Interview with Dr. Matthias Wiedenfels on the occasion of the publication of the figures for the first quarter of 2017

Dr. Wiedenfels, STADA significantly increased all its key performance indicators in the first quarter of 2017. Are you satisfied with the start to the year?
We can indeed be very satisfied with the first quarter of 2017. We've got off to a good start to the year and significantly increased our sales and all key earnings figures, both reported and adjusted. Even though our results for the opening quarter can't be extrapolated to the year as a whole, we've shown that we're rigorously tapping our potential and that further development of our strategy is bearing fruit. And we've done all that in an environment that's been extremely challenging in the past months, not least because of the bidding process. I see that as proof of our team's abilities and passion.

Before we go into detail about the Company's business performance: Despite the good results, the Executive Board and Supervisory Board have recommended in the Reasoned Joint Opinion that the shareholders accept the takeover offer from Bain Capital and Cinven. Why?
After examining the offer document in depth and independently of each other, we came to the conclusion that the takeover offer is from a financial point of view fair and attractive to our shareholders. In addition, the bidders' intentions for the future of STADA are in the best interests of STADA's stakeholders. That's why we've recommended acceptance of the takeover offer with great conviction.

What does "financially fair and attractive" mean and how did you reach that assessment?
First of all, both boards each independently assessed the offered total financial consideration of Euro 66.00 per STADA share, comprising an offer price of Euro 65.28 and the dividend of Euro 0.72 per share. We used various valuation models as part of that – whether the historical share price trend or the implicit EBITDA multiple. In addition, the Executive Board commissioned two investment banks to prepare fairness opinions, i.e. independent assessments of the consideration, and the Supervisory Board also mandated a bank to do the same. The result we came to was unanimous: The takeover offer is an adequate reflection of the enterprise value. Furthermore, we are convinced that it also offers our shareholders an extremely attractive premium.

Why should the takeover offer also be in the interests of STADA's other stakeholders? What do your employees or customers get from it?
Protecting our employees' interests was a very important concern at all times during the negotiations. That's why we're pleased we were able to conclude an investor agreement containing specific pledges in favor of all employees and all our sites with the bidder. These pledges are also contained without changes in the offer document. That's a good and reliable foundation for future collaboration with the investors. However, we're not only concerned about rights to protection; a further key factor is that the bidder has expressed a clear commitment to our growth strategy.

Together with Bain Capital and Cinven, we would be able to implement our recognized strategy even more swiftly, continue to grow profitably and so ensure a long and successful future for STADA. Our employees, as well as our customers and partners worldwide, will benefit from that. That's also a reason why we strongly back this takeover offer.

To return to business trends in the first quarter. What were the main drivers of your good performance?

First of all, both divisions contributed to the positive results. That proves the value of our business model, namely to build on our strong core business with Generics and leverage attractive growth potential in the Branded Products segment. For example, we increased our adjusted EBITDA for Generics by 9 percent and even by 18 percent in the Branded Products segment. It's true that comparison with the previous year is a little misleading, since back then we had to contend with a tough environment in key markets, such as Russia, and that situation has since eased. However, it's also true that our team did an excellent job in the first quarter.

Which markets performed particularly well?

We have special items that had a positive impact on our results in some markets. I've already mentioned Russia, where our earnings were extremely good after weaker results in the same quarter of the previous year. We also increased our business sharply in Serbia. That's due to first-time consolidation of a wholesaler, as well as the fact that we changed our sales model in Serbia and are now investing in direct sales to a greater extent. Business in Germany also performed well, mainly due to further operational improvements and a good pricing policy. Furthermore, in the past weeks, we've achieved a breakthrough in negotiations on merging our German sales companies. That will have a positive impact on our performance in the further course of the year.

One of the growth areas you identified in the future program "STADA *Plus*" was internationalization of strong regional brands. What progress are you making in that?

We're making very decent headway. In the first quarter, we put our British vitamin D3 product Fultium on the Belgian and Portuguese markets, and also launched our Spanish probiotic drink Lactoflora in Austria, our pedicure series Flexitol in France and our antihistamine product DAOSiN in Spain. However, Socialites, our first truly pan-European brand, is particularly exciting: We've successfully launched this vaping product for smoking cessation not only in the United Kingdom, but also in the Netherlands and will shortly put in on the German market. We've also planned two further strong market launches in Germany in the second quarter, including a genuine innovation with our cold prevention product Viruprotect. We have strong momentum and our pipeline is well-filled. By the way, that not only goes for our Branded Products, but also our Generics. We launched a total of 186 new products in the first quarter. And we're also making progress in other work under our future program "STADA *Plus*".

In what way?
We’ve further fleshed out plans for the market launch of our biosimilars in 2019 and completed the necessary investment planning. We’re making clear progress in improving our cash flow – in the first quarter alone, we nearly doubled our free cash flow. We now have Dr Barthold Piening on board, an experienced Chief Technology Officer who has now thrown himself into the task of further enhancing our production, supply chain and purchasing with great commitment. So there’s quite a bit going on.

It sounds like you have big plans. What’s your forecast for the rest of the year?
Following our good start to financial year 2017, we feel very confident about achieving the goals we’ve announced. At the end of the year, we expect adjusted sales of Euro 2.28 billion to Euro 2.35 billion, an adjusted EBITDA of Euro 430 million to Euro 450 million and an adjusted net income of Euro 195 million to Euro 205 million. We also remain optimistic with regard to our strategic goals for 2019. They’re ambitious, but I feel certain we’ll manage to achieve them.

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