STADA
Arzneimittel

Press release

STADA records satisfactory development in the first nine months of 2013 – sales growth of 8 percent – adjusted EBITDA margin at 19.8 percent

Important items at a glance

- Group sales rises to Euro 1,436.7 million (+8 percent) – organic growth increases to 5 percent
- Adjusted EBITDA grows to Euro 284.4 million (+7 percent) – reported EBITDA shows an increase to Euro 268.0 million (+12 percent) – adjusted EBITDA margin at 19.8 percent
- Adjusted net income decreases to Euro 100.3 million (-5 percent): More difficult framework conditions in Germany lead to additional tax burden – significant contribution from tax optimization program expected as early as in Q4/2013
- Significant sales increase of branded products – share of branded products in adjusted operating profit of the core segments amounts to 51 percent
- Acquisition of British OTC supplier Thornton & Ross
- Signing of contract for the purchase of the Russian branded product portfolio Aqualor®
- Outlook until 2014 confirmed

STADA key figures

	1-9/2013	**1-9/2012**	**+/-**
Group sales	Euro 1,436.7 million	Euro 1,332.5 million	+8%
Operating profit	Euro 188.1 million	Euro 148.5 million	+27%
Operating profit, adjusted	*Euro 205.3 million*	*Euro 191.8 million*	*+7%*
EBITDA	Euro 268.0 million	Euro 238.4 million	+12%
EBITDA, adjusted	*Euro 284.4 million*	*Euro 266.7 million*	*+7%*
Net income	Euro 90.2 million	Euro 68.4 million	+32%

Net income, adjusted	*Euro 100.3 million*	*Euro 105.7 million*	*-5%*
Earnings per share	Euro 1.52	Euro 1.16	+31%
Earnings per share, adjusted	*Euro 1.69*	*Euro 1.79*	*-6%*

Bad Vilbel, November 13, 2013 – In the first nine months of 2013, the sales and earnings development of STADA Arzneimittel AG confirmed the expectations of the Executive Board. Both Group sales and all reported key earnings figures recorded growth rates.

“We are satisfied with the development in the first three quarters of 2013. Sales growth of 8 percent and the margin development are within the scope of our expectations. The increasingly difficult framework conditions in Germany confirm once again that we are on the right track with our strategy of diversification. We were thus able to considerably strengthen the Branded Products segment, which has come to contribute 51 percent of our adjusted operating profit of the core segments, through the successful purchase of the British OTC supplier Thornton & Ross", says Hartmut Retzlaff, STADA's Chairman of the Executive Board. "The signing of the contract for the purchase of the Russian branded product portfolio Aqualor® in the current fourth quarter shows that we will continue to further expand the highly profitable Branded Products segment consistently", further notes Retzlaff.

Development of sales

Group sales in the first three quarters of 2013 increased by 8 percent to Euro 1,436.7 million (1-9/2012: Euro 1,332.5 million).

Sales of the core segment **Generics** recorded growth of 3 percent to Euro 902.7 million in the period under review (1-9/2012: Euro 872.4 million). Generics thus contributed 62.8 percent to Group sales (1-9/2012: 65.5 percent). The core segment **Branded Products** posted sales growth of 15 percent to Euro 503.7 million in the reporting period (1-9/2012: Euro 437.9 million). Branded Products thus contributed 35.1 percent to Group sales (1-9/2012: 32.9 percent).

Earnings development

Reported operating profit rose by 27 percent to Euro 188.1 million in the first nine months of the current financial year (1-9/2012: Euro 148.5 million). **Reported EBITDA** increased by 12 percent to Euro 268.0 million (1-9/2012: Euro 238.4 million). **Reported net income** grew by 32 percent to Euro 90.2 million (1-9/2012: Euro 68.4 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** showed growth of 7 percent in the 2013 reporting period to Euro 205.3 million (1-9/2012: Euro 191.8 million). **Adjusted EBITDA** increased by 7 percent to Euro 284.4 million (1-9/2012: Euro 266,7 million). **Net income, adjusted** for one-time special effects and non-operational effects from the measurement of derivative financial instruments, decreased by 5 percent to Euro 100.3 million (1-9/2012: Euro 105.7 million). This development is primarily based on the so-called interest barrier in Germany, which stipulates that the net interest cost of a corporate body is only deductible up to an amount of 30 percent of the EBITDA stated for tax purposes in Germany. The decrease in EBITDA in Germany is attributable to reduced sales in Germany which was primarily a result of the last portfolio agreements that have now also fully expired and, for the first time for the benefit of operating profitability, the deliberate partial renouncement of sales from discount agreements. On the whole, the interest barrier led to the non-deductibility of net interest costs in the amount of approximately Euro 26 million (1-9/2012: approximately Euro 19 million) as well as to a corresponding additional tax burden of approximately Euro 6.3 million (1-9/2012: approximately Euro 4.6 million).

In order to reduce the negative effect of this interest barrier, STADA took measures to introduce the tax optimization program ongoing in the Group already in the fourth quarter which should result in significant retroactive tax improvements for the full year 2013.

The **net debt to adjusted EBITDA ratio** amounted in the first three quarters of 2013 on linear extrapolation of the adjusted EBITDA of the reporting period on a full year basis to 3.7 (1-9/2012: 3.6), primarily due to the acquisition of the British OTC supplier Thornton & Ross in the third quarter of 2013, and was thus above the value of 3 targeted by the Executive Board.

Development of the market regions

The four STADA market regions recorded varying developments in the first nine months of the current financial year. Whereas sales of the market region Germany decreased, the market region Central Europe recorded a slight sales increase. Sales were able to show significant growth in the market regions CIS/Eastern Europe as well as Asia & Pacific.

In the **market region Central Europe**, sales in the period under review increased by 2 percent to Euro 607.8 million (1-9/2012: Euro 596.7 million). Sales generated in this market region thus had a share of 42.3 percent of Group sales (1-9/2012: 44.8 percent). In particular, **Italy**, the **United Kingdom**, **Switzerland** and **Austria** showed pleasing sales developments in this market region.

In the **market region CIS/Eastern Europe**, sales in the first three quarters of 2013 increased significantly by 24 percent to Euro 440.3 million (1-9/2012: Euro 355.9 million). Sales of the market region thus contributed 30.7 percent to Group sales (1-9/2012: 26.7 percent). **Russia** recorded a strong sales increase in the first nine months of 2013 of 31 percent applying the exchange rates of the previous year. In euro, sales grew significantly by 25 percent to Euro 292.1 million due to a negative currency effect of the Russian ruble (1-9/2012: Euro 233.0 million). In **Serbia**, strong sales growth of 19 percent was recorded in the reporting period applying the exchange rates of the previous year. In euro, sales increased substantially by 20 percent to Euro 61.6 million with a slightly positive currency effect of the Serbian dinar (1-9/2012: Euro 51.2 million).

In the **market region Germany**, sales in the reporting period decreased by 7 percent to Euro 336.7 million (1-9/2012: Euro 361.2 million). When taking this development into account, it is especially important to consider that sales in the third quarter of 2013 decreased by 16 percent, whereas that figure decreased by 1 percent in the first quarter and by 3 percent in the second quarter. This development in the quarter primarily relates to a sales decrease in the German generics market and is primarily based on now fully expired portfolio agreements as well as a deliberate partial renouncement of sales from discount agreements for the benefit of operating profitability. This market region thus contributed 23.4 percent to Group sales (1-9/2012: 27.1 percent).

In the **market region Asia & Pacific**, sales in the first nine months of 2013 increased significantly by 179 percent to Euro 51.9 million (1-9/2012: Euro 18.6 million). Sales of the market region contributed 3.6 percent to Group sales (1-9/2012: 1.4 percent). The growth in the market region Asia & Pacific was primarily attributable to the sales increase in **Vietnam** as a result of the consolidation of Pymepharco Joint Stock Company as a subsidiary since January 1, 2013.

Development, production and procurement

Research and development costs amounted to Euro 39.8 million in the first three quarters of 2013 (1-9/2012: Euro 38.6 million). Worldwide, STADA launched a total of 526 individual products in the individual national markets in the period under review (1-9/2012: 584 product launches).

Outlook

The Executive Board confirms the **outlook** for the future development of the STADA Group published at the beginning of the year. The Executive Board thus expects, from today's perspective, further growth in Group sales for 2013. The Executive Board thereby expects that sales growth can be achieved in both core segments in 2013, in the context of which the Branded Products core segment is expected to grow at a disproportionate rate, so that the share of branded products in Group sales will continue to grow. Furthermore, the Executive Board sees the opportunity for further growth in the Group's adjusted EBITDA in the high single-digit percent area in 2013 and thereby achieving a new record value. In addition, the Executive Board affirms the long-term prognosis envisaged for 2014, according to which Group sales of approximately Euro 2.15 billion, at an adjusted level, EBITDA of approximately Euro 430 million and net income of approximately Euro 215 million should be reached at minimum.

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