



Press Release

STADA: Good result despite challenging framework conditions – Group sales rise by 4 percent – significant increase of adjusted EBITDA by 12 percent and adjusted net income by 36 percent – outlook for 2014 confirmed

Important items at a glance

- Group sales rise to Euro 1,482.7 million (+4 percent) – adjusted for currency and portfolio effects it decreases slightly by 1 percent
- Good sales development in Central Europe – still difficult business environment in Russia
- Despite the difficult market environment, particularly in Russia, and high burdens from currency translation effects of Euro 19.2 million before tax due to the fluctuation of the Russian ruble as well as further significant currencies of the market region CIS / Eastern Europe, reported EBITDA rises by 10 percent – adjusted EBITDA sees growth by 12 percent
- Reported net income rises by 10 percent despite high special effects – adjusted net income records strong growth by 36 percent
- The earnings figures include a positive effect on earnings of Euro 15.9 million before and approximately Euro 11 million after taxes resulting from a change in the defined benefit plan for the Chairman of the Executive Board, which had been planned for a long time and implemented in August.

STADA key figures

	1-9/2014	1-9/2013	+/-
Group sales	Euro 1,482.7 million	Euro 1,426.2 million	+4%
EBITDA, reported	Euro 293.6 million	Euro 267.0 million	+10%
<i>EBITDA, adjusted</i>	<i>Euro 316.2 million</i>	<i>Euro 283.5 million</i>	+12%
Net income, reported	Euro 99.1 million	Euro 90.2 million	+10%
<i>Net income, adjusted</i>	<i>Euro 136.1 million</i>	<i>Euro 100.3 million</i>	+36%
Earnings per share	Euro 1.64	Euro 1.52	+8%
<i>Earnings per share, adjusted</i>	<i>Euro 2.25</i>	<i>Euro 1.69</i>	+33%

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 Chairman of the Supervisory Board: Dr. Martin Abend



Bad Vilbel, November 13, 2014 – In the first nine months of 2014, STADA's business development was within the scope of expectations. On the one hand, the Group was confronted by challenging framework conditions in the two market regions of Germany and CIS / Eastern Europe. On the other, it was burdened by one-time special effects in connection with currency effects recorded in the income statement in the total amount of Euro 19.2 million before or Euro 15.8 million after taxes, which resulted from the fluctuation of the Russian ruble as well as other significant currencies of the market region CIS / Eastern Europe.

"We are very satisfied with the 51 percent that branded products contributed to the adjusted operating profit of both core segments. In the course of the introduction of a centralized portfolio management structure and decentralized marketing, we will increasingly utilize synergies in these areas and be able to further expand this share", said Hartmut Retzlaff, Chairman of the Executive Board of STADA Arzneimittel AG.

Development of sales

Group sales in the first nine months of 2014 increased by 4 percent to Euro 1,482.7 million (1-9/2013: Euro 1,426.2 million).

Sales of the core segment **Generics** slightly decreased by 1 percent to Euro 884.2 million in the reporting period (1-9/2013: Euro 895.8 million) – primarily due to the development in the markets of Germany and Russia. Generics thus contributed 59.6 percent to Group sales (1-9/2013: 62.8 percent). Sales of the core segment **Branded Products** recorded substantial growth of 13 percent to Euro 565.8 million in the first three quarters of 2014 (1-9/2013: Euro 499.5 million). Branded products thereby contributed 38.2 percent to Group sales (1-9/2013: 35.0 percent).

Development of earnings

Reported operating profit was slightly above the level of the corresponding period of the previous year with Euro 185.5 million (1-9/2013: Euro 184.9 million). **Reported EBITDA** rose by 10 percent to Euro 293.6 million (1-9/2013: Euro 267.0 million). **Reported net income** recorded an increase of 10 percent to Euro 99.1 million (1-9/2013: Euro 90.2 million). This development was positively influenced by earnings in the amount of Euro 15.9 million before and approximately Euro 11 million after taxes resulting from a change in the defined benefit plan for

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the Chairman of the Executive Board, which had been planned for a long time and implemented in August.

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** increased by 15 percent in the first three quarters of 2014 to Euro 232.6 million (1-9/2013: Euro 202.1 million). **Adjusted EBITDA** recorded an increase of 12 percent to Euro 316.2 million (1-9/2013: Euro 283.5 million). **Net income, adjusted** for one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses, showed substantial growth of 36 percent to Euro 136.1 million (1-9/2013: Euro 100.3 million).

The disproportionate increase in net profit can primarily be attributed to a substantial reduction of the effective tax rate as of the first quarter of 2014. This development results from a changed profit allocation in the STADA Group, which has been primarily influenced by the successful conclusion of the "STADA – build the future" project at the end of financial year 2013 and a connected adjustment of the internal transfer pricing model. As a consequence, STADA Arzneimittel AG has been using, among other things, tax interest carryforwards in Germany since the beginning of the current financial year, which resulted from applying the regulations in connection with the so-called interest barrier in previous periods. In view of this, the adjusted effective tax rate for the first nine months of 2014 decreased to 22.9 percent in comparison to the corresponding period of the previous year (1-9/2013: 34.7 percent). The reported tax rate decreased to 25.1 percent as compared to the corresponding period of the previous year (1-9/2013: 35.5 percent).

The **net debt to adjusted EBITDA ratio** was at 3.4 in the reporting period (1-9/2013: 3.7).

Development of the market regions

The four STADA market regions recorded varying developments in the first nine months of 2014. In market region Germany, sales increased slightly by 1 percent. In Central Europe, sales recorded a significant rise of 14 percent. In CIS / Eastern Europe, sales applying the exchange rates of the previous year declined by 2 percent, whereas sales in Euro declined by 13 percent as a result of negative currency effects. In market region Asia & Pacific, sales increased by a significant 59 percent.

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In the **market region Germany**, sales increased slightly by 1 percent to Euro 341.6 million in the first nine months of 2014 (1-9/2013: Euro 336.7 million). This development was due to opposing factors. The still decreasing generics sales in this market region as a result of the continuing difficult local framework conditions stood in opposition to rising sales both in the branded products business as well as the export activities. This market region contributed a total of 23.0 percent to Group sales (1-9/2013: 23.6 percent).

In the **market region Central Europe**, sales increased substantially by 14 percent to Euro 691.0 million in the first three quarters of 2014 (1-9/2013: Euro 607.8 million). This pleasing development is especially attributable to sales growth in the **United Kingdom** by a significant 107 percent – predominantly due to the purchase of the British OTC supplier Thornton & Ross (adjusted +2 percent) –, as well as in **Italy** by 5 percent, in **Belgium** by 8 percent and in **Spain** by 8 percent, and took place despite a high comparable basis of the corresponding period of the previous year. Sales generated in this market region had a share of 46.6 percent of Group sales (1-9/2013: 42.6 percent).

In **market region CIS / Eastern Europe**, sales in the first nine months of the current financial year applying the exchange rates of the previous year declined by 2 percent. In euro, sales decreased by 13 percent to Euro 384.2 million as a result of negative currency effects (1-9/2013: Euro 440.3 million). Sales in this market region thus contributed 25.9 percent to Group sales (1-9/2013: 30.9 percent). In **Russia**, sales declined by 9 percent in the first three quarters of 2014 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 strongly by 19 percent to Euro 236.1 million (1-9/2013: Euro 292.1 million). Sales in **Serbia** increased in the reporting period by 13 percent applying the exchange rates of the previous year. In euro, sales showed growth by 10 percent to Euro 67.9 million as a result of a negative currency effect of the Serbian dinar (1-9/2013: Euro 61.6 million).

In the **market region Asia & Pacific**, sales in the first nine months of the current financial year increased substantially by 59 percent to Euro 66.0 million (1-9/2013: Euro 41.4 million). This market region's contribution to Group sales amounted to 4.5 percent (1-9/2013: 2.9 percent). The pleasing development was predominately attributable to sales growth resulting from the



consolidations of the Vietnamese company STADA Vietnam J.V. Co., Ltd. and the Chinese company STADA Pharmaceuticals Beijing Ltd. as subsidiaries (adjusted -9 percent).

Development, production and procurement

Research and development costs amounted to Euro 44.4 million in the reporting period (1-9/2013: Euro 39.6 million). Worldwide, STADA launched a total of 459 individual products in the individual national markets in the first three quarters of 2014 (1-9/2013: 508 product launches).

Outlook

The Executive Board confirms the **outlook** for financial year 2014. According to this, STADA expects slight growth in Group sales, adjusted EBITDA and adjusted net income. For reasons of transparency, the adjustments as from 2014 include currency translation effects recorded in the income statement from the fluctuation of the Russian ruble as well as further significant currencies of the market region CIS / Eastern Europe and burdens from additional impairments and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.



STADA adjustments

	1-9/2014
Net income, reported	Euro 99.1 million
One-time effects	
<ul style="list-style-type: none"> Burden from currency effects 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 +15.8 million
<ul style="list-style-type: none"> Burden from additional impairments and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis 	Euro +10.7 million
<ul style="list-style-type: none"> Burden from value adjustments netted of write-ups on intangible assets after impairment tests 	Euro +10.2 million
<ul style="list-style-type: none"> Burden from several extraordinary expenses among other things provisions for damage claims in connection with a lost patent litigation in the market region Central Europe 	Euro +1.8 million
<ul style="list-style-type: none"> Relief on earnings from the measurement of derivative financial instruments under financial income and expenses 	Euro -1.5 million
Total one-time effects	Euro 37.0 million
<i>Net income, adjusted</i>	<i>Euro 136.1 million</i>

Additional information for analysts:

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