Press Release

STADA: Final figures for 2016 confirm good year-end results – medium term growth targets for 2019 raised

- Sound sales development for generics in Italy, Russia and Vietnam – strong sales recovery in Belgium
- Significant sales increase for Branded Products in Germany, Italy and Vietnam
- Strategic outlook for 2019 increased – medium term adjusted EBITDA margin of about 23 percent expected
- CEO Matthias Wiedenfels: "With STADA *Plus* we are tapping our full potential"
- New Member of the Executive Board Dr. Barthold Piening to take office earlier than expected on April 1, 2017

STADA Group Key Figures

	2016	**2015**	**+/-**	**Q4/2016**	**Q4/2015**	**+/-**
Group sales, reported	€ 2,139.2 million	€ 2,115.1 million	+1%	€ 597.5 million	€ 581.6 million	+3%
Group sales, adjusted	*€ 2,167.2 million*	*€ 2,100.4 million*	*+3%*	*€ 598.8 million*	*€ 578.3 million*	*+4%*
EBITDA, reported	€ 361.5 million	€ 377.1 million	-4%	€ 72.4 million	€ 95.9 million	-25%
EBITDA, adjusted	*€ 398.0 million*	*€ 389.4 million*	*+2%*	*€ 97.4 million*	*€ 95.6 million*	*+2%*
Net income, reported	€ 85.9 million	€ 110.4 million	-22%	€ -14.3 million	€ 20.5 million	> -100%
Net income, adjusted	*€ 177.3 million*	*€ 165.8 million*	*+7%*	*€ 37.4 million*	*€ 38.9 million*	*-4%*
Earnings per share, reported	€ 1.38	€ 1.79	-23%	€ -0.23	€ 0.33	> -100%
Earnings per share, adjusted	*€ 2.85*	*€ 2.69*	*+6%*	*€ 0.60*	*€ 0.62*	*-3%*
Dividend (proposed 2016)	€ 0.72	€ 0.70	+3%	–	–	–

Bad Vilbel, March 29, 2017 – The Executive Board of STADA Arzneimittel AG has today, March 29, 2017, published the final figures for financial year 2016. Due to the revaluation of a transaction, the final figures for 2016 deviate slightly from the preliminary figures which the company had already published on March 1, 2017. The Executive Board also presented details of the future program “STADA *Plus*”. The company intends to use this set of measures to leverage further significant growth potential in the coming three years and to sustainably increase profitability. The Executive Board confirmed both the guidance for 2017 as well as the strategic outlook for 2019 that had been raised on March 17.

“Despite extensive reorganization work, we were not only able able to increase earnings by a substantial margin in some areas in 2016, we also slightly surpassed the original forecast for the past financial year in all key figures. This shows that we deliver on our promises, even in difficult times”, says STADA’s Chairman of the Executive Board Dr. Matthias Wiedenfels. “With our future program STADA *Plus*, we laid the foundations for further strategic development last year and initiated important measures to increase our profitability. We are transforming STADA into a company that is strong, agile and viable for the future. We are making excellent progress with the implementation and are on course to tap our full potential. This also gives us the confidence to take on more ambitious goals than six months ago: we will increase our operating profit by nearly 50% in just three years!”

Future program “STADA Plus” – additional growth potential identified, initiatives launched

At the Capital Markets Day in October 2016, the Executive Board presented the parameters of the future program “STADA *Plus*” to the public. As part of the program, STADA will implement diverse initiatives in the course of the next few years aimed at tapping into the potentials in existing and new markets, reducing complexity in both the portfolio and the organization and improving the cost base. Some of these measures are currently being implemented. Furthermore, the company started a strategy project at the end of 2016 in which, with the help of external consultants, additional growth and profitability initiatives were defined.

In this regard, STADA has been sustainably optimizing its structures and thus reducing complexity since the summer of 2016. Since that time, the company has been managed under the two segments Generics and Branded Products. At the same time, STADA has begun to consistently streamline its portfolio. With the planned merger of the German sales companies, STADApharm and cellpharm on the one hand and STADA GmbH and STADAvita on the other, a step that has already been initiated, the company eliminates redundant structures. With the termination of significant portions of the aesthetics business as well as the termination of the sales cooperation with Omega in Belgium, business relationships which, from today's perspective, are disadvantageous have also been ended. Positive effects from these measures will be already reflected in the current financial year. Further initiatives for the optimization of the organizational structure and improvement of internal data quality have been launched, a project for the further development of the corporate culture is already underway.

STADA has intensified the work on the future program "STADA *Plus*" and has defined further necessary measures to take advantage of additional potentials. The company is relying primarily on three areas:

- **Further strengthening of the Generics business:** In addition to the growth plans in the field of biosimilars that have been validated once again, STADA will harmonize the product and dosage portfolio and intensify its sales efforts in selected European markets with substantial growth potential.

- **Further expansion of the branded products business**: The Company is consistently orienting the organizational structure in the branded products area toward a central management of its internationalization projects. On top of seven already selected products that have been undergoing a program of internationalization for several months, the new organizational structure serves primarily to identify especially regional champions with internationalization potential and to prepare them for launch in other countries. As is the case in the Generics business segment, the Group has also started an initiative for reduction of product complexity in the Branded Products segment.

- **Consistent cost management:** This includes the optimization of the supply chain management as well as an optimization of the procurement processes and organization. Furthermore, long term improvement measures for the reduction of internal production costs such as, for example, the introduction of a global production system and the optimization of the production network are being reviewed. These are both measures that STADA believes will secure long term competitiveness.

On the basis of these initiatives, STADA informed the capital market and the general public on March 17, 2017 that it was increasing the medium-term goals communicated on June 11, 2016. According to this announcement, adjusted Group sales in financial year 2019 will be between Euro 2.650 and Euro 2.700 billion (previously about Euro 2.6 billion). In terms of adjusted EBITDA, the Executive Board anticipates a corridor between Euro 570 and Euro 590 million (previously about Euro 510 million). Adjusted net income will increase to between Euro 250 and Euro 270 million (previously Euro 250 million). Cash flow from operating activities will improve to between Euro 560 and Euro 580 million. Adjusted EBITDA margin is expected to be nearly 22 percent in 2019. In the medium term, the Executive Board also expects additional efficiency enhancements which will lead to a further improvement in the EBITDA margin to about 23 percent.

New Member of the Executive Board Dr. Barthold Piening to take office earlier than expected on April 1, 2017

The new member of the STADA Executive Board, Dr. Barthold Piening will take office earlier than expected on April 1, 2017. He will assume Executive Board responsibility primarily for Production, Supply Chain, Research and Development, Biotechnology as well as Quality Assurance and Control.

Earnings 2016 – final figures confirm good result for the year

Increase in Group sales

Reported Group sales for 2016 increased by 1 percent to Euro 2,139.2 million (previous year: Euro 2,115.1 million). **Group sales adjusted for currency and portfolio effects** grew by 3 percent to Euro 2,167.2 million (previous year: Euro 2,100.4 million).

Increase in all adjusted key earnings figures

The earnings situation in the reporting year was shaped by special items – by expenses in connection with reorganization decisions in particular – and totaled Euro 116.7 million before and Euro 91.4 million after taxes (see STADA reconciliation – special items 2016” on pages 9 and 10).

Reported operating profit recorded a decrease of 20 percent in the reporting year to Euro 178.1 million (previous year: Euro 223.7 million). **Adjusted operating profit** showed a plus of 4 percent to Euro 294.4 million (previous year: Euro 283.8 million). **Reported EBITDA** decreased by 4 percent to Euro 361.5 million (previous year: Euro 377.1 million). **Adjusted EBITDA** showed an increase of 2 percent to Euro 398.0 million (previous year: Euro 389.4 million). **Reported net income** was down 22 percent to Euro 85.9 million (previous year: Euro 110.4 million). **Adjusted net income** increased by 7 percent to Euro 177.3 million (previous year: Euro 165.8 million). **Reported earnings per share** decreased to Euro 1.38 (previous year: Euro 1.79). **Adjusted earnings per share** increased to Euro 2.85 (previous year: Euro 2.69).

Significant improvement in cash flow from operating activities

Cash flow from operating activities amounted to Euro 333.5 million in financial year 2016 (previous year: Euro 311.7 million). **Free cash flow** was at Euro 160.9 million (previous year: Euro 133.5 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to Euro 243.0 million (previous year: Euro 212.4 million).

Improved net debt to adjusted EBITDA ratio

Net debt was reduced to Euro 1,118.2 million as of the reporting date (December 31, 2015: Euro 1,215.7 million). The **net debt to adjusted EBITDA ratio** improved to 2.8 in 2016 (previous year: 3.1).

Guidance for 2017

For financial year 2017, the Executive Board expects Group sales of between Euro 2.280 and 2.350 billion, adjusted for currency and portfolio effects, with an adjusted EBITDA between Euro 430 and 450 million and adjusted net income between Euro 195 and 205 million.

STADA Segment Key Figures Generics

	2016	2015	+/-	Q4/2016	Q4/2015	+/-
Sales, reported	€ 1,280.7 million	€ 1,261.4 million	+2%	€ 349.0 million	€ 333.2 million	+5%
Sales, adjusted	*€ 1,287.4 million*	*€ 1,253.2 million*	*+3%*	*€ 343.2 million*	*€ 331.5 million*	*+4%*
EBITDA, reported	€ 255.8 million	€ 233.2 million	+10%	€ 62.9 million	€ 73.2 million	-14%
EBITDA, adjusted	*€ 264.9 million*	*€ 232.0 million*	*+14%*	*€ 71.3 million*	*€ 71.4 million*	*0%*
Margin, reported	20.0%	18.5%		18.0%	22.0%	
Margin, adjusted	*20.7%*	*18.4%*		*20.4%*	*21.4%*	

Reported sales of the **Generics** segment grew by 2 percent to Euro 1,280.7 million in the reporting year (previous year: Euro 1,261.4 million). This development was mainly based on sales growth in Italy, Russia and Vietnam. **Sales** of the **Generics** segment **adjusted** for portfolio effects and currency influences increased by 3 percent to Euro 1,287.4 million (previous year: Euro 1,253.2 million). Generics accounted for 59.9 percent of Group sales (previous year: 59.7 percent).

Within the Generics segment, the eight largest countries according to sales developed as follows in 2016:

Sales in the Generics segment in **Germany** were at the level of the previous year with Euro 308.0 million (previous year: Euro 308.3 million). Sales achieved with generics in **Italy** increased by 6 percent to Euro 157.7 million, in particular as a result of positive volume effects (previous year: Euro 149.0 million). In **Spain**, sales of generics decreased by 1 percent to Euro 105.4 million (previous year: Euro 107.0 million). This development was primarily attributable to a high comparable basis in the previous year due to numerous product launches as well as the statutory approval of discounts in the reporting year and the resulting increase in the rate of sales deductions. Sales generated with generics in **Russia** increased by 18 percent, applying the exchange rates of the previous year. Despite a negative currency effect of the Russian ruble, sales in Euro increased by 11 percent to Euro 92.5 million (previous year: Euro 83.6 million). In **Belgium**, sales generated with generics declined, particularly due to a still hesitant purchasing and sales strategy of the Belgian sales partner, by 5 percent to Euro 90.7 million (previous year: Euro 95.0 million) – whereby positive sales development was achieved in the second half of 2016. While sales in the first six months of 2016 decreased by 37 percent, an increase 66 percent was achieved in the second half of the year. Sales generated with generics in **France** recorded growth of 2 percent to Euro 81.9 million despite continued strong price and discount competition (previous year: Euro 80.1 million). Despite increased price pressure, sales generated with generics in **Vietnam** grew by 11 percent, applying the exchange rates of the previous year. As a result of a weaker Vietnamese dong, sales in euro increased by 9 percent to Euro 69.1 million (previous year: Euro 63.2 million). This development resulted, in particular, from tenders that were won in the hospital market. The sales generated with generics in **Serbia** decreased by 23 percent, applying the exchange rates of the previous year. In euro, sales declined by 24 percent to Euro 55.8 million as a result of a slightly negative currency effect of the Serbian dinar (previous year: Euro 73.7 million). This development was, among other things, attributable to the decision on declining reimbursement prices. Additionally, wholesalers continued to have high inventories.

Adjusted EBITDA for **Generics** showed growth of 14 percent to Euro 264.9 million (previous year: Euro 232.0 million). This development was primarily attributable to a significant increase in the operating profit of the German sales companies due for the most part to a lower rate of sales deductions as well as the good sales performance in Italy, Switzerland and Vietnam. The **adjusted EBITDA margin** for **Generics** was at 20.7 percent.

STADA Segment Key Figures Branded Products

	2016	**2015**	**+/-**	**Q4/2016**	**Q4/2015**	**+/-**
Sales, reported	€ 858.5 million	€ 853.6 million	+1%	€ 248.5 million	€ 248.2 million	0%
Sales, adjusted	*€ 879.8 million*	*€ 847.1 million*	*+4%*	*€ 255.6 million*	*€ 246.7 million*	*+4%*
EBITDA, reported	€ 186.2 million	€ 211.8 million	-12%	€ 28.3 million	€ 40.3 million	-30%
EBITDA, adjusted	*€ 200.7 million*	*€ 220.1 million*	*-9%*	*€ 39.5 million*	*€ 38.7 million*	*+2%*
Margin, reported	21.7%	24.8%		11.4%	16.2%	
Margin, adjusted	*23.4%*	*25.8%*		*15.9%*	*15.6%*	

Reported sales of the **Branded Products** segment increased by 1 percent to Euro 858.5 million in financial year 2016 (previous year: Euro 853.6 million). This development was based primarily on declining sales in Russia and occurred despite strong development in Germany and acquisition-related growth in the United Kingdom. **Sales** of the **Branded Products** segment **adjusted** for portfolio effects and currency influences increased by 4 percent to Euro 879.8 million (previous year: Euro 847.1 million). Branded products contributed 40.1 percent to Group sales (previous year: 40.3 percent).

Within the Branded Products segment, development of the five largest countries according to sales was as follows in the reporting year

Sales generated with branded products in **Germany** recorded growth of 38 percent to Euro 177.4 million (previous year: Euro 128.3 million). This development was attributable to optimizations in the product portfolio, strong growth for core products and the launch of new products. In the **United Kingdom**, sales generated with branded products increased by 17 percent, applying the exchange rates of the previous year. Despite the negative currency effect as a consequence of the referendum decision in favor of the United Kingdom leaving the European Union, sales in euro increased by 4 percent to Euro 175.4 million (previous year: Euro 168.0 million). The acquisition of the Socialites Group in December 2015 and of BSMW Limited in February 2016 contributed to this growth in sales. However, a weak cough and cold season at the beginning of the year and reduced sales of suncream products had a dampening effect on sales. In view of the continued difficult framework conditions, in particular in the self-pay market, sales generated with branded products in **Russia** decreased by 25 percent, applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales in euro declined by 29 percent to Euro 150.1 million (previous year: Euro 212.2 million). This development was primarily driven by growing consolidation on the demand side and consequently higher discount burdens. In addition, price increases in the so-called Vital and Essential Drugs List (EDL) could not compensate for the high inflation rate. Sales generated in **Italy** with branded products recorded growth of 9 percent to Euro 43.9 million, in particular as a result of acquisitions (previous year: Euro 40.4 million). Sales generated in **Vietnam** with branded products increased by 21 percent, applying the exchange rates of the previous year. In euro, sales increased due to a slightly negative currency effect of the Vietnamese dong by 19 percent to Euro 36.7 million (previous year: Euro 30.8 million).

Reported EBITDA for **Branded Products** decreased by 9 percent in 2016 to Euro 200.7 million (previous year: Euro 220.1 million). This development was based on various effects in the Russian market. On the one hand, high inflation negatively affected consumer sentiment and purchasing power of end consumers, on the other hand, increased discount burdens and sales measures in connection with a clearly negative currency effect of the Russian ruble. In addition, despite a positive sales performance, negative translation effects resulting from the EU referendum as well as higher expenses for sales and marketing led to a burden on the key earnings figures of the British subgroup Thornton & Ross. The **adjusted EBITDA margin** for **Branded Products** was at 23.4 percent.

STADA reconciliation – special items 2016

in € million[1]	2016 re-ported	Impair-ments/ write-ups on fixed assets	Effects from purchase price allocations and product acquisitions[2]	Currency translation effects CIS/Eastern Europe[3]	Measurement of derivative financial instruments	Portfolio adjustments/restructuring expenses[4]	Other[5]	2016 adjusted
Earnings before interest, taxes and amortization (EBITDA)	361.5	--	-2.9	9.1	--	28.2	2.0	398.0
Net of depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	182.7	-65.5	-14.3	--	--	--	--	102.9
Financial income and expenses	51.4	--	--	--	-0.5	--	--	50.9
Income taxes	31.9	12.8	3.1	1.1	0.1	5.3	4.0	58.4
Result distributable to non-controlling shareholders	9.6	0.5	-1.6	--	--	--	--	8.5
Result distributable to shareholders of STADA Arzneimittel AG (net income)	85.9	52.2	9.9	8.0	0.4	22.9	-2.0	177.3

[1] As a result of the presentation in € million, deviations due to rounding may occur in the tables.
[2] Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.
[3] Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/Eastern Europe.
[4] Relates to miscellaneous extraordinary expenses, among other things, for the restructuring of the Germany business, the termination of main parts of the Aesthetics business, expenses in connection with the deconsolidation of the Egyptian subsidiary as well as the termination of a distribution agreement in Belgium.
[5] Relates to miscellaneous extraordinary income and expenses, among other things, from a milestone payment received in the United Kingdom, tax rate changes in the United Kingdom as well as a severance payment for the former Chairman of the Executive Board.

About STADA Arzneimittel AG:

STADA Arzneimittel AG is a publicly-listed company with headquarters in Bad Vilbel, Germany. STADA consistently focuses on a multi-pillar strategy of generics and branded products (OTC) with an increasingly international market orientation. The Group is the only independent generics producer in Germany. Worldwide, STADA is represented in more than 30 countries with more than 50 subsidiaries. Branded products such as Grippostad and Ladival are among the highest selling in their product category in Germany. In financial year 2016, STADA achieved adjusted Group sales of Euro 2,167.2 million, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of Euro 398 million and adjusted net income of Euro 177.3 million. As of December 31, 2016, STADA employed about 10.900 people worldwide.

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