# Press Release – November 9, 2017

## STADA shows good business development in the third quarter of 2017 and the first nine months

- Significant growth in Group sales driven by both segments
- Double-digit increase in adjusted EBITDA – margin improvement in both segments
- Very good sales development of Generics in Belgium and Serbia
- Clear sales growth of Branded Products in Russia and the USA
- Increase in cash flow
- STADA well on track to achieve targets for 2017

***STADA Group Key Figures***

| | **Q3/2017** | **Q3/2016** | **+/-** | **1-9/2017** | **1-9/2016** | **+/-** |
|---|---|---|---|---|---|---|
| **Group sales, reported** | € 554.8 million | € 507.0 million | +9% | € 1,698.0 million | € 1,541.7 million | +10% |
| ***Group sales, adjusted*** | *€ 544.7 million* | *€ 505.1 million* | *+8%* | *€ 1,641.1 million* | *€ 1,537.4 million* | *+7%* |
| **EBITDA, reported** | € 99.4 million | € 88.4 million | +12% | € 320.3 million | € 289.1 million | +11% |
| ***EBITDA, adjusted*** | *€ 109.8 million* | *€ 98.3 million* | *+12%* | *€ 347.5 million* | *€ 300.6 million* | *+16%* |
| **Net income, reported** | € 18.9 million | € 18.3 million | +4% | € 109.2 million | € 100.3 million | +9% |
| ***Net income, adjusted*** | *€ 31.2 million* | *€ 43.8 million* | *-29%* | *€ 145.4 million* | *€ 139.9 million* | *+4%* |
| **Earnings per share, reported** | € 0.30 | € 0.29 | +3% | € 1.75 | € 1.61 | +9% |
| ***Earnings per share, adjusted*** | *€ 0.50* | *€ 0.70* | *-29%* | *€ 2.33* | *€ 2.25* | *+4%* |

„We achieved substantial sales and EBITDA growth in the third quarter, following our already strong development in the first half. Both our generics and our branded business contributed to this good performance. Also, the Company’s transformation process is well on track and we are confident that with all the initiatives underway, STADA will become an even stronger global player in the years to come", says STADA Chairman of the Executive Board Dr. Claudio Albrecht.

***Group sales again significantly increased in the third quarter***

In the **first nine months of 2017**, **reported Group sales** increased by 10 percent to Euro 1,698.0 million (Q3/2017: +9% to € 554.8 million). **Group sales adjusted** for currency and portfolio effects recorded growth of 7 percent to Euro 1,641.1 million (Q3/2017: +8% to € 544.7 million).

***Reported key earnings figures influenced by special items as expected***

Primarily in the second and third quarters, as expected, special items, in particular as a result of consultancy services in connection with the now completed takeover, were incurred and amounted to Euro 27.8 million before or Euro 20.0 million after taxes, thus influencing development of reported key earnings figures in the reporting period.

***Reported and adjusted EBITDA shows double-digit growth in the third quarter***

In the **first nine months of 2017**, **reported EBITDA** increased by 11 percent to Euro 320.3 million (Q3/2017: +12% to € 99.4 million). **Adjusted EBITDA** grew by 16 percent to Euro 347.5 million (Q3/2017: +12% to € 109.8 million).

***Decline in adjusted net income in the third quarter due to higher tax rate***

In the **first nine months of 2017**, **reported net income** increased by 9 percent to Euro 109.2 million (Q3/2017: +4% to € 18.9 million). **Adjusted net income** recorded growth of 4 percent to Euro 145.4 million (Q3/2017: -29% to € 31.2 million). The increase in adjusted net income in the first nine months was primarily attributable to a further improved financial result. However, a significantly higher tax rate, particularly attributable to tax deferrals made in the third quarter of 2017 for future tax liabilities, had an opposing effect in the third quarter of 2017.

***Cash flow increased***

**Cash flow from operating activities** improved to Euro 211.4 million in the **first nine months of 2017** (1-9/2016: Euro 198.0 million). **Free cash flow** increased to Euro 111.6 million (1-9/2016: Euro 78.6 million). **Free cash flow adjusted** for payments for significant investments or acquisitions and proceeds from significant disposals increased to Euro 144.7 million (1-9/2016: Euro 132.8 million).

***Net debt to adjusted EBITDA ratio improved***

As of September 30, 2017, **net debt** was at Euro 1,066.3 million (December 31, 2016: Euro 1,118.2 million). The **net debt to adjusted EBITDA ratio** in the first nine months of 2017 improved to 2.3 on linear extrapolation of the adjusted EBITDA of the first nine months of 2017 on a full-year basis (1-9/2016: 3.0).

***Outlook***

STADA, from today's vantage point, expects the key earnings figures in the fourth quarter of 2017 to be lower than the corresponding figures in the third quarter of 2017. This is for a number of reasons, primarily including the weakening value of the Russian ruble and British pound sterling compared with the euro, the seasonal marketing expenses that are required to sustain the sales of the branded products for cough-and-cold and to continue the internationalization of certain branded products, and the potentially negative effect on sales in Spain from the political turbulence following the recently held referendum on Catalonian independence.

The Executive Board continues to expect that **financial year 2017** as a whole will show growth over the previous year. Group sales adjusted for currency and portfolio effects are expected to be in the range of Euro 2.280 billion to Euro 2.350 billion, adjusted EBITDA between Euro 430 million and Euro 450 million and adjusted net income between Euro 195 million and Euro 205 million, consistent with the previously given guidance.

***Sales development Generics***

In the **first nine months of 2017, reported sales** in the **Generics** segment recorded an increase of 7 percent to Euro 994.2 million (Q3/2017: +5% to € 319.8 million). **Sales adjusted** for portfolio and currency effects increased by 4 percent to Euro 960.8 million (Q3/2017: +3% to € 312.5 million). This development particularly resulted from the initial consolidation of the Serbian wholesaler Velexfarm. In addition, increased segment sales in the Belgian and Italian markets also contributed.

***Country development Generics – the eight largest countries according to sales***

| | Q3/2017 | Q3/2016 | +/- | 1-9/2017 | 1-9/2016 | +/- |
|---|---|---|---|---|---|---|
| **Germany** | € 72.9 million | € 72.7 million | 0% | € 218.8 million | € 223.2 million | -2% |
| **Italy** | € 40.8 million | € 37.0 million | +10% | € 125.6 million | € 116.8 million | +7% |
| **Belgium** | € 32.7 million | € 16.9 million | +93% | € 88.7 million | € 57.7 million | +54% |
| **Russia** | € 29.1 million | € 26.2 million | +11% | € 81.4 million | € 75.5 million | +8% |
| **Spain** | € 26.9 million | € 26.3 million | +2% | € 79.9 million | € 79.1 million | +1% |
| **Serbia** | € 19.2 million | € 11.6 million | +65% | € 63.2 million | € 37.2 million | +70% |
| **France** | € 17.6 million | € 20.1 million | -12% | € 56.3 million | € 60.5 million | -7% |
| **Vietnam (Pymepharco)** | € 8.6 million | € 10.2 million | -15% | € 30.7 million | € 28.8 million | +6% |

***Country development Generics in the first nine months of 2017***

**Germany:** While sales at ALIUD PHARMA recorded growth due to discount agreement tenders won, sales at STADAPHARM were – against a high comparative base resulting from the expiration of discount agreements in December 2016 – below the corresponding level of the previous year. Business outside of discount agreement tenders at STADAPHARM, which has also included sales by the former cell pharm since July 1, 2017, showed positive development. This includes, among other things, sales with oncology products. **Italy:** Despite strong competition, positive volume growth, new launches and price effects particularly contributed to sales growth. **Belgium:** The significant increase in sales mainly resulted from positive volume effects due to the independent execution of sales activities since January 2017 (following the termination of the previous distribution agreement) as well as a reduced discount rate. **Russia:** Sales development was primarily influenced by lower volume effects and portfolio adjustments. **Spain:** The slight sales growth resulted for the most part from new product launches. **Serbia:** The strong sales growth was mainly due to the initial consolidation of the Serbian wholesaler Velexfarm. Furthermore, it is also attributable to the change to the distribution model in the Serbian generics market, in the course of which the Serbian STADA subsidiary will now be increasingly focused on direct sales. **France:** The sales decline was particularly attributable to continued strong price and discount competition. **Vietnam:** STADA has two subsidiaries in Vietnam: Pymepharco Joint Stock Company and STADA Vietnam J.V. Co. Ltd. Since financial reports for STADA Vietnam J.V. Co. Ltd. are not available since April 2017, sales for Vietnam in the third quarter of 2017 and the first nine months of 2017 only include sales of Pymepharco. In the first nine months, Pymepharco Joint Stock Company has registered a sales increase based on positive volume effects.

***EBITDA and margin development Generics***

In the **first nine months of 2017**, the **adjusted EBITDA** of the **Generics segment** increased by 14 percent to Euro 220.1 million (Q3/2017: +8% to € 69.4 million). This development was particularly a result of improved operating profit in Belgium (following the termination of the previous distribution agreement in December 2016) as well as improved operating profit in the German and Italian Generics segment. In the first nine months of 2017, the **adjusted EBITDA margin** was 22.1 percent (1-9/2016: 20.8%; Q3/2017: 21.7%; Q3/2016: 21.0 percent).

***Sales development Branded Products***

**Reported sales** of the **Branded Products** segment increased by 15 percent to Euro 703.8 million in the **first nine months of 2017** (Q3/2017: +16% to € 235.0 million). **Sales adjusted** for portfolio and currency effects grew by 12 percent to Euro 680.3 million (Q3/2017: +15% to € 232.2 million). This positive development primarily resulted from strong growth in segment sales in Russia and an increased sales contribution from the Serbian subgroup.

***Country development Branded Products – the five largest countries according to sales***

| | **Q3/2017** | **Q3/2016** | **+/-** | **1-9/2017** | **1-9/2016** | **+/-** |
|---|---|---|---|---|---|---|
| **Russia** | € 60.3 million | € 41.7 million | +45% | € 168.3 million | € 101.8 million | +65% |
| **Germany** | € 48.6 million | € 42.9 million | +13% | € 140.0 million | € 143.1 million | -2% |
| **United Kingdom** | € 35.0 million | € 34.6 million | +1% | € 117.1 million | € 118.2 million | -1% |
| **Italy** | € 10.9 million | € 8.6 million | +27% | € 32.5 million | € 30.1 million | +8% |
| **USA** | € 9.8 million | € 8.5 million | +15% | € 27.4 million | € 22.7 million | +21% |

### *Country development Branded Products in the first nine months of 2017*

**Russia:** Most of the sales increase was attributable to growth in volume, particularly for some of the key brands which were out-of-stock in the previous year. **Germany:** Third quarter sales were strong due to the early delivery of cough & cold products as well as some launches; however the year-to-date sales were lower than the corresponding period of the previous year, partly because of a high comparative base, and partly due to a decline in sales of the Parkinson's treatment APO-Go in Germany. **United Kingdom:** This sales increase was mainly attributable to the two acquisitions, BSMW and Natures Aid. **Italy:** The sales increase was particularly attributable to a reorganization of sales structures carried out at the end of 2016. **USA:** The sales growth resulted from the good development of Parkinson's treatment APO-Go.

### *EBITDA and margin development Branded Products*

In the **first nine months of 2017**, the **adjusted EBITDA** of **Branded Products** increased by 19 percent to Euro 191.5 million (Q3/2017: +33% to € 70.1 million). This development was particularly attributable to strong sales development and positive foreign exchange translation effects in Russia. In addition, there were reduced write-downs on non-current assets in the Branded Products segment. The **adjusted EBITDA margin** of Branded Products was 27.2 percent in the first nine months of 2017 (1-9/2016: 26.4%; Q3/2017: 29.8%; Q3/2016: 25.9%).

**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. Worldwide, STADA is represented in more than 30 countries with more than 50 subsidiaries. Branded products such as Grippostad and Ladival are among the highest selling in their product categories in Germany. In financial year 2016, STADA achieved adjusted Group sales of Euro 2,167.2 million, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of Euro 398 million and adjusted net income of Euro 177.3 million. As of December 31, 2016, STADA employed 10,900 people worldwide.

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