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Press Release

STADA: Sales and earnings key figures in the first quarter of 2015 not as significantly burdened by CIS crisis as expected – Positive trend in Central Europe, Germany as well as Asia/Pacific & MENA

Important items at a glance

- Group sales decrease by 4 percent – adjusted -4 percent
- Adjusted EBITDA declines by 19 percent
- Adjusted net income decreases by 28 percent
- Sales increase in Central Europe (+3 percent) – Germany (+1 percent) – Asia/Pacific & MENA (+53 percent)
- Adjusted free cash flow improves to Euro 26.9 million
- Outlook for 2015 confirmed

STADA key figures

	1-3/2015	**1-3/2014**	**+/-**
Group sales	Euro 486.2 million	Euro 507.4 million	-4%
EBITDA, reported	Euro 79.2 million	Euro 97.7 million	-19%
EBITDA, adjusted	*Euro 92.6 million*	*Euro 114.7 million*	*-19%*
Net income, reported	Euro 21.2 million	Euro 35.0 million	-39%
Net income, adjusted	*Euro 37.9 million*	*Euro 52.6 million*	*-28%*
Earnings per share	Euro 0.35	Euro 0.58	-40%
Earnings per share, adjusted	*Euro 0.62*	*Euro 0.87*	*-29%*

Bad Vilbel, May 7, 2015 – In the first quarter of 2015, the STADA Group was still confronted with challenging framework conditions particularly in the market region CIS/ Eastern Europe. Furthermore, the Group had to report one-time special effects in connection with currency translation effects recorded in the income statement resulting from the weakness of the Russian ruble and the strong devaluation of the Ukrainian hryvnia in the total amount of Euro 11.1 million before or Euro 9.1 million after taxes.

“In view of the significant challenges, particularly in the market region CIS/Eastern Europe, we expected a difficult business development for the first quarter of 2015. In the market regions Central Europe, Germany and Asia/Pacific & MENA, however, sales development was positive. Adjusted free cash flow therefore improved substantially”, says Hartmut Retzlaff, Chairman of the Executive Board of STADA Arzneimittel AG.

Development of sales

Group sales in the first three months of 2015 recorded a decrease of 4 percent to Euro 486.2 million (1-3/2014: Euro 507.4 million).

Sales of the core segment **Generics** decreased by 3 percent to Euro 289.8 million in the reporting period (1-3/2014: Euro 299.5 million), primarily due to the development in the market region CIS/Eastern Europe mainly in the markets of Russia and Serbia. Generics contributed 59.6 percent to Group sales (1-3/2014: 59.0 percent). Sales of the core segment **Branded Products** declined by 6 percent to Euro 185.1 million in the reporting period (1-3/2014: Euro 196.8 million). The primary reason for this decrease was the development in the Russian market. Branded Products contributed 38.1 percent to Group sales (1-3/2014: 38.8 percent).

Development of earnings

Both reported key earnings figures and adjusted key earnings figures decreased considerably in the first three months of 2015. This development was primarily due to negative currency effects from the considerable weakness of the Russian ruble and the strong devaluation of the Ukrainian hryvnia as well as an exceptionally strong comparative quarter in Ukraine, which was characterized by pull-forward effects. In addition, the fourth quarter of 2014 in Russia was marked by a high level of orders from wholesalers and pharmacies in anticipation of expected price increases, which had a curbing effect on sales in the first quarter of 2015.

Reported operating profit decreased in the first quarter of 2015 by 20 percent to Euro 50.4 million (1-3/2014: Euro 63.1 million). **Reported EBITDA** showed a decline of 19 percent to Euro 79.2 million (1-3/2014: Euro 97.7 million). **Reported net income** decreased by 39 percent to Euro 21.2 million (1-3/2014: Euro 35.0 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** decreased by 22 percent in the reporting period to Euro 68.0 million (1-3/2014: Euro 87.6 million). **Adjusted EBITDA** declined by 19 percent to Euro 92.6 million (1-3/2014: Euro 114,7 million). **Adjusted net income** decreased by 28 percent to Euro 37.9 million (1-3/2014: Euro 52.6 million).

The **net debt to adjusted EBITDA ratio** was at 3.6 in the reporting period on linear extrapolation of the adjusted EBITDA of the first quarter of 2015 on a full-year basis (1-3/2014: 3.1).

Development of the market regions

The development in the four STADA market regions was as follows:

In the **market region Central Europe**, sales increased in the first quarter of 2015 – with varying development of the countries included – by 3 percent to Euro 235.6 million (1-3/2014: Euro 229.4 million). While the **United Kingdom** and **Spain** recorded growth in sales, sales decreased in **Italy** and **Belgium**. Sales generated in this market region contributed 48.5 percent to Group sales (1-3/2014: 45.2 percent).

In the **market region Germany**, sales increased slightly by 1 percent to Euro 127.2 million in the reporting period (1-3/2014: Euro 125.6 million). This development also resulted regardless of the fact that export activities to the MENA region are no longer disclosed in the market region Germany due to the grouping together of activities from the MENA region and from the former market region Asia & Pacific as of January 1, 2015. Overall, the market region Germany contributed 26.1 percent to Group sales (1-3/2014: 24.8 percent).

In the market region **CIS/Eastern Europe**, sales in the first three months of the current financial year declined by 13 percent applying the exchange rates of the previous year, which was less pronounced than expected. As a result of negative currency effects, sales in euro decreased by 32 percent to Euro 89.0 million (1-3/2014: Euro 130.0 million). Sales generated in this market region had a share of 18.3 percent in Group sales (1-3/2014: 25.6 percent). In **Russia**, sales decreased by 21 percent applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales declined in euro by 43 percent to Euro 44.5 million (1-3/2014: Euro 78.2 million). In **Serbia**, sales decreased by 18 percent applying the exchange rates of the previous year. In euro, sales recorded a decrease by 21 percent to Euro 17.0 million as a result of a negative currency effect of the Serbian dinar (1-3/2014: Euro 21.6 million).

In the **market region Asia/Pacific & MENA**, sales in the first three months of the current financial year increased by 53 percent to Euro 34.4 million (1-3/2014: Euro 22.4 million). This development is primarily attributable to growth in Vietnam, where sales rose regardless of increased price pressure in the Vietnamese tender business. Furthermore, the increase is a result of the grouping together of the former market region Asia & Pacific and the activities of the MENA region. The sales contribution of this market region to Group sales was at 7.1 percent (1-3/2014: 4.4 percent).

Development of cash flow

Cash flow from operating activities amounted to Euro 46.8 million in the first quarter of 2015 (1-3/2014: Euro 35.8 million). **Free cash flow** was at Euro 5.6 million (1-3/2014: Euro -97.4 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to Euro 26.9 million (1-3/2014: Euro 18.9 million).

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Development, production and procurement

Research and development costs amounted to Euro 16.2 million in the first quarter of the current financial year (1-3/2014: Euro 13.9 million). Worldwide, STADA launched a total of 157 individual products in the reporting period (1-3/2014: 148 product launches).

Outlook

In the current financial year, the Group has been confronted with very difficult framework conditions, especially as a result of the ongoing CIS crisis. In light of this, for the **outlook for 2015**, the Executive Board expects to be able to achieve slight overall growth in Group sales adjusted for currency and portfolio effects. Due to the recent developments of the Russian ruble and increased risks in connection with consumer mood and the general market situation, however, it anticipates a decreased earnings contribution from Russia. Taking these developments into account and based on currency relations at the time the preliminary outlook was published, the Executive Board expects a substantial decrease in adjusted EBITDA and adjusted net income. The Executive Board expects the ratio of net debt, excluding further acquisitions, to adjusted EBITDA to be at a level of nearly 3 in 2015.

STADA adjustments

	1-3/2015
Net income, reported	Euro 21.2 million
One-time effects	
• Burden from currency translation expenses recorded in the income statement resulting from the fluctuation of the Russian ruble as well as further significant currencies of the market region CIS/Eastern Europe	Euro +9.1 million
• Burden from additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis	Euro +3.5 million
• Burden from effects from the measurement of derivative financial instruments and the underlying transactions	Euro +2.6 million
• Burden from the disposal of the German logistics activities	Euro +1.5 million
Total one-time effects	**Euro 16.7 million**
Net income, adjusted	Euro 37.9 million

Additional information for analysts:

STADA Arzneimittel AG / Investor Relations / Stadastraße 2–18 / 61118 Bad Vilbel – Germany / Phone: +49 (0) 6101 603-113 / Fax: +49 (0) 6101 603-215 / E-mail: ir@stada.de

Additional information for journalists:

STADA Arzneimittel AG / Media Relations / Stadastraße 2–18 / 61118 Bad Vilbel – Germany / Phone: +49 (0) 6101 603-165 / Fax: +49 (0) 6101 603-215 / E-mail: press@stada.de

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