

REMUNERATION REPORT

This Remuneration Report summarizes the principles applied to the determination of the remuneration of the members of the Executive Board of STADA Arzneimittel AG and explains the structure and amount of remuneration of the members of the Executive Board.

The first part of the report presents the Executive Board remuneration system applicable for financial year 2015 and the remuneration of the members of the Executive Board both in accordance with the applicable financial reporting principles of the German Commercial Code (HGB) and the German Accounting Standards (DRS), and the recommendations of the German Corporate Governance Code (DCGK). The redesigned Executive Board remuneration system, applicable from January 1, 2016, which will be presented for approval at the Annual General Meeting on June 9, 2016, is subsequently explained.

The report concludes with a presentation of the remuneration awarded to the Supervisory Board and the Advisory Board in financial year 2015.

Remuneration of the Executive Board

The Executive Board remuneration system in financial year 2015

The full Supervisory Board determines the Executive Board remuneration system and the remuneration of individual Executive Board members upon the proposal of the Human Resources Committee and reviews these regularly. The Executive Board remuneration system applicable for financial year 2015 was agreed by the Supervisory Board in financial year 2010 in accordance with the new regulations of the German Act on the Appropriateness of Executive Board Remuneration (VorstAG), which came into effect on August 5, 2009. This system was approved by the STADA Annual General Meeting on June 16, 2011 in accordance with Section 120 (4) of the German Stock Corporation Act (AktG).

Principles of Executive Board remuneration

The objective of the Executive Board remuneration system is to allow the members of the Executive Board to appropriately participate in the sustainable development of the company according to their personal responsibilities and performance, the overall performance of the Executive Board as well as successes in the design of the economic and financial situation of the Company under consideration of the competitive environment.

Overall, the remuneration of the Executive Board in the framework of this remuneration system is performance-oriented and assessed in a way that is competitive both nationally and internationally and offers incentives for committed and successful performance in a dynamic environment.

The remuneration of the Executive Board in the framework of this remuneration system is made up of non-performance related remuneration and a performance related remuneration. The performance related remuneration includes a variable annual bonus (one-year variable remuneration) and a variable long-term special remuneration (multi-year variable remuneration). Stock option plans and other comparable components with a long-term incentive effect do not exist.

Non-performance related components

In financial year 2015, the non-performance related remuneration consisted of an agreed basic salary paid out in twelve equal monthly installments. This annual fixed salary was determined in accordance with the requirements of stock company law under consideration of usual market remuneration with the conclusion of the Executive Board employment contracts.

The members of the Executive Board received other remuneration in the form of fringe benefits, which consisted for the most part of the private use of a company car, contributions to health and nursing care insurance and other insurance services (accident insurance, among other things).

In the framework of the remuneration structure, individual contractual commitments were fundamentally possible for individual Executive Board members, in accordance with the German Act on the Appropriateness of Executive Board Remuneration, regarding additional non-performance related remuneration components, e.g. pension commitments or commitments in case of termination of activity.

Performance related component

In the remuneration structure which was applicable until financial year 2015, performance related remuneration was structured similarly for all members of the Executive Board, however, it differed as a result of individual contractual agreements in the share of the total target remuneration and the amount for the individual Executive Board members.¹⁾

The performance related remuneration was made up of the following components for each Executive Board member in the remuneration structure applicable until financial year 2015:

- the variable annual bonus, which consisted of performance related and a target related bonus component and for which a cap was agreed upon. While the performance related bonus component of this variable annual bonus was based on the Group's adjusted EBITDA of the respective financial year, the target related bonus component of the variable annual bonus remunerated for the achievement of specific pre-determined goals, which were individually agreed upon in writing with individual Executive Board members for the respective financial year (personal goal agreement).
- the variable long-term special remuneration, for which defined annual progress payments were to be made by the Company upon the reaching of annual interim goals set out in individual contracts and which targeted the Group's overall business success in a defined target year. The long-term target thereby taken as a basis in individual contracts, as well as the annual interim goals, were geared to a challenging adjusted Group EBITDA under the assumed framework conditions for the period under consideration; the target year for the variable long-term special remuneration should, at the earliest, generally be the third full financial year after the beginning of the contract of the respective Executive Board contract. If the long-term target agreed upon for the variable special long-term remuneration is not reached in consideration of the agreed corridor of a degree of target attainment, the Company is entitled to the repayment of rendered progress payments in the case that the interim goals of the agreed corridor are not reached. A cap for the variable special long-term remuneration was also agreed upon.

The Executive Board contracts of acting Executive Board members, applicable up to the balance sheet date, reflected this remuneration system.

Within the concrete arrangement of the Executive Board contracts of current Executive Board members, both the long-term target for the variable long-term special remuneration and the respective interim goals for all three Executive Board members are based on the Group's long-term targets for adjusted EBITDA in financial year 2014 as initially published in financial year 2010, as well as on the increasing adjusted EBITDA in each subsequent financial year.

¹⁾ See the breakdown in the following tables in accordance with the German Corporate Governance Code.

Presentation of Executive Board remuneration for financial year 2015

The Executive Board remuneration for financial year 2015 is subsequently presented separately in accordance with two different sets of regulations: the German Corporate Governance Code on the one hand and the applicable German Accounting Standard 17 (DRS 17) on the other hand.

Executive Board remuneration for financial year 2015 in accordance with the German Corporate Governance Code (exemplary charts)

The following presentation of the Executive Board remuneration awarded and paid in financial year 2015 is in accordance with the recommendations of the German Corporate Governance Code, as published on May 5, 2015.

The salaries awarded for the multi-year variable remuneration component (long-term special remuneration) are hereby to be disclosed using the target for an average probability scenario. This value is reported as a proportional value in accordance with the predetermined term of the long-term special targets calculated annually based on each financial year. The payment, to be reported in accordance with the German Corporate Governance Code, represents the payment for the respective financial year – irrespective of the exact date of the actual payment.

The **remuneration** of the individual members of the Executive Board who were active for the Company in financial year 2015, in accordance with the German Corporate Governance Code, is as follows:

in € 000s	Hartmut Retzlaff, CEO (Chairman of the Executive Board since 1993)					
	Benefits granted				Allocation	
	2015	2014	2015 (min)	2015 (max)	2015	2014
Fixed remuneration	2,000	2,000	2,000	2,000	2,000	2,000
Fringe benefits	35	142	35	35	35	142
Total	2,035	2,142	2,035	2,035	2,035	2,142
One-year variable remuneration	589	848	0	850	589	848
Multi-year variable remuneration						
• Long-term targets 2014	-	1,244	-	-	-	1,727
• Long-term targets 2016	971	-	0	1,323	0 ¹⁾	-
Other	-	-	-	-	-	-
Total	1,560	2,092	0	2,173	589	2,575
Service cost	-	-17,603	-	-	-	-17,603
Total remuneration	3,595	-13,369	2,035	4,208	2,624	-12,886

The benefits of the Chairman of the Executive Board from the multi-year variable remuneration “**long-term targets 2014**” amounted to a total of € 4,146,000 and were awarded for a term of 40 months (September 1, 2011 to December 31, 2014). In a pro rata presentation in accordance with the regulations of the German Corporate Governance Code, for **financial year 2014, benefits** in the amount of € 1,244,000 were granted as a result of the long-term targets 2014 (this corresponds to an amount of 12/40). Financial year 2014 was the target year for the “long-term targets 2014” and both the interim targets in the previous years and the long-term targets for 2014 were achieved.

1) Any amount paid out following the final statement of the long-term targets for 2016 will be disclosed in the 2016 Annual Report.

In accordance with the regulations of the German Corporate Governance Code, an **allocation** of € 1,727,000 was to be reported for the Chairman of the Executive Board for the long-term targets 2014 for **financial year 2014**. This amount represents the difference between (i) the total awarded long-term special remuneration as regards the achievement of the “long-term targets 2014” for the relevant 40-month period of € 4,146,000 less (ii) the contractually agreed progress payments upon achievement of the interim targets in the previous financial years in the amount of € 806,000 each.

For the remaining term of the current employment contract of Hartmut Retzlaff after the end of financial year 2014 until August 31, 2016 (i.e. for 20 months), the targets for variable special remuneration were continued as regards the constantly increasing adjusted EBITDA following the long-term target 2014 as an interim target for financial year 2015 and a long-term target for target year 2016, so-called “**long-term targets 2016**”.

Across the entire period of 20 months, benefits for the variable special remuneration “long-term targets 2016” are expected to amount to a total of € 1,618,000. For **financial year 2015**, **benefits** from the long-term targets 2016 in the amount of € 971,000 were therefore to be reported (this represents an amount of 12/20) in the pro rata presentation in accordance with the regulations of the German Corporate Governance Code.¹⁾

Income from past service cost in the amount of € 17.6 million resulted as **service cost** for the Chairman of the Executive Board for financial year 2014 as a consequence of the changes in the plan and the resulting changes as compared with the benefits in accordance with the former benefit plan. In addition, an expense from administrative costs for the benefit plan in the amount of € 0.7 million and an expense from the adjustment of plan assets in the amount of € 1.0 million were incurred. Net earnings for the Group of € 15.9 million resulted, which were recorded in general and administrative expenses and reported as both a (negative) benefit and (negative) allocation for 2014 under service cost of the Chairman of the Executive Board.

Helmut Kraft, Chief Financial Officer (on the Executive Board since 01/2010)						
in € 000s	Benefits granted				Allocation	
	2015	2014	2015 (min)	2015 (max)	2015	2014
Fixed remuneration	800	750	800	800	800	750
Fringe benefits	30	26	30	30	30	26
Total	830	776	830	830	830	776
One-year variable remuneration	350	399	0	350	350	399
Multi-year variable remuneration						
• Long-term targets 2014	-	315	-	-	-	832
• Long-term targets 2018	303	-	0	360	0 ²⁾	-
Other	-	-	-	-	-	-
Total	653	714	0	710	350	1,231
Service cost	-	-	-	-	-	-
Total remuneration	1,483	1,490	830	1,540	1,180	2,007

1) With the extension of the appointment of Hartmut Retzlaff as Chairman of the Executive Board for further five years until August 31, 2021 (see the Company's press release of September 8, 2015) a new Executive Board employment contract newly regulated the employment with effect from January 1, 2016. The regulations of the previous employment contract, which would have continued until August 31, 2016, were ended or replaced by the new contract. The long-term special remuneration in accordance with the old contract for the period January 1, 2015 to August 31, 2016 will be determined following conclusion of financial year 2016 as the target year for “long-term targets 2016” on the basis of the actual achievement of targets, however only a proportionate amount of 12/20 will be awarded for the period from January 1, 2015 to December 31, 2015.

2) Any amount paid out following the final statement of the long-term targets for 2018 will be disclosed in the 2018 Annual Report.

The salary of Helmut Kraft from the multi-year variable remuneration “**long-term targets 2014**” amounted to a total of € 1,575,000 and was awarded for a term of 60 months, corresponding to his contract term at that time (January 1, 2010 to December 31, 2014). In a proportional presentation in accordance with the regulations of the German Corporate Governance Code, for **financial year 2014** an **allocation** in the amount of € 315,000 was awarded as a result of the long-term targets 2014 (this corresponds to an amount of 12/60). Financial year 2014 was the target year for the “long-term targets 2014” and both the interim targets in the previous years and the long-term target for 2014 were achieved.

In accordance with the regulations of the German Corporate Governance Code, an **allocation** of € 832,000 was to be reported for the long-term targets 2014 for **financial year 2014**. This amount represents the difference between (i) the total awarded long-term special remuneration as regards the achievement of the “long-term targets 2014” for the relevant 60 month period of € 1,575,000 less (ii) the contractually agreed progress payments upon achievement of the interim targets in the previous financial years in the total amount of € 743,000.

The Executive Board contract of Helmut Kraft was extended until December 31, 2018 on January 17, 2014, effective from January 1, 2015.¹⁾ In this context, new long-term targets were set for the multi-year variable remuneration (so-called “**long term targets 2018**”) with corresponding annual interim targets, which are based on a constantly increasing adjusted EBITDA of the Group as compared to the long-term target 2014.

Across the entire contract period of 48 months, benefits for the variable special remuneration “long-term targets 2018” are expected to amount to a total of € 1,214,000. For **financial year 2015**, an **allocation** from the long-term targets 2018 in the amount of € 303,000 was therefore to be reported (this represents an amount of 12/48) in the pro rata presentation in accordance with the regulations of the German Corporate Governance Code.²⁾

Dr. Matthias Wiedenfels, Chief Business Development & Central Services Officer (on the Executive Board since 05/2013)						
in € 000s	Benefits granted				Allocation	
	2015	2014	2015 (min)	2015 (max)	2015	2014
Fixed remuneration	750	750	750	750	750	750
Fringe benefits	33	27	33	33	33	27
Total	783	777	783	783	783	777
One-year variable remuneration	350	300	0	350	350	300
Multi-year variable remuneration						
• Long-term targets 2016	394	394	0	495	0 ³⁾	200
Other	-	-	-	-	-	-
Total	744	694	0	845	350	500
Service cost	-	-	-	-	-	-
Total remuneration	1,527	1,471	783	1,628	1,133	1,277

1) See the Company's press release of January 17, 2014.

2) With the extension of the appointment of Helmut Kraft as member of the Executive Board until December 31, 2019 (see the Company's press release of November 11, 2015) a new Executive Board employment contract newly regulated the employment with effect from January 1, 2016. The regulations of the previous employment contract, which would have continued until December 31, 2018, were ended or replaced by the new contract. The long-term special remuneration in accordance with the old contract for the period January 1, 2015 to December 31, 2018 will be determined following conclusion of financial year 2018 as the target year for “long-term targets 2018” on the basis of the actual achievement of targets, however only a proportionate amount of 12/48 will be awarded for the period from January 1, 2015 to December 31, 2015.

3) Any amount paid out following the final statement of the long-term targets for 2016 will be disclosed in the 2016 Annual Report.

The benefits of Dr. Matthias Wiedenfels from the multi-year variable remuneration “**long-term targets 2016**” are expected to amount to a total of € 1,445,000 and relate to a term of 44 months, corresponding to the term of his current employment contract (May 3, 2013 to December 31, 2016). In a pro rata presentation in accordance with the regulations of the German Corporate Governance Code, for **financial year 2014 benefits** in the amount of € 394,000 were granted as a result of the long-term targets 2016 (this corresponds to an amount of 12/44).

In accordance with the regulations of the German Corporate Governance Code, an **allocation** of € 200,000 was to be reported for **financial year 2014** for the long-term targets 2016. This amount corresponds to the contractually agreed progress payment upon achievement of the interim target for financial year 2014.

The benefits for the variable special remuneration “long-term targets 2016” are expected to remain at a total of € 1,445,000 and relate to a period of 44 months. For **financial year 2015, benefits** from the long-term targets 2016 in the amount of € 394,000 were to be reported (this represents an amount of 12/44) in the pro rata presentation in accordance with the regulations of the German Corporate Governance Code.¹⁾

Executive Board remuneration for financial year 2015 in accordance with DRS 17

The following details on the remuneration granted to Executive Board members in financial year 2015 are provided in accordance with the requirements of DRS 17. In contrast with the presented regulations of the German Corporate Governance Code, the disclosure of the payments for multi-year variable remuneration components in accordance with DRS 17 is made in full in the year the final target is reached, rather than on a pro rata basis. If a payment is made in the year before the final targets are achieved (e.g. as a progress payment), then the amount is to be recorded as an advance in the year of payment.

The **remuneration** of the individual members of the Executive Board who were active for the Company in financial year 2015, in accordance with DRS 17, is as follows:

in € 000s	Hartmut Retzlaff, CEO (Chairman of the Executive Board since 1993)	
	Benefits granted	
	2015	2014
Fixed remuneration	2,000	2,000
Fringe benefits	35	142
Total	2,035	2,142
One-year variable remuneration	589	848
Multi-year variable remuneration		
• Long-term targets 2014	-	4,146
• Long-term targets 2016	-	-
Other	-	-
Total	589	4,994
Service cost	-	-17,603
Total remuneration	2,624	-10,467

1) With the extension of the appointment of Dr. Matthias Wiedenfels as member of the Executive Board until December 31, 2020 (see the Company's press release of January 8, 2016) a new Executive Board employment contract newly regulated the employment with effect from January 1, 2016. The regulations of the previous employment contract, which would have continued until December 31, 2016, were ended or replaced by the new contract. The long-term special remuneration in accordance with the old contract for the period May 3, 2013 to December 31, 2016 will be determined following conclusion of financial year 2016 as the target year for “long-term targets 2016” on the basis of the actual achievement of targets, however only a proportionate amount of 32/44 will be awarded for the period from May 3, 2013 to December 31, 2015.

Because financial year 2014 corresponded to the target year defined in the context of the long-term targets 2014, benefits granted to the Chairman of the Executive Board as part of long-term special remuneration in 2014 were fully disclosed in financial year 2014. Accordingly, this also included the contractually agreed progress payments for the long-term special remuneration in the amount of € 806,000 each upon achievement of the interim goals in the previous years.

The defined target year for the multi-year variable remuneration “long-term targets 2016” is financial year 2016, as a result of which benefits for this remuneration component are to be fully disclosed in the report on financial year 2016 in accordance with DRS 17.

		Helmut Kraft, Chief Financial Officer (on the Executive Board since 01/2010)	
		Benefits granted	
in € 000s		2015	2014
Fixed remuneration		800	750
Fringe benefits		30	26
Total		830	776
One-year variable remuneration		350	399
Multi-year variable remuneration			
• Long-term targets 2014		-	1,575
• Long-term targets 2018		-	-
Other		-	-
Total		350	1,974
Service cost		-	-
Total remuneration		1,180	2,750

Because financial year 2014 corresponded to the defined target year in the context of long-term targets 2014, payments made to Helmut Kraft as part of long-term special remuneration in 2014 were fully disclosed in financial year 2014. Accordingly, this also included the contractually agreed progress payments for the long-term special remuneration in the total amount of € 743,000 upon achievement of the interim goals in the previous years.

The defined target year for the multi-year variable remuneration “long-term targets 2018” is financial year 2018, as a result of which benefits for these remuneration components are to be fully disclosed in the corresponding financial year in accordance with DRS 17.

		Dr. Matthias Wiedenfels, Chief Business Development & Central Services Officer (on the Executive Board since 05/2013)	
		Benefits granted	
in € 000s		2015	2014
Fixed remuneration		750	750
Fringe benefits		33	27
Total		783	777
One-year variable remuneration		350	300
Multi-year variable remuneration			
• Long-term targets 2016		-	-
Other		-	-
Total		350	300
Service cost		-	-
Total remuneration		1,133	1,077

The defined target year for the multi-year variable remuneration "long-term targets 2016" is financial year 2016, as a result of which benefits for these remuneration components are to be fully disclosed in the report on financial year 2016 in accordance with DRS 17.

In addition to the above-listed remuneration, the Executive Board members received performance related advances¹⁾ in the total amount of € 200,000 (previous year: € 1,206,250) in financial year 2015; thereof € 0²⁾ was attributable to Hartmut Retzlaff (previous year: € 806,250), € 0²⁾ to Helmut Kraft (previous year: € 300,000) and € 200,000 to Dr. Matthias Wiedenfels (previous year: € 100,000).

The percentage ratio between non-performance related and performance related remuneration of members of the Executive Board under consideration of advances ranged in the area of approx. 59% to approx. 78% non-performance related and approx. 22% to approx. 41% performance related remuneration.

Commitments to members of the Executive Board

Commitments to members of the Executive Board in case of premature or regular termination of their activity and any corresponding benefits

The Chairman of the Executive Board, upon reaching the contractually agreed start of pension payments, is entitled to a lifelong pension in the form of a monthly guaranteed pension as well as a variable non-guaranteed participation feature from which a corresponding benefit increase may result. The start of pension payments can in principle – with the corresponding change in the amount of monthly pension payments – take place variably within a defined time period. In addition, a lifelong survivor's pension and a temporary orphan's pension will be paid in case of death.

The pension commitment for the Chairman of the Executive Board was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly in the balance sheet. The present value of the pension

1) Contractually agreed performance related progress payments of the long-term special remuneration upon achieving the respective interim goals.

2) Because financial year 2014 corresponded to the defined target year for the long-term special remuneration "long-term targets 2014", the final amount was paid out in 2015, as a result of which no progress payments were made in 2015. No progress payments were made in 2015 for the long-term targets 2016 and 2018.

commitments, in accordance with IFRS, was € 31.3 million as of December 31, 2015 (previous year: € 33.7 million). The existing plan assets led to a provision of zero due to the required offsetting. Because the pension commitment is fully funded, no further provisions are expected in the future.

The current Executive Board contracts also contain a severance payment regulation for a more closely defined change of control, which, in accordance with the German Corporate Governance Code, is not higher than the value of the remaining term of the Executive Board contract, and is limited in amount to a maximum of three years' remuneration.

Other commitments

The Executive Board contracts include the provision that, in the case of invalidity due to illness or accident, the Company will continue to pay the salary, whereby the amount of the continued payment in the first year after the occurrence of invalidity corresponds to the fixed annual salary and, on a pro rata basis, the variable remuneration and, in the second and third year, to the fixed annual salary.

The Company has concluded an accident insurance for each of the three members of the Executive Board.

In the context of a group insurance for all three Executive Board members, there exists a so-called D&O insurance with a deductible for the Executive Board members within the legal framework.

Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the reporting year with regard to their position in the Executive Board

To the Company's knowledge, third parties outside the Group have neither promised nor granted benefits to Executive Board members with regard to their position in the Executive Board in financial year 2015.

Structure of the Executive Board remuneration system since January 1, 2016

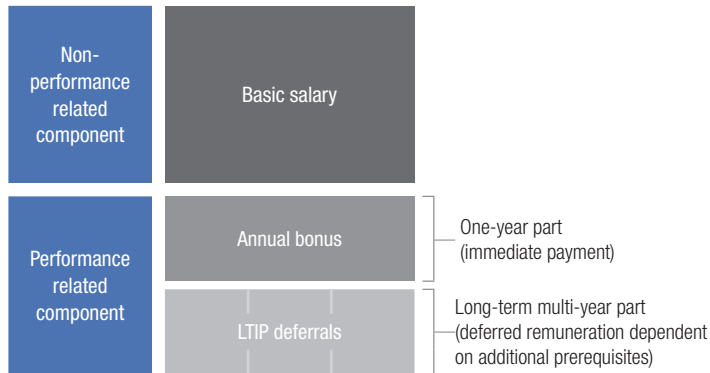
In financial year 2015, with the support of an independent external advisor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, the Supervisory Board of STADA Arzneimittel AG developed and agreed a new remuneration system for the Executive Board, which particularly makes changes to the structure of the performance related remuneration. The revised remuneration system came into effect on January 1, 2016 for all Executive Board members and forms the basis of the new Executive Board contracts, which came into effect at this time, and replaces the current regulations. This system will be presented to the Annual General Meeting on June 9, 2016 for approval in accordance with Section 120 (4) AktG.

An important requirement of the new remuneration system was to make it simple, transparent and attractive, and to allow the Executive Board members appropriate participation in the continued increase in the enterprise value according to their personal tasks and performance, the overall performance of the Executive Board as well as the success-oriented management under consideration of the comparable environment.

The remuneration of the Executive Board members continues to be made up of a non-performance related component and a performance related component. The performance related remuneration comprises a 50% one-year part (annual bonus) and a 50% multi-year, long-term incentive-oriented part (LTIP¹⁾ deferrals). The multi-year part is hereby determined under consideration of

1) "Long-term incentive plan".

share-oriented development. As previously, there are no stock option plans. The following presentation gives an overview of the new remuneration system of the Executive Board members:



Non-performance related components

As previously, the non-performance related remuneration consists of an agreed basic salary paid out in twelve equal monthly installments. This annual fixed salary is determined in accordance with the requirements of stock company law under consideration of usual market remuneration.

The members of the Executive Board receive other remuneration in the form of fringe benefits, which consist for the most part only of the private use of a company car, contributions to health and nursing care insurance and other insurance services (accident insurance, among other things). The remuneration does not include any company-organized pension plans.

Individual contractual commitments will continue to be fundamentally possible in future for individual Executive Board members, in accordance with the German Act on the Appropriateness of Executive Board Remuneration, regarding additional nonperformance related remuneration components, e.g. pension commitments or commitments in case of termination of activity.

Performance related components

As previously, performance related remuneration is structured similarly for all members of the Executive Board, however, it can differ as a result of individual contractual agreements in the share of the total target remuneration and the amount for the individual Executive Board members.

The performance related remuneration is dependent on the achievement of the fixed targets set by the Supervisory Board for the Executive Board and is adjusted depending on three subcomponents – the company performance, share performance and individual Executive Board performance. The performance related component comprises a one-year part (“**annual bonus**”) and a

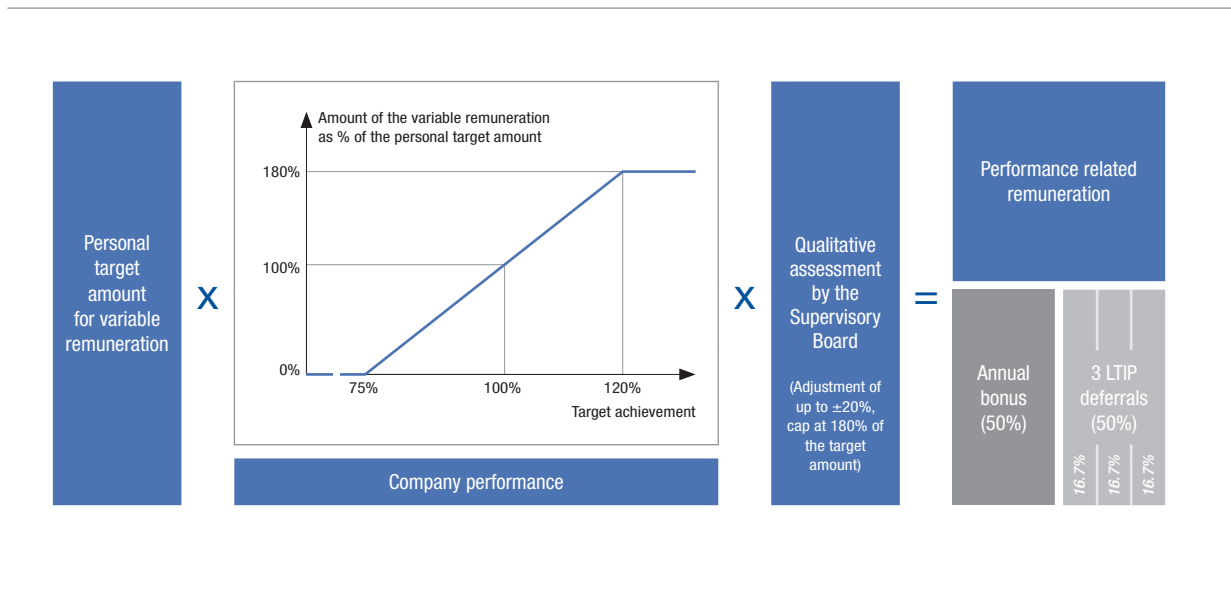
multi-year, long-term incentive-oriented part (“LTIP deferrals”), which is also dependent on the performance of the STADA share as compared to the MDAX (share-oriented component). The determination of the amount of the performance related remuneration as well as the payment dates are discussed below.

Performance parameters and determination of the performance related remuneration awarded for a financial year

The Supervisory Board defines a personal **target amount** for each member of the Executive Board for the performance related remuneration with full target achievement. The target amount specified in the new Executive Board contracts essentially corresponds to the fixed salary. Before each financial year begins, the Supervisory Board sets company performance **targets** for the upcoming financial year (“**performance period**”) for the entire Executive Board, upon which the performance related remuneration for this financial year is based. The assessment basis for the performance related remuneration of a performance period is based on the adjusted net income, which is determined through the operative planning of the Executive Board for net income for this performance period, and is adjusted for extraordinary expenses and income. The performance related remuneration of a member of the Executive Board corresponds to the personal target amount, as set by the Supervisory Board, if the exact target is achieved. If the target is fallen short of by 25 percentage points or more, the performance related remuneration is reduced to 0% as a **malus regulation** and is dropped entirely for the respective financial year.¹⁾ If the target is exceeded by 20 or more percentage points, the performance related remuneration amounts to 180% of the personal target amount, as part of a **bonus regulation**. Interim values are determined on a linear basis.

Under consideration of the personal performance of the Executive Board member, the Supervisory Board has the possibility of increasing or decreasing the amount of the performance related remuneration by up to 20%, however the adjustment may not allow the remuneration of a member of the Executive Board to exceed 180% of the personal target value.

The following overview clarifies this:



¹⁾ In this case, the three LTIP deferrals for this financial year are also dropped for this financial year.

Payment of the one-year performance related remuneration (annual bonus)

Half of the above described amount is paid in the following year as an **annual bonus** for the financial year. The annual bonus of an Executive Board member may reach a maximum of 90% of the personal target amount (**upper limit** of the one-year performance related remuneration).

Payment of the multi-year, long-term incentive-oriented performance related remuneration (LTIP deferrals)

The remaining half of the performance related remuneration awarded for this financial year (performance period) is divided into three equal initial values (“**LTIP deferral 1**”, “**LTIP deferral 2**” and “**LTIP deferral 3**”), whose payment is spread across a period of three years (multi-year, long-term, incentive-oriented performance related remuneration).

Each LTIP deferral is allocated a so-called **deferral period**. The deferral period for LTIP deferral 1 is the financial year following the performance period, the deferral period for LTIP deferral 2 is the period of the two financial years following the performance period and LTIP deferral 3 is the period of the three financial years following the performance period.

The **payment amount** of an LTIP deferral is determined at the end of the associated deferral period. The stock yield of the STADA share¹⁾ during the deferral period in relation to the performance of the MDAX is set as a constant, neutrally determined performance index for medium-sized publicly listed companies such as STADA Arzneimittel AG.

The payment amount for an LTIP deferral corresponds to the initial value, if the yield of the STADA share has developed in line with the MDAX in the underlying deferral period. If the development of the STADA share yield is 70% or less of the MDAX development, the LTIP deferral is dropped as part of a **malus regulation** and there is no payment made for this LTIP deferral. If the ratio is at least 130%, the payment amount of a deferral is 130% of the initial value as part of a **bonus regulation** (upper limit for the multi-year performance related remuneration). Interim values are determined on a linear basis. If an above-average relative stock yield is achieved in the performance period, meaning a higher percentage LTIP deferral payment amount is awarded, the actual payment amount of all LTIP deferrals may exceed half of the determined performance related remuneration for a financial year (i.e. up to 90% of the personal target amount, see above).

The LTIP deferral payment amounts are due at the end of the respective deferral period at the end of the calendar month following the approval of the consolidated financial statements of the previous year by the Supervisory Board. This means that the actual payment of the LTIP deferral 1 in the third year, the payment of the LTIP deferral 2 in the fourth year and the payment of the LTIP deferral 3 in the fifth year are all based on the year of the performance period.

¹⁾ The stock yield also considers distributed dividends in the LTIP deferral period, in addition to price changes. It is calculated as follows:

$$\text{Stock yield} = \frac{\text{Closing price} + \text{Dividends}}{\text{Opening price}}$$

The following graphic shows when the individual components of the performance related remuneration of a performance period (annual bonus and LTIP deferrals 1–3) are paid:

Financial year 2016	Financial year 2017	Financial year 2018	Financial year 2019	Financial year 2020
= Performance period 2016	= Performance period 2017	= Performance period 2018	= Performance period 2019	= Performance period 2020
	Annual bonus 2016 due	Annual bonus 2017 due	Annual bonus 2018 due	Annual bonus 2019 due
	+	LTIP deferral 1 for PP 2016 due	LTIP deferral 1 for PP 2017 due	LTIP deferral 1 for PP 2018 due
	+		LTIP deferral 2 for PP 2016 due	LTIP deferral 2 for PP 2017 due
	+			LTIP deferral 3 for PP 2016 due

Summary

The revised Executive Board remuneration system links the remuneration of the Executive Board members with the (short and long-term) development of STADA Arzneimittel AG and thereby creates an incentive for successful and sustainable corporate governance. The connection of the determination of the performance related remuneration with the adjusted net income takes into account an operating performance indicator, which both represents a key figure and plays an important role in external financial reporting. With the help of a simple and transparent translation of the deviation of the achieved result from the target, the overall performance of the Executive Board has a direct influence on the amount of remuneration. The fixed minimum and upper limits require constant development of the company and appropriate maximum limits (caps) avoid an excessively strong incentive towards risk-oriented behavior. By forgoing the granting of shares or share options, the new Executive Board remuneration system avoids administrative expenses. Nevertheless it reflects the sustainable development of the company on the capital market.

Supervisory Board remuneration

Remuneration system for the Supervisory Board according to the Articles of Incorporation

The remuneration system of the Supervisory Board is governed by Section 18 of STADA Arzneimittel AG's Articles of Incorporation. In accordance with this, the members of the Supervisory Board receive the following remuneration, in addition to the reimbursement of their expenses in the previous financial year:

- an annual fixed sum of € 48,000.00 and
- a remuneration based on the long-term success of the Company (long-term variable remuneration) in the amount of 0.02% of the average Group earnings before taxes as reported in the consolidated financial statements of the past three financial years. The annual cap for long-term variable remunerations is € 48,000.00.

The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount.

Supervisory Board members receive an annual fixed remuneration of € 15,000.00 for their committee activities for the past financial year. The Chairman of a committee receives twice this amount in remuneration.

In addition, sales tax is payable on all Supervisory Board remuneration.

Remuneration of the Supervisory Board in financial year 2015

The remuneration of the individual members of the Supervisory Board who were active for the Company in financial year 2015 are as follows:

- Dr. Martin Abend € 283,359.38 (thereof € 189,000.00 non-performance related and € 94,359.38 performance related)
(previous year: € 278,900.00, thereof € 189,000.00 non-performance related and € 89,900.00 performance related)
- Carl Ferdinand Oetker € 188,906.26 (thereof € 126,000.00 non-performance related and € 62,906.26 performance related)
(previous year: € 145,500.00, thereof € 101,100.00 non-performance related and € 44,400.00 performance related)
- Dr. Eckhard Brüggemann € 79,453.13 (thereof € 48,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 77,900.00, thereof € 47,900.00 non-performance related and € 30,000.00 performance related)
- Halil Duru € 79,453.13 (thereof € 48,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 44,800.00, thereof € 27,500.00 non-performance related and € 17,300.00 performance related)
- Dr. K. F. Arnold Hertzsch € 94,453.13 (thereof € 63,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 85,200.00, thereof € 55,200.00 non-performance related and € 30,000.00 performance related)
- Dieter Koch € 94,453.13 (thereof € 63,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 92,900.00, thereof € 62,900.00 non-performance related and € 30,000.00 performance related)
- Constantin Meyer € 94,453.13 (thereof € 63,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 85,200.00, thereof € 55,200.00 non-performance related and € 30,000.00 performance related)
- Dr. Ute Pantke € 79,453.13 (thereof € 48,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 44,800.00, thereof € 27,500.00 non-performance related and € 17,300.00 performance related)
- Jens Steegers € 79,453.13 € (thereof € 48,000.00 non-performance related and € 31,453.13 performance related)
(previous year: € 44,800.00, thereof € 27,500.00 non-performance related and € 17,300.00 performance related)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services in the context of their activities as Supervisory Board members; however, in the context of a group insurance, there exists a so-called D&O insurance for all members of the Supervisory Board, with a deductible for the Supervisory Board members, which reflects the legal framework of the deduction of the Executive Board members.

Remuneration of the Advisory Board

In accordance with Section 10 of the bylaws of the Advisory Board of STADA Arzneimittel AG, members of the Advisory Board receive a flat fee of € 600 per meeting plus expenses.