STADA
Arzneimittel

Corporate News

STADA: Double-digit growth in Q1/2008: Sales +11%, net income +16%

Important items at a glance

- Double-digit growth rates in sales and earnings in the first quarter of 2008
  - Group sales EUR 399.0 million (+11%)
  - Operating profit EUR 56.6 million (+16%)
  - Net income EUR 31.3 million (+16%)
- Confirmation of positive outlook for the fiscal year 2008: successful growth course to be continued.

The key figures in the interim report on the first three months of 2008 published today, May 14, 2008, by STADA Arzneimittel AG show that – in spite of an expected difficult market environment in various national markets – STADA's sales and earnings grew again in the double-digit percentage range as compared to the first quarter of 2007. "The business development during the first quarter of 2008 shows that STADA was able to reach sustainable operative growth in spite of challenging conditions and thus continued the successful course of the previous years," said Hartmut Retzlaff, STADA's Chairman of the Executive Board. "In this context, our international business activities continued to prove an important factor for further business expansion," continued Retzlaff.

For the current fiscal year 2008 and the years to come the Executive Board continues to deem chances as good that the sustainable operative growth can be continued.

Sales and earnings development of the STADA Group

Group sales rose by 11% to EUR 399.0 million in the first quarter of 2008 (first quarter of 2007: EUR 360.1 million). STADA's **international sales** rose by 17% to EUR 252.9 million in the first quarter of 2008 (first quarter of 2007: EUR 215.4 million) and thereby grew again, as expected, at a stronger rate than Group sales. They now account for 63.4% of Group sales (first quarter of 2007: 59.8%).

Generics, which remains the significantly larger core segment (share in Group sales in the first quarter of 2008: 67.5%) recorded sales growth of 1% to EUR 269.4 million (first quarter of 2007: EUR 267.1 million). Sales of the core segment **Branded Products** (share in Group sales in the first quarter of 2008: 22.2%) showed a plus of 20% to EUR 88.6 million in the first quarter of 2008 (first quarter of 2007: EUR 74.1 million).

In **net income**, STADA recorded growth by 16% to EUR 31.3 million in the first three months of 2008 (first quarter of 2007: EUR 26.9 million). **Earnings per share** amounted to EUR 0.53 in the reporting period (first quarter of 2007: EUR 0.46). Here, an increase in the average number of STADA shares of 1% in the first three months of 2008 as compared to the corresponding quarter in the previous year due to the exercise of options since that time must be taken into consideration. **Diluted earnings per share** amounted to EUR 0.51 in the reporting period (first quarter of 2007: EUR 0.44).

The other **key earnings figures** grew as follows in the first three months of 2008 as compared to the corresponding period of the previous year: **operating profit** by 16% to EUR 56.6 million (first quarter of 2007: EUR 49.0 million), **earnings before taxes** (EBT) by 8% to EUR 43.8 million (first quarter of 2007: EUR 40.6

million), **earnings before interest and taxes** (EBIT) by 18% to EUR 57.7 million (first quarter of 2007: EUR 49.0 million), and **earnings before interest, taxes, depreciation and amortization** (EBITDA) by 20% to EUR 77.4 million (first quarter of 2007: EUR 64.8 million).

In the above-mentioned key earnings figures burdening and relieving **one-time special effects** are included, which lead to a net balance of nearly zero, and in total resulted in a net burden on earnings before taxes in the amount of EUR 0.4 million and a relief on earnings after taxes in the amount of EUR 0.01 million; there were no one-time special effects disclosed in the first quarter of the previous year.

The **Generics** segment recorded an operating segment profit of EUR 43.4 million in the first quarter of 2008 (first quarter of 2007: EUR 46.2 million), corresponding to a sales-related **segment margin** of 16.1% (first quarter of 2007: 17.3%); operating segment profit in the **Branded Products** segment amounted to EUR 12.1 million in the first quarter of 2008 (first quarter of 2007: EUR 10.8 million), thus leading to an operating **segment margin** of 13.7% (first quarter of 2007: 14.5%).

Regional development in the STADA Group

In STADA's 10 largest national markets, total sales were increased by 14% in spite of mixed regional business development.

In **Germany**, which continues to be STADA's largest national market, Group sales in the first quarter of the current fiscal year were overall 1% below the previous year, achieving EUR 146.1 million (first quarter of 2007: EUR 144.7 million). The share of German business activities in Group sales now amounts to 36.6% in the first quarter of 2008 (first quarter of 2007: 40.2%).

While sales in the Branded Products segment were increased by 15% to EUR 33.3 million in the first quarter of 2008 (first quarter of 2007: EUR 28.9 million), the STADA Group's Generics sales in Germany decreased by a total of 5% to EUR 109.4 million (first quarter of 2007: EUR 114.8 million).

According to data from IMS Health the STADA Group's market share in the German generics market, with 11.3% in the first quarter of 2008, was nevertheless above the market share in the first quarter of 2007 of 10.8% at the time. For the current fiscal year 2008 the Executive Board continues to see the opportunity for a further improved market share of the Group in this market segment.

Within the Generics segment, the Group's individual sales labels underwent distinctly different developments in the first three months of the current fiscal year.

As expected the sales label **ALIUD PHARMA**, which traditionally operates in the market without a sales force, based on mailing concepts and which thus, due to low-price cost structures, is able to pursue more price-aggressive sales strategies, and which has comprehensive discount agreements with health insurance organizations, was outstandingly successful, with sales growth of 38% as compared to the corresponding quarter in the previous year. With quarterly sales of EUR 55.1 million (first quarter of 2007: EUR 39.9 million) this label was, for the first time, the STADA Group's strongest Generics label in the German market in terms of sales.

The STADA Group's traditional Generics sales label in Germany, **STADApharm**, which, after the restructuring of sales activities in the fourth quarter of 2007 now operates without its own doctors-related sales force, with 28%, decreased in terms of sales to EUR 50.0 million in the reporting period (first quarter of 2007: EUR 69.4 million) and was thus below the original planning.

The reason for this – in addition to the expected necessary familiarization with the new sales concept – could particularly also be the uncertain legal framework conditions for discount agreements and associated market distortions. In view of its currently still lower volume of discount agreements, STADApharm obviously suffers temporarily more from this than ALIUD PHARMA which has significantly more discount agreements. In the current second quarter, however, STADApharm has been able to conclude discount agreements with numerous regional AOKs over large parts of the product portfolio for nine federal states. The Executive Board sees a good chance that STADApharm's business activities can be clearly revived by this when these agreements, which, once their relevant software implementation at the pharmacies is executed in the market in the current second quarter, become effective. At the same time, further options of action are reviewed for STADApharm – such as a stronger sales networking with other German STADA sales companies.

In the same difficult market environment, the Generics sales label cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, a special supplier of the STADA Group in the German market for the indication areas oncology, nephrology, and diabetes, did also not reach, in the first quarter of 2008, the level of the same quarter of the previous year, with total sales of EUR 4.3 million (first quarter of 2007: EUR 5.2 million). Here, after the launch of the Group's first biosimilar, silapo® (active ingredient Epo-zeta) on February 1, 2008, the Executive Board expects a revival of sales for the rest of the year if, according to current corporate plans, the penetration of silapo® is to accelerate significantly.

Overall, STADA's Executive Board continues to deem chances as good that in fiscal year 2008 also the German Generics business – regardless of the sales decrease in the first quarter – will grow overall as compared to the previous year if ALIUD

PHARMA continues, as planned, to develop clearly positively and in the second half of the current fiscal year STADApharm, with an expanded discount contract volume, can reach a more stable sales situation.

However, unchanged to the assessment made in the Annual Report 2007 there is the risk that the establishment of new reference prices and new co-payment exemption limits for numerous active pharmaceutical ingredients as of June 1, 2008 could distinctly affect sales and earnings of the German Generics business if STADA's sales companies did not only have to reduce the prices of the products concerned – as planned by the sales companies based on an assessment of the current competitive situation – to the area of the new reference prices, but beyond that, due to competitive pressure, largely or entirely to the area of possible new, then at least 30% lower co-payment exemption limits.

In **Russia** sales generated by STADA in the first three months of 2008 increased – also due to the first-time inclusion of acquired sales from CJSC Makiz-Pharma which has been consolidated in the STADA Group only since September 2007 in the amount of RUB 355.4 million or EUR 9.7 million in the first quarter – by 76% in local currency or by 64% in Euro to a total of EUR 35.1 million (first quarter of 2007: EUR 21.4 million). Thus, as expected, Russia, for the first time, was the second largest national market for STADA in the first quarter of 2008.

In the **United Kingdom** sales recorded acquisition-related growth of 234% in local currency or of 192% in Euro to EUR 34.6 million in the first quarter as compared to the previous year (first quarter of 2007: EUR 11.8 million) through the inclusion of the Forum Bioscience group, which has been consolidated in the STADA Group only since October 2007. However, as anticipated due to more intense competition, some parts of the local STADA sales company's original Generic portfolio experienced significant price pressure, which will lead to a longer term reduction in sales and earnings of these products. In addition, sales in the United Kingdom include EUR 19.4 million of only slightly profitable sales from the Forum Products label, which is not part of the core segments. For the Forum Products label, which was purchased in the context of the acquisition of Forum Bioscience and has not yet been integrated into the Group's operating structures in the United Kingdom, the Group is assessing possible strategic options, particularly a sale likely in 2008.

In **Serbia**, the Group recorded sales growth of 8% in local currency or 3% in Euro to EUR 32.7 million in the first quarter of 2008 (first quarter of 2007: EUR 31.7 million). The difficult international political situation in Serbia has had no consequences for the local operating business so far.

In **Italy**, STADA increased sales by 11% to EUR 27.7 million in the reporting period (first quarter of 2007: EUR 25.0 million). While the Group's local Generics sales, with 30%, grew strongly in the first quarter of 2008 as compared to the previous year, Italian Branded Products sales decreased at the same time – also due to two smaller disposals in this area in the fourth quarter of 2007 – by 4%.

Against the backdrop of a market environment which had already been difficult in the second half of 2007, STADA, as expected, recorded a sales decrease of 5% to EUR 24.8 million in **Belgium** in the reporting period (first quarter of 2007: EUR 26.1 million). After a new Belgian government established itself, from today's view permanently, towards the end of the first quarter of 2008, STADA sees the chance for the second half of the current fiscal year that stimulating measures for generics could be taken, which could result in a revival of the Belgian generics market and thus also of STADA's local Generics business. The new Belgian government explicitly included a corresponding notice of intent in its program.

In **France**, STADA generated a pleasing organic sales plus of 16% to EUR 18.1 million in the first three months of 2008 as compared to the same period in the previous year (first quarter of 2007: EUR 15.6 million).

In **Spain**, sales decreased by 3% to EUR 16.3 million in the first quarter of the current fiscal year as compared to the first quarter of the previous year (first quarter of 2007: EUR 16.8 million) – primarily due to a strong discount competition as well as further regulatory-related price reductions. Here the Executive Board expects, also in the course of fiscal year 2008, clear sales and margin pressure. In the **Netherlands** too, primarily due to price reductions, STADA recorded a sales decrease of 7% to EUR 10.0 million in the first three months of the current fiscal year (first quarter of 2007: EUR 10.7 million). In **Ireland**, in contrast, sales increased, partially acquisition-related, by 62% to EUR 7.8 million in the first quarter of 2008 (first quarter of 2007: EUR 4.8 million).

In the **Asian countries**, the business development in the first quarter of 2008 was generally pleasing with sales growth of 19% to EUR 10.9 million (first quarter of 2007: EUR 9.1 million). Growth in the Philippines and Thailand, among others, more than compensated sales reductions in the Chinese market after local tenders were not won again.

Continued high number of product launches through a well-filled product pipeline

Research and development costs amounted to EUR 10.5 million in the first three months of 2008 (first quarter of 2007: EUR 8.8 million). In the first quarter of the current fiscal year too, the Group was able to launch 124 individual new products in individual national markets worldwide (first quarter of 2007: 116 product launches).

STADA's product pipeline continues to be well-filled for future launches with a focus on the Generics segment.

Financial position and cash flow

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

The equity-to-assets ratio was 37.1% as of March 31, 2008 (December 31, 2007: 36.6%) and thereby remains clearly, from the Executive Board's perspective, in a satisfying area of above approx. 30%. The Group therefore also continues to have sufficient financial means available for further growth. Net debt amounted to EUR 990.3 million on this date (December 31, 2007: EUR 958.5 million). Gross cash flow reached EUR 51.4 million in the first three months of 2008 (first quarter of 2007: EUR 44.6 million). The operating cash flow was EUR -4.2 million in the first quarter of the current fiscal year (first quarter of 2007: EUR 30.6 million).

Active acquisition policy

To further accelerate Group growth, STADA intends to continue the active acquisition policy of recent years if suitable objects at an appropriate price present themselves.

To create a sufficient financial framework, appropriate capital measures continue to be imaginable for corresponding acquisition projects if such acquisitions would too strongly burden the equity-to-assets ratio.

Confirmation of positive outlook

The Executive Board confirms the positive outlook for the Group's further business development. In this context, it continues to assume, among other things, that significant regulatory measures, intensive competition and significant pressure on margins can always occur in individual national markets.

“In view of our strategic focusing on growth markets and the proven operative strengths, however, we continue to deem chances as good that STADA will continue to be able to achieve sustainable operative growth under these challenging conditions and that the successful growth course of the Group can be continued both in the current fiscal year 2008 and in the years to come,” Retzlaff said about the positive outlook for the STADA Group.

Further information:
STADA Arzneimittel AG / Corporate Communications / Stadastraße 2–18 / D - 61118 Bad Vilbel / Phone: +49 (0) 6101 603-113 / Fax: +49 (0) 6101 603-506 / E-Mail: communications@stada.de
Or visit us in the internet at **www.stada.com.**