of derivative financial instruments and lower interest expenses.

Income tax expenses increased to € 24.9 million in the first six months of 2017 (1-6/2016: € 24.7 million). The reported tax rate improved to 20.7% (1-6/2016: 22.2%). This development primarily resulted from the reversal of tax provisions, among other things, in connection with a completed agreement procedure.

Sales development of the Generics and Branded Products segments

Reported sales of the **Generics** segment recorded an increase of 8% to € 674.4 million in the first six months of the current financial year (1-6/2016: € 627.2 million). This development was primarily attributable to the initial consolidation of Serbian Velefarm d.o.o. Furthermore, segment sales also increased in Belgium and Italy. **Sales of the Generics segment adjusted** for currency and portfolio effects recorded growth of 4% to € 648.3 million (1-6/2016: € 624.9 million). Generics contributed 59.0% to Group sales (1-6/2016: 60.6%).

Within the Generics segment, the eight largest countries according to sales developed as follows in the first six months of 2017:

Sales of generics in **Germany** declined by 3% to € 145.9 million (1-6/2016: € 150.5 million). This development was due to opposing factors. As a result of discount agreement tenders won, ALIUD PHARMA recorded positive sales development. In contrast, following the fully expired discount agreements in December 2016, the high comparable basis of the corresponding period of the previous year had a dampening effect at STADAPharm. However, the company recorded positive sales development outside of the discount agreement tenders. Sales generated in the German market with generics had a share of 62% in the overall sales achieved in Germany (1-6/2016: 60%). The market share of generics sold in German pharmacies in the first six months of 2017 was approx. 11.0%¹⁾ (1-6/2016: approx. 11.6%¹⁾). The STADA Group thus continues to be the clear number 3 in the German generics market.¹⁾

In **Italy** sales generated with generics increased by 6% to € 84.8 million, despite a high level of competition (1-6/2016: € 79.8 million). Generics contributed 80% to sales in the Italian market (1-6/2016: 79%).

In **Belgium**, sales generated with generics increased by 37% to € 56.0 million (1-6/2016: € 40.8 million). This development primarily resulted from positive volume effects as a result of the takeover of sales activities since January 2017. Generics contributed 90% to sales on the Belgian market (1-6/2016: 88%).

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

Sales generated with generics in **Spain** of € 53.0 million remained at approximately the level of the previous year (1-6/2016: € 52.8 million). Generics contributed 83% to local sales (1-6/2016: 85%).

In **Russia**, sales generated with generics decreased by 13%, applying the exchange rates of the previous year. This development was primarily due to lower volume effects. As a result of a very positive currency effect of the Russian ruble, sales in euro increased by 6% to € 52.3 million (1-6/2016: € 49.3 million). Generics had a share of 33% in local sales (1-6/2016: 45%).

Sales generated with generics in **Serbia** recorded an increase of 72%, applying the exchange rates of the previous year. In euro, sales increased by 72% to € 44.0 million (1-6/2016: € 25.6 million) as a result of a stable currency effect of the Serbian dinar. This development was primarily attributable to the initial consolidation of the Serbian Velexfarm. This development is also attributable to the change to the distribution model in the Serbian generics market, in the course of which the Serbian STADA subsidiary will now be increasingly focused on direct sales rather than sales through a wholesaler. Generics contributed 81% to sales achieved in the Serbian (1-6/2016: 76%).

In **France** sales generated with generics decreased by 4% to € 38.7 million, primarily due to continued strong price and discount competition (1-6/2016: € 40.4 million). Generics contributed 93% to sales in the French market (1-6/2016: 96%).

Despite continued high price pressure, sales generated with generics in **Vietnam** increased by 7%, applying the exchange rates of the previous year. As a result of a stable currency effect of the Vietnamese dong, sales in euro increased by 8% to € 35.1 million (1-6/2016: € 32.4 million). This development primarily resulted from tenders that were won in the local hospital market. The share of sales generated with generics in Vietnam was 64% (1-6/2016: 65%).

Reported sales of the **Branded Products** segment in the reporting period recorded growth of 15% to € 468.8 million (1-6/2016: € 407.3 million). This development was primarily attributable to a strong development in segment sales in Russia, as well as the increased sales contribution of the Serbian subgroup. **Sales** of the **Branded Products** segment **adjusted** for portfolio and currency effects increased by 10% to € 448.1 million (1-6/2016: € 407.3 million). Branded Products had a share of 41.0% of Group sales (1-6/2016: 39.4%).

Within the Branded Products segment, the development of the five largest countries according to sales was as follows in the first six months of the current financial year:

Sales generated with branded products in **Russia** increased by 48%, applying the exchange rates of the previous year. In line with a very positive currency effect of the Russian ruble, sales in euro recorded growth of 80% to € 108.0 million (1-6/2016: € 60.2 million), primarily due to increased volume effects. Branded products contributed 67% to sales achieved in the Russian market (1-6/2016: 55%).

The sales and earnings contributions of Russian STADA business activities will also continue to be primarily influenced by the development of the currency relation of the Russian ruble to the euro in the future and thus by consumer sentiment and consumer spending.

In **Germany**, sales generated with branded products decreased by 9% to € 91.4 million (1-6/2016: € 100.2 million). In addition to a high comparable basis in the corresponding period of the previous year, this development was primarily attributable to two effects. On the one hand, the Group made the conscious decision to reduce seasonal annual orders, which in previous years had been made in the first six months and had a correspondingly positive effect on sales. On the other hand, the upcoming relaunch of Ladival® in 2018 had a dampening effect on sales. Overall, branded products contributed 38% to sales achieved in the German market (1-6/2016: 40%).

In the **United Kingdom**, sales generated with branded products increased by 8%, applying the exchange rates of the previous year. This development was particularly due to acquisitions and came about despite levels of stock in the supply chain in the fourth quarter of 2016 as well as a weak cough and cold season in the first six months of 2017. As a result of the negative currency effect as a consequence of the referendum decision in favor of the United Kingdom leaving the EU, sales in euro decreased by 2% to € 82.1 million (1-6/2016: € 83.6 million). Branded products contributed 86% to sales achieved in the British market (1-6/2016: 89%).

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

Sales generated with branded products in **Italy** recorded growth of 1% to € 21.6 million, primarily due to the implementation of the reorganization of sales structures (1-6/2016: € 21.5 million). Branded products contributed 20% to sales in Italy (1-6/2016: 21%).

Sales generated in **Vietnam** with branded products recorded an increase of 9%, applying the exchange rates of the previous year. As a result of a stable currency effect of the Vietnamese dong, sales in euro recorded growth of 10% to € 19.4 million (1-6/2016: € 17.5 million). Branded products contributed 36% to sales generated in Vietnam (1-6/2016: 35%).

Earnings development of the Generics and Branded Products segments

Reported operating segment profit of Generics increased by 17% to € 122.6 million in the first six months of 2017 (1-6/2016: € 104.6 million). This was particularly a result of the improved operating profit in Belgium following the termination of a previous sales agreement in December 2016 as well as the improved operating profit in the German Generics segment. **Reported EBITDA of Generics** recorded an increase of 17% to € 151.0 million (1-6/2016: € 129.3 million). This development was a result of the aforementioned developments of the reported operating segment profit. The **reported operating profit margin of Generics** amounted to 18.2% (1-6/2016: 16.7%). The **reported EBITDA margin of Generics** was at 22.4% (1-6/2016: 20.6%).

The **adjusted operating segment profit of Generics** increased by 18% to € 124.4 million in the first six months of the current financial year (1-6/2016: € 105.6 million). **Adjusted EBITDA of Generics** increased by 16% to € 150.7 million (1-6/2016: € 129.6 million). Both developments were mainly based on the aforementioned improvement in the operating profit in Belgium and Germany. The **adjusted operating profit margin of Generics** amounted to 18.4% (1-6/2016: 16.8%). The **adjusted EBITDA margin of Generics** totaled 22.3% (1-6/2016: 20.7%).

The **reported operating segment profit of Branded Products** recorded growth of 3% to € 72.8 million in the first six months of 2017 (1-6/2016: € 70.7 million). This development was primarily due to strong sales development and positive translation effects in Russia as well as a higher earnings contribution in the Serbian subgroup due to the integration of a consumer health product portfolio acquired in the third quarter of 2016 and a resulting strengthened market position. Increased write-downs on non-current assets in the Branded Products segment had an opposing effect. **Reported EBITDA of Branded Products** recorded an increase of 16% to € 121.5 million (1-6/2016: € 104.7 million). This development was primarily attributable to the aforementioned developments in the reported operating segment result. The **reported operating profit margin of Branded Products** totaled 15.5% (1-6/2016: 17.4%). The **reported EBITDA margin of Branded Products** was at 25.9% (1-6/2016: 25.7%).

The **adjusted operating segment profit of Branded Products** increased by 10% to € 97.7 million in the reporting period (1-6/2016: € 88.7 million). The **adjusted EBITDA of Branded Products** increased by 12% to € 121.4 million (1-6/2016: € 108.6 million). Both developments were primarily based on the aforementioned developments in Russia and in the Serbian subgroup. The **adjusted operating profit margin of Branded Products** amounted to 20.8% (1-6/2016: 21.8%). The **adjusted EBITDA margin of Branded Products** totaled 25.9% (1-6/2016: 26.7%).

Development, production and procurement

Research and development costs amounted to € 33.2 million in the first six months of 2017 (1-6/2016: € 31.0 million). In addition, the Group capitalized development costs for new products in the amount of € 10.1 million (1-6/2016: € 13.0 million).

Worldwide, STADA launched a total of 380 individual products in individual national markets in the first six months of 2017 (1-6/2016: 358 product launches).

In consideration of the unchanged well-stocked product pipeline, the Executive Board expects to be able to continuously introduce new products in future as well. The focus remains on the introduction of generics in EU countries.

STADA makes adequate investments to ensure that all Group-owned production facilities and test laboratories are maintained at the level required by legal stipulations and technical production considerations. In the first six months of the current financial year, investments in the expansion and renewal of production facilities, plants and test laboratories totaled € 21.2 million (1-6/2016: € 11.6 million).

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

In financial year 2016, as part of the implementation of the revised corporate strategy the Group implemented numerous initiatives to improve performance. In this context, the attractive-margin Branded Products area will be further expanded and successful brands will be increasingly internationalized. The implementation of innovative marketing concepts is also planned.

In order to drive forward the expansion of the Branded Products segment, particularly in non-prescription drugs such as nutritional supplements, the Group is investing in its own development activities, as well expanding the existing portfolio through acquisitions.

In this context, the Group has selected certain Branded Products that have a leading position at a regional level and whose potential will be leveraged for launches in other markets in future.

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

The first quarter of 2017 saw the introduction of vitamin D supplement Fultium® in Belgium and Portugal, probiotic Ombe® drink in Austria, dermatological product Flexitol® in France and the product against enzymatic food intolerances, DAOSiN®, in Spain. In the second quarter of the current financial year, Histasolv® for histamine intolerance was introduced in Poland, the nutritional supplement for collagen formation Mobiflex® CaD3 was introduced in Belgium and the nutritional supplement to support normal blood sugar levels GlucoCare® was launched in Poland.

Financial position and cash flow

The financial position of the STADA Group recorded positive development in the first six months of the current financial year. As of the reporting date of June 30, 2017, the **equity-to-assets ratio** amounted to 32.5% (December 31, 2016: 30.4%) and was satisfactory in the opinion of the Executive Board.

Net debt was at € 1,110.9 million as of June 30, 2017 (December 31, 2016: € 1,118.2 million). The **net debt to adjusted EBITDA ratio** in the first six months of 2017 improved to 2.3 on linear extrapolation of the adjusted EBITDA in the first six months of 2017 (1-6/2016: 3.0).

The long-term refinancing of the Group as of June 30, 2017 was provided for by a five-year bond that was placed in the second quarter of 2013 in the amount of € 350.0 million with an interest rate of 2.25% p.a. as well as a seven-year bond placed in the first quarter of 2015 in the amount of € 300.0 million with an interest rate of 1.75% p.a. Furthermore, as of June 30, 2017, there were promissory note loans with maturities in the area of 2019 until 2023 with a total nominal value in the amount of € 665.0 million. Overall, the promissory note loans are staggered in terms of their volume and duration to ensure a balanced financing structure.

Intangible assets decreased by € 24.5 million to € 1,557.9 million as of June 30, 2017 (December 31, 2016: € 1,582.4 million). This development was attributable to currency effects and impairments. As of June 30, 2017, intangible assets included goodwill in the amount of € 405.6 million (December 31, 2016: € 404.6 million).

Current assets increased to € 345.6 million as of June 30, 2017 (December 31, 2016: € 322.7 million). The increase was primarily attributable to investments in production facilities in the Serbian subgroup as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

Inventories increased to € 539.4 million as of June 30, 2017 (December 31, 2016: € 484.9 million). This development was particularly due to reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5. There were also additions from the acquisition of the Serbian wholesaler Velexfarm.

Current other financial assets decreased to € 29.3 million as of June 30, 2017 (December 31, 2016: € 39.9 million). This development was primarily attributable to the expiration of a derivative financial instrument.

The increase in **current other assets** by € 16.9 million to € 45.6 million as of the reporting date of June 30, 2017 (December 31, 2016: € 28.7 million) was particularly due to advance payments made.

As of June 30, 2017, there was no recognition of **non-current assets and disposal groups held for sale** (December 31, 2016: € 83.0 million) or **related liabilities** (December 31, 2016: € 14.6 million) in a separate line item. The decline resulted from the sale of STADA Import/Export International Ltd. in the first quarter of 2017. In addition, the sale of another disposal group is no longer seen as highly likely as of June 30, 2017 due to current strategic considerations.

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

Other reserves include results recognized directly in **equity**. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The decline in other provisions in the first six months of 2017 can be attributed primarily to the depreciation of the Russian ruble and the British pound sterling since December 31, 2016 and the resulting expenses with no effect on income from the currency translation of companies accounted for in this currency.

As of June 30, 2017, the Group's **current and non-current financial liabilities** in the amount of € 443.9 million and € 987.8 million (December 31, 2016: € 134.3 million and € 1,336.4 million) particularly include promissory note loans which have a nominal value in the amount of € 665.0 million (December 31, 2016: € 709.0 million), a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million (December 31, 2016: a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million). The increase in current financial liabilities was primarily due to the reclassification of a bond in accordance with its maturity.

Trade accounts payable increased by € 11.9 million to € 348.7 million as of the reporting date of June 30, 2017 (December 31, 2016: € 336.8 million). This development was primarily a result of the acquisition of Serbian wholesaler Velexfarm, as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

Current other financial liabilities decreased by € 50.8 million to € 163.2 million as of June 30, 2017 (December 31, 2016: € 214.0 million), particularly as a result of declining accruals for health insurance organization discounts as well as high invoice receipts.

Current other liabilities decreased by € 23.7 million to € 95.2 million as of June 30, 2017 (December 31, 2016: € 118.9 million) due to a decline in accruals for personnel-related liabilities in Germany.

Cash flow from operating activities, which consists of changes in items not covered by investments, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement, decreased in the first six months of 2017 to € 89.5 million (1-6/2016: € 113.0 million). The change of € 23.5 million over the comparable period of the previous year resulted primarily from a significantly higher cash-effective increase in inventories in the reporting period. A cash-effective increase in trade accounts receivable was also recorded following a cash-effective decline in the previous year, which was particularly due to a lower increase in the factoring volume in the reporting period compared with the same period of the previous year. An improved gross cash flow compared with the previous year as well as a lower cash-effect decrease in trade accounts payable partially compensated for these reduction effects on cash flow from operating activities.

Cash flow from investing activities, which reflects the cash outflows for investments less inflows from disposals, amounted to € -73.2 million in the reporting period (1-6/2016: € -98.1 million). In the first six months of 2017, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. Within the scope of business combinations, there were pay-outs for the acquisition of Serbian pharmaceutical wholesaler Velexfram and the final purchase price payment from the acquisition of the Argentinian Laboratorio Vannier as well as for the acquisition of a product portfolio in Serbia. In the corresponding period of the previous year, there were significantly higher pay-outs for business combinations, mainly for the acquisition of the Argentinian Laboratorio Vannier and the British BSMW. Proceeds from the disposal of shares in consolidated companies exclusively related to the sale of shares in the Chinese STADA Import/Export International Ltd., Hong Kong. The sale price amounted to € 6,000 and was paid in cash. Assets in the total amount of € 1.7 million and liabilities in the total amount of € 1.7 million were hereby disposed of.

Free cash flow, i.e. the cash flow from operating activities plus cash flow from investing activities, increased to € 16.3 million in the first six months of 2017 (1-6/2016: € 15.0 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to € 42.8 million (1-6/2016: € 42.5 million).

Cash flow from investing activities amounted to € -44.1 million in the reporting period (1-6/2016: € 229.3 million). This development was primarily attributable to a significantly lower borrowing of funds compared with the same period of the previous year.

Cash flow for the period is the balance of cash inflows and outflows from cash flow from operating activities, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation and amounted to € -31.8 million in the first six months of 2017 (1-6/2016: € 242.3 million).

Acquisitions and disposals

The Group pursues a focused acquisition policy with the goal of accelerating the company's organic growth with selected acquisitions. In this context, the emphasis is on the regional expansion of the business activities. STADA also promotes the expansion and internationalization of the Branded Products segment, which is subject to less regulatory intervention and is characterized by more attractive profit margins than the Generics segment.

Apart from this focused acquisition approach, potential acquisition objects are subject to a strict selection process with standardized criteria as well as strategic criteria and set return specifications.

For larger acquisitions or cooperations with capital investments, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

The Group did not make any significant acquisitions in the first six months of 2017.

STADA share

In the first six months of 2017, the STADA share price recorded very positive development with an increase of 26%. While the share price closed 2016 at € 49.19, it reached € 62.09 at the end of the first six months of 2017 and was also influenced by continued takeover speculation. The market capitalization in the first six months of 2017 increased from € 3.066 billion to € 3.870 billion.

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

In the first six months of 2017, the Group published all of the 46 voting rights notices it received according to Section 26 of the German Securities Trading Act (WpHG). The voting rights notices received by STADA can be viewed on the website at www.stada.de or www.stada.com.

Report on expected developments and associated material opportunities and risks

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

STADA's business model, with a view to the general and generics-specific growth drivers in the health care and pharmaceutical industries, is principally oriented toward markets with long-term growth potential.

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

The Group's future sales and earnings development will be characterized by both growth-stimulating and challenging framework conditions.

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

For a number of reasons, STADA, from today's vantage point, does not expect a linear continuation of the good development in key earnings figures in the second half of 2017. This is primarily attributable to looming disadvantageous exchange rate developments of the Russian ruble and British pound sterling compared with the euro as well as seasonally increasing marketing expenses and increased internationalization activities.

The Executive Board continues to expect further growth for financial year 2017. Group sales adjusted for currency and portfolio effects will be between € 2.280 billion and € 2.350 billion, adjusted EBITDA between € 430 million and € 450 million and adjusted net income between € 195 million and € 205 million. The Executive Board expects the ratio of net debt – excluding further acquisitions and subject to a possible takeover – to adjusted EBITDA to be at a level of below 3.

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



Engelbert Coster Tjeenk Willink



Dr. Bernhard Düttmann



Dr. Barthold Piening

1) See the Company's ad hoc release of March 17, 2017.

2) The medium-term growth targets are based on the following assumptions:

- organic sales growth in the core segments of Generics and Branded Products
- no significant disposals that would impact sales and earnings
- forward projection of current currency relations and the current interest rate level and largely unchanged tax situation in the countries where STADA has Group companies
- forward projection of current regulatory conditions in markets relevant for STADA.



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CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS AND THE SECOND QUARTER OF 2017 (ABRIDGED)

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CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to June 30 in € 000s	Q2/2017	Q2/2016	H1/2017	H1/2016
Sales	576,923	537,543	1,143,236	1,034,665
Cost of sales	287,578	273,686	575,835	529,299
Gross profit	289,345	263,857	567,401	505,366
Selling expenses	119,964	115,824	243,546	232,847
General and administrative expenses	45,417	47,036	98,499	90,730
Research and development expenses	16,659	16,165	33,199	31,026
Other income	5,477	5,085	11,721	8,372
Other expenses	49,824	9,974	64,455	22,857
Operating profit	62,958	79,943	139,423	136,278
Result from investments measured at equity	1,074	1,007	2,311	999
Investment income	-	23	-	23
Financial income	719	302	1,557	971
Financial expenses	11,392	13,737	23,109	26,961
Financial result	-9,599	-12,405	-19,241	-24,968
Earnings before taxes	53,359	67,538	120,182	111,310
Income taxes	9,772	12,909	24,925	24,748
Earnings after taxes	43,587	54,629	95,257	86,562
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income)	41,080	52,399	90,275	82,005
• distributable to non-controlling shareholders	2,507	2,230	4,982	4,557
Earnings per share in € (basic)	0.66	0.84	1.45	1.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	Q2/2017	Q2/2016	H1/2017	H1/2016
Earnings after taxes	43,587	54,629	95,257	86,562
Items to be recycled to the income statement in future:				
Currency translation gains and losses	-54,177	-395	-35,259	-35,633
thereof				
• income taxes	885	191	-96	282
Gains and losses on available-for-sale financial assets	-	-	-	-
thereof				
• income taxes	-	-	-	-
Gains and losses on hedging instruments (cash flow hedges)	-	687	-	913
thereof				
• income taxes	-	-272	-	-360
Items not to be recycled to the income statement in future:				
Revaluation of net debt from defined benefit plans	-	-6,208	-	-6,208
thereof				
• income taxes	-	1,808	-	1,808
Other comprehensive income	-54,177	-5,916	-35,259	-40,928
thereof				
• attributable to disposal groups held for sale in accordance with IFRS 5	-	-	-180	-
Consolidated comprehensive income	-10,590	48,713	59,998	45,634
thereof				
• distributable to shareholders of STADA Arzneimittel AG	-8,893	45,004	60,116	41,607
• distributable to non-controlling shareholders	-1,697	3,709	-118	4,027

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of June 30 in € 000s		
Assets	June 30, 2017	Dec. 31, 2016
Non-current assets	1,949,673	1,949,543
Intangible assets	1,557,882	1,582,361
Property, plant and equipment	345,579	322,715
Financial assets	2,158	2,236
Investments measured at equity	16,183	13,872
Other financial assets	1,104	4,450
Other assets	1,848	3,095
Deferred tax assets	24,919	20,814
Current assets	1,438,871	1,490,901
Inventories	539,444	484,904
Trade accounts receivable	492,966	489,071
Income tax receivables	10,864	12,816
Other financial assets	29,272	39,880
Other assets	45,570	28,690
Cash and cash equivalents	320,755	352,580
Non-current assets and disposal groups held for sale	-	82,960
Total assets	3,388,544	3,440,444
Equity and liabilities	June 30, 2017	Dec. 31, 2016
Equity	1,102,703	1,047,105
Share capital	162,090	162,090
Capital reserve	514,206	514,189
Retained earnings including net income	763,608	673,253
Other provisions	-409,338	-379,074
Treasury shares	-1,405	-1,418
Equity attributable to shareholders of the parent	1,029,161	969,040
Shares relating to non-controlling shareholders	73,542	78,065
Non-current borrowed capital	1,151,342	1,493,712
Other non-current provisions	35,160	35,997
Financial liabilities	987,798	1,336,414
Other financial liabilities	3,541	3,916
Other liabilities	715	969
Deferred tax liabilities	124,128	116,416
Current borrowed capital	1,134,499	899,627
Other provisions	19,075	20,273
Financial liabilities	443,886	134,343
Trade accounts payable	348,698	336,844
Income tax liabilities	64,483	60,625
Other financial liabilities	163,172	214,031
Other liabilities	95,185	118,933
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	-	14,578
Total assets	3,388,544	3,440,444

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	June 30, 2017	June 30, 2016
Net income	95,257	86,562
Depreciation and amortization net of write-ups of non-current assets	79,194	63,359
Income taxes	24,925	24,748
Income tax paid	-19,115	-18,568
Interest income and expenses	21,582	25,995
Interest and dividends received	2,040	2,173
Interest paid	-28,624	-28,264
Result from investments measured at equity	-2,311	-999
Result from the disposal of non-current assets	25	-53
Additions to / reversals of other non-current provisions	1,634	1,837
Currency translation income and expenses	76	6,525
Other non-cash expenses and gains ¹⁾	182,495	166,758
Gross cash flow	357,178	330,073
Changes in inventories	-47,695	-7,555
Changes in trade accounts receivable	-15,930	12,351
Changes in trade accounts payable	-4,709	-38,360
Changes in other net assets, unless attributable to investing or financing activities ¹⁾	-199,346	-183,473
Cash flow from operating activities	89,498	113,036
Payments for investments in		
• intangible assets	-42,203	-37,990
• property, plant and equipment	-28,595	-46,751
• financial assets	-70	-3,005
• shares in consolidated companies	-1,504	-
• business combinations according to IFRS 3	-2,854	-13,242
Proceeds from the disposal of		
• intangible assets	563	1,223
• property, plant and equipment	1,420	862
• financial assets	-	42
• shares in consolidated companies	6	800
Cash flow from investing activities	-73,237	-98,061
Borrowing of funds	22,307	450,804
Settlement of financial liabilities	-65,431	-218,910
Dividend distribution	-1,032	-4,216
Capital increase from share options	-	-
Changes in non-controlling interests	-	1,623
Changes in treasury shares	30	29
Cash flow from financing activities	-44,126	229,330
Changes in cash and cash equivalents	-27,865	244,305
Changes in cash and cash equivalents due to the scope of consolidation	1,367	-
Changes in cash and cash equivalents due to exchange rates	-5,327	-1,983
Net change in cash and cash equivalents	-31,825	242,322
Balance at beginning of the period	352,580	143,178
Balance at end of the period	320,755	385,500

1) Non-cash additions to accruals for discounts to health insurance organizations in the first six months of 2017 in the amount of € 128.9 million (1-6/2016: € 143.9 million) are recognized in gross cash flow and are therefore not included in changes in other net assets.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity in € 000s				
	Number of shares	Share capital	Capital reserve	Retained earnings including net income
2017				
Balance as of June 30, 2017	62,342,440	162,090	514,206	763,608
Dividend distribution				
Capital increase from share options				
Changes in treasury shares			17	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				-25
Other income				105
Net income				90,275
Balance as of Jan. 1, 2017	62,342,440	162,090	514,189	673,253
Previous year				
Balance as of June 30, 2016	62,342,440	162,090	514,176	711,430
Dividend distribution				
Capital increase from share options				
Changes in treasury shares			5	
Changes in retained earnings				
Changes in non-controlling interests				
Changes in the scope of consolidation				
Other income				-5,919
Net income				82,005
Balance as of Jan. 1, 2016	62,342,440	162,090	514,171	635,344

Provisions for currency translation	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
-409,338	-	-1,405	1,029,161	73,542	1,102,703
			-	-4,009	-4,009
			-		-
		13	30		30
			-		-
			-	367	367
			-25	-763	-788
-30,264			-30,159	-5,100	-35,259
			90,275	4,982	95,257
-379,074	-	-1,418	969,040	78,065	1,047,105
-398,584	-	-1,434	987,678	73,922	1,061,600
			-	-4,216	-4,216
			-		-
		24	29		29
			-		-
			-	1,623	1,623
			-		-
-35,392	913		-40,398	-530	-40,928
			82,005	4,557	86,562
-363,192	-913	-1,458	946,042	72,488	1,018,530

NOTES

1. General

1.1. Accounting policies

This interim report of STADA complies with the requirements of Section 37w of the German Securities Trading Act (WpHG) and, in accordance with Section 37w (3) of the WpHG, includes consolidated interim financial statements and a group interim management report. The Consolidated Interim Financial Statements have been prepared under consideration of the International Financial Reporting Standards (IFRS) for interim reporting as applicable in the European Union (EU).

The Group Interim Management Report was prepared under consideration of the applicable WpHG regulations. The Consolidated Interim Financial Statements as of June 30, 2017 were prepared under consideration of the regulations outlined in International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the Consolidated Financial Statements as of December 31, 2016 was selected.

All IFRSs published by the International Accounting Standards Board (IASB) and endorsed by the EU which are mandatory for financial years starting as of January 1, 2017 have been observed by STADA.

In these Consolidated Interim Financial Statements – with the exception of the changed accounting policies listed in Note 1.2. – the same accounting policies and methods of computation are applied as in the Consolidated Financial Statements for financial year 2016. With regard to the principles and methods used in the context of Group Accounting, we generally refer to the notes to the Consolidated Financial Statements of the Annual Report 2016.

1.2. Changes in accounting policies

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

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

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

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

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

From today’s perspective, no or no significant effects on the consolidated financial statements are expected from the future application of the further standards and interpretations not yet applied.

1.3. Scope of consolidation

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

As part of the preparation of the Consolidated Financial Statements of STADA Arzneimittel AG, the most up-to-date planning information available was used for STADA Vietnam J.V. Co. Ltd. for April to June 2017 as a result of a lack of financial information, although STADA retains legal control. The share of financial information processed in this way in the Consolidated Financial Statements represents approx. 1% of Group sales, approx. 2% of EBITDA and approx. 1% of net income.

On January 1, 2017, STADA Pharmaceuticals Australia, Sydney, based in Australia, was included in the scope of consolidation.

Furthermore, the acquisition of Serbian Velefarm d.o.o., Belgrade, was completed in accordance with corporate law in the first quarter of 2017. The company was consolidated as a subsidiary for the first time on January 1, 2017.

STADA Import/Export International Ltd., Hong Kong, China, was also sold in the first quarter of 2017. The transaction was completed on March 29, 2017. The assets and liabilities of the company were reported as non-current assets and disposal groups held for sale and associated liabilities as of December 31, 2016. A gain of € 0.2 million was recorded with the deconsolidation of the company as of March 31, 2017.

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

In the Consolidated Interim Financial Statements of the STADA Group, 83 companies were thereby consolidated as subsidiaries and four companies as associates as of the balance sheet date of June 30, 2017.

1.4. Business combinations

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

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

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

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

Goodwill resulted primarily from vertical integration in the Serbian market.

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

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

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

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

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

Sales recorded in the first six months of 2017 amounted to around € 33.0 million. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 0.3 million) amounted to around € 0.2 million in this period.

2. Notes to the Consolidated Income Statements

2.1. Sales

The increase in sales compared to the corresponding period of the previous year primarily resulted from sales growth in Russia, Serbia and Belgium. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 4.3 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5) and in additional information (see Note 6).

2.2. Cost of sales and gross profit

Cost of sales increased in line with increased sales to € 575.8 million in the reporting period (1-6/2016: € 529.3 million). The increase in cost of sales was lower than the increase in sales, particularly due to an exchange-rate related improvement in purchasing conditions in the CIS subgroup.

Gross profit increased to € 567.4 million in the first six months of 2017 (1-6/2016: € 505.4 million). The gross margin improved to 49.6% (1-6/2016: 48.8%). This was particularly attributable to an improved discount rate in the German Generics segment, for example as a result of the STADApHarm discount agreements, which fully expired in December 2016, as well as the Generics and Branded Products segments in the Serbian subgroup.

2.3. Selling expenses

Selling expenses increased to € 243.6 million in the reporting period (1-6/2016: € 232.8 million). This development was primarily based on increased marketing and sales expenses in the Branded Products segment, particularly in Russia, the United Kingdom and Italy.

2.4. Other income

Other income recorded growth to € 11.7 million in the reporting period (1-6/2016: € 8.4 million). This development was primarily attributable to write-ups on non-current assets in the Branded Products segment.

2.5. Other expenses

Other expenses increased to € 64.5 million in the first six months of 2017 (1-6/2016: € 22.9 million). This development was primarily due to increased impairments on non-current assets in the Branded Products segment, of which Fultium-D3 vitamin drops are the largest single item, as well as consultancy expenses in connection with the takeover process and write-downs on trade accounts receivable.

2.6. Financial expenses

The decline in financial expenses to € 23.1 million in the first six months of 2017 (1-6/2016: € 27.0 million) was primarily attributable to the measurement of derivative financial instruments and lower interest expenses.

2.7. Income taxes

Income tax expenses increased slightly to € 24.9 million (1-6/2016: € 24.7 million) in the reporting period. The reported tax rate improved to 20.7% (1-6/2016: 22.2%). This development primarily resulted from the reversal of tax provisions, among other things, in connection with a completed agreement procedure.

2.8. Earnings per share

Earnings per share increased in the first six months of 2017 by € 0.13 to € 1.45 compared to the same period of the previous year (1-6/2016: € 1.32).

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets decreased by € 24.5 million to € 1,557.9 million as of June 30, 2017 (December 31, 2016: € 1,582.4 million). This development was attributable to currency effects as well as write-downs. As of June 30, 2017, intangible assets included goodwill in the amount of € 405.6 million (December 31, 2016: € 404.6 million).

3.2. Property, plant and equipment

As of June 30, 2017, property, plant and equipment increased to € 345.6 million (December 31, 2016: € 322.7 million). The increase was primarily attributable to investments in production facilities in the Serbian subgroup as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

3.3. Inventories

Inventories increased to € 539.4 million as of June 30, 2017 (1-6/2016: € 484.9 million). This development was particularly attributable to reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5, as well as additions from the acquisition of the Serbian wholesaler Velexfarm.

3.4. Other financial assets

Current other financial assets decreased to € 29.3 million as of June 30, 2017 (December 31, 2016: € 39.9 million). This development was mainly attributable to the expiration of a derivative financial instrument.

3.5. Other assets

The increase in current other assets by € 16.9 million to € 45.6 million as of the reporting date of June 30, 2017 (December 31, 2016: € 28.7 million) was particularly due to advance payments made.

3.6. Retained earnings and other reserves

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

Other reserves include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The decrease in other provisions in the first six months of 2017 can be allocated primarily to the depreciation of the Russian ruble and British pound sterling since December 31, 2016 and the resulting expenses with no effect on income from the currency translation of companies accounted for in this currency.

3.7. Financial liabilities

As of June 30, 2017, the Group's current and non-current financial liabilities in the amount of € 443.9 million and € 987.8 million (December 31, 2016: € 134.3 million and € 1,336.4 million) particularly include promissory note loans that have a nominal value in the amount of € 665.0 million (December 31, 2016: € 709.0 million), a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million (December 31, 2016: a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million). The increase in non-current financial liabilities primarily resulted from the reclassification of a bond in accordance with its maturity. In addition, promissory note loans in the amount of € 44.0 million were repaid in the first six months of 2017.

3.8. Trade accounts payable

Trade accounts payable increased as of the balance sheet date of June 30, 2017 by € 11.9 million to € 348.7 million (December 31, 2016: € 336.8 million). This development was particularly a result of the acquisition of the Serbian wholesaler Velexfarm, as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

3.9. Other financial liabilities

Current other financial liabilities decreased by € 50.8 million to € 163.2 million as of June 30, 2017 (December 31, 2016: € 214.0 million), primarily as a result of declining accruals for health insurance organization discounts.

3.10. Other liabilities

Current other liabilities decreased by € 23.7 million to € 95.2 million as of June 30, 2017 (December 31, 2016: € 118.9 million), primarily due to declining accruals for personnel-related liabilities in Germany.

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

As of June 30, 2017 there was no recognition of non-current assets and disposal groups held for sale (December 31, 2016: € 83.0 million) as well as related liabilities (December 31, 2016: € 14.6 million) in a separate line item. On December 31, 2016, this related to reported disposal groups for two subsidiaries. The subsidiary STADA Import/Export International Ltd. was sold in the first quarter of 2017. The sale of the second subsidiary is no longer considered highly likely as a result of current strategic considerations.

The following table includes a reclassification based on the Consolidated Balance Sheet of December 31, 2016 for comparison, which only shows the STADA Import/Export International Ltd. subsidiary as recognized as held for sale. In this Consolidated Balance Sheet as of December 31, 2016, non-current assets and disposal groups held for sale in the amount of € 3.8 million as well as related liabilities in the amount of € 0.8 million are reported, which consequently relate exclusively to STADA Import/Export International Ltd. that was sold in the first quarter of 2017.

Consolidated Balance Sheet as of December 31, 2016 in € 000s			
	December 31, 2016 (reported)	Reclassification	Dec. 31, 2016 (after reclassification)
Assets			
Non-current assets	1,949,543	44,126	1,993,669
Intangible assets	1,582,361	28,314	1,610,675
Property, plant and equipment	322,715	15,724	338,439
Financial assets	2,236	-	2,236
Investments measured at equity	13,872	-	13,872
Other financial assets	4,450	4	4,454
Other assets	3,095	-	3,095
Deferred tax assets	20,814	84	20,898
Current assets	1,490,901	-44,126	1,446,775
Inventories	484,904	24,451	509,355
Trade accounts receivable	489,071	8,294	497,365
Income tax receivables	12,816	-	12,816
Other financial assets	39,880	-	39,880
Other assets	28,690	1,410	30,100
Cash and cash equivalents	352,580	890	353,470
Non-current assets and disposal groups held for sale	82,960	-79,171	3,789
Total assets	3,440,444	-	3,440,444
	December 31, 2016 (reported)	Reclassification	Dec. 31, 2016 (after reclassification)
Equity and liabilities			
Equity	1,047,105	-	1,047,105
Share capital	162,090	-	162,090
Capital reserve	514,189	-	514,189
Retained earnings including net income	673,253	-	673,253
Other provisions	-379,074	-	-379,074
Treasury shares	-1,418	-	-1,418
Equity attributable to shareholders of the parent	969,040	-	969,040
Shares relating to non-controlling shareholders	78,065	-	78,065
Non-current borrowed capital	1,493,712	6,087	1,499,799
Other non-current provisions	35,997	513	36,510
Financial liabilities	1,336,414	-	1,336,414
Other financial liabilities	3,916	-	3,916
Other liabilities	969	-	969
Deferred tax liabilities	116,416	5,574	121,990
Current borrowed capital	899,627	-6,087	893,540
Other provisions	20,273	-	20,273
Financial liabilities	134,343	-	134,343
Trade accounts payable	336,844	5,487	342,331
Income tax liabilities	60,625	618	61,243
Other financial liabilities	214,031	-	214,031
Other liabilities	118,933	1,581	120,514
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	14,578	-13,773	805
Total assets	3,440,444	-	3,440,444

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow from operating activities

Cash flow from operating activities, which consists of changes in items not covered by investments, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement, decreased to € 89.5 million in the first six months of 2017 (1-6/2016: € 113.0 million). The change of € 23.5 million compared with the same period of the previous year is particularly due to a significantly higher cash-effective increase in inventories in the reporting period, as well as a cash-effective increase in trade accounts receivable compared with a cash-effective decrease in the previous year, which was particularly attributable to a lower increase in the factoring volume in the reporting period compared with the same period of the previous year. An improved gross cash flow compared with the previous year as well as a lower cash-effective decrease in trade accounts payable partially compensated for these reduction effects on cash flow from operating activities.

4.2. Cash flow from investing activities

Cash flow from investing activities – which reflects the cash outflows for investments reduced by the inflows from disposals – amounted to € -73.2 million in the reporting period (1-6/2016: € -98.1 million). In the first six months of 2017, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. Within the scope of business combinations, there were pay-outs for the final purchase price payment from the acquisition of the Argentinian Laboratorio Vannier as well as for the acquisition of the Serbian pharmaceutical wholesaler Velexfarm. In the corresponding period of the previous year, there were significantly higher pay-outs for business combinations, mainly for the acquisition of the Argentinian Laboratorio Vannier and the British BSMW. Proceeds from the disposal of shares in consolidated companies exclusively related to the sale of shares in the Chinese STADA Import/Export International Ltd., Hong Kong. The sale price amounted to € 6,000 and was paid in cash and cash equivalents. Assets in the total amount of € 1.7 million and liabilities in the total amount of € 1.7 million were hereby disposed of.

4.3. Cash flow from financing activities

Cash flow from financing activities amounted to € -44.1 million in the reporting period (1-6/2016: € 229.3 million). This development was primarily attributable to a significantly lower borrowing of funds compared with the same period of the previous year.

4.4. Cash flow for the period

Cash flow for the period is the balance of cash inflows and outflows from cash flow from operating activities, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation and amounted to € -31.8 million in the first six months of 2017 (1-6/2016: € 242.3 million).

5. Segment Reporting

5.1. General information

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

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

5.2. Information by operating segment

in € 000s		Q2/2017	Q2/2016	H1/2017	H1/2016
Generics	External sales	348,542	319,947	674,426	627,168
	Sales with other segments	312	115	1,012	154
	Total sales	348,854	320,062	675,438	627,322
	Operating profit	67,398	55,002	122,627	104,622
	Depreciation/amortization	13,213	11,711	26,373	24,272
	Impairment losses	1,361	326	2,440	346
	Reversals	536	-	536	3
	Other significant non-cash items within operating result	-73,798	-60,561	-154,229	-153,445
Branded Products	External sales	228,381	217,510	468,810	407,301
	Sales with other segments	6	-	10	-
	Total sales	228,387	217,510	468,820	407,301
	Operating profit	31,929	41,898	72,831	70,705
	Depreciation/amortization	16,650	14,441	32,633	28,321
	Impairment losses	17,888	5,718	17,954	5,720
	Reversals	1,918	-	1,918	-
	Other significant non-cash items within operating result	-6,884	-6,446	-16,774	-15,736
Reconciliation Group holdings/other and consolidation	External sales	-	86	-	196
	Sales with other segments	-318	-115	-1,022	-154
	Total sales	-318	-29	-1,022	42
	Operating result	-36,369	-16,957	-56,035	-39,049
	Depreciation/amortization	987	1,945	1,978	3,865
	Impairment losses	270	384	270	838
	Reversals	-407	-	-	-
	Other significant non-cash items within operating result	-17,419	-3,768	-13,820	-5,974
Group	External sales	576,923	537,543	1,143,236	1,034,665
	Sales with other segments	-	-	-	-
	Total sales	576,923	537,543	1,143,236	1,034,665
	Operating profit	62,958	79,943	139,423	136,278
	Depreciation/amortization	30,850	28,097	60,984	56,458
	Impairment losses	19,519	6,428	20,664	6,904
	Reversals	2,047	-	-2,454	-3
	Other significant non-cash items within operating result	-98,101	-70,775	-184,823	-175,155

5.3. Reconciliation of segment results to net profit

in € 000s	Q2/2017	Q2/2016	H1/2017	H1/2016
Operating segment profit	99,327	96,900	195,458	175,327
Reconciliation Group holdings/other and consolidation	-36,369	-16,957	-56,035	-39,049
Result from investments measured at equity	1,074	1,007	2,311	999
Investment income	0	23	0	23
Financial income	719	302	1,557	971
Financial expenses	11,392	13,737	23,109	26,961
Earnings before taxes, Group	53,359	67,538	120,182	111,310

6. Additional Information

6.1. Information by segment

Sales Generics in € 000s	Q2/2017	Q2/2016	±% ¹⁾	±% adjusted ²⁾
Top 8 markets				
• Germany	75,236	74,571	+1%	+1%
• Italy	45,649	41,277	+11%	+11%
• Belgium	31,255	13,879	>100%	>100%
• Russia	27,846	29,081	-4%	-17%
• Spain	24,624	25,870	-5%	-5%
• Serbia	22,011	16,622	+32%	-19%
• France	20,306	21,567	-6%	-6%
• Vietnam	17,749	16,088	+10%	+16%
Other	83,866	80,992	+4%	+5%
Total Generics	348,542	319,947	+9%	+6%

Sales Generics in € 000s	H1/2017	H1/2016	±% ¹⁾	±% adjusted ²⁾
Top 8 markets				
• Germany	145,943	150,484	-3%	-3%
• Italy	84,804	79,833	+6%	+6%
• Belgium	56,030	40,775	+37%	+37%
• Spain	52,972	52,809	0%	0%
• Russia	52,301	49,325	+6%	-13%
• Serbia	44,006	25,585	+72%	+6%
• France	38,670	40,392	-4%	-4%
• Vietnam	35,059	32,361	+8%	+10%
Other	164,641	155,604	+6%	+7%
Total Generics	674,426	627,168	+8%	+4%

1) Calculated on thousand-euro basis.

2) Adjustments due to changes in the Group portfolio and currency effects.

Sales Branded Products in € 000s	Q2/2017	Q2/2016	±% ¹⁾	±% adjusted ²⁾
Top 5 markets				
• Russia	55,644	42,169	+32%	+14%
• United Kingdom	47,284	50,165	-6%	-2%
• Germany	28,544	38,429	-26%	-26%
• Italy	11,044	11,253	-2%	-2%
• Vietnam	9,686	8,641	+12%	+11%
Other	76,179	66,853	+14%	+13%
Total Branded Products	228,381	217,510	+5%	+2%

Sales Branded Products in € 000s	H1/2017	H1/2016	±% ¹⁾	±% adjusted ²⁾
Top 5 markets				
• Russia	108,038	60,180	+80%	+48%
• Germany	91,352	100,206	-9%	-9%
• United Kingdom	82,119	83,621	-2%	+1%
• Italy	21,619	21,458	+1%	+1%
• Vietnam	19,378	17,539	+10%	+9%
Other	146,304	124,297	+18%	+16%
Total Branded Products	468,810	407,301	+15%	+10%

7. Disclosures about fair value measurements and financial instruments

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

	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
Fair values by levels of hierarchy in € 000s on a recurring basis	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Financial assets held for trading (FAHFT)						
• Currency forwards	-	-	2,592	-	-	371
• Interest rate/currency swaps	-	-	-	-	-	16,424
Financial liabilities held for trading (FLHFT)						
• Currency forwards	-	-	318	-	-	15,967
• Interest rate/currency swaps	-	-	-	-	2,741	3,397
Derivative financial liabilities with hedging relationship						
• Cash flow hedges	-	-	-	-	-	-

1) Calculated on thousand-euro basis.

2) Adjustments due to changes in the Group portfolio and currency effects.

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

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

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

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

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

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance as of Jan. 1, 2017	9,910	-3,362
Reclassification from level 2	-	-
Currency changes	-	-
Total result	-268	621
• in the income statement	-268	621
• directly in equity	-	-
Additions	-	-
Realizations	-9,642	-
Reclassification to level 2	-	-
Balance at June 30, 2017	-	-2,741
Income recognized through profit or loss	-268	621
Other income/other expenses	-151	472
thereof		
• attributable to assets/liabilities held as of the reporting date	-	472
Financial result	-117	149
thereof		
• attributable to assets/liabilities held as of the reporting date	-	149

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

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance as of Jan. 1, 2016	27,461	-4,611
Reclassification from level 2	-	-
Currency changes	-	-
Total result	-5,607	-16,057
• in the income statement	-5,607	-17,331
• directly in equity	-	1,274
Additions	-	-
Realizations	-5,059	1,314
Reclassification to level 2	-	-
Balance at June 30, 2016	16,795	-19,354
Income recognized through profit or loss	-5,607	-17,331
Other income/other expenses	-6,094	-10,522
thereof		
• attributable to assets/liabilities held as of the reporting date	-6,094	-10,529
Financial result	487	-6,809
thereof		
• attributable to assets/liabilities held as of the reporting date	487	-5,497

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

in € 000s	Carrying amount June 30, 2017	Fair Value June 30, 2017	Carrying amount Dec. 31, 2016	Fair Value Dec. 31, 2016
Amounts due to banks	120,588	121,205	116,468	117,531
Promissory note loans	663,693	696,128	707,459	746,076
Bonds	647,403	666,877	646,830	665,138
Financial liabilities	1,431,684	1,484,210	1,470,757	1,528,745

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

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

8. Contingent liabilities and other financial obligations

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

Along with contingent liabilities described in the Annual Report 2016, in the first six months of 2017, there were also additional potential liabilities of € 12.8 million. This increase was primarily due to an outstanding assessment of the tax treatment of trading conditions as well as possible liabilities due to a ban on business activities between Russia and Ukraine. The revision of the assessment of a patent risk for an active pharmaceutical ingredient resulting in a reduction in contingent liabilities of € 3.3 million had an opposing effect.

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

in € 000s	June 30, 2017	Dec. 31, 2016
Operating lease liabilities	62,776	69,111
Other financial obligations	49,797	42,460
Total	112,573	111,571

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

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

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

9. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, "related parties" refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades are settled with related companies and natural persons at market-rate conditions.

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

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

10. Significant events after the balance-sheet date

At the beginning of the third quarter of 2017, changes were made to the STADA Executive Board. At its meeting of July 4, 2017, the STADA Supervisory Board consented to Dr. Wiedenfels resigning from office as Chairman and member of the Executive Board and to Mr. Kraft resigning from office as a member of the Executive Board.¹⁾ Both resigned from office with immediate effect. At the same time, the Supervisory Board appointed Mr. Engelbert Coster Tjeenk Willink as a member and Chairman of the Executive Board and Dr. Bernhard Düttmann as a member of the Executive Board as Chief Financial Officer. Both of the new Executive Board members were appointed with immediate effect and for a period up to December 31, 2017.

¹⁾ See the Company's ad hoc release of July 4, 2017.



FURTHER INFORMATION

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RESPONSIBILITY STATEMENT

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

Bad Vilbel, August 2, 2017



Engelbert Coster Tjeenk Willink



Dr. Bernhard Düttmann



Dr. Barthold Piening

REVIEW REPORT

To STADA Arzneimittel AG, Bad Vilbel

We have reviewed the condensed Consolidated Interim Financial Statements – comprising the balance sheet, the income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes, together with the Group Interim Management Report of the STADA Arzneimittel AG, Bad Vilbel, for the period from January 1 to June 30, 2017, that are part of the semi-annual financial report pursuant to article 37w WpHG. The preparation of the condensed consolidated interim financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed Consolidated Interim Financial Statements and on the Group Interim Management Report based on our review.

We conducted our review of the condensed Consolidated Interim Financial Statements and of the Group Interim Management Report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed Consolidated Interim Financial Statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the Group Interim Management Report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed Consolidated Interim Financial Statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the Group Interim Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, August 2, 2017

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft



Arno Kramer
German Public Accountant



Annika Fröde
German Public Accountant

Publishing Information

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

The Executive Board: Engelbert Coster Tjeenk Willink (Chairman), Dr. Bernhard Düttmann, Dr. Barthold Piening

The Supervisory Board: Carl Ferdinand Oetker (Chairman), Jens Steegers¹⁾ (Deputy Chairman), Dr. Eric Cornut, Halil Duru¹⁾, Rolf Hoffmann, Dr. Birgit Kudlek, Tina Müller, Dr. Ute Pantke¹⁾, Dr. Gunnar Riemann

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

Rounding: The key performance indicators presented in this interim report are generally stated in euro millions, while in the interim financial statements presented at the end of this report the same figures are generally stated more precisely in euro thousands. Thus, some rounding differences may occur, although they are not material in their nature.

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

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

STADA on the Internet: www.stada.com

1) Employee representative.

