



Press release

STADA: Excellent business development in the first six months of 2016 – reported and adjusted key earnings figures significantly above previous year – very good cash flow development – Executive Board presents details on further developed strategy

Important items at a glance

- Reported Group sales rise by 1 percent – adjusted +4 percent
- Adjusted EBITDA increases by 7 percent
- Adjusted net income rises by 13 percent
- Sales increase in Branded Products of +5 percent – adjusted +9 percent
- Pleasing sales development in the market regions Germany +12 percent and Asia/Pacific & MENA +7 percent, CIS/Eastern Europe -8 percent due to currency effects – adjusted +8 percent
- Cash flow from operating activities improved significantly
- Outlook for 2016 confirmed
- Further developed corporate strategy to improve performance

STADA Key Figures

	1-6/2016	1-6/2015	+/-
Group sales, reported	Euro 1,034.7 million	Euro 1,025.9 million	+1%
<i>Group sales, adjusted</i>	<i>Euro 1,061.0 million</i>	<i>Euro 1,017.7 million</i>	<i>+4%</i>
EBITDA, reported	Euro 200.7 million	Euro 181.4 million	+11%
<i>EBITDA, adjusted</i>	<i>Euro 202.3 million</i>	<i>Euro 189.2 million</i>	<i>+7%</i>
Net income, reported	Euro 82.0 million	Euro 53.6 million	+53%
<i>Net income, adjusted</i>	<i>Euro 96.1 million</i>	<i>Euro 85.0 million</i>	<i>+13%</i>
Earnings per share	Euro 1.32	Euro 0.88	+50%
<i>Earnings per share, adjusted</i>	<i>Euro 1.54</i>	<i>Euro 1.39</i>	<i>+11%</i>

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
 Chairman of the Supervisory Board: Dr. Martin Abend



Bad Vilbel, August 4, 2016 – Despite difficult framework conditions, the STADA Group recorded excellent business development in the first six months of 2016. Both reported and adjusted Group sales and key earnings figures were increased. Looking at the regions, pleasing sales growth was recorded particularly in the market regions Germany and Asia/Pacific & MENA.

"In a challenging environment we have confirmed the good business momentum of the past months and have achieved a strong result once again. Furthermore, we have laid the groundwork for future growth. With our measures for the consequent tapping of efficiency potentials, the optimization of our corporate structure and the continuous development of our strategic orientation, we are in the best possible position to make use of opportunities that arise in attractive markets", says Dr. Matthias Wiedenfels, Chairman of the STADA Executive Board.

Helmut Kraft, Chief Financial, Marketing & Sales Officer, adds: "In the first half of 2016, we were able to achieve excellent growth rates both in reported and adjusted key earnings figures. In addition, we recorded significant improvement in cashflow from operating activities. This shows, among other things, that the measures we have taken in order to improve working capital are increasingly showing effect."

Development of Sales

Reported Group sales showed a slight plus of 1 percent to Euro 1,034.7 million (1-6/2015: Euro 1,025.9 million). When effects on sales based on changes in the Group portfolio and currency effects are deducted, **adjusted Group sales** increased by 4 percent to Euro 1,061.0 million (1-6/2015: Euro 1,017.7 million).

Reported sales of the core segment **Generics** decreased by 2 percent to Euro 603.8 million in the first six months of 2016 (1-6/2015: Euro 615.3 million). Generics contributed 58.3 percent to Group sales (1-6/2015: 60.0 percent). Reported sales of the core segment **Branded Products** in the reporting period recorded an increase of 5 percent to Euro 407.3 million (1-6/2015: Euro 389.3 million). Branded Products contributed 39.4 percent to Group sales (1-6/2015: 37.9 percent).

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend



Earnings development

Both the reported and the adjusted key earnings figures were above those of the corresponding period of the previous year – primarily as a result of increased gross earnings as compared with the corresponding period of the previous year, one-time special effects, which were lower than the comparable period of the previous year, and decreased negative currency effects. In addition, the key earnings figures benefited from an improved financial result and a lower tax rate.

Reported operating profit increased by 22 percent to Euro 136.3 million in the first six months of 2016 (1-6/2015: Euro 112.1 million). **Reported EBITDA** rose by 11 percent to Euro 200.7 million (1-6/2015: Euro 181.4 million). **Reported net income** increased by 53 percent to Euro 82.0 million (1-6/2015: Euro 53.6 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from special effects, **adjusted operating profit** increased by 11 percent to Euro 153.6 million in the reporting period (1-6/2015: Euro 138.1 million). **Adjusted EBITDA** recorded growth of 7 percent to Euro 202.3 million (1-6/2015: Euro 189.2 million). **Adjusted net income** showed an increase of 13 percent to Euro 96.1 million (1-6/2015: Euro 85.0 million).

The **net debt to adjusted EBITDA ratio** in the first six months of 2016 was at 3.0 on linear extrapolation of the adjusted EBITDA of the reporting period on a full-year basis (1-6/2015: 3.7).

Development of the market regions

The four STADA market regions developed as follows in the first six months of the current financial year:

In the **market region Central Europe**, sales recorded a slight decrease in the reporting period – with varying development of the countries included – of 1 percent to Euro 494.0 million (1-6/2015: Euro 499.1 million). This development primarily resulted from the decrease in sales in **Belgium**. In contrast, sales in **Italy** and the **United Kingdom**

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend



recorded positive development. Sales generated in this market region contributed 47.8 percent to Group sales (1-6/2015: 48.7 percent).

Despite the retroactive reclassification as of January 1, 2016, in the context of which the export sales of Hemopharm GmbH are no longer allocated to the market region Germany but to market region CIS/Eastern Europe, sales in the **market region Germany** increased by 12 percent to Euro 254.7 million in the first six months of 2016 (1-6/2015: Euro 227.9 million). Not considering this reclassification, i.e. including export activities, sales in the market region Germany increased by 17 percent to Euro 267.6 million (1-6/2015: Euro 227.9 million). Overall, this market region had a share of 24.6 percent in Group sales (1-6/2015: 22.2 percent). Sales generated in **Germany**, i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany, recorded an increase of 18 percent to Euro 246.9 million (1-6/2015: Euro 209.8 million). Despite the continued difficult local framework conditions for generics, sales in the German Generics segment increased by 4 percent to Euro 149.0 million (1-6/2015: Euro 143.6 million). The positive development was primarily based on a changed competitive situation, the opportunity to form bidding consortia and an optimized portfolio. Sales generated with branded products in the German market recorded substantial growth of 48 percent to Euro 98.0 million in the first six months of 2016 (1-6/2015: Euro 66.2 million). This pleasing development resulted from optimizations of the product portfolio, decreased returns, as well as the invoicing of high seasonal orders.

In the **market region CIS/Eastern Europe**, sales in the first six months of 2016 increased by 8 percent applying the exchange rates of the previous year – also as a result of the previously mentioned reclassification. Due to negative currency effects, sales in euro decreased by 8 percent to Euro 209.2 million (1-6/2015: Euro 227.2 million). Not considering the reclassification, i.e. excluding export activities, sales in the market region CIS/Eastern Europe decreased by 14 percent to Euro 196.2 million (1-6/2015: Euro 227.2 million). Overall, this market region contributed 20.2 percent to Group sales (1-6/2015: 22.1 percent). In **Russia**, sales increased by 7 percent in the first six months of 2016, applying the exchange rates of the previous year, despite continued difficult framework conditions, in

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend



particular in the self-pay market. As a result of a clearly negative currency effect of the Russian ruble, sales declined in euro by 13 percent to Euro 109.5 million (1-6/2015: Euro 125.5 million). Due to high inflation and a resulting decrease in purchasing power, this development is to be considered positive. In the second half of 2016, STADA expects a continued difficult market situation in the Russian Federation. In **Serbia**, sales in the reporting period recorded a decrease of 27 percent, applying the exchange rates of the previous year. In euro, sales decreased by 28 percent to Euro 33.6 million as a result of a slightly negative currency effect of the Serbian dinar (1-6/2015: Euro 46.9 million). This development was, among other things, attributable to a planned repeated reduction of discount prices, as a consequence of which a restrained demand among the Serbian wholesalers was noticeable.

In the **market region Asia/Pacific & MENA**, sales in the first six months of the current financial year recorded growth of 7 percent to Euro 76.8 million (1-6/2015: Euro 71.7 million). This development, which was restrained in comparison with the previous quarters, was particularly attributable to a high comparable basis of the corresponding period of the previous year. Despite increased price pressure, sales in the two largest markets of this market region, Vietnam and China, increased as a consequence of gains from local tender processes. The contribution of this market region to Group sales was at 7.4 percent (1-6/2015: 7.0 percent).

Cash flow from operating activities increased significantly to Euro 113.0 million in the first six months of 2016 (1-6/2015: Euro 40.4 million). **Free cash flow** improved to Euro 15.0 million (1-6/2015: Euro -44.3 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals amounted to Euro 42.5 million (1-6/2015: Euro -5.7 million).

Further development of the corporate strategy

The Executive Board further developed the corporate strategy with the objective of meeting the changing requirements of the health market, and even better exploiting the Group's potential. With our unchanged fundamental strategic orientation, the future program to

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend



improve performance is oriented towards improving STADA's competitiveness, increasing its innovation power and creating added value for the shareholders over the longterm.

In order to achieve this, further internationalization and further development of the two core segments Generics and Branded Products, intensified tapping into growth markets, as well as a more efficient Group structure and an optimized cost structure are planned.

The generics business, which has a leading position in numerous markets, will remain the solid basis of the company. In the future, however, STADA will tap into promising growth markets with an attractive risk and earnings profile. At the same time, the branded products area will be expanded and the contribution of this segment to Group sales will be further increased in the medium term. In this context, successful STADA branded products such as APO-Go, Ladival or DAOSIN will be increasingly internationalized and also positioned in new markets with innovative go-to-market concepts. STADA also sees growth opportunities in promising product areas such as biosimilars and cosmetics/aesthetics, which are to be further expanded using a risk-aware "buy and build" approach.

To enable increased work efficiency, the Group will no longer be managed per market regions but per its two core segments Generics and Brands. This approach allows a stronger focus, more transparent internal and external benchmarking and therefore the most efficient use of resources in terms of return on investment. With further supply chain optimization, continuous internal process improvements, reduced administration costs as well as a bundling of sales structures, STADA will optimize its cost structure and increase profitability.

"With our future program we are taking STADA to the next level", says Chairman of the Executive Board Dr. Matthias Wiedenfels. "We don't have to reinvent ourselves but we will be able to leverage our potentials even more effectively than before. With the strong generics business as a foundation, the attractive branded products business as growth driver and future-oriented product innovations, we will continue to be successful over the long-term, even in a challenging market environment. This way, we will increase STADA's profitability and create significant added value for our shareholders", says Dr. Wiedenfels.

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend



The Executive Board plans to present further details on the future program in the context of the Capital Markets Day on October 5, 2016 in Frankfurt am Main.

In context of the further developed corporate strategy, the Executive Board had already adopted ambitious medium-term growth targets on July 11, 2016. According to these, Group sales adjusted for currency and portfolio effects of Euro 2.6 billion, adjusted EBITDA of Euro 510 million and adjusted net income of Euro 250 million within a range of +/- 5 percent are targeted for 2019.

Outlook for 2016

The Executive Board confirms its outlook for 2016, according to which slight growth in Group sales adjusted for currency and portfolio effects, adjusted EBITDA and adjusted net income is to be expected.

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend



STADA adjustments

	1-6/2016
Net income, reported	Euro 82.0 million
Effects	
<ul style="list-style-type: none"> • 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 +8.1 million
<ul style="list-style-type: none"> • Burden from value adjustments netted of write-ups on intangible assets after impairment tests 	Euro +5.4 million
<ul style="list-style-type: none"> • 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 +3.8 million
<ul style="list-style-type: none"> • Net burden from effects from the measurement of derivative financial instruments and the underlying transactions 	Euro +0.5 million
<ul style="list-style-type: none"> • Net relief from several extraordinary income, among other things, for a received milestone payment in the United Kingdom 	Euro -3.7 million
Total effects	Euro 14.1 million
Net income, adjusted	Euro 96.1 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 online at www.stada.com.

Executive Board: Dr. Matthias Wiedenfels (Chairman) / Helmut Kraft / Hartmut Retzlaff (exempted from duty)
Chairman of the Supervisory Board: Dr. Martin Abend