STADA Arzneimittel

Press release

STADA: Nine-month results show strong development in the third quarter – outlook for 2015 confirmed

Important items at a glance

- Group sales rises by 3 percent – adjusted +6 percent
- Sales increase in Central Europe (+5 percent), Asia/Pacific & MENA (+62 percent), CIS/Eastern Europe in local currency (+16 percent) – Russia in local currency (+18 percent) – Germany (+1 percent)
- Adjusted EBITDA declines by 7 percent
- Adjusted net income decreases by 7 percent
- Outlook for 2015 confirmed

STADA key figures

	1-9/2015	1-9/2014	+/-
Group sales	Euro 1,533.5 million	Euro 1,482.7 million	+3%
EBITDA, reported	Euro 281.2 million	Euro 293.6 million	-4%
EBITDA adjusted	*Euro 293.8 million*	*Euro 316.2 million*	*-7%*
Net income, reported	Euro 89.9 million	Euro 99.1 million	-9%
Net income, adjusted	*Euro 126.9 million*	*Euro 136.1 million*	*-7%*
Earnings per share, reported	Euro 1.46	Euro 1.64	-11%
Earnings per share, adjusted	*Euro 2.07*	*Euro 2.25*	*-8%*

Bad Vilbel, November 12, 2015 – In the first nine months of 2015, the STADA Group achieved pleasing increases in sales in the two market regions Central Europe and Asia/Pacific & MENA. Although STADA continued to be faced with difficult framework conditions in the market region CIS/Eastern Europe, it was also able to achieve a sales increase in local currency. As regards one-time special effects, a total amount of Euro 13.7 million before or Euro 13.6 million after taxes was reported in connection with currency translation expenses recorded in the income statement as a result of the weak Russian ruble, the strong devaluation of the Ukrainian hryvnia and an extremely weak Kazakhstani tenge.

“Overall, we are pleased with the business development of STADA in the first nine months of 2015. Despite continued difficult framework conditions in the market region CIS/Eastern Europe, the key earnings figures decreased less than we had originally expected due to a robust development in the other market regions, among other things”, says Hartmut Retzlaff, Chairman of the Executive Board at STADA Arzneimittel AG.

Development of sales

Group sales increased by 3 percent to Euro 1,533.5 million in the first nine months of 2015 (1-9/2014: Euro 1,482.7 million).

Sales of the core segment **Generics** in the reporting period recorded a slight increase of 1 percent to Euro 896.2 million (1-9/2014: Euro 884.2 million). This development was mainly attributable to a strong sales growth of the German subsidiary ALIUD PHARMA GmbH and a significant sales growth in the British, Spanish, Dutch and Vietnamese companies. Sales in euro generated with generics in the Russian market, which belongs to the market region CIS/Eastern Europe, and in the Belgian market which belongs to the market region Central Europe, showed an opposing development. Generics contributed 58.4 percent to Group sales (1-9/2014: 59.6 percent). Sales of the core segment **Branded Products** in the reporting period recorded an increase of 7 percent to Euro 605.3 million (1-9/2014: Euro 565.8 million). This growth was primarily based on the positive development in the United Kingdom and Vietnam. Sales in euro generated with branded products in the Russian market, which belongs to the market region CIS/Eastern Europe, showed a contrary development. Branded Products contributed 39.5 percent to Group sales (1-9/2014: 38.2 percent).

Earnings development

Both reported key earnings figures and adjusted key earnings figures recorded a decrease in the reporting period. This development was primarily attributable to negative currency effects from the considerable weakness of the Russian ruble as well as the strong devaluation of the Ukrainian hryvnia and the Kazakhstani tenge.

Reported operating profit decreased in the reporting period by 3 percent to Euro 179.8 million (1-9/2014: Euro 185.5 million). **Reported EBITDA** declined by 4 percent to Euro 281.2 million (1-9/2014: Euro 293.6 million). **Reported net income** recorded a decrease of 9 percent to Euro 89.9 million (1-9/2014: Euro 99.1 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** decreased by 6 percent in the first nine months of 2015 to Euro 217.8 million (1-9/2014: Euro 232.6 million). **Adjusted EBITDA** declined by 7 percent to Euro 293.8 million (1-9/2014: Euro 316.2 million). **Adjusted net income** decreased by 7 percent to Euro 126.9 million (1-9/2014: Euro 136.1 million).

The **net debt to adjusted EBITDA ratio** was at 3.4 in the reporting period on linear extrapolation of the adjusted EBITDA of the first three quarters of 2015 on a full-year basis (1-9/2014: 3.4).

Development of the market regions

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

In the **market region Central Europe**, sales recorded an increase in the first nine months of 2015 – with varying development of the countries included – of 5 percent to Euro 728.2 million (1-9/2014: Euro 691.0 million). While sales were increased in the **United Kingdom**, **Spain** and **Italy**, sales in **Belgium** and **France** declined. With a view of a looming volume increase in the fourth quarter of 2015, STADA expects that the significant sales decrease in the Generics segment in the Belgian market in the first nine months of

2015 will weaken over the full year. Sales generated in the market region Central Europe had a share of 47.5 percent in Group sales (1-9/2014: 46.6 percent).

In the **market region CIS/Eastern Europe**, sales in the first three quarters of 2015 increased by 16 percent applying the exchange rates of the previous year. As a result of negative currency effects, sales in euro recorded a decrease of 8 percent to Euro 353.6 million (1-9/2014: Euro 384.2 million). Sales generated in this market region had a share of 23.0 percent in Group sales (1-9/2014: 25.9 percent). In **Russia**, sales rose by 18 percent in the reporting period 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 14 percent to Euro 202.4 million (1-9/2014: Euro 236.1 million). But while sales in the first quarter of 2015 in local currency declined by 21 percent, they recorded growth of 18 percent in the second quarter and an increase of 60 percent in the third quarter. This development was achieved regardless of an unchanged reluctance to buy among the end consumers, with whom approximately 93 percent of STADA's sales in Russia are generated. In addition to a low comparable basis of the corresponding period of the previous year, the development in the Russian market was primarily based on the invoicing of high seasonal orders that served to strengthen and further expand the strategic competitive position in the distribution channels. In **Serbia**, sales in the first nine months of the current financial year increased slightly by 1 percent applying the exchange rates of the previous year. As a result of a negative currency effect of the Serbian dinar, sales decreased in euro by 2 percent to Euro 66.3 million (1-9/2014: Euro 67.9 million).

In the **market region Germany**, sales increased slightly by 1 percent to Euro 345.0 million in the reporting period (1-9/2014: Euro 341.6 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 the activities from the MENA region and the former market region Asia & Pacific as of January 1, 2015. Overall, the market region Germany contributed 22.5 percent to Group sales (1-9/2014: 23.0 percent).

In the **market region Asia/Pacific & MENA**, sales in the reporting period showed growth of 62 percent to Euro 106.8 million (1-9/2014: Euro 66.0 million). This development was primarily based on an increase in Vietnam. Here, sales could be increased despite increased price pressure through gains in local tender processes. Furthermore, the sales growth is attributable to 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 (1-9/2014: 4.5 percent).

Development of cash flow

Cash flow from operating activities amounted to Euro 137.7 million in the first three quarters of 2015 (1-9/2014: Euro 123.8 million). **Free cash flow** was at Euro 10.6 million (1-9/2014: Euro -62.9 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to Euro 68.6 million (1-9/2014: Euro 75.6 million).

Development, production and procurement

Research and development costs amounted to Euro 47.9 million in the first nine months of the current financial year (1-9/2014: Euro 44.4 million). Worldwide, STADA launched a total of 405 individual products in the reporting period (1-9/2014: 459 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.

STADA adjustments

	1-9/2015
Net income, reported	Euro 89.9 million
One-time effects	
• 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 +13.6 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 +11.0 million
• Burden from value adjustments netted of write-ups on intangible assets after impairment tests	Euro +9.6 million
• Net burden from effects from the measurement of derivative financial instruments and the underlying transactions	Euro +2.3 million
• Net burden 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 +0.5 million
Total one-time effects	**Euro 37.0 million**
Net income, adjusted	Euro 126.9 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

Or visit us in the Internet at **www.stada.de**.