Press Release

STADA: Solid result in difficult market environment – Group sales increase by 4 percent – adjusted key earnings figures substantially higher than previous year – reported net income approximately at prior-year level

Important items at a glance

- Group sales increase to Euro 1,002.8 million (+4 percent) – adjusted for currency and portfolio effects -1 percent
- Adjusted sales in Russia -9 percent, adjusted sales in Central Europe +3 percent
- Despite the difficult market environment, particularly in Russia, and high burdens from currency translation effects of Euro 12.6 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 to Euro 192.1 million (+5 percent) – adjusted EBITDA records growth to Euro 208.3 million (+10 percent)
- Reported net income is – despite the high one-time special effects particularly from currency translation expenses and impairments from acquisitions – approximately at the same level of the corresponding period of the previous year with Euro 66.8 million – adjusted net income records substantial growth to Euro 90.1 million (+29 percent)
- Share of branded products in adjusted operating profit of core segments amounts to 51 percent
- Outlook for 2014 confirmed

STADA Key Figures

	1-6/2014	**1-6/2013**	**+/-**
Group sales	Euro 1,002.8 million	Euro 966.8 million	+4%
Operating profit, reported	Euro 121.2 million	Euro 129.5 million	-6%
Operating profit, adjusted	*Euro 152.2 million*	*Euro 135.4 million*	*+12%*
EBITDA, reported	Euro 192.1 million	Euro 183.4 million	+5%

EBITDA, adjusted	*Euro 208.3 million*	*Euro 189.1 million*	*+10%*
Net income, reported	Euro 66.8 million	Euro 66.6 million	0%
Net income, adjusted	*Euro 90.1 million*	*Euro 70.1 million*	*+29%*
Earnings per share	Euro 1.11	Euro 1.12	-1%
Earnings per share, adjusted	*Euro 1.49*	*Euro 1.18*	*+26%*

Bad Vilbel, August 7, 2014 – In the first half of 2014, the STADA Group's business development was characterized by difficult framework conditions in the two market regions of CIS/Eastern Europe and Germany. The Group was also burdened by one-time special effects in connection with high currency translation expenses recorded in the income statement. Overall, the Group's development was within the scope of expectations. Group sales rose. All adjusted key earnings figures recorded substantial growth.

"Within the context of our active acquisitions policy, we were able to strengthen our branded products segment in the first half of 2014 with three attractive acquisitions. With the expansion of high-margin branded products, we are consistently moving our growth strategy forward and at the same time are making ourselves increasingly independent of the regulated generics area – particularly in the German market", says Hartmut Retzlaff, Chairman of the Executive Board of STADA Arzneimittel AG.

Development of sales

Group sales increased by 4 percent to Euro 1,002.8 million in the first six months of 2014 (1-6/2013: Euro 966.8 million).

Sales of the core segment **Generics** decreased by 2 percent to Euro 598.7 million in the reporting period (1-6/2013: Euro 613.3 million), primarily due to the development in the markets of Germany and Russia. Generics thus contributed 59.7 percent to Group sales (1-6/2013: 63.4 percent). Sales of the core segment **Branded Products** recorded substantial growth of 14 percent to Euro 381.6 million in the first half of 2014 (1-6/2013: Euro 333.6 million). Branded Products thus contributed 38.1 percent to Group sales (1-6/2013: 34.5 percent).

Development of earnings

Reported operating profit decreased in the half year under review by 6 percent to Euro 121.2 million (1-6/2013: Euro 129.5 million). **Reported EBITDA** rose by 5 percent to Euro 192.1 million (1-6/2013: Euro 183.4 million). **Reported net income** was – despite the high one-time special effects – approximately at the same level of the corresponding period of the previous year with Euro 66.8 million (1-6/2013: Euro 66.6 million).

After adjusting the key earnings figures for influences distorting the period comparison resulting from one-time special effects, **adjusted operating profit** showed growth of 12 percent in the first six months of 2014 to Euro 152.2 million (1-6/2013: Euro 135.4 million). **Adjusted EBITDA** rose by 10 percent to Euro 208.3 million (1-6/2013: Euro 189.1 million). **Net income, adjusted** for one-time special effects and effects from the measurement of derivative financial instruments under financial income and expenses, increased substantially by 29 percent to Euro 90.1 million (1-6/2013: Euro 70.1 million).

The significant increase of adjusted 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. Against this background, the adjusted effective tax rate for the first six months of 2014 decreased to 22.5 percent in comparison to the corresponding period of the previous year (1-6/2013: 33.6 percent). The reported tax rate decreased by almost 10 percentage points in comparison to the corresponding period of the previous year to 24.0 percent (1-6/2013: 33.9 percent).

The **net debt to adjusted EBITDA ratio** was at 3.5 in the reporting period (1-6/2013: 3.2).

Development of the market regions

The four STADA market regions recorded varying developments in the first half of the current financial year. In market region Germany, sales decreased by 5 percent. In Central Europe, sales increased substantially by 15 percent. In CIS/Eastern Europe, sales grew by 4 percent applying the exchange rates of the previous year whereas sales in Euro declined by 9 percent as a result of negative currency effects. In market region Asia & Pacific, sales increased significantly by 50 percent.

In **market region Germany**, sales in the first half of 2014 recorded a decrease of 5 percent to Euro 227.0 million (1-6/2013: Euro 238.6 million). This development is primarily attributable to the still decreasing generics sales in this market region, which could not be compensated through a positive branded products business of the German sales companies and an increase in export activities. This market region contributed a total of 22.6 percent to Group sales (1-6/2013: 24.7 percent).

Sales in **market region Central Europe** recorded strong growth – despite the high basis of comparison in the corresponding period of the previous year and in consideration of the acquisition of the British OTC supplier Thornton & Ross Ltd. completed in the second half of 2013 – of 15 percent to Euro 467.4 million in the half year under review (1-6/2013: Euro 407.3 million). Sales achieved in this market region thereby contributed 46.6 percent to Group sales (1-6/2013: 42.1 percent). In market region Central Europe, sales saw particularly pleasing developments in the **United Kingdom** with significant growth of 134 percent, in **Spain** with a plus of 9 percent and in **Italy** with growth of 8 percent.

In **market region CIS/Eastern Europe**, sales in the first six months of the current financial year grew by 4 percent applying the exchange rates of the previous year. In euro, sales recorded a decline of 9 percent to Euro 265.6 million as a result of negative currency effects (1-6/2013: Euro 292.5 million). Sales achieved in this market region thereby contributed 26.5 percent to Group sales (1-6/2013: 30.3 percent). In **Russia**, sales decreased by 2 percent in the first half of 2014 applying the exchange rates of the previous year. As a result of a clearly negative currency effect of the Russian ruble, sales decreased in euro by 16 percent to Euro 163.5 million (1-6/2013: Euro 194.2

million). In **Serbia**, sales rose substantially by 15 percent in the reporting period applying the exchange rates of the previous year. In euro, sales increased by 11 percent to Euro 44.8 million despite a negative currency effect of the Serbian dinar (1-6/2013: Euro 40.3 million).

Sales in **market region Asia & Pacific** recorded a significant rise of 50 percent to Euro 42.8 million in the reporting period (1-6/2013: Euro 28.4 million). The sales contribution of this market region to Group sales was at 4.3 percent (1-6/2013: 2.9 percent). The growth in market region Asia & Pacific was primarily a result of the sales rise following the consolidation of STADA Vietnam J.V. Co., Ltd., Vietnam, and STADA Pharmaceuticals Beijing Ltd., China, as subsidiaries.

Development, production and procurement

Research and development costs amounted to Euro 29.3 million in the first six months of the current financial year (1-6/2013: Euro 27.4 million). Worldwide, STADA launched a total of 301 individual products in the individual national markets in the first half of 2014 (1-6/2013: 343 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 also 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.

STADA Adjustments

	1-6/2014
Net income, reported	Euro 66.8 million
One-time effects	
• 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 +10.5 million
• 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 +7.3 million
• Burden from value adjustments netted of write-ups on intangible assets after impairment tests	Euro +5.2 million
• Burden for 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
• Relief on earnings from the measurement of derivative financial instruments under financial income and expenses	Euro -1.5 million
Total one-time effects	**Euro 23.3 million**
Net income, adjusted	*Euro 90.1 million*

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