STADA
Arzneimittel

Corporate News

STADA: Strong growth in 1-9/2007: Sales +25%, operating profit +41%

STADA interim report after 9 months of 2007: Important items at a glance

- Strong operative growth continues as expected in the first nine months of 2007:
    - Group sales EUR 1,089.3 million (+25%)
    - Operating profit EUR 160.9 million (+41%) or adjusted EUR 170.9 million (+40%)
    - Net income EUR 69.8 million (+16%) or adjusted EUR 93.7 million (+31%)
- Record highs for all key earning figures regardless of significant burdening one-time special effects in 1-9/2007 from a total net amount of EUR 39.2 million before or approx. EUR 23.9 million after taxes (included therein, among other things, the known one-time expense of EUR 29.2 million before or approx. EUR 18.5 million after taxes due to the restructuring of the German generics sales)
- Successful approval process for Epo-zeta: “positive opinion” from EMEA and first approval in Serbia in current Q4/2007
- Continuation of active acquisition policy: Purchase of the Russian pharmaceutical group MAKIZ and the British pharmaceutical group Forum Bioscience completed in Q3/2007
- Positive outlook for fiscal year 2007: Strong growth in sales and all key earnings figures to new record levels in the company’s history expected

The financial figures published by STADA Arzneimittel AG today, on November 14, 2007, in the interim report after nine months of the current fiscal year show that, as expected, the strong operative growth of the Group in sales and earnings has continued in this period.

"STADA has achieved historical record values in sales and all key earning figures after three quarters of the current fiscal year 2007. Thereby, the strong increase in operating profit of 41% as compared to the first nine months of the previous year is outstanding. STADA's growth has thus again proven to be sustainable and robust", commented STADA's Chief Executive Officer Hartmut Retzlaff the financial figures published today. Also for the overall fiscal year 2007, the Executive Board continues to expect, from today's perspective, strong growth in sales and all key earnings figures to respectively new record levels in the company's history.

Group sales record strong growth

Group sales were increased by 25% to EUR 1,089.3 million (1-9/2006: EUR 870.3 million) in the reporting period. Adjusted organic sales growth thereby amounted to 13%; for this, Group sales were adjusted for the sales contributions from acquisitions and disposals made by the Group in the previous twelve months as well as from products sold in this period.

The clearly larger core segment, **Generics**, recorded sales growth of 32% to EUR 821.5 million in the reporting period (1-9/2006: EUR 624.7 million). Thus, in the first nine months of the current fiscal year, Generics had a share in Group sales of 75.4% (1-9/2006: 71.8%). Sales of the second core segment, **Branded Products**, increased by 9% to EUR 208.2 million in the first nine months of 2007 (1-9/2006:

EUR 191.3 million). Thus, Branded Products contributed 19.1% to Group sales in the reporting period (1-9/2006: 22.0%).

In the first nine months of 2007, sales STADA achieved outside of Germany in the scope of **international business activities** rose with 30%, as expected, at a higher rate as compared to Group sales and reached a share of 61.8% (1-9/2006: 59.6%) in Group sales. The STADA Group's long-term oriented internationalization thus continued to prove an important growth factor.

One-time special effects

Due to various one-time special effects, the STADA Group reported – after offsetting burdens and reductions caused by this – a burden of earnings in the total amount of EUR 39.2 million before taxes or approx. EUR 23.9 million after taxes in the first nine months of 2007. By far the biggest one-time special effect was thereby the known burden in the total amount of EUR 29.2 million before taxes or approx. EUR 18.5 million after taxes which resulted from the current restructuring measures of the German STADA generics sales (see the company's ad hoc release from September 28, 2007).

Further earnings growth in the Group

Despite the aforementioned significantly burdening one-time special effects, **net income** further continued to grow clearly by 16% to EUR 69.8 million in the reporting period (1-9/2006: EUR 60.1 million). **Net income adjusted** for these one-time special effects increased even more strongly by 31% to EUR 93.7 million in the first nine months of the current fiscal year as compared to the same period in the previous year (1-9/2006: EUR 71.5 million). **Earnings per share** in the first nine months of 2007 amounted to EUR 1.20 (1-9/2006: EUR 1.12), **adjusted**

earnings per share were EUR 1.61 (1-9/2006: EUR 1.34). Here, it must be taken into consideration that the average number of STADA shares increased by 9% in the reporting period as compared to the first three quarters of 2006 due to the exercise of options since that time. **Diluted earnings per share** amounted to EUR 1.15 in the first nine months of 2007 (1-9/2006: EUR 1.03), **adjusted diluted earnings per share** were EUR 1.54 (1-9/2006: EUR 1.22).

Outstanding growth showed **operating profit** by 41% to EUR 160.9 million (1-9/2006: EUR 114.3 million) and **adjusted operating profit** by 40% to EUR 170.9 million (1-9/2006: EUR 122.3 million).

In addition, the following items grew in the first nine months of 2007 as compared to the same period in the previous year: **earnings before taxes** (EBT) by 17% to EUR 104.4 million (1-9/2006: EUR 89.2 million), **adjusted earnings before taxes** by 31% to EUR 143.6 million (1-9/2006: EUR 109.2 million), **earnings before interest and taxes** (EBIT) by 29% to EUR 132.0 million (1-9/2006: EUR 102.5 million), **adjusted earnings before interest and taxes** by 40% to EUR 171.2 million (1-9/2006: EUR 122.6 million), **earnings before interest, taxes, depreciation and amortization** (EBITDA) by 34% to EUR 193.7 million (1-9/2006: EUR 144.7 million) and **adjusted earnings before interest, taxes, depreciation and amortization** by 42% to EUR 217.9 million (1-9/2006: EUR 153.8 million).

Significant regional developments in the STADA Group

In **Germany**, which continues to be STADA's largest national market, the Group recorded sales growth of 19% to EUR 416.4 million in the first nine months of 2007 (1-9/2006: EUR 351.3 million).

The increase in the German generics business, which grew in sales by 25% to EUR 343.4 million in the reporting period (1-9/2006: EUR 274.3 million), continued to be significantly responsible for this. According to data provided by IMS Health, the STADA Group's market share in the German generics market increased clearly from 9.2% to now 10.7% in the first nine months of 2007 as compared to the same period of the previous year.

In the third quarter of 2007 it was confirmed that in the German generics market, under the conditions of the Act for strengthening competition in public health insurance (GKV-WSG), which has been in effect since April 1, 2007, the regulating instrument of discount agreements (direct contractual discount agreements between pharmaceutical companies and health insurance organizations) has gained great importance for the market success of generics suppliers.

Against the background of these market changes, in particular the STADA Group's generics sales line ALIUD PHARMA, which is especially oriented to discount agreements, achieved a strong sales increase of 65% to EUR 140.4 million in the first nine months of 2007 (1-9/2006: EUR 85.0 million); sales growth in the third quarter of 2007 was thereby 81% as compared to the corresponding quarter in the previous year.

Sales supported by the Group's second generics sales line, STADApharm (incl. STADA Medical), recorded a total increase of 5% to EUR 183.9 million in the first three quarters of 2007 (1-9/2006: EUR 175.6 million) and by comparing the third quarter of 2007 and the third quarter of 2006 they showed growth of 2%.

In the Executive Board's assessment these results confirm that the GKV-WSG has led to sustained structural changes in the German generics market: For business success and in particular growth opportunities in this market, the form and the scope of the discounts granted to the individual health insurance organizations and the selection of the pharmacy among competing products with a discount agreement are now increasingly playing the central role in sales, while the importance of the doctor's product selection and of the sales measures targeted toward this has strongly decreased.

From the Executive Board's perspective, the operating structures of German generics sales had to be immediately adapted to these serious market changes. On September 28, 2007 the Executive Board therefore initiated a comprehensive restructuring of parts of its German generics sales (see ad hoc release from September 28, 2007). Within the scope of this restructuring, 230 jobs in doctors-related sales forces and related sales functions in STADA's two German sales companies, STADApharm GmbH and STADA Medical will be eliminated until the end of the year 2007. In accordance with a reconciliation of interests and a social compensation plan reached with the Workers' Council in the current fourth quarter, the employment relations of employees concerned are transferred, in the scope of a partial company change, to a subsidiary of pharmexx GmbH, Hirschberg; for employees who object to this change within the legal deadline of one month and whose jobs then made redundant, an adequate compensation arrangement has been agreed on.

As of 2008 STADApharm and STADA Medical will bundle their sales activities in the scope of the restructuring and will conceptually reorganize them without own sales employees targeting doctors. STADApharm's existing nationwide pharmacy sales force will remain unchanged and, in accordance with the great importance of pharmacies for the selection of generics in the scope of discount agreements, will play a central role in the future sales concept. Other sales companies of the Group, in particular also ALIUD PHARMA, are not affected by the restructuring.

In connection with this restructuring STADA continues to expect, from today's perspective, a one-time expense in a total amount of approx. EUR 29.2 million before taxes or approx. EUR 18.5 million after taxes. The goal of the restructuring is, by adapting the sales structures to the changed demand mechanisms, to consistently reduce the fixed sales costs of the German generics business in the STADA Group. Regardless of the expected burdens on the sales-related gross margin through existing and future discount agreements, the German generics business should, also in the future, be able to contribute its significant share to the operating profit of the STADA Group. The current far-reaching changes in the structure of the German generics market will thus, in the view of the Executive Board, from today's perspective, not lastingly influence the sustained growth course of the STADA Group.

In **Serbia**, which continues to be STADA's second largest national market – after the acquisition of the Serbian Hemofarm Group in the third quarter of 2006 – the Group recorded sales in the amount of RSD 7,842.2 million or EUR 98.3 million in the first nine months of 2007. Hemofarm thus remains the clear market leader in the overall Serbian pharmaceutical market.

In **Belgium**, sales went up by 1% to EUR 77.1 million in the reporting period (1-9/2006: EUR 76.0 million). Thereby, bringing-forward effects due to stockpiling on the part of distribution channels at the end of 2006 must still be considered. In addition, a clearly curbed growth dynamic can be observed in the overall Belgian market in 2007. An improvement in the local market conditions can be expected only some time after the establishment of a new Belgian government. However, the local STADA management has, in a timely manner, taken appropriate measures to secure local earnings goals in the current fiscal year.

In **Russia**, in the first nine months of 2007 STADA increased overall sales generated there by the Group – partly also due to the first-time inclusion of acquired sales and despite a high sales level in the corresponding period of the previous year – by 46% to EUR 84.5 million (1-9/2006: EUR 57.8 million).

STADA considers Russia an important growth market and therefore further expanded, as is known, its Group presence there by means of an acquisition of the Russian pharmaceutical group MAKIZ in the third quarter of 2007 (see the company's ad hoc releases from August 3, 2007 and August 31, 2007); MAKIZ has thus been consolidated in the STADA Group since September 1, 2007.

In **Italy**, STADA recorded sales growth of 7% to EUR 80.4 million the first three quarters of 2007 (1-9/2006: EUR 75.0 million). Adjusted for the Defibrotide branded products sold at the beginning of the year, sales in Italy increased by 9%. A growth driver was the generics segment which, in terms of sales, went up in a clear double-digit percentage range with 29% in the first nine months of 2007.

In **France**, STADA reported a sales plus of 13% to EUR 59.3 million in the first nine months of this fiscal year (1-9/2006: EUR 52.2 million).

In **Spain**, sales in the first nine months of the current fiscal year grew despite significant price reductions due to regulatory measures in the local generics market as of March 1, 2007, by 4% to EUR 48.1 million (1-9/2006: EUR 46.1 million). Here, it must still be taken into account that the sales licenses for two local branded products with an annual sales volume of EUR 2.3 million expired at the end of

2006. Adjusted for this sales disposal, sales of STADA's Spanish business grew by 9% in the first nine months of 2007.

In the **United Kingdom**, in the reporting period sales went up very strongly by 24% to EUR 36.5 million (1-9/2006: EUR 29.3 million). The local sales company Genus continues to pursue a sales concept targeted toward niches for off-patent active ingredients in the area between generics and branded products.

As is known, STADA has further expanded this sales presence in the third quarter of 2007 through the acquisition of the British pharmaceutical group Forum Bioscience (see the company's ad hoc releases from August 31, 2007 and September 21, 2007) and thus prepared for what appears to be a clearly more intensive local competitive situation; Forum Bioscience has been consolidated in the STADA Group since October 1, 2007.

Other European STADA sales companies also recorded pleasing sales growth in the first nine months of 2007: Growth in the double-digit percentage range was achieved, among other places in **Austria** (+32%), in **Portugal** (+28%), in the **Ukraine** (+41%) and in **Finland** (+18%).

In the **Asian countries**, sales generated by STADA decreased by 6% to EUR 31.9 million in the reporting period (1-9/2006: EUR 34.0 million). It must still be taken into account here that STADA had achieved exceptionally high one-time sales due to a one-time tender business in Vietnam in fiscal year 2006. By deducting this tender business sales in Asia went up by 39% in the first nine months of 2007 as compared to the same period in the previous year.

Well-filled product pipeline continues to ensure new product launches

Research and development costs amounted to EUR 27.0 million in the first nine months of 2007 (1-9/2006: EUR 22.6 million). Due to STADA's comprehensive development and approval activities, the Group was able to launch, on the basis of individual approvals, 270 new products into the market in the reporting period (1-9/2006: 250 product launches). Thus, in the current fourth quarter, the local German sales company STADApharm was able as the first supplier to launch a generic with the active ingredient Olanzapine (active ingredient for the treatment of schizophrenia with an estimated current market volume in Germany of over EUR 200 million p.a. at ex-factory prices) in the German market. STADA's product pipeline continues to be well-filled for future launches with a focus on the Generics segment.

Furthermore, via BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital, STADA continues to pursue the development of two biosimilar products. For Erythropoietin-zeta (Epo-zeta), as is known, STADA thereby received, as expected, on October 18, 2007, a so-called "positive opinion" from the responsible EU approval agency EMEA in the ongoing EU-wide approval process (see the company's corporate news from October 19, 2007). The "positive opinion" covers the indications nephrology (dialysis) and oncology. Thus, an EU-wide approval of Epo-zeta for these indications can still be expected in the current year. Additionally, in Serbia, the first national approval for Epo-zeta outside the EU was obtained in the current fourth quarter.

After the positive decision by EMEA, STADA will probably be able to market Epo-zeta in Germany in the first quarter of 2008 via the Group-owned sales company cell pharm GmbH. In addition, STADA will market Epo-zeta in Serbia via the local STADA sales company as of 2008.

For the second biosimilar project Filgrastim, first clinical studies, as is known, have been going on since the second quarter of 2007.

Financial position and cash flow

In the Executive Board's view, the STADA Group's financial position continues to be healthy and stable.

With 36.0% as of September 30, 2007 (December 31, 2006: 40.1%), the equity-to-assets ratio, – also after the acquisitions of the MAKIZ Group and the Forum Bioscience Group – was clearly above 30% and thus, from the Executive Board's perspective, in a satisfying area. Net debt amounted to EUR 948.2 million on this date (December 31, 2006: EUR 773.0 million).

In the first nine months of 2007, due to the once again improved earnings situation and higher depreciation and amortization as compared to the first nine months of the previous year, gross cash flow was increased to EUR 135.7 million (1-9/2006: EUR 104.8 million). The unadjusted operating cash flow was EUR 111.1 million in the first three quarters of the current fiscal year (1-9/2006: EUR -5.6 million); adjusted for special effects from payments made or still outstanding from acquisitions and disposals, the operating cash flow reached EUR 106.5 million in the reporting period (1-9/2006: EUR 33.3 million).

Active acquisition policy will be continued

Also after the current acquisitions in the third quarter, STADA will continue its active acquisition policy to further accelerate Group growth. In this context, growth opportunities lie on the one hand in the further expansion of the international sales structure, particularly in the East-European markets. On the other hand, economy of scale effects in connection with acquisitions can open up additional sales and earnings potential, for example through the acquisition of suitable products or companies. Furthermore, from the Executive Board's perspective, the growing size of the company also makes acquisitions or closer cooperations for vertical integration thinkable, in the area of the production of active ingredients for example. To create a sufficient financial framework, appropriate capital measures continue to be imaginable for corresponding acquisition projects.

Positive outlook

In the Executive Board's view, the STADA Group will continue to develop positively and to further benefit from sustained operative growth in the future, too. In addition, growth acceleration by means of acquisitions will continue to be strived for.

The Executive Board continues to assume that significant regulatory measures and intensive competition, in particular also price wars, will always occur in individual national markets in which the STADA Group is active. Due to the strategic positioning and the numerous operative strengths the Executive Board, however, also continues to expect that STADA's business model will remain sustainable and viable for the future.

“Sustained operative growth continues to be our central goal which, also in the years to come, we will be able to achieve on our own. Thus, for the fiscal year 2007, we expect strong growth in sales and in all key earnings figures to respectively new record highs in the company’s history” is Retzlaff’s unchanged confident assessment of the STADA Group.

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