Press Release

STADA: Figures for the first half of 2015 benefit from substantially improved development in Q2/2015 – Central Europe as well as Asia/Pacific & MENA with excellent development, CIS/Eastern Europe stabilized considerably

Important items at a glance

- Group sales rise by 2 percent – adjusted +2 percent
- Sales increases in Central Europe (+7 percent) as well as Asia/Pacific & MENA (+67 percent) – sales in Russia in local currency approximately at the level of the previous year
- Adjusted EBITDA decreases by 9 percent
- Adjusted net income declines by 6 percent
- Outlook for 2015 confirmed

STADA key figures

	1-6/2015	**1-6/2014**	**+/-**
Group sales	Euro 1,025.9 million	Euro 1,002.8 million	+2%
EBITDA, reported	Euro 181.4 million	Euro 192.1 million	-6%
EBITDA, adjusted	*Euro 189.2 million*	*Euro 208.3 million*	*-9%*
Net income, reported	Euro 53.6 million	Euro 66.8 million	-20%
Net income, adjusted	*Euro 85.0 million*	*Euro 90.1 million*	*-6%*
Earnings per share, reported	Euro 0.88	Euro 1.11	-21%
Earnings per share, adjusted	*Euro 1.39*	*Euro 1.49*	*-7%*

Bad Vilbel, August 6, 2015 – In the first half of 2015, the STADA Group continued to be confronted with tremendous challenges particularly in the market region CIS/ Eastern Europe. Due to a considerable stabilization of the sales trend in Russia and excellent development in the market regions Central Europe as well as Asia/Pacific & MENA, however, both reported and adjusted Group sales were increased. Overall, the Group had to report one-time special effects in connection with currency translation expenses recorded in the income statement as a result of the weak Russian ruble and the strong devaluation of the Ukrainian hryvnia in the total amount of Euro 8.6 million before or Euro 7.0 million after taxes.

"The framework conditions in the market region CIS/Eastern Europe continue to present a tremendous challenge. It is all the more pleasing that sales in Russia in the first half of 2015 in local currency were approximately at the same level of the corresponding period of the previous year and that the sales trend there stabilized considerably compared to the first quarter of 2015", said Hartmut Retzlaff, Chairman of the Executive Board of STADA Arzneimittel AG.

Development of sales

Group sales in the first 6 months of 2015 increased by 2 percent to Euro 1,025.9 million (1-6/2014: Euro 1,002.8 million).

Sales of the core segment **Generics** grew by 3 percent to Euro 615.3 million in the reporting period (1-6/2014: Euro 598.7 million). This development was based for the most part on a strong sales growth of the German subsidiary ALIUD PHARMA GmbH as well as a substantially positive sales development of the British, Spanish, Dutch and Vietnamese companies. An opposite effect resulted from sales generated with generics in the Russian market, which belongs to the market region CIS/Eastern Europe, and in the Belgian and French markets, which belong to the market region Central Europe. Generics contributed 60.0 percent to Group sales (1-6/2014: 59.7 percent). Sales of the core segment **Branded Products** in the reporting period recorded an increase of 2 percent to Euro 389.3 million (1-6/2014: Euro 381.6 million). The increase was mainly attributable to the development in the United Kingdom and Vietnam. Sales generated with branded products in the Russian market, which belongs to the market region CIS/Eastern Europe, showed a contrary development. Branded products contributed 37.9 percent to Group sales (1-6/2014: 38.1 percent).

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Development of earnings

Both reported key earnings figures and adjusted key earnings figures recorded a decrease in the reporting period. This development was primarily based on negative currency effects from the considerable weakness of the Russian ruble and the strong devaluation of the Ukrainian hryvnia. Furthermore, the decreased purchase power associated with the devaluation of the Russian ruble and the increasing inflation had an impact on demand patterns in the Russian self-pay market.

Reported operating profit decreased by 8 percent to Euro 112.1 million in the reporting period (1-6/2014: Euro 121.2 million). **Reported EBITDA** declined by 6 percent to Euro 181.4 million (1-6/2014: Euro 192.1 million). **Reported net income** recorded a decrease of 20 percent to Euro 53.6 million (1-6/2014: Euro 66.8 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** decreased by 9 percent in the first 6 months of 2015 to Euro 138.1 million (1-6/2014: Euro 152.2 million). **Adjusted EBITDA** showed a decline of 9 percent to Euro 189.2 million (1-6/2014: Euro 208.3 million). **Adjusted net income** decreased by 6 percent to Euro 85.0 million (1-6/2014: Euro 90.1 million).

The **net debt to adjusted EBITDA ratio** in the first half of 2015 was at 3.7 on linear extrapolation of the adjusted EBITDA of the reporting period on a full-year basis (1-6/2014: 3.5).

Development of the market regions

The four STADA market regions developed as follows:

In the **market region Central Europe**, sales recorded an increase in the reporting period – with varying development of the countries included – of 7 percent to Euro 499.1 million (1-6/2014: Euro 467.4 million). While sales grew in the **United Kingdom, Spain** and **Italy**, sales in **Belgium** and **France** declined. Overall, sales generated in this market region had a share of 48.7 percent in Group sales (1-6/2014: 46.6 percent).

In the **market region Germany**, sales in the first half of 2015 were approximately at the same level of the corresponding period of the previous year with Euro 227.9 million (1-6/2014: Euro 227.0 million). This development was achieved despite the fact that export activities to the MENA region are no longer disclosed in the market region Germany due to the grouping together 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 22.2 percent to Group sales (1-6/2014: 22.6 percent).

In the **market region CIS/Eastern Europe**, sales in the first 6 months of the current financial year rose by 3 percent applying the exchange rates of the previous year. As a result of negative currency effects, sales in euro recorded a decrease of 14 percent to Euro 227.2 million (1-6/2014: Euro 265.6 million). Sales generated in this market region had a share of 22.1 percent in Group sales (1-6/2014: 26.5 percent). In **Russia**, sales applying the exchange rates of the previous year were approximately at the same level of the corresponding period of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales reported in euro were, with Euro 125.5 million, 23 percent below the performance of the previous year (1-6/2014: Euro 163.5 million). In comparison to the sales development in the first quarter of 2015 (-43 percent as compared to the corresponding period of the previous year), however, this sales trend stabilized considerably. In **Serbia**, sales increased by 9 percent applying the exchange rates of the previous year. As a result of a negative currency effect of the Serbian dinar, sales in euro recorded growth by 5 percent to Euro 46.9 million (1-6/2014: Euro 44.8 million).

In the **market region Asia/Pacific & MENA**, sales in the period under review showed an increase of 67 percent to Euro 71.7 million (1-6/2014: Euro 42.8 million). This development primarily resulted from growth in Vietnam. Here, sales could be increased despite greater price pressure through gains in local tender processes. Furthermore, the growth in sales was based on 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 7.0 percent (1-6/2014: 4.3 percent).

Development of cash flow

Cash flow from operating activities amounted to Euro 40.4 million in the first half of 2015 (1-6/2014: Euro 61.8 million). **Free cash flow** was at Euro -44.3 million (1-6/2014: Euro -104.1 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to Euro -5.7 million (1-6/2014: Euro 28.3 million).

Development, production and procurement

Research and development costs amounted to Euro 33.6 million in the first 6 months of the current financial year (1-6/2014: Euro 29.3 million). Worldwide, STADA launched a total of 270 individual products in the reporting period (1-6/2014: 301 product launches).

Outlook

In the current financial year, the Group has been confronted with very difficult framework conditions, especially due to the ongoing CIS crisis. In light of this, for the **outlook for 2015**, the Executive Board expects to be able to achieve slight growth in Group sales adjusted for currency and portfolio effects. Due to the development 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.

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STADA adjustments

	1-6/2015
Net income, reported	Euro 53.6 million
One-time effects	
• Net burden from effects from the measurement of derivative financial instruments and the underlying transactions	Euro +8.6 million
• Burden from value adjustments netted of write-ups on intangible assets after impairment tests	Euro +8.5 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 +7.2 million
• Net burden from currency translation expenses and currency translation income recorded in the income statement resulting from the fluctuation of the Russian ruble as well as further significant currencies of the market region CIS/Eastern Europe	Euro +7.0 million
• Net relief from several extraordinary expenses and income, among other things, from damage claim payments made and received and in connection with the disposal of the German logistics activities	Euro +0.1 million
Total one-time effects	**Euro 31.4 million**
Net income, adjusted	Euro 85.0 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

Or visit us in the Internet at http://www.stada.com.