Press Release – November 10, 2016

STADA records further growth in the first nine months of 2016 – Adjusted net income of at least Euro 180 million now expected for full year 2016

Important items at a glance

- Generics segment in Q3 shows continued strong growth and renewed margin increase
- Branded Products segment in Q3 influenced by currency in Russia and the UK – strong sales increase in Germany – recovery in Belgium
- Cash flow from operating activities significantly increased
- Adjusted net income of at least Euro 180 million now expected for full year 2016

STADA Group Key Figures

	Q3/2016	**Q3/2015**	**+/-**	**1-9/2016**	**1-9/2015**	**+/-**
Group sales, reported	€ 507.0 million	€ 507.7 million	-0.1%	€ 1,541.7 million	€ 1,533.5 million	+0.5%
Group sales, adjusted	*€ 507.4 million*	*€ 504.4 million*	*+0.6%*	*€ 1,568.4 million*	*€ 1,522.1 million*	*+3%*
EBITDA, reported	€ 88.4 million	€ 99.8 million	-11%	€ 289.1 million	€ 281.2 million	+3%
EBITDA, adjusted	*€ 98.3 million*	*€ 104.6 million*	*-6%*	*€ 300.6 million*	*€ 293.8 million*	*+2%*
Net income, reported	€ 18.3 million	€ 36.3 million	-50%	€ 100.3 million	€ 89.9 million	+11%
Net income, adjusted	*€ 43.8 million*	*€ 41.9 million*	*+4%*	*€ 139.9 million*	*€ 126.9 million*	*+10%*
Earnings per share, reported	€ 0.29	€ 0.58	-50%	€ 1.61	€ 1.46	+10%
Earnings per share, adjusted	*€ 0.70*	*€ 0.67*	*+4%*	*€ 2.25*	*€ 2.07*	*+9%*

According to Dr. Matthias Wiedenfels, Chairman of the Executive Board of STADA Arzneimittel AG: “The implementation of our further developed strategy is progressing as planned. STADA remains on a growth path. Despite the challenging environment in individual regions and a high comparable basis, we were able to increase almost all essential key earnings figures in the first nine months of 2016. This strengthens our confidence in our full-year 2016 growth targets. For the Group’s adjusted net income, we now expect at least 180 million Euros.”

3 percent increase in adjusted Group sales

Reported Group sales in the first nine months of 2016 recorded a slight increase of 0.5 percent to Euro 1,541.7 million (1-9/2015: Euro 1,533.5 million). Adjusted for currency and portfolio effects, adjusted Group sales in this period increased by 3.0 percent to Euro 1,568.4 million (1-9/2015: Euro 1,522.1 million).

In the third quarter of 2016, reported Group sales of Euro 507.0 million were at approximately the level of the corresponding period of the previous year (Q3/2015: Euro 507.7 million). Adjusted for currency and portfolio effects, adjusted Group sales in this period increased slightly by 0.6 percent to Euro 507.4 million (Q3/2015: Euro 504.4 million).

10 percent increase in adjusted net income

The earnings situation was characterized by burdening translation effects – in particular the Russian ruble and the British pound sterling – as well as expenses in connection with reorganization decisions. This led to significant differences between reported operating profit, EBIT and EBT and the adjusted key earnings figures (see also the reconciliation at the end of this Press Release).

Reported operating profit recorded a decline of 4 percent to Euro 173.0 million in the first nine months of 2016 (1-9/2015: Euro 179.8 million). **Adjusted operating profit** recorded growth of 4 percent to Euro 225.9 million in this period (1-9/2015: Euro 217.8 million).

In the third quarter of 2016, **reported operating profit** declined by 46 percent to Euro 36.7 million (Q3/2015: Euro 67.7 million). **Adjusted operating profit** decreased by 9 percent to Euro 72.4 million in this period (Q3/2015: Euro 79.7 million).

Reported EBITDA increased by 3 percent to Euro 289.1 million in the first nine months of 2016 (1-9/2015: Euro 281.2 million). **Adjusted EBITDA** recorded a plus of 2 percent to Euro 300.6 million in this period (1-9/2015: Euro 293.8 million).

In the third quarter of 2016, the **reported EBITDA** declined by 11 percent to Euro 88.4 million (Q3/2015: Euro 99.8 million). **Adjusted EBITDA** decreased by 6 percent to Euro 98.3 million in this period (Q3/2015: Euro 104.6 million).

In the first nine months of 2016, **reported net income** rose by 11 percent to Euro 100.3 million (1-9/2015: Euro 89.9 million). **Adjusted net income** increased by 10 percent to Euro 139.9 million (1-9/2015: Euro 126.9 million).

In the third quarter of 2016, the **reported net income** decreased by 50 percent to Euro 18.3 million (Q3/2015: Euro 36.3 million). **Adjusted net income** increased by 4 percent to Euro 43.8 million in this period (Q3/2015: Euro 41.9 million).

Strong cash flow development

Cash flow from operating activities improved to Euro 198.0 million in the first nine months of 2016 (1-9/2015: Euro 137.7 million). **Free cash flow** increased to Euro 78.6 million in this period (1-9/2015: Euro 10.6 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to Euro 132.8 million in the first nine months of 2016 (1-9/2015: Euro 68.6 million).

In the third quarter of 2016, **cash flow from operating activities** declined to Euro 85.0 million (Q3/2015: Euro 97.3 million). **Free cash flow** improved to Euro 63.6 million in this period (Q3/2015: Euro 54.9 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to Euro 90.3 million in the third quarter of 2016 (Q3/2015: Euro 74.3 million).

As of September 30, 2016, **net debt** had decreased to Euro 1,187.0 million (December 31, 2015: Euro 1,215.7 million). The **net debt to adjusted EBITDA ratio** in the first nine months of 2016 improved to 3.0 on linear extrapolation of the adjusted EBITDA of the reporting period on a full-year basis (1-9/2015: 3.4).

Outlook 2016

In terms of the **2016 outlook**, the Executive Board continues to anticipate slight growth in Group sales adjusted for currency and portfolio effects along with slight growth in adjusted EBITDA. As far as adjusted net income is concerned, a minimum of Euro 180 million is now expected. The Executive Board continues to expect the ratio of net debt excluding further acquisitions to adjusted EBITDA to be at a level of nearly 3.

New reporting structure

In the third quarter of the current financial year, the Executive Board decided to fundamentally change the reporting structures. The Group is therefore now managed exclusively by operating segments, i.e. the two segments Generics and Branded Products.

STADA Segment Key Figures Generics

	Q3/2016	Q3/2015	+/-	1-9/2016	1-9/2015	+/-
Sales, reported	€ 304.6 million	€ 291.6 million	+4%	€ 931.8 million	€ 928.2 million	+0.4%
Sales, adjusted	*€ 303.5 million*	*€ 289.9 million*	*+5%*	*€ 944.3 million*	*€ 921.8 million*	*+2%*
EBITDA, adjusted	*€ 64.0 million*	*€ 49.1 million*	*+30%*	*€ 193.6 million*	*€ 160.7 million*	*+20%*
Margin, adjusted	*21.0%*	*16.8%*		*20.8%*	*17.3%*	

At Euro 931.8 million, reported sales of the **Generics** segment in the first nine months of 2016 were slightly above the level of the corresponding period of the previous year (1-9/2015: Euro 928.2 million). Adjusted for portfolio effects and currency effects, sales of the Generics segment increased by 2 percent as compared to the corresponding period of the previous year. Generics contributed 60.4 percent to Group sales (1-9/2015: 60.5 percent).

Within the Generics segment, the sales development of the eight largest countries was as follows in the first nine months of 2016:

Sales in the German Generics segment decreased by 2 Percent to Euro 223.2 million (1-9/2015: Euro 227.7 million). The increasing expiration of discount agreements of STADApharm in particular contributed to this. Sales achieved with generics in **Italy** increased by 3 percent to Euro 116.8 million, in particular as a result of positive volume effects (1-9/2015: Euro 113.7 million). In **Spain**, sales could be maintained at approximately the level of the previous year with Euro 79.1 million (1-9/2015: Euro 80.2 million), although the comparable basis was high as a result of numerous product launches in the previous year and the legal approval of discounts this year led to increased revenue reductions. Sales generated with generics in **Russia** increased by 51 percent, applying the exchange rates of the previous year. Despite a negative currency effect of the Russian ruble, sales in euro increased by 31 percent to Euro 75.5 million (1-9/2015: Euro 57.5 million). Sales generated with generics in **France** recorded growth of 9 percent to Euro 60.5 million despite continued strong price and discount competition (1-9/2015: Euro 55.6 million). In **Belgium**, sales generated with generics in the first nine months of 2016 decreased by 25 percent to Euro 57.7 million, in particular due to a still hesitant purchasing and sales strategy of the

Belgian sales partner (1-9/2015: Euro 76.5 million). However, a positive sales development could be noticed in the third quarter of 2016. While sales declined by 66 percent in the second quarter, growth of 47 percent was recorded in the third quarter. Despite increased price pressure, sales generated with generics in **Vietnam** grew by 12 percent, applying the exchange rates of the previous year. As a result of a weaker Vietnamese dong, sales in euro increased by 9 percent to Euro 49.5 million (1-9/2015: Euro 45.4 million). This development resulted, in particular, from local tender processes that were won. The sales generated with generics in **Serbia** decreased by 27 percent, applying the exchange rates of the previous year. In euro, sales declined by 28 percent to Euro 37.2 million as a result of a slightly negative currency effect of the Serbian dinar (1-9/2015: Euro 51.8 million). This development was, among other things, attributable to the decision on declining reimbursement prices. Additionally, wholesalers continued to have high inventories.

Adjusted EBITDA of Generics showed an increase of 20 percent to Euro 193.6 million in the first nine months of 2016 (1-9/2015: Euro 160.7 million). This development was based on a significant earnings increase of the German sales companies due to more limited revenue reductions as well as savings in the area of marketing and sales costs. In addition, the good sales performance in Italy, France and Vietnam had a positive effect. The adjusted EBITDA margin for Generics was at 20.8 percent in the first nine months of 2016.

STADA Segment Key Figures Branded Products

	Q3/2016	Q3/2015	+/-	1-9/2016	1-9/2015	+/-
Sales, reported	€ 202.6 million	€ 216.0 million	-6%	€ 609.9 million	€ 605.3 million	+0.8%
Sales, adjusted	*€ 204.1 million*	*€ 214.5 million*	*-5%*	*€ 624.1 million*	*€ 600.3 million*	*+4%*
EBITDA, adjusted	*€ 52.5 million*	*€ 71.7 million*	*-27%*	*€ 161.1 million*	*€ 181.4 million*	*-11%*
Margin, adjusted	*25.9%*	*33.2%*		*26.4%*	*30.0%*	

Reported sales of the **Branded Products** segment increased slightly by 1 percent to Euro 609.9 million in the first nine months of 2016 (1-9/2015: Euro 605.3 million). This development was especially attributable to strong development in the German market. Adjusted for portfolio effects and currency influences, sales of the segment Branded Products increased by 4 percent as compared to the corresponding period of the previous year. Branded Products contributed 39.6 percent to Group sales (1-9/2015: 39.5 percent).

Within the Branded Products segment, the sales development of the five largest countries was as follows in the first nine months of 2016:

Sales generated with branded products in **Germany** recorded significant growth of 47 percent to Euro 143.1 million (1-9/2015: Euro 97.3 million). This strong development was attributable to optimizations in the product portfolio, decreased returns and the invoicing of high seasonal orders. In the **United Kingdom**, sales generated with branded products increased by 15 percent, applying the exchange rates of the previous year. Despite the negative currency effect as a consequence of the referendum decision in favor of the United Kingdom leaving the European Union, sales in euro increased by 5 percent to Euro 118.2 million (1-9/2015: Euro 112.8 million). The acquisition of both the Socialites Group and BSMW Limited contributed to this growth in branded products sales. However, a weak cough and cold season at the beginning of the year and reduced sales of suncream products had a dampening effect on sales. In view of the continued difficult framework conditions, in particular in the self-pay market, sales generated with branded products in **Russia** decreased by 21 percent, applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales in euro declined by 30 percent to Euro 101.8

million (1-9/2015: Euro 144.9 million). This development was primarily driven by growing consolidation on the demand side and consequently higher discount burdens. In addition, price increases in the so-called Vital and Essential Drugs List (EDL) could not compensate for the high inflation rate. Sales generated in **Italy** with branded products recorded growth of 10 percent to Euro 30.1 million, in particular as a result of acquisitions (1-9/2015: Euro 27.4 million). Sales generated in **Vietnam** with branded products increased by 18 percent, applying the exchange rates of the previous year. In euro, sales increased due to a slightly negative currency effect of the Vietnamese dong by 15 percent to Euro 26.4 million (1-9/2015: Euro 22.9 million).

Adjusted EBITDA of Branded Products decreased by 11 percent to Euro 161.1 million (1-9/2015: Euro 181.4 million). This development was based on the aforementioned effects in the Russian and UK markets. The adjusted EBITDA margin for Branded Products was at 26.4 percent in the first nine months of 2016.

STADA reconciliation

Reconciliation of special items nine months 2016

in € million[1]	9 months 2016 reported	Impairments/ write-ups on intangible assets	Effects from purchase price allocations and product acquisitions[2]	Currency effects CIS/Eastern Europe[3]	Measure-ment of derivative financial instruments	Other[4]	*9 months 2016 adjusted*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**289.1**	**--**	**0.8**	**6.6**	**--**	**4.1**	***300.6***
Balance from depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	115.1	-29.0	-12.5	--	--	--	*73.6*
Financial income and expenses	-38.9	--	--	--	0.3	--	*-38.6*
Income taxes	27.6	5.1	3.7	0.8	0.0	4.4	*41.6*
Result distributable to non-controlling shareholders	7.2	0.0	-0.3	--	--	--	*6.9*
Result distributable to shareholders of STADA Arzneimittel AG (net income)	**100.3**	**23.9**	**9.9**	**5.8**	**0.3**	**-0.3**	***139.9***

[1] As a result of the presentation in € million, deviations due to rounding may occur in the tables.
[2] Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.
[3] Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/Eastern Europe.
[4] Relates to miscellaneous extraordinary income and expenses, among other things, from a received milestone payment in the United Kingdom, tax rate changes in the United Kingdom and a severance payment for the previous Chairman of the Executive Board.

Reconciliation of special items Q3 2016

in € million[1]	Third quarter of 2016 reported	Impairments/ write-ups on intangible assets	Effects from purchase price allocations and product acquisitions[2]	Currency effects CIS/Eastern Europe[3]	Measure-ment of derivative financial instruments	Other[4]	*Third quarter of 2016 adjusted*
Earnings before interest, taxes, depreciation and amortization (EBITDA)	88.4	--	-0.4	2.2	--	8.1	98.3
Balance from depreciation/amortization and impairments/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	51.7	-22.1	-3.7	--	--	--	25.9
Financial income and expenses	-12.9	--	--	--	-0.3	--	-13.2
Income taxes	2.8	3.6	2.1	0.2	-0.1	4.7	13.3
Result distributable to non-controlling shareholders	2.7	--	-0.6	--	--	--	2.1
Result distributable to shareholders of STADA Arzneimittel AG (net income)	18.3	18.5	1.8	2.0	-0.2	3.4	43.8

1 As a result of the presentation in € million deviations due to rounding may occur in the tables.
2 Relates to additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions taking financial year 2013 as basis.
3 Relates to currency translation effects recorded in the income statement resulting from the fluctuation of the Russian ruble as well as other significant currencies of the region CIS/Eastern Europe.
4 Relates to miscellaneous extraordinary income and expenses, among other things, from a received milestone payment in the United Kingdom, tax rate changes in the United Kingdom and a severance payment for the previous Chairman of the Executive Board.

About STADA Arzneimittel AG

STADA Arzneimittel AG is a publicly-listed company with headquarters in Bad Vilbel, Germany. STADA consistently focuses on a multi-pillar strategy of generics and branded products (OTC) with an increasingly international market orientation. The Group is the only independent generics producer in Germany. STADA is represented in more than 30 countries with approximately 50 sales companies worldwide. Branded products such as Grippostad and Ladival are among the highest selling in their product category in Germany. In financial year 2015, STADA achieved Group sales of Euro 2,115.1 million, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of Euro 389.4 million and adjusted net income of Euro 165.8 million. As of December 31, 2015, STADA employed 10,532 people worldwide.

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