

Press and Analysts' Conference

March 26, 2015



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The anticipated opportunities and risks to STADA’s activities have been described in detail in the Executive Board’s management reports in the annual reports. Current possible opportunities and risks are mentioned in the respective interim report.

STADA’s performance indicators are partly influenced by one-time special effects and/or effects not arising from the operating business. Disclosure of key figures adjusted for these effects (so called “pro forma” key figures) by STADA is only to provide a supplement to the recorded IFRS key figures for a transparent comparison to a relevant period from the previous year.

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Note:

The previous year's figures in this presentation have been adjusted according to the new IFRS 11 in connection with IAS 8 in connection with IAS 1, as the new accounting standard IFRS 11 “Joint Arrangements” is to be applied with retrospective effect as from January 1, 2014. The adjustments relate to the presentation of the balance sheet of January 1, 2013 as well as the income statement and the derived key figures including the cash flow statement for full-year 2014, as well as for the previous year.

Forward-looking statement

This STADA Arzneimittel AG presentation (hereinafter "STADA") contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the business, financial and earnings situation, growth or performance to be materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA not assume any obligation to update these forward-looking statements.

The STADA Executive Board:
H. Retzlaff (Chairman), H. Kraft, Dr. M. Wiedenfels

Overview 2014

Hartmut Retzlaff

Target achievement 2014

Prognosis

Result

Sales:
Slight growth

2,062.2 €million
+3%



Adjusted EBITDA:
Slight growth

431.9 €million
+4%



Adjusted net income:
Slight growth

186.2 €million
+16%



Operative Highlights 2014

Sales (organic)¹⁾:

- Group +1%: despite difficult market environment
- Central Europe +3%: strong performance in the UK, Italy, Belgium and Spain
- Russia -6%: cost discipline and portfolio optimization at the forefront
- Branded products with strong trend (+6%)

Business development:

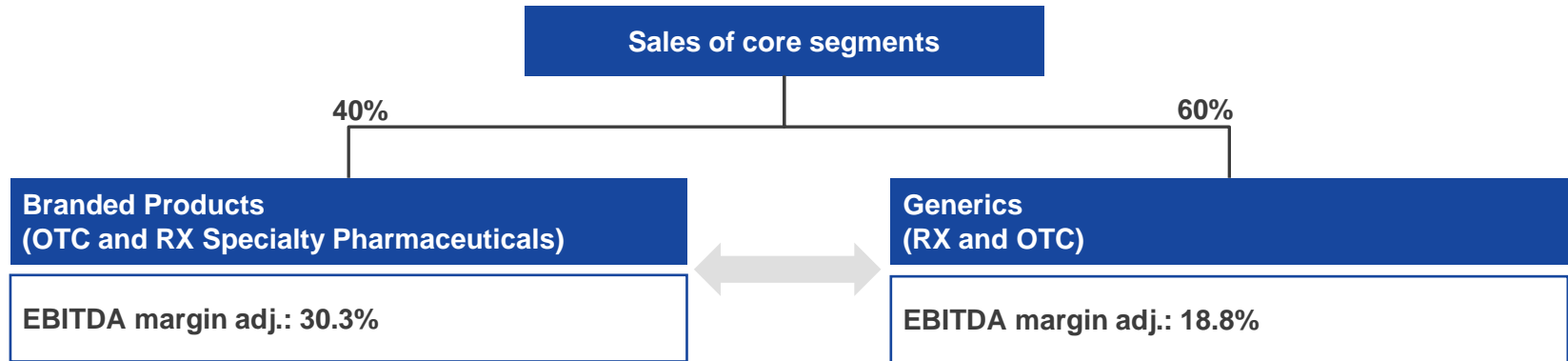
- Russia: acquisition of product portfolio Aqualor®; contract concluded for purchase of AndroDoz® and NeroDoz®
- UK: acquisition of products Flexitol® and Fultium®
- 626 product launches worldwide
- Europe: launch of Grastofil®, in-licensing of biosimilars Teriparatid und Adalimumab (LOI)

Financial situation:

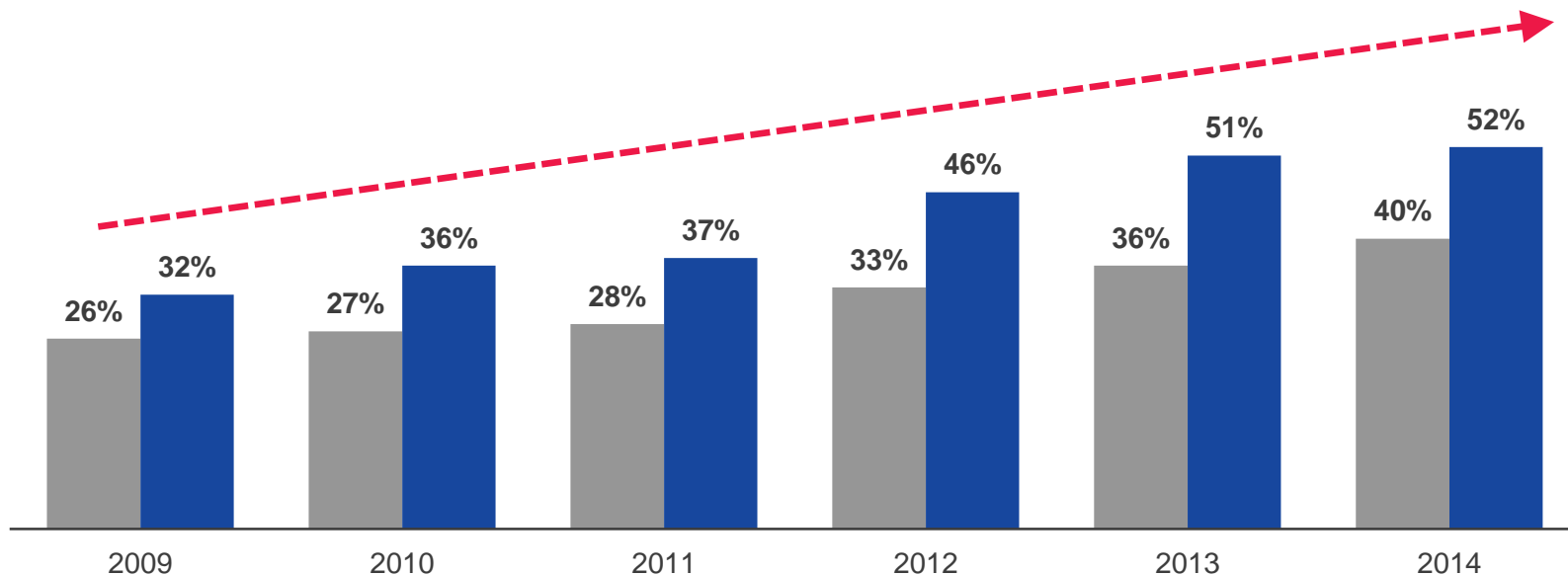
- Leverage (Net debt/adjusted EBITDA) at 3.1
- Adjusted free cash flow increases to € 157.4 million
- Securing of promissory notes at attractive conditions (€270 million)
- Successful refinancing in Russia

1) Adjusted for changes in the Group portfolio and currency effects.

Sales split 2014



Expansion of the Branded Products segment



■ Share of Branded Products in sales¹⁾

■ Share of Branded Products in adjusted operating profit¹⁾

1) of the two core segments Generics and Branded Products.

Strong brands in 2014

No.	Branded Product	Growth in %	Sales in €million	Indication
1.	ApoGo® (RX)	+18	51.3	Parkinson
2.	Aqualor® ¹⁾ (OTC)		40.3	Cough and cold
3.	Grippostad® (OTC)	-14	33.7	Cough and cold
4.	Snup® (OTC)	+34	33.0	Rhinitis
5.	Ladival® (OTC)	+63	26.1	Sun Protection
6.	Vitaprost® (RX)	-10	20.6	Prostate hyperplasia
7.	Hirudoid® (OTC)	+2	18.2	Inflammation of the veins
8.	Tranexam (RX)	-15	17.9	Anti-bleeding
9.	Chondroxide® (OTC)	-23	17.9	Muscular and joint pain
10.	Care® ²⁾ (OTC)		17.2	Umbrella brand
All Branded Products		+14	800.5	

1) Sales of Aqualor®: initial consolidation as from March 1, 2014.

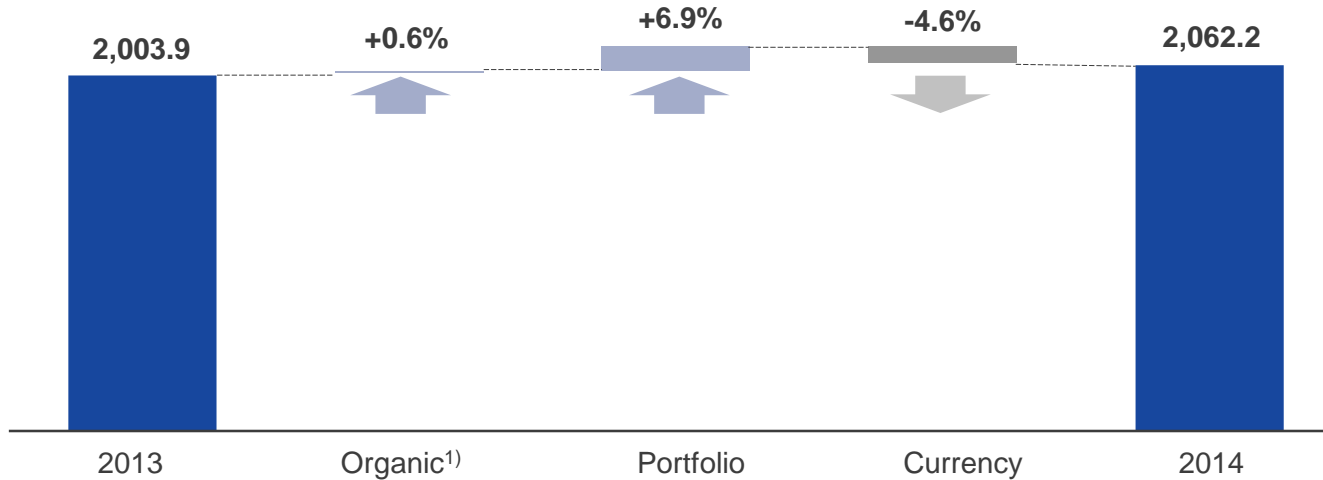
2) Umbrella brand for various indications such as skin care, cold medicine, gastrointestinal disease, pain medication, among others.

Results 2014 and Outlook 2015

Helmut Kraft

Growth components 2014

Group sales in €

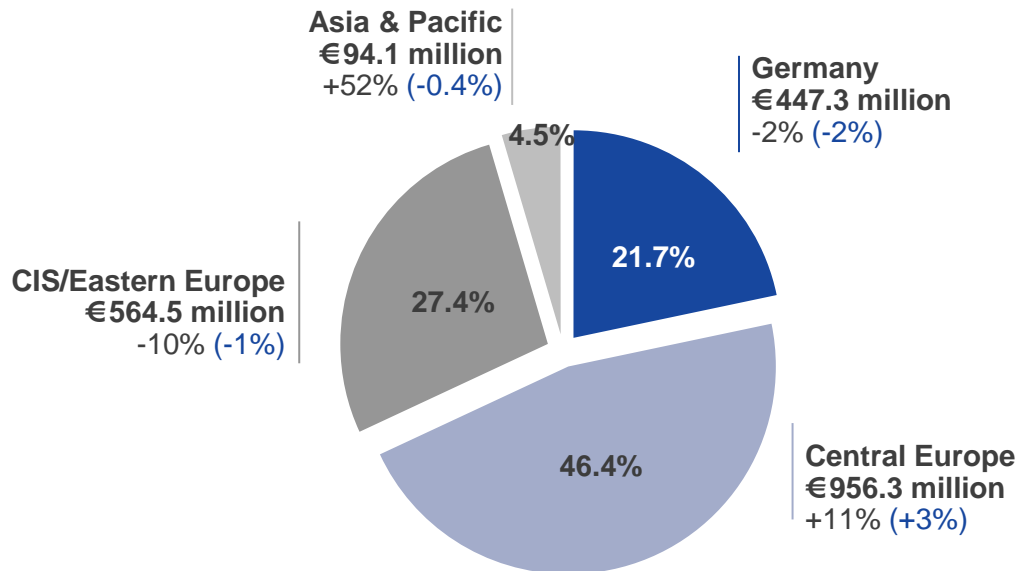


1) Adjusted for changes in the Group portfolio and currency effects.

Sales 2014

By market region

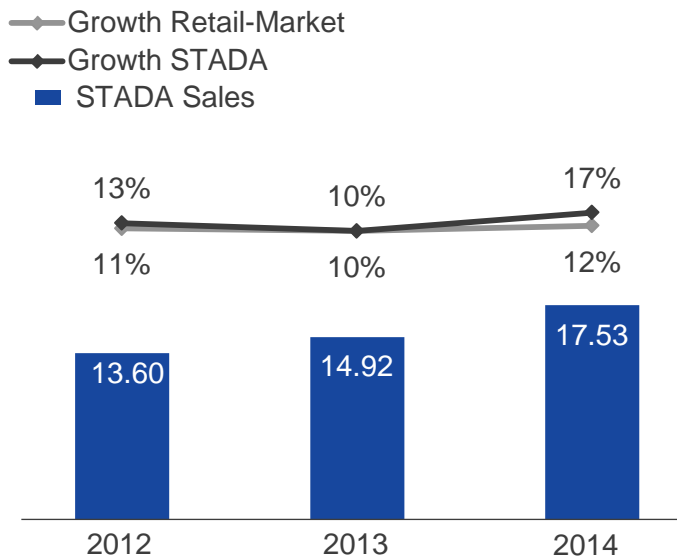
Total group €2,062.2 million
+3% (+1%)



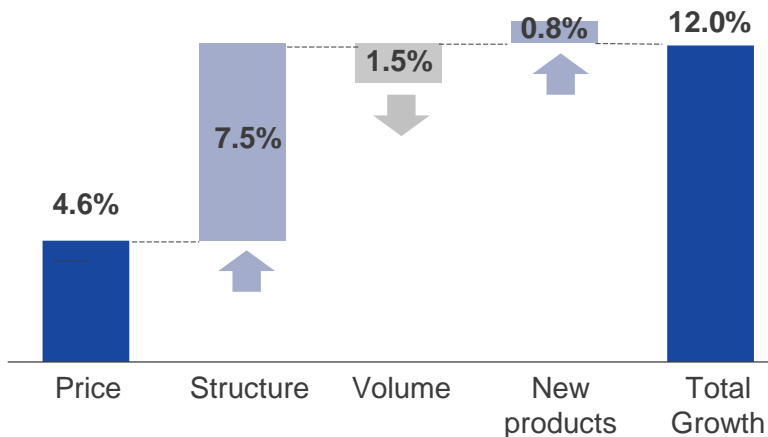
(x) = Adjusted for changes in the Group portfolio and currency effects.

Growth developments in Russia

Development of sales 2012-2014 (sell-out) in RUB billion



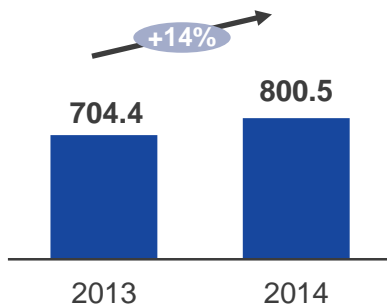
Growth components Retail-Market 2014



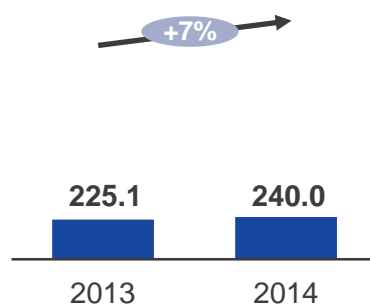
Quelle: IMS Health, DSM Group.

Branded Products

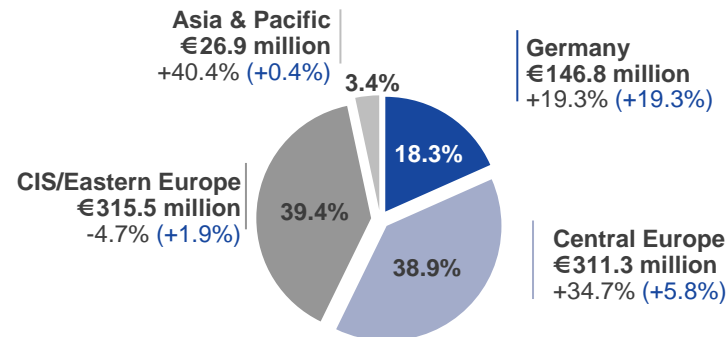
Sales
(in € million)



Adj. EBITDA
(in € million)



Regional Sales Development



2014

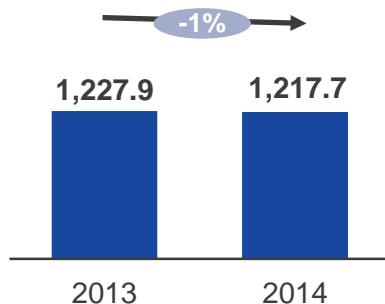
- Germany with strong performance
- Thornton & Ross highly dynamic
- ApoGo® on the growth path
- Russia with growth in local currency

Strategy

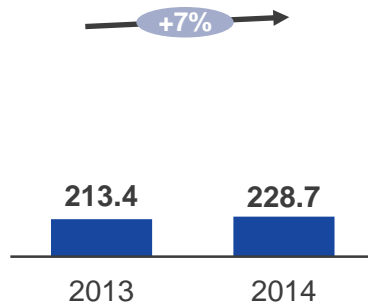
- Internationalization of leading brands
- Expansion with focus on growth niches
- Support through advertising and strong position in pharmacies

Generics

Sales (in € million)



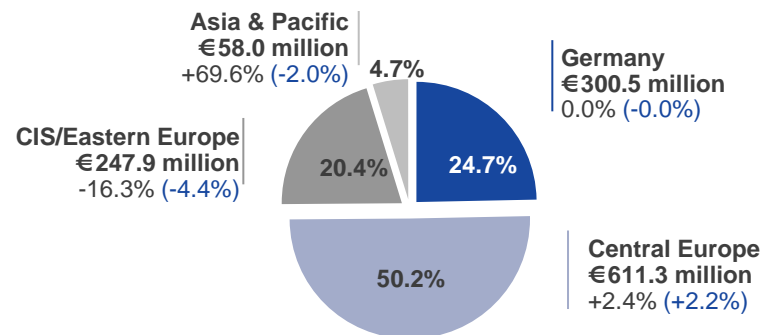
Adj. EBITDA (in € million)



2014

- Germany difficult, focus on costs
- CE benefiting from increasing penetration
- CIS/Eastern Europe due to CIS crisis with sales decrease
- Asia & Pacific with jump in sales due to consolidations

Regional Sales Development



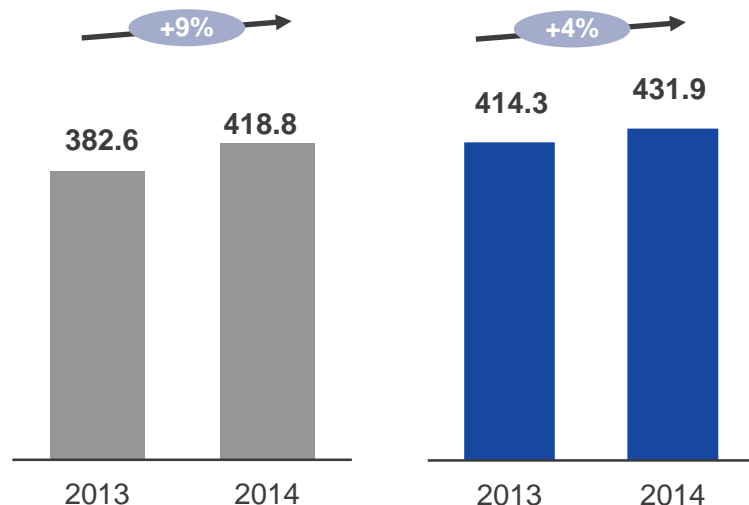
Strategy

- Set priority on growth markets with high share of self payers, e.g. CIS, Asia and MENA
- Build portfolio of biosimilars based on risk-averse in-licensing approach
- Production focus on Serbia
- Development Partnerships

Key earnings figures 2014

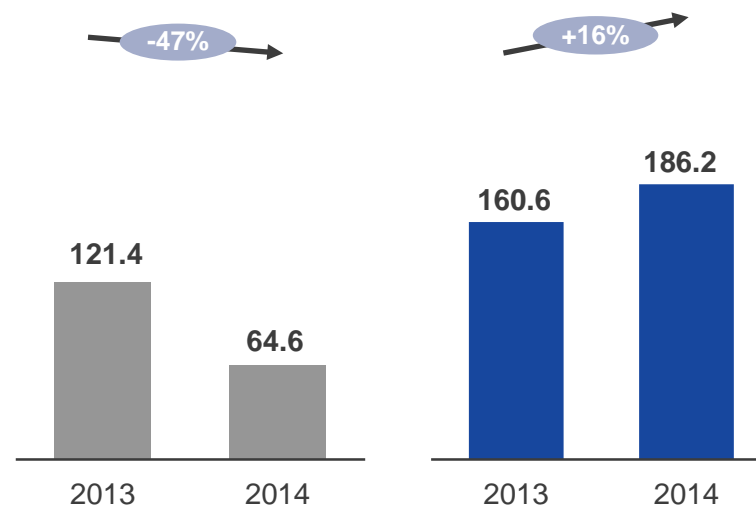
EBITDA (in €million) 2014 vs. 2013
reported

adjusted¹⁾



Net income (in €million) 2014 vs. 2013
reported

adjusted²⁾

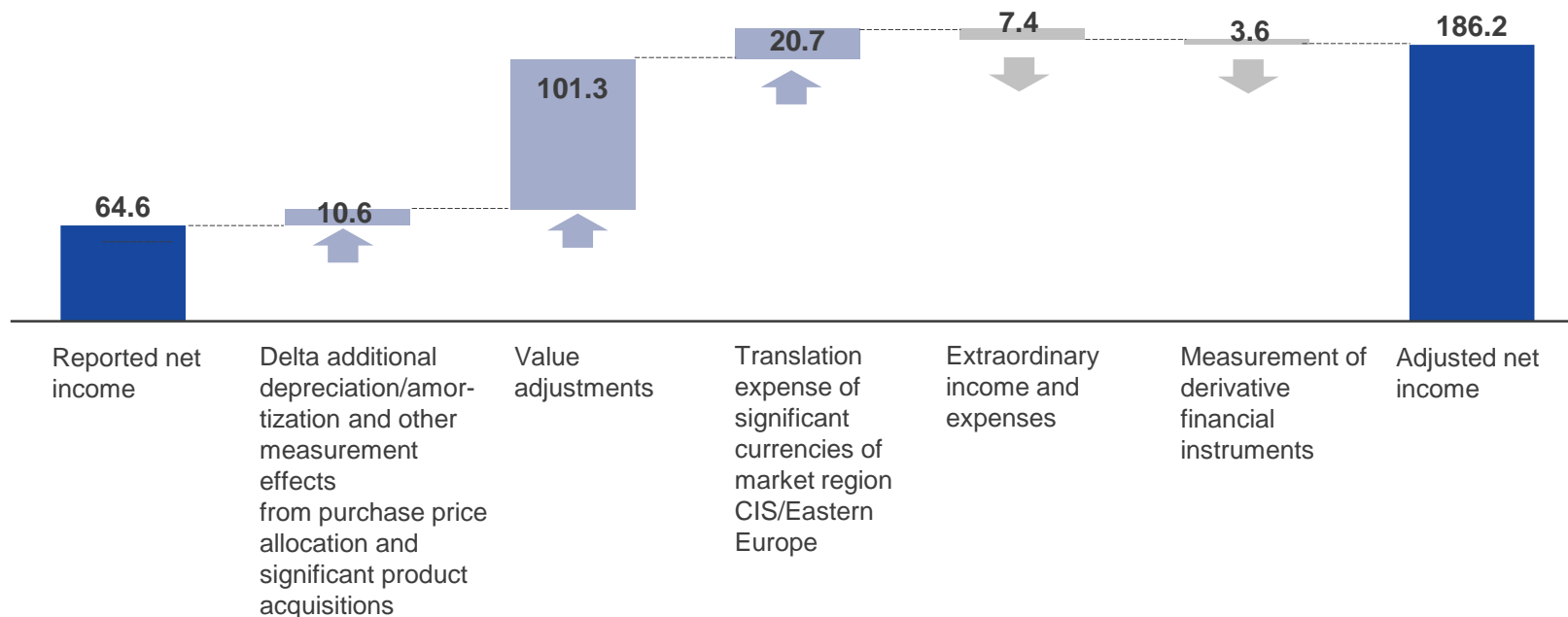


1) Adjusted for one-time special effects.

2) Adjusted for one-time special effects and non-operational effects from the evaluation of derivative financial instruments.

Net income adjustments in 2014¹⁾

in € million



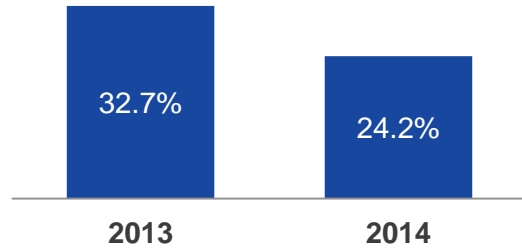
1) For a detailed definition, see STADA's Annual Report 2014.

P&L details 2014

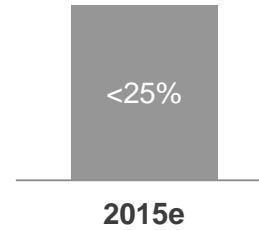
in €million	2014 in € million	2014 in % of Sales	2013 in € million	2013 in % of Sales	
Gross profit	991.8	48.1	979.4	48.9	Burden from additional depreciation/amortization from acquisitions and the CIS crisis
Selling expenses	458.4	22.2	488.2	24.4	Strict cost control
G&A expenses	152.8	7.4	159.5	8.0	Income in connection with a change in the benefit plan for the Chairman of the Executive Board
R&D expenses	56.9	2.8	55.5	2.8	Nearly stable
Financial Result	-63.8		-59.0		Interest expense grew as a result of increase in interest rate as of Dec. 31, 2014 (3.7%) due to the financing for Aqualor® in foreign currency (Dec. 31, 2013: 3.3%)
Taxes on income	54.6		66.5		Adjusted tax rate 2014 (24.2%) significantly reduced (2013: 32.7%); reported tax rate increased (impairment losses not deductible for tax purposes)

Analysis of the tax rate

Development of the adjusted tax rate



Outlook adjusted tax rate



Significant reduction in the tax rate in 2014:

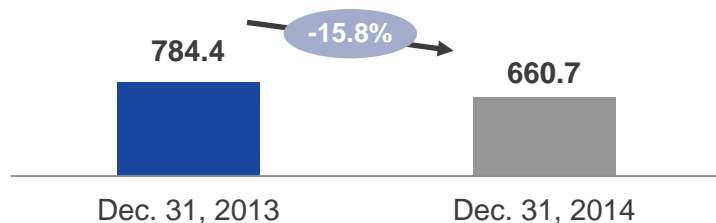
- The improvement of the tax rate primarily results from a changed profit allocation; since the end of 2013, STADA Arzneimittel AG has assumed – following the conclusion of the “build the future” program – the central service functions in connection with an adjustment in the corresponding internal transfer pricing model
- In financial year 2014, STADA Arzneimittel AG did not face any additional disadvantage from the regulations in connection with the interest barrier in Germany

Stable balance sheet structure

Assets in €million	Dec. 31, 2014	Dec. 31, 2013
A. Non-current assets	2,013.8	2,060.0
B. Current assets	1,321.7	1,353.2
Total assets	3,335.5	3,413.2

Equity and liabilities in €million	Dec. 31, 2014	Dec. 31, 2013
A. Shareholders' equity	903.4	1,010.1
B. Non-current liabilities	1,246.7	1,358.4
C. Current liabilities	1,185.4	1,044.7
Total equity and liabilities	3,335.5	3,413.2

Net working capital in €million



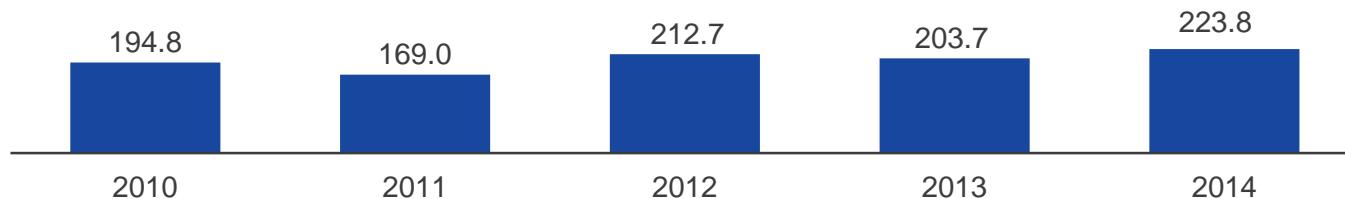
Net debt in €million



Cash flow from operating activities and adjusted free cash flow

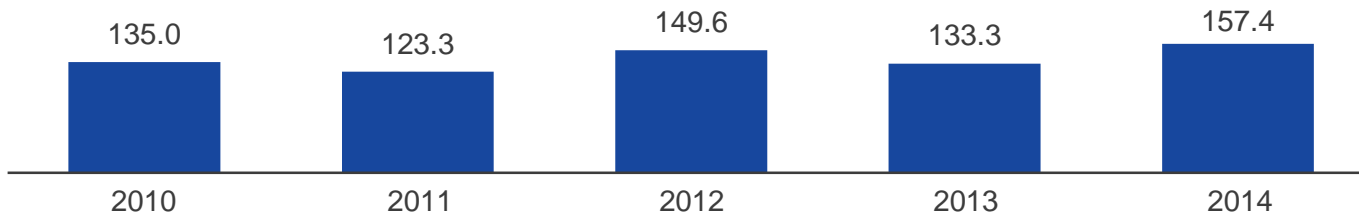
Cash flow from operating activities (in €million)

2010-2014



Adjusted free cash flow¹⁾ (in €million)

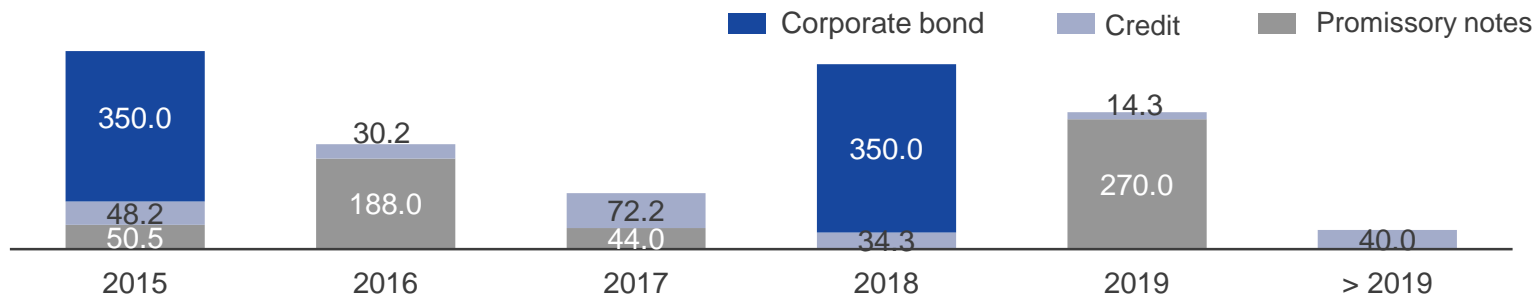
2010-2014



1) Free cash flow comprises cash flow from operating activities and cash flow from investing activities, adjusted for payments for significant investments or acquisitions and proceeds from significant disposals.

Balanced and stable financing structure

Remaining maturities of financial liabilities due to banks as of December 31, 2014 in €million

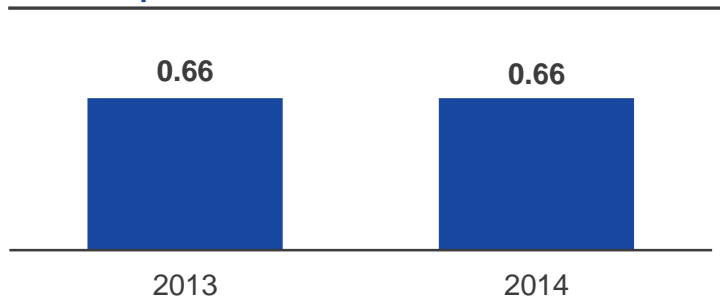


- In 2014, STADA was able to secure promissory notes in the total amount of €270 million with a term of five years
- Net debt to adjusted EBITDA ratio¹⁾: 3.1 (2013: 3.2).
- Cash and cash equivalents including current securities: € 164.2 million (December 31, 2013: € 126.2 million)
- Access to committed credit lines from banking partners for many years

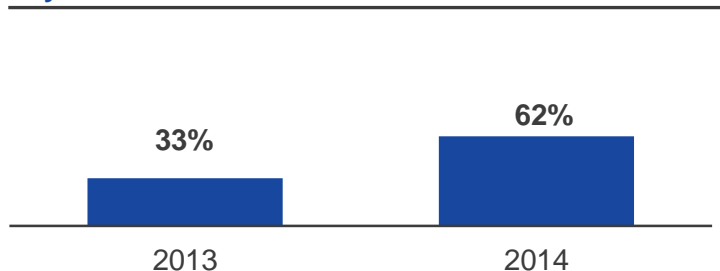
¹⁾ Adjusted for one-time special effects.

Dividend proposal

Dividend per STADA common share in €



Pay-out ratio



Dividend payout 2014: € 40.0 million
(2013: € 39.8 million)

Dividend policy Appropriate share of reported net income to shareholders

Outlook 2015

Group:

- Slight growth in sales adjusted for currency and portfolio effects
- Substantial decrease in adjusted EBITDA and adjusted net income
- Net debt, excluding further acquisitions, to adjusted EBITDA ratio of nearly 3

Adjustment for special effects in connection with the translation effects recorded in profit and loss resulting from the change in the Russian ruble as well as further significant currencies of the market region CIS/Eastern Europe

Adjustment for additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis

Assumptions for market regions for 2015

Operational influence factors	
Germany	<ul style="list-style-type: none"> • Decline in sales, operating profitability under Group average • Stable sales of generics and brands in Germany, decline in export business due to reclassification
Central Europe	<ul style="list-style-type: none"> • Sales growth, operating profitability at Group average • Positive development of the top markets of UK, Italy and Spain with relatively high profitability; Belgium more difficult • UK: strong dynamic at Thornton & Ross and Britannia (Apo-Go®)
CIS/Eastern Europe	<ul style="list-style-type: none"> • Sales growth in local currency, operating profitability adjusted for negative currency effects above Group average • Uncertainties about future business development, but no escalation of CIS crisis; burdens from weakness of currencies in particular in Russia and Ukraine
Asia/Pacific & MENA	<ul style="list-style-type: none"> • Sales growth, operating profitability above Group average • Notable sales growth in Vietnam, China and MENA • Licensing of STADA products in Myanmar – STADA one of the first to enter the market

Influence factors Q1/2015

Exceptionally strong comparative quarter in Q1/2014:

- Pull-forward effects in the German branded products area
 - One-time inventory effects in Ukraine
-

Pull-forward effects in Q4/2014:

- Partial inventory build-up in Russia in the context of high inflation rates and potentially increasing consumer prices
-

Strong negative currency effect in Q1/2015 compared to the corresponding quarter of the previous year

- Pronounced weakness of currencies in CIS/Eastern Europe
-

Normalization in the course of financial year 2015

Strategic Initiatives

Hartmut Retzlaff

Strategic initiatives 2014

STADApHarm withdraws from tender business

- Previously concluded contracts, some of which continue until 2017, will still be fulfilled by STADApHarm
 - Remaining sales companies will participate in tenders for discount agreements following the objective of appropriate operating profitability
-

Founding of STADAvita

- Optimization of the German sales activities in the area of branded products
 - Responsible for preventative products, such as cosmetics, nutritional supplements and plant-based products
-

Outsourcing of logistics

- Handing-over of the German logistics activities to the globally leading logistics company DHL
 - The partial transfer of operations comprises the STADA logistics activities at the Florstadt and Bad Vilbel locations
 - Focus on core business
-

Strategic initiatives 2015 – positioning for the future

Organic growth has priority

- Pushing of existing and acquired brands
 - Internationalization of leading brands
-

Full pipeline

- Generics: over 1,300 running approval procedures as of Dec. 31, 2014
 - Development partnerships
 - Branded products: Center of OTC Excellence
-

Strong cash flow

- Optimization of net working capital with a focus on inventories
-

Disciplined capital allocation

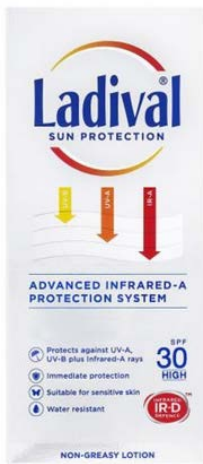
- Consequent strategy: continuous investments in value-adding branded products and growth markets

Strong sales growth in branded products area¹⁾ in 2014



¹⁾ Each relating to the market region.

Center of OTC Excellence – Internationalization: Ladival Example



Ladival Sun Protection Lotion SPF15 200ml

6181899

£

200 ML

Quantity



★★★★★ (1) [Write a review](#)

Ladival Sun Protection Lotion SPF15

Expansion of biosimilar portfolio

Limited-risk licensing strategy – focus on marketing & sales

- Since 2008: in-house development of Silapo® (Epoetin zeta)
- Development of Rituximab in cooperation with Gedeon Richter
- 2014: introduction of Grastofil® (Filgrastim) through cooperation with Apotex
- In-licensing of Teriparatid through license agreement with Richter-Helm
- Letter of intent (LOI) for in-licensing of Adalimumab from mAbxience

Gegen Neutropenie nur eines im Kopf:
Grastofil®

Genzt frisch für Ihre Patienten:
Ohne Kühlung einmündig 7 Tage zu Hause haltbar*

Grastofil® – Der Neuzuwachs bei den Biosimilars

- versetzt Ihre onkologische Therapie
- mit der langjährigen Kompetenz von cell pharm
- damit Zukunft wachsen kann

cell pharm
Spezialtherapien mit Zukunft

STADA
Aktiviertheit

*Für weitere Informationen des DTC/IGM, nach Erhalten des entsprechenden Fachinfoblatts, kontaktieren Sie Ihren Arzt. Grastofil® ist ein Biosimilar von Filgrastim, welches die gleiche Wirksubstanz wie das Referenzarzneimittel Filgrastim enthält, jedoch die gleiche Wirksamkeit und Sicherheit aufweist. Grastofil® ist ein Biosimilar von Filgrastim, welches die gleiche Wirksubstanz wie das Referenzarzneimittel Filgrastim enthält, jedoch die gleiche Wirksamkeit und Sicherheit aufweist. Grastofil® ist ein Biosimilar von Filgrastim, welches die gleiche Wirksubstanz wie das Referenzarzneimittel Filgrastim enthält, jedoch die gleiche Wirksamkeit und Sicherheit aufweist.

Successful product supplements

Acquisitions in 2014

- Purchase of cosmetics line Claire Fisher
- Acquisition of the Russian branded product portfolio Aqualor®
- Purchase of production and distribution rights for the branded products portfolio Flexitol® for the United Kingdom and Ireland (internationalization intended)
- Purchase of the British Internis Pharmaceuticals Ltd. for the therapeutic treatment of vitamin D3 deficiency (internationalization intended)
- Acquisition of the Russian branded products AndroDoz® and NeroDoz® in the area of men's health



Active acquisition policy in 2015

Leverage ratio of 3.1 as of Dec. 31, 2014 allows for smaller bolt-on acquisitions

- Focus on branded products
 - Platforms in growth markets
-

Steady flow of smaller product acquisitions, preferably in the self-pay patient segment

- Products in profitable, fast-growing niches
 - Products to strengthen/form product categories
 - Products with potential for internationalization
 - Products to expand the biosimilar portfolio
-

Acquisition criteria remain strict

- Growth potential, above-average margins, earnings contribution from day 1 after consolidation
-

Cooperation with Hetero Drugs Ltd., India (LOI) – significant synergies

Synthetic active pharmaceutical ingredients

- Obtaining low-cost active pharmaceutical ingredients in the form of finished goods for existing products and new developments
-

Dossiers

- Access to numerous dossiers for the EU and, in sub-license, for further regions
 - Focus initially on highly potent oncology products, e.g. chemotherapeutics and kinase inhibitors
 - Closer collaboration in further areas imaginable
-

Synergies

- Finished goods at local cost of sales
 - Attractive development costs
 - High pipeline security including highly potent products
-

Structure

- Contractual joint venture, 50:50 sales split
 - STADA assumes approval costs and sales in the contractually agreed regions
-

Financial Calendar 2015

05/07/2015 Publication of Q1/2015 results

06/03/2015 Annual General Meeting

08/06/2015 Publication of 2015 interim results

09/15/2015 Capital Markets Day (St. Petersburg, Russia)

11/12/2015 Publication of Q3/2015 results

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