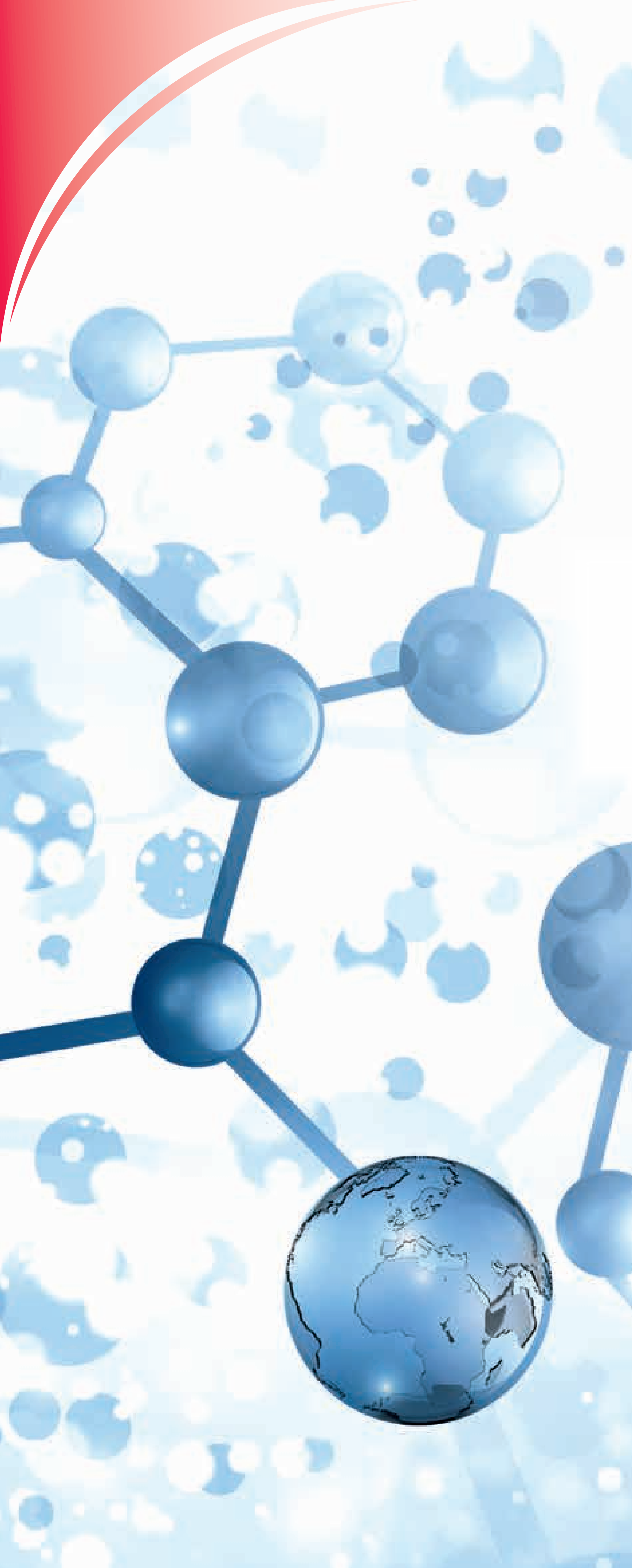

STADA Arzneimittel
Aktiengesellschaft

ANNUAL FINANCIAL STATEMENTS OF DECEMBER 31, 2015 AND MANAGEMENT REPORT FOR FINANCIAL YEAR 2015

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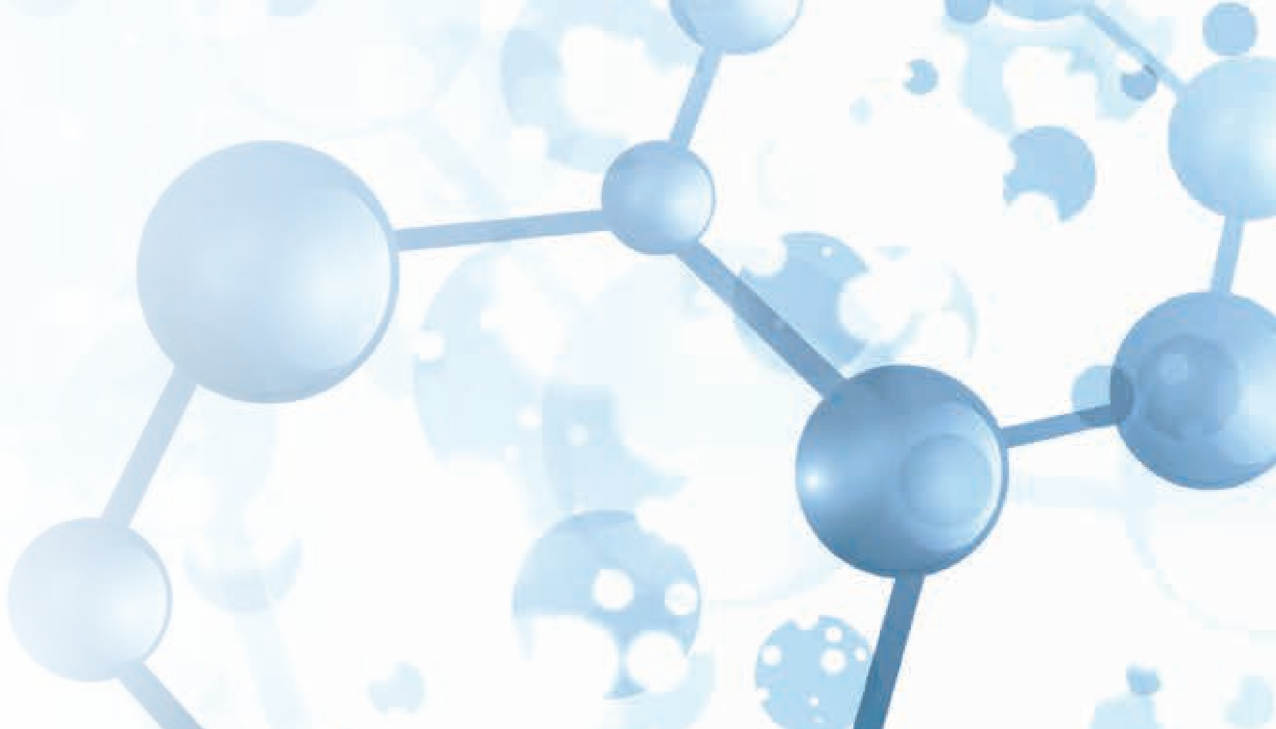
ANNUAL FINANCIAL STATEMENTS OF DECEMBER 31, 2015

MANAGEMENT REPORT FOR FINANCIAL YEAR 2015



BALANCE SHEET

Balance Sheet as of December 31 in € Assets	Dec. 31, 2015	Dec. 31, 2014
A. Non-current assets		
I. Intangible assets		
1. Concessions acquired against payment, commercial property rights and similar rights and values as well as licenses for such rights and values	229,954,468.21	268,714,260.49
2. Goodwill	56,490,137.08	79,837,690.16
3. Advance payments	68,827,743.56	50,448,974.60
	355,272,348.85	**399,000,925.25**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings including buildings on third-party land	40,743,081.84	42,171,236.35
2. Plant and tools and machinery equipment	11,931,551.94	11,794,647.32
3. Other fixtures and fittings, tools and equipment	10,983,957.54	12,386,357.86
4. Advance payment and construction in progress	670,617.22	955,216.15
	64,329,208.54	**67,307,457.68**
III. Financial assets		
1. Shares in associates	1,270,760,911.51	1,279,044,510.24
2. Loans to associates	559,363,183.43	544,525,127.13
3. Investments	11,934,883.51	9,692,690.51
4. Loans to associates and other participating interests	0.00	3,320,000.00
	1,842,058,978.45	**1,836,582,327.88**
	2,261,660,535.84	**2,302,890,710.81**
B. Current assets		
I. Inventories		
1. Raw and auxiliary materials and manufacturing supplies	9,368,382.77	8,162,159.21
2. Work in progress	6,070,157.15	4,617,844.40
3. Finished goods and merchandise	44,075,869.07	52,917,566.97
4. Advance payments	2,201,914.11	879,402.35
	61,716,323.10	**66,576,972.93**
II. Receivables and other assets		
1. Trade accounts receivable	2,526,518.74	3,119,019.16
2. Receivables form associates	371,775,892.35	207,653,417.45
3. Receivables from associates and other participating interests	201,683.96	308,736.60
4. Other assets	26,648,347.53	37,765,611.13
	401,152,442.58	**248,846,784.34**
III. Cash on hand and balances with banks	**5,610,451.60**	**50,296,444.21**
	468,479,217.28	**365,720,201.48**
C. Prepaid expenses / deferred charges	**4,965,962.26**	**4,114,373.29**
	2,735,105,715.38	**2,672,725,285.58**

Balance Sheet as of December 31 in € Equity and Liabilities			Dec. 31, 2015	Dec. 31, 2014
A.	Equity			
	I.	Share Capital	162,090,344.00	157,629,420.00
		Treasury shares	-226,873.40	-233,571.00
		Issued capital Conditional capital € 69,188,340 (previous year: € 73,773,492)	161,863,470.60	157,395,849.00
	II.	Capital reserve	519,538,625.57	495,744,898.97
	III.	Retained earnings		
		1. Statutory reserve	376,883.98	376,883.98
		2. Other retained earnings	150,517,757.00	150,478,473.00
	IV.	Distributable profit	59,139,388.83	49,317,995,91
			891,436,125.98	853,314,100.86
B.	Provisions			
	1.	Provisions for pensions and similar obligations	7,627,938.91	6,928,299.46
	2.	Tax provisions	1,929,879,07	1,882,970.13
	3.	Other provisions	116,114,570.52	145,760,841.90
			125,672,388.50	154,572,111.49
C.	Liabilities			
	1.	Bonds, of which convertible € 0.00 (previous year: € 0.00)	650,000,000.00	700,000,000.00
	2.	Amounts due to banks	672,926,911.93	652,544,944.20
	3.	Trade accounts payable	33,015,062.72	29,920,541.76
	4.	Liabilities to associates	321,945,863.03	250,129,806.59
	5.	Liabilities to associates and other participating interests	8,920,000.00	0.00
	6.	Other liabilities – thereof from taxes € 1,359,297.96 (previous year: € 1,449,535.12) – thereof in the context of social security € 0.00 (previous year: € 0.00)	31,189,363.22	32,243,780.68
			1,717,997,200.90	1,664,839,073.23
			2,735,105,715.38	2,672,725,285.58

INCOME STATEMENT

Income Statement for the period of Jan. 1 to Dec. 31 in €	2015	2014
1. Sales	393,338,531.75	420,259,915.92
2. Increase in inventories of finished goods and work in progress	0.00	1,253,608.27
Decrease in inventories of finished goods and work in progress	2,091,100.04	0.00
3. Other operating income – thereof from currency translation: € 51,636,909.26 (previous year: € 21,313,561.90)	111,229,461.40	87,229,663.37
	502,476,893.11	**508,743,187.56**
4. Cost of materials		
Cost of raw and auxiliary materials and manufacturing supplies and goods purchased	164,449,759.00	183,918,038.16
5. Personnel expenses		
a) Salaries	78,057,327.45	78,378,425.30
b) Social security contributions and expenses for retirement benefits and support – thereof for retirement benefits: € 1,751,691.51 (previous year: € 3,163,275.55)	12,208,795.84	13,688,064.04
	90,266,123.29	**92,066,489.34**
6. Amortization / depreciation on non-current intangible assets and property, plant and equipment	74,300,584.70	81,369,067.54
7. Other operating expenses – thereof from currency translation: € 51,879,360.56 (previous year: € 24,504,481.05)	257,256,824.09	206,154,470.22
8. Investment income – thereof from associates: € 60,300,000.00 (previous year: € 22,511,793.76)	60,300,000.00	22,511,793.76
9. Income from profit transfer agreements	61,855,894.08	24,624,770.76
10. Income from loans – thereof from associates: € 35,589,324.58 (previous year: € 32,213,454.05)	35,597,427.36	32,661,187.35
11. Other interest and similar income – thereof from associates: € 30,967,645.05 (previous year: € 15,483,255.64)	33,923,718.48	18,421,205.01
12. Depreciation on financial assets and current securities	20,153,598.73	14,360,000.00
13. Interest and similar expenses – thereof from associates: € 64,524.29 (previous year: € 353,773.93)	40,634,078.12	54,582,385.49
14. Net profit or loss from ordinary business activities	**47,092,965.10**	**-25,488,306.31**
15. Extraordinary expenses	66,935.45	2,008,943.20
16. Extraordinary profit or loss	**66,935.45**	**2,008,943.20**
17. Taxes on income and earnings	-2,391,999.13	-344,385.51
18. Other taxes	-358,591.98	275,528.01
19. Net profit	**49,776,620.76**	**-27,428,392.01**
20. Profit brought forward from the previous year	9,362,768.07	76,746,387.92
21. Distributable profit	**59,139,388.83**	**49,317,995.91**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2015 OF STADA ARZNEIMITTEL AG

Accounting requirements applied

In accordance with Section 267 of the German Commercial Code (Handelsgesetzbuch, HGB), STADA Arzneimittel AG is a major incorporated body. In addition to general requirements to the books of account (Sections 238 ff. of the German Commercial Code), the supplementing requirements for incorporated bodies with regard to annual financial statements and management report (Sections 264 ff. of the German Commercial Code) and the supplementing regulations of the German Stock Corporation Act (Aktiengesetz, AktG) apply.

The income statement was prepared according to the total-cost method.

Accounting policies

Intangible assets acquired against payment are recognized at cost less scheduled, and, to the extent necessary, unscheduled amortization. The straight-line method is generally applied. Intangible assets are amortized over a useful lifetime of 3 to 15 years. Intangible assets reported by STADA Arzneimittel AG include drug approvals, brands, licenses, marketing rights, software and goodwill. Internally-created intangible assets are not capitalized.

Property, plant and equipment are also recognized at cost less depreciation over their useful life and generally depreciated using the straight-line method. The cost of self-constructed assets includes directly attributable costs as well as appropriate proportions of overhead costs. To the extent necessary, unscheduled depreciation was carried out.

Useful life of property, plant and equipment:	Expected depreciation
Factory and office buildings	15 to 50 years
Operating facilities	10 to 15 years
Plant and office furniture and equipment	3 to 13 years

Movable assets with a limited life of up to € 150 are fully depreciated in the year they were added. Independently usable movable assets with a limited life from € 150 to € 1,000 are allocated to a compound item which is reversed over five years. At the time they become fully amortized, these assets are reported as a disposal in the assets analysis. For simplification, the compound tax item method is also reported in the commercial balance sheet.

Financial assets are recognized at cost or in the case of expected long-term impairment, if it is lower than cost, at fair value. If the reasons for impairment are completely or partially inapplicable and if a value adjustment was carried out in the previous years, a reversal of an impairment loss is carried out, up to a maximum of the historical cost.

Inventories are measured at cost. Cost includes, apart from individual cost, production overheads and material overheads as well as administrative expenses on a pro rata basis. Cost does not include interest on borrowings. The inventories are written down at the end of the reporting period provided the replacement cost or the market value is lower. Inventory risks resulting from the storage period are taken into account.

Receivables, other assets and cash are recognized at nominal value. For the receivables, identifiable risks are accounted for through appropriate individual valuation adjustments. General credit risks are sufficiently accommodated with a general bad debt provision. Low-interest or non interest-bearing items with a remaining maturity of more than 12 months are discounted. Existing cash and cash equivalents in foreign currency are measured at the mean spot exchange rate.

For financial instruments that are hedged (hedged item and hedging transaction), the net hedge presentation method or the realtime update method was used, i.e., unrealized losses were not booked that result from the hedged risks provided they are matched with unrealized gains in the same amount.

Prepaid expenses include the discount that resulted from the difference between the settlement amount and the lower issue price of a financial liability. The discount is depreciated over the period of the financial liability.

Pension provisions were measured using actuarial techniques in accordance with the Projected Unit Credit Method (PUC). In the case of pension obligations, use was made of the option to apply as a discount rate the average market interest rate determined and published by the German Central Bank with a 15-year term. The covered funds were offset against the pension provisions. The offset covered funds are measured at fair value.

Tax and other provisions are recognized at the settlement amount necessary based on reasonable commercial judgment, taking into account any identifiable risks and uncertain obligations. Price and cost increases expected in the future were taken into account. Provisions with a remaining term of over one year were discounted in accordance with the average market interest rate of the last seven years.

Liabilities are reported at nominal value or the higher settlement amount. If the settlement amount of a liability is higher than the issue price, it is recognized in income as prepaid expenses depreciated over the respective term.

Foreign currencies are translated on the day they originate, at their bid price for receivables and their asking price for liabilities.

Receivables and liabilities in foreign currencies were measured at nominal value or the settlement amount at the mean spot exchange rate as of the balance sheet date. Gains are only taken into account if they relate to receivables and liabilities with a remaining term of up to one year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2015

Balance Sheet

1. Non-current assets

For the development of non-current assets in 2015 including cumulated cost and cumulated depreciation, please see the following assets analysis.

Statement of changes in non-current assets of STADA Arzneimittel AG as of Dec. 31, 2015 in €	As of Jan. 1, 2015	Historic costs of acquisition Additions 2015	A	Disposals Reclassifications 2015	D R	As of Dec. 31, 2015
Non-current assets						
I. Intangible assets						
1. Concessions acquired against payment, commercial property rights and similar rights and values as well as licenses for such rights and values	590,167,279.65	19,750,730.03	A	19,750,581.75 7,019,670.60	D R	**597,187,098.53**
2. Goodwill	103,882,170.91	0.00	A	9,033,866.58	D	**94,848,304.33**
3. Advance payments	84,303,816.60	26,342,949.78	A	285,000.00 7,036,748.65	D R	**103,325,017.73**
	778,353,267.16	**46,093,679.81**		**29,086,526.38**		**795,360,420.59**
II. Property, plant and equipment						
1. Land, leasehold rights and buildings including buildings on third-party land	69,084,188.92	416,190.31	A	69,576.34 695,462.35	D R	**70,126,265.24**
2. Plant and tools and machinery equipment	32,108,728.99	1,685,337.31	A	914,904.60 812,588.19	D R	**33,691,749.89**
3. Other fixtures and fittings, tools and equipment	46,060,228.09	1,306,603.91	A	3,417,826.69 125,952.21	D R	**44,074,957.52**
4. Advance payment and construction in progress	955,216.15	1,332,325.77	A	1,616,924.70	R	**670,617.22**
	148,208,362.15	**4,740,457.30**		**4,385,229.58**		**148,563,589.87**
III. Financial assets						
1. Shares in associates	1,341,871,124.12	11,870,000.00	A	0.00	D	**1,353,741,124.12**
2. Loans to associates	544,525,127.13	14,838,056.30	A	0.00	D	**559,363,183.43**
3. Investments	19,349,690.51	0.00	A	0.00	D	**19,349,690.51**
4. Loans to associates and other participating interests	3,320,000.00	0.00	A	3,320,000.00	D	**0.00**
	1,909,065,941.76	**26,708,056.30**		**3,320,000.00**		**1,932,453,998.06**
	2,835,627,571.07	**77,542,193.41**		**36,791,755.96**		2,876,378,008.52

	Accumulated depreciation						
As of Jan. 1, 2015	Additions Write-ups 2015	A WR	Disposals Reclassifications 2015	D R	As of Dec. 31, 2015	Residual carrying amount Dec. 31, 2015	Residual carrying amount Dec. 31, 2014
321,453,019.16	49,673,085.32	A	4,199,409.30 305,935.14	D R	367,232,630.32	229,954,468.21	268,714,260.49
24,044,480.75	15,882,066.11	A	1,568,379.61	D	38,358,167.25	56,490,137.08	79,837,690.16
33,854,842.00	1,233,367.31	A	285,000.00 305,935.14	D R	34,497,274.17	68,827,743.56	50,448,974.60
379,352,341.91	**66,788,518.74**		**6,052,788.91**		**440,088,071.74**	**355,272,348.85**	**399,000,925.25**
26,912,952.57	2,523,107.16	A	52,876.33	D	29,383,183.40	40,743,081.84	42,171,236.35
20,314,081.67	2,275,241.50	A	866,623.37 37,498.15	D R	21,760,197.95	11,931,551.94	11,794,647.32
33,673,870.23	2,713,717.30	A	3,259,089.40 37,498.15	D R	33,090,999,98	10,983,957.54	12,386,357.86
0.00	0.00		0.00	D	0.00	670,617.22	955,216.15
80,900,904.47	**7,512,065.96**		**4,178,589.10**		**84,234,381.33**	**64,329,208.54**	**67,307,457.68**
62,826,613.88	20,153,598.73	A	0.00	D	82,980,212.61	1,270,760,911.51	1,279,044,510.24
0.00	0.00	A	0.00	D	0.00	559,363,183.43	544,525,127.13
9,657,000.00	2,242,193.00	WR	0.00	D	7,414,807.00	11,934,883.51	9,692,690.51
0.00	0.00	A	0.00	D	0.00	0.00	3,320,000.00
72,483,613.88	**17,911,405.73**		**0.00**		**90,395,019.61**	**1,842,058,978.45**	**1,836,582,327.88**
532,736,860.26	**92,211,990.43**		**10,231,378.01**		**614,717,472.68**	**2,261,660,535.84**	**2,302,890,710.81**

The useful life of twelve years for goodwill takes account of the future economic benefits in the intangible assets. The useful lives of individual items of goodwill were determined on the basis of the expected economic benefits of acquired businesses and are oriented towards the useful lives of product rights purchased via acquisition and evaluated by an expert.

2. Trade accounts receivable

The item includes receivables in the amount of € 0.00 (previous year: € 0.00) with a remaining term of more than one year.

3. Receivables from associated companies and participating interests

As of the balance sheet date, there are loan receivables in the amount of € 63,362,959.74 € (previous year: € 87,437,833.60) with a remaining term of more than one year. All other trade receivables (€ 141,496,519.35; previous year: € 81,177,027.26) and additional loans to associates (€ 166,916,413.26; previous year: € 39,038,556.59) have a remaining term of up to one year.

The item “Receivables from associates and other participating interests” exclusively includes, as in the previous year, trade accounts receivable with a remaining term of up to one year.

4. Other assets

The item in the amount of € 26,648,347.53 (previous year: € 37,765,611.13) includes tax receivables in the amount of € 9,887,137.15 (previous year: € 16,167,794.35). Other assets have a remaining term of up to one year as in the previous year.

5. Accrued items

As of the balance sheet date, there are accrued receivables from accruals of interest-bearing transactions in the amount of € 4.7 million and deferred liabilities in the amount of € 14.3 million.

6. Prepaid expenses / deferred charges

Prepaid expenses / deferred charges include a discount in the amount of € 2,584,433.92 (previous year: € 1,191,171.90) as well as proportionate expenses for the next year in the amount of € 2,381,528.34 (previous year: € 2,923,201.39).

7. Deferred taxes

From 2010, deferred taxes are created for temporary differences between the commercial and tax valuation rates of assets, liabilities or prepaid expenses / deferred charges. The income tax rate (consisting of corporation tax, solidarity surcharge and trade tax) used for deferral of taxes amounts to 28.32%. The difference from the previous year is a result of the increase of the assessment rate for the trade income tax. In the case of deferred taxes, use is made of the option not to recognize the active excess resulting from the comparison of balance sheet items after offsetting the deferred tax assets and liabilities.

Deferred taxes are therefore also not included in tax expenses.

Deferred tax liabilities primarily result from differing valuation rates of assets in foreign currencies with a remaining term of one year or less. Deferred tax assets primarily result from differing valuation rates of provisions as well as the tax-related deviating useful life in the context of planned amortization of goodwill.

8. Equity

Share capital

Share capital amounts to € 162,090,344.00 (previous year: € 157,629,420.00) and is divided into 62,342,440 registered shares with restricted transferability, each with an arithmetical share in share capital of € 2.60. As of December 31, 2014, share capital still consisted of 60,626,700 registered shares with restricted transferability. The increase in share capital resulted from the exercising of warrants. Offsetting against treasury shares in the amount of € 226,873.40 results in a recognized share capital of € 161,863,470.60 as of December 31, 2015.

As of December 31, 2015 the Company had knowledge of the following notices on voting rights of at least 3%:

LSV Asset Management, Wilmington, Delaware, USA, reported, in accordance with Section 21 (1) of the German Securities Trading Act (WpHG), a share in voting rights of 3.07% since June 23, 2014. Thereof, 0.36% was attributable to the shareholder in accordance with Section 22 (1) Sentence 1 No. 1 of the WpHG and 2.71% of the voting rights were attributable to the company in accordance with Section 22 (1) Sentence 1 No. 6 of the WpHG.

Deutsche Asset & Wealth Management Investment GmbH, Frankfurt, Germany, reported, in accordance with Section 21 (1) of the WpHG, a share in voting rights of 5.04% since May 6, 2015. Thereof, 0.15% was attributable to the shareholder in accordance with Section 22 (1) Sentence 1 No. 6 of the WpHG.

The Goldman Sachs Group Inc., Wilmington, Delaware, USA, reported, in accordance with Section 25a (1) of the WpHG in the version valid until November 25, 2015, a share in voting rights of 4.64% since June 2, 2015.

Société Générale S.A., Paris, France, reported, in accordance with Section 25 (1) of the WpHG in the version valid from November 26, 2015, a share in voting rights of 3.70% since December 18, 2015.

The Company had not received any further notices from the aforementioned companies by December 31, 2015.

Authorized capital

In accordance with the resolution of the Annual General Meeting of June 5, 2013, there is authorized capital in the amount of € 77,134,304.00. According to this resolution, the Executive Board, with approval of the Supervisory Board, is authorized until June 4, 2018 to increase the Company's share capital once or repeatedly by up to € 77,134,304.00 by issuing up to 29,667,040 registered shares with transfer restrictions against cash or non-cash contributions.

Conditional Capital

The share capital is conditionally increased by up to € 69,188,340.00 by issuing up to 26,610,900 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The conditional capital increase serves the purpose of granting shares to the holders or creditors of bonds with warrants and/or convertible bonds issued by the Company or a subordinated group company on the basis of the authorization of the Annual General Meeting of June 5, 2013 (Conditional Capital 2013). An additional option for issuing registered shares with restricted transferability (Conditional Capital 2004/1) expired as of June 26, 2015.

Capital reserve

Capital reserve amounts to € 519,538,625.57 (previous year: € 495,744,898.97). The change as compared to the previous year results from the exercising of warrants (€ 23,762,999.00) as well as from earnings from the disposal of treasury shares in the context of an employee stock ownership program (€ 30,727.60).

Retained earnings

The retained earnings in the amount of € 150,517,757.00 (previous year: € 150,478,473.00) primarily include allocations from net profit. The change compared to the previous year results from disposal of treasury shares in the context of an employee stock ownership program (€ 39,284.00).

Treasury shares

As of the reporting date, the Company held 87,259 treasury shares, each with an arithmetical par value of € 2.60. This is equivalent to a share capital of € 226,873.40 or 0.14% of share capital. As of December 31, 2014, the Company held 89,835 treasury shares.

In 2015, 2,576 shares were sold and no shares were purchased. The resulting gain in the amount of € 30,727.60 was added to the capital reserve. Treasury shares were exclusively issued to employees in the context of an employee stock ownership program. The proceeds from the disposal of treasury shares led to an inflow to the operating business.

Treasury shares may be disposed of against a contribution in kind, in particular in connection with business combinations, the acquisition of business undertakings or the acquisition of participations in business undertakings.

Following the resolution adopted at the Annual General Meeting on June 5, 2013, in accordance with Section 71 (1) No. 8 AktG, the Company is authorized from June 6, 2013 until June 5, 2018 to acquire own shares of up to 10% of the share capital. The Executive Board has not made use of this authorization to date.

Disposal of treasury shares

Disposal date	Number	% of share capital	Arithmetical par value (in €)	Disposal price (in €)	Disposal result (in €)
January	461	0.0%	1,198.60	11,781.21	3,552.36
February	485	0.0%	1,261.00	13,134.75	4,477.50
March	413	0.0%	1,073.80	11,843.86	4,471.81
June	186	0.0%	483.60	5,525.92	2,205.82
July	91	0.0%	236.60	2,805.65	1,181.30
August	9	0.0%	23.40	301.68	141.03
September	152	0.0%	395.20	4,614.09	1,900.89
October	110	0.0%	286.00	3,577.88	1,614.38
November	352	0.0%	915.20	11,796.12	5,512.92
December	317	0.0%	824.20	11,328.04	5,669.59
Total	**2,576**	**0.0%**	**6,697.60**	**76,709.20**	**30,727.60**

9. Provisions

As a result of adjustments due to the German Accounting Law Modernization Act, the balance sheet item “Provisions for pensions and similar obligations” required an addition in the amount of € 67,000, which was recognized in the extraordinary result in the reporting year. For accounting of pension obligations, use was made of the option to allocate the expenses resulting from the adjustments due to the German Accounting Law Modernization Act over a period of 15 years.

As a result of discounting the pension obligation in accordance with the average market interest rate of the past seven years, which was calculated and published by the German Central Bank, an addition to pension provisions in the amount of € 495,000 was necessary.

Pension provisions were calculated in accordance with actuarial principles based on the biometric accounting principles of the 2005 G mortality tables by Dr. Klaus Heubeck as well as based on an interest rate of 3.89% p.a., a pension trend of 1.75% p.a. and a salary trend of 3.00% p.a.

Liabilities from pension commitments are partially secured by assets (reinsurance policy). Assets removed from the claims of other creditors were offset against the underlying liabilities.

The total settlement amount (not including German Accounting Law Modernization Act allocation) of pension commitments amounts to € 11,494,000. The fair value of the pledged reinsurance policy amounts to € 3,866,000. € 495,000 was offset against income in the amount of € 189,000 in the financial result in the reporting year.

Other provisions in particular include expenses in the area of personnel (€ 11,921,000), for warranties (€ 11,162,000) and for outstanding settlements from health insurance organizations resulting from the discount agreements with health insurance organizations (€ 49,529,000).

10. Bond

In 2010, a non-convertible bond with a nominal value of € 350 million was issued. The bond had a term of five years and was repaid in 2015.

A second, also non-convertible bond with a nominal value of € 350 million was issued in 2013. This bond also has a term of five years.

A third, also non-convertible bond with a nominal value of € 300 million and a term of seven years was issued in 2015.

11. Amounts due to banks

Remaining maturities of financial liabilities due to banks in € million	up to 1 year (previous year)	1 to 5 years (previous year)	over 5 years (previous year)
Amounts due to banks	238.9 (50.5)	434.0 (602.0)	0.0 (0.0)

12. Trade and other payables

Remaining maturities of trade payables in € million	up to 1 year (previous year)	1 to 5 years (previous year)	over 5 years (previous year)
Liabilities to associates	321.9 (250.1)	0.0 (0.0)	0.0 (0.0)
Liabilities to associates and other participating interests	8.9 (0.0)	0.0 (0.0)	0.0 (0.0)
Liabilities to other suppliers	33.0 (29.9)	0.0 (0.0)	0.0 (0.0)
Other liabilities	31.1 (32.1)	0.1 (0.1)	0.0 (0.0)

Liabilities to associates include loan liabilities in the amount of € 232 million (previous year: € 187 million), the remaining liabilities result from trade accounts.

Liabilities to associates and other participating interests are loan liabilities.

13. Income statement

Thereof, in 2015, sales of STADA Arzneimittel AG in the amount of € 393,339,000 include an international share of € 155,453,000. Thereof, € 146,450,000 was attributable to Europe, € 3,327,000 to MENA and € 5,676,000 to Asia. Sales can be broken down into the following activities:

in € 000s	2015	2014	2013
Sales from the delivery of goods	288,652	293,215	338,671
License revenue	24,755	24,634	24,251
Sale of approvals	0	0	30,013
Services	79,932	102,411	19,961
Total	**393,339**	**420,260**	**412,896**

Unscheduled depreciation on non-current assets was at € 31,174,000 (previous year: € 32,600,000) in financial year 2015. Unscheduled amortization of financial assets amounted to € 20,154,000 (previous year: € 14,360,000) in financial year 2015.

Other operating income included income outside of the reporting period from credits in the amount of € 154,000 (previous year: € 217,000) as well as € 1,893,000 (previous year: € 3,892,000) from the reversal of provisions.

In addition, other operating income from the sale of non-current assets in the amount of € 0,000 (previous year: € 158,000) as well as income from write-ups of financial assets in the amount of € 2.242,000 are recognized (previous year: € 4,314,000).

Other operating expenses include employee-related expenses from outside of the reporting period of € 324,000 (previous year: € 59,000).

Extraordinary profit or loss in the amount of € 67,000 resulted exclusively from the option used to depreciate over a period of 15 years the difference resulting from adjustments due to the German Accounting Law Modernization Act in the measurement of pension obligations.

Current taxes on income and earnings are attributed to the earnings of normal business activities as well as taxes from outside of the reporting period.

14. Other notes and disclosures

In 2015, the average number of employees was 918, thereof, among other things,

- 33 employees in warehousing and shipping
- 288 employees in production and packaging
- 597 employees in administration

The appointment and dismissal of Executive Board members is subject to the provisions of Section 84 of the German Stock Corporation Act. The members of the Executive Board are or were:

- Hartmut Retzlaff, Chairman
- Helmut Kraft, Chief Financial Officer
- Dr. Matthias Wiedenfels (Chief Business Development & Central Services Officer)

The Executive Board members held the following mandates during financial year 2015:

Hartmut Retzlaff is also member of the Administrative Board of HSBC Trinkaus & Burkhardt AG, member of the Supervisory Board / Board of Directors of SA Eurogenerics N.V., STADA Pharmaceuticals (Asia) Ltd., Clonmel Healthcare Limited, STADA Financial Investments Limited and STADA Vietnam J.V. Co., Ltd.

Helmut Kraft is also member of the Regional Advisory Board Central of Commerzbank AG, member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG, member of the Supervisory Board / Board of Directors of STADA Vietnam J.V. Co. Ltd and was Managing Director of STADAvita GmbH (until January 14, 2015).

Dr. Matthias Wiedenfels is also Managing Director of STADA LUX S.à R.L. and member of the Supervisory Board / Board of Directors of Spirig HealthCare AG and Pegach AG.

15. Remuneration of the Executive Board and the Supervisory Board

In financial year 2015, total compensation paid to the Executive Board amounted to € 4,937,000[1)] for STADA Arzneimittel AG (previous year: € 8,001,000[2)]).

In financial year 2015, total compensation paid to the Supervisory Board amounted to € 1,073,000 for STADA Arzneimittel AG (previous year: € 1,045,000).

Remuneration to former members of the Executive Board amounted to a total of € 297,000 in financial year 2015.

Current pension provisions for former Executive Board members as of December 31, 2015 amounted to € 9,365,000 before the netting with the actuarial reserve.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the balance sheet date. Nor has STADA taken on any contingent liabilities for the benefit of the Board members of STADA Arzneimittel AG.

1) No progress payments on the variable long-term special remuneration were made for financial year 2015.
2) Thereof final payments and progress payments on variable long-term special remuneration in the total amount of € 2,759,275 as a result of achieving the year-end and annual interim goals in the respective individual contracts for financial year 2014.

16. Information on the Company's Supervisory Board

Composition of the Supervisory Board and its committees

The members of the Supervisory Board during financial year 2015 were:
- Dr. Martin Abend, Attorney, Dresden (Chairman)
- Carl Ferdinand Oetker, Banker, Düsseldorf (Deputy Chairman)
- Dr. Eckhard Brüggemann, Doctor, in retirement, Herne
- Halil Duru, Warehouse specialist, Frankfurt am Main
- Dr. K. F. Arnold Hertzsch, Self-employed pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Self-employed pharmacist, Seelze
- Dr. Ute Pantke, Director Internal Communications, Wettenberg
- Jens Steegers, Chairman of the Worker's Council released from duty, Bad Vilbel

Halil Duru, Dr. Ute Pantke and Jens Steegers are Supervisory Board members who were elected by the employees as their representatives.

Mandates of Supervisory Board members

Carl Ferdinand Oetker

- Membership in German supervisory boards that are to be constituted by law
  - König & Bauer AG
    (member of the Supervisory Board and the Audit Committee since May 21, 2015)

- Membership in comparable German and foreign boards with controlling authority of commercial enterprises
  - Cloverfield Inc. (Chairman of the Board of Directors, non-executive)
  - Dale Investment Advisors GmbH (Chairman of the Advisory Board until January 31, 2015)
  - Erfurter Teigwaren GmbH (member of the Advisory Board since February 2015)
  - EWABO Chemikalien GmbH & Co. KG (Chairman of the Advisory Board)
  - Hela Gewürzwerk Hermann Laue GmbH (member of the Advisory Board)
  - Lampe Asset Management GmbH (member of the Advisory Board until January 31, 2015)
  - Lampe Privatinvest Management GmbH (member of the Advisory Board)
  - Wink Stanzwerkzeuge GmbH & Co. KG (Chairman of the Advisory Board)

The remaining members of the Supervisory Board do not hold any additional mandates in connection with memberships in supervisory boards that are to be constituted by law or in comparable German and foreign boards with controlling authority of commercial enterprises.

17. Information on the Company's Advisory Board

Composition of the Advisory Board

The members of the Advisory Board during financial year 2015 were:
- Dr. Thomas Meyer, Pharmacist, Seelze (Chairman)
- Dr. Frank-R. Leu, Doctor, Gießen (Deputy Chairman)
- Rika Aschenbrenner, Pharmacist, Mainburg
- Wolfgang Berger, Pharmacist, Gießen
- Gerd Berlin, Pharmacist, Haßloch
- Alfred Böhm, Pharmacist, Munich
- Jürgen Böhm, Doctor, Kirchhain
- Axel Boos, Pharmacist, Darmstadt
- Dr. Wolfgang Schlags, Pharmacist, Mayen
- Jürgen Schneider, Managing Director Offenbach
- Reimar Michael von Kolczynski, Pharmacist, Stuttgart

18. Contingent liabilities pursuant to Section 251 of the German Commercial Code

At the balance sheet date, there were contingent liabilities pursuant to Section 251 of the German Commercial Code of € 52,164,337.45 (previous year: € 156,470,848.90). Of this, € 26,481,752.19 (previous year: € 117,987,357.54) relates to contingent liabilities from guarantees to associated companies.

Due to an ongoing evaluation of the risk situation and in view of the findings gathered until the balance sheet date, STADA Arzneimittel AG assumes that the liabilities underlying the contingent liabilities will be met. Utilization of contingent liabilities is considered to be unlikely.

19. Transactions not included in the balance sheet and other financial obligations

Remaining other financial liabilities from lease, rental and other service agreements amount to € 45,450,944.51.

Maturities of remaining other financial liabilities:

in € million	
2016	20.6
2017	9.7
2018	5.1
2019	4.7
2020	4.7
After 2020	0.7

As of the balance sheet date, STADA Arzneimittel AG had transferred the majority of trade accounts receivable for the improvement of liquidity to an external third party. As the contract also transferred the risks of collectability to the buyer (real factoring), there are no liabilities to be recognized by STADA Arzneimittel AG from this transfer.

There is an order obligation from liabilities for future expenses and investments in the amount of € 55.1 million.

20. List of equity interests of STADA Arzneimittel AG in accordance with Section 285 No. 11 of the German Commercial Code

The following list shows the earnings of the companies regardless from the share in capital.

1) Direct investments of STADA Arzneimittel AG

	Earnings 2015	Equity	Equity interest in %
Germany[1]			
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel	EUR 0	kEUR 253	100%
BIOCEUTICALS Arzneimittel AG, Bad Vilbel	kEUR 10,918	kEUR 35,915	15.86%
Mobilat Produktions GmbH, Pfaffenhofen	EUR 0	kEUR 256	100%
STADA GmbH, Bad Vilbel	EUR 0	kEUR 359	100%
STADA Pharma International GmbH, Bad Vilbel	EUR 0	kEUR 31	100%
STADApharm GmbH, Bad Vilbel	EUR 0	kEUR 154	100%
International[2]			
AO Nizhpharm, Nizhny Novgorod/Russia[3]	kRUB 1,464,225	kRUB 15,077,714	100%
Ciclum Farma, Unipessoal, LDA, Paco de Arcos/Portugal	kEUR 351	kEUR 5,106	100%
Crinos S.p.A., Milan/Italy	kEUR 374	kEUR 26,568	96.77%
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt/France	kEUR 931	kEUR 40,802	100%
EG S.p.A., Milan/Italy	kEUR 2,989	kEUR 78,205	98.87%
Grunenthal Ukraine LLC, Kiev/Ukraine[4]	-	-	100%
Laboratorio STADA, S.L., Barcelona/Spain	kEUR 7,573	kEUR 64,187	100%
OOO Hemofarm, Obninsk/Russia	kRUB 478,003	kRUB 2,396,217	10%
OOO STADA Marketing, Nizhny Novgorod/Russia[3]	kRUB -289,910	kRUB -22,280	10%
Oy STADA Pharma Ab, Helsinki/Finland	kEUR 3,180	kEUR 3,624	100%
SCIOTEC Diagnostic Technologies GmbH, Tulln an der Donau, Austria[3]	kEUR 509	kEUR 1,699	100%
STADA Arzneimittel Gesellschaft m.b.H., Vienna/Austria[3]	kEUR 914	kEUR 5,129	100%
STADA d.o.o., Ljubljana/Slovenia	kEUR 39	kEUR 425	100%
STADA d.o.o., Zagreb/Croatia	kHRK 583	kHRK 3,727	100%
STADA Egypt Ltd., Cairo/Egypt	kEGP -692	kEGP 12,577	83.33%
STADA LUX S.à R.L., Luxembourg/Luxembourg	kEUR 1	kEUR 6	100%
STADA PHARMA Bulgaria EOOD, Sofia/Bulgaria[3]	kBGN 326	kBGN 1,832	100%
STADA PHARMA CZ s.r.o., Prague/Czech Republic	kCZK 15,896	kCZK 236,662	100%
STADA Pharma Services India Private Limited, Mumbai/India	kINR 611	kINR 11,224	85%
STADA PHARMA Slovakia, s.r.o., Bratislava/Slovakia	kEUR 281	kEUR 2,605	100%
STADA Pharmaceuticals (Asia) Ltd., Hong Kong/People's Republic of China	kHKD 48,107	kHKD 228,109	100%
STADA Pharmaceuticals Australia Pty Ltd, Sydney/Australia[4]	-	-	100%
STADA Poland Sp. z o.o. Piaseczno/Poland	kPLN 1,395	kPLN 8,428	100%
STADA Service Holding B.V., Etten-Leur/The Netherlands	kEUR 59,366	kEUR 656,547	100%
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai/People's Republic of China	kCNY 146	kCNY 953	100%
STADA UK Holdings Ltd.,Reading/United Kingdom	kEUR 20,955	kEUR 438,930	100%

1) There is a profit and loss transfer contract for German companies with a result of 0.
2) For foreign companies, equity is shown both in local currency and in accordance with local law.
3) Figures from financial year 2014.
4) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 No. 1 of the German Commercial Code.

2) Indirect investments of STADA Arzneimittel AG

	Earnings 2015	Equity	Equity interest in %
Germany[1)]			
ALIUD PHARMA GmbH, Laichingen	EUR 0	kEUR 52	100%
Blitz F15-487 GmbH, Bad Vilbel	EUR 0	kEUR 414	100%
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel	EUR 0	kEUR 229	100%
Grippostad GmbH, Bad Vilbel	EUR 0	kEUR 25	100%
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg	kEUR -304	kEUR -31	100%
PharmaSwyzz Deutschland GmbH, Bad Homburg	kEUR -1	kEUR 15	100%
STADAvita GmbH, Bad Homburg	EUR 0	kEUR 25	100%
STADA CEE GmbH, Bad Homburg	EUR 0	kEUR 223	100%
STADA Medical GmbH, Bad Vilbel	EUR 0	kEUR 103	100%
International[2)]			
AELIA SAS, Saint Brieuc/France[3)]	kEUR 107	kEUR 1,332	20%
Britannia Pharmaceuticals Ltd., Reading/United Kingdom	kGBP 13,326	kGBP 52,683	100%
Brituswip Limited (J.V.), Newbury/United Kingdom	kGBP 0	kGBP 140	50%
Centrafarm B.V., Etten-Leur/The Netherlands	kEUR 4,415	kEUR 10,279	100%
Centrafarm Nederland B.V., Etten-Leur/The Netherlands	kEUR 5,492	kEUR 36,967	100%
Centrafarm Services B.V., Etten-Leur/The Netherlands	kEUR -1,543	kEUR 20,325	100%
CIG (Hong Kong) Limited, Hong Kong/People's Republic of China	kHKD -2	kHKD 63	70%
Clonmel Healthcare Limited, Clonmel/Ireland	kEUR 6,566	kEUR 20,964	100%
CNRD 2009 Ireland Ltd., Dublin/Ireland	kEUR 17	kEUR -110	50%
Crinos S.p.A., Milan/Italy	kEUR 374	kEUR 26,568	3.23%
Croma Medic, Inc., Manila/The Philippines	kPHP 19,225	kPHP 314,078	100%
Crosspharma Ltd., Belfast/United Kingdom	kEUR -146	kEUR -1,823	100%
Dak Nong Pharmaceutical JSC, Dak Nong/Vietnam[3)]	334,267 kVND	kVND 2,195,060	43%
DIALOGFARMA LLC, Moscow/Russia[3)]	kRUB 5,691	kRUB 18,383	50%
EG S.p.A., Milan/Italy	kEUR 2,989	kEUR 78,205	1.13%
Fresh Vape Electronic Cigarettes Limited, Chesterfield/United Kingdom	kGBP 1	kGBP 12	100%
Genus Pharmaceuticals Holdings Ltd., Huddersfield/United Kingdom	kGBP 8,740	kGBP 12,222	100%
Genus Pharmaceuticals Ltd., Reading/United Kingdom	kGBP 0	kGBP 34,311	100%
Healthypharm B.V., Etten-Leur/The Netherlands	kEUR 829	kEUR 4,393	100%
Hemofarm A.D., Vrsac/Serbia[3)]	kRSD 2,773,874	kRSD 18,635,105	100%
Hemofarm Arabia Ltd., Damascus/Syria[4)]	-	-	50%
Hemofarm Banja Luka d.o.o., Banja Luka/Bosnia-Herzegovina[3)]	kBAM 4,394	kBAM 59,000	91.5%
Hemofarm Komerc d.o.o., Skopje/Macedonia[4)]	-	-	99.18%
Hemofarm S.a.r.l., Constantine/Algeria[4)]	-	-	40%
Hemomont d.o.o., Podgorica/Montenegro[3)]	kRSD -406	kRSD 11,752	71.02%
HTP Huisapotheek B.V., Etten-Leur/The Netherlands	kEUR 0	kEUR 11	100%
Internis Pharmaceuticals Limited, Huddersfield/United Kingdom	kGBP 4,970	kGBP 53,857	100%
Jinan Hemofarm Pharmaceuticals, Jinan/People's Republic of China[4)]	-	-	35.5%
LAS Trading Limited, Chesterfield/United Kingdom	kGBP 0	kGBP 1	100%
LCM Limited, Huddersfield/United Kingdom	kGBP 0	kGBP 0	100%
Lowry Solutions Limited, Huddersfield/United Kingdom	kEUR -47	kGBP -43	100%

1) There is a profit and loss transfer contract for German companies with a result of 0.
2) For foreign companies, equity is shown both in local currency and in accordance with local law.
3) Figures from financial year 2014.
4) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 No. 1 of the German Commercial Code.

	Earnings 2015	Equity	Equity interest in %
International[1]			
Millipharma Produtos Médicos e Farmacêuticos Ltda., Vargem Grande Paulista/Brazil[2]	-	-	100%
Neocare B.V., Etten-Leur/The Netherlands	kEUR -467	kEUR 21	100%
Nizhpharm-Kazakhstan TOO DO, Almaty/Kazakhstan	kKZT -133,745	kKZT -1,736,735	100%
Nizhpharm-Ukraine DO, Kiev/Ukraine	kUAH 309,265	kUAH 282,287	100%
OOO Aqualor, Moscow/Russia[3]	kRUB 25	kRUB 104	100%
OOO Hemofarm, Obninsk/Russia	kRUB 478,003	kRUB 2,396,217	90%
OOO STADA CIS, Nizhny Novgorod/Russia[3]	kRUB 24,916	kRUB -104,292	100%
OOO STADA Marketing, Nizhny Novgorod/Russia[3]	kRUB -289,910	kRUB -22,280	90%
OOO STADA PharmDevelopment, Nizhny Novgorod/Russia[3]	kRUB 75,592	kRUB 32,525	100%
Pegach AG, Egerkingen/Switzerland	kCHF -5	kCHF 357	100%
Pharm Ortho Pedic SAS, Trélazé/France[3]	kEUR 257	kEUR 2,661	25%
Phu Yen Export Import Pharmaceuticals JSC, Phu Yen/Vietnam[3]	kVND 636,885	kVND 25,188,353	20%
PYMEPHARCO JOINT STOCK COMPANY, Tuy Hoa/Vietnam	kVND 183,612,528	kVND 1,088,418,065	59%
Quang Tri Pharmaceutical Joint Stock, Quang Tri Province/Vietnam[3]	kVND 312,500	kVND 3,956,695	22%
Quatropharma Holding B.V., Etten-Leur/The Netherlands[2]	-	-	100%
S.A. Eurogenerics N.V., Brussels/Belgium	kEUR 5,896	kEUR 93,626	100%
Slam Trading Limited, Huddersfield/United Kingdom	kGBP 127	kGBP 231	100%
Socialites E-Commerce Limited, Huddersfield/United Kingdom	kGBP 5	kGBP 2	100%
Socialites Real Limited, Chesterfield/United Kingdom	kGBP 34	kGBP 116	100%
Spirig HealthCare AG, Egerkingen/Switzerland	kCHF -1,144	kCHF 5,373	100%
STADA (Thailand) Co. Ltd., Bangkok/Thailand	kTHB 19,459	kTHB 66,957	60%
STADA Aesthetics AG, Bottighofen/Switzerland	kCHF -182	kCHF -82	100%
STADA Egypt Ltd., Cairo/Egypt	kEGP -692	kEGP 12,577	16.67%
STADA Financial Investments Limited, Clonmel/Ireland	kEUR -1,450	kEUR 91,417	100%
STADA Genericos, S.L., Barcelona/Spain	kEUR 1	kEUR 2	100%
STADA HEMOFARM S.R.L., Temeswar/Romania[3]	kRON 671	kRON 13,618	100%
STADA Import/Export International Ltd., Hong Kong/People's Republic of China	kUSD 1,122	kUSD 1,945	51%
STADA IT Solutions d.o.o., Belgrade/Serbia[3]	kRSD 25,301	kRSD 37,289	100%
STADA M&D S.R.L., Bucarest/Romania[3]	kRON -7,848	kRON -3,480	100%
STADA MENA DWC-LLC, Dubai/United Arab Emirates	kAED 15,431	kAED 41,281	100%
STADA Nordic ApS, Herlev/Denmark[3]	kDKK 8,031	kDKK 107,161	100%
STADA Pharma Services India Private Limited, Mumbai/India	kINR 611	kINR 11,224	15%
STADA Pharmaceuticals (Beijing) Ltd., Beijing/People's Republic of China	kCNY 9,409	kCNY 54,661	83.351%
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City/Vietnam	kVND 255,356,276	kVND 883,917,462	50%
STADA, LDA, Paco de Arcos/Portugal[2]	-	-	100%
Sundrops Limited, Huddersfield/United Kingdom	kGBP 1,892	kGBP 7,493	100%
Thornton & Ross Ireland Limited, Clonmel/Ireland	kEUR 0	kEUR 0	100%
Thornton & Ross Limited, Huddersfield/United Kingdom	kGBP 22,122	kGBP 223,623	100%
UAB STADA-Nizhpharm-Baltiya, Vilnius/Lithuania	kEUR 198	kEUR 1,163	100%
Velefarm A.D., Belgrade/Serbia[2]	-	-	15%
Vetfarm A.D., Belgrade/Serbia[2]	-	-	19.65%
Well Light Investment Services JSC, Ho Chi Minh City/Vietnam	kVND -24,205	kVND 134,419,784	49%
ZAO Makiz-Pharma, Moscow/Russia[3]	kRUB -5,924	kRUB 1,073,547	100%
ZAO Skopinpharm, Ryazanskaya obl./Russia[3]	kRUB -4,510	kRUB 337,426	100%
Zeroderma Limited, Huddersfield/United Kingdom	kGBP 2,447	kGBP 4,246	100%

1) For foreign companies, equity is shown both in local currency and in accordance with local law.

2) Waiver of disclosures pursuant to Section 286 (3) Sentence 1 No. 1 of the German Commercial Code.

3) Figures from financial year 2014.

21. Conversion rates

The exchange rates underlying the currency translation of currencies outside of the euro zone that are important for STADA Arzneimittel AG developed as follows:

	Average rate		Closing rate	
in €	2015	2014	Dec. 31, 2015	Dec. 31, 2014
1 Swiss franc (CHF)	0.93664	0.82318	0.92293	0.83167
1 Pound sterling (GBP)	1.37733	1.24008	1.36258	1.28386
1 Hong Kong dollar (HKD)	0.11624	0.09696	0.11852	0.10619
1 Serbian dinar (RSD)	0.00828	0.00853	0.00822	0.00827
1 Russian ruble (RUB)	0.01470	0.01963	0.01240	0.01382
1 US dollar (USD)	0.90114	0.75194	0.91853	0.82366

22. External auditor fees

Total fees charged by the external auditors for the financial year pursuant to Section 285 No. 17 of the German Commercial Code is disclosed in the relevant Note to the Consolidated Financial Statements.

23. Corporate Governance Code

In accordance with Section 161 of the German Stock Corporation Act, the Executive and Supervisory Boards have issued their annual joint declaration of compliance with the German Corporate Governance Code. Shareholders are provided with permanent access to this declaration on the Company's website www.stada.de (German website) and www.stada.com (English website). The Company also publishes the declaration in its Annual Report.

24. Financial instruments

Derivative financial instruments

Risks from interest rate and currency related fluctuations in cash flow are countered with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

Derivatives are used to offset changes in fair values and/or interest payment cash flows from the underlying hedge items (receivables from associated companies, interest liabilities and a future investment).

STADA concludes currency forwards and currency options in order to limit currency risks. Exchange-rate hedging in 2015 was primarily undertaken for the Russian ruble, the US dollar, the Swiss franc and the British pound sterling. As of the reporting sheet date, all currency forwards, with the exception of one, were individually hedged with loans or liabilities to associated companies. One currency forward served to hedge a USD purchase price payment in the future.

STADA concludes interest-rate swaps in order to hedge the interest rate risk of promissory note loans. As of the reporting date, all interest-rate swaps were hedged with promissory note loans.

In order to hedge cash flows from loans to associated companies (interest and currency risk), STADA concluded interest rate/currency swaps. As of the reporting date, all interest rate/currency swaps were individually hedged with loans to associated companies.

The valuation of interest rate hedge transactions results from the present value of the discounted cash flows, i.e. fixed interest rates against variable interest rates.

Hedged items:

	Market values	
Hedged item	**Hedged risk**	**Secured amount of the hedged item (carrying amount) in € million**
Assets	Interest rate change/currency risk	69.34
	Currency risk	121.49
Liabilities	Interest rate risk	66.50
	Currency risk	24.71
		282.03

The market values of the derivative financial instruments in a hedging relationship are as follows:

in € million	2015	2014
Currency forwards	3.1	0.7
Interest rate swaps	-1.3	-2.7
Interest rate/currency swaps	21.0	32.1
	22.7	**30.1**

All hedges are micro-hedges.

All hedges are expected to be highly effective as the important features are nearly identical (critical terms match).

Hedged risks – pending loss provisions not created, write-ups on liabilities in foreign currencies and write-downs of receivables in foreign currencies:

in € 000s	
Interest rate / currency risk	20,663.9
Currency risk	7,450.0
Total hedged balance sheet risk	**28,113.9**

The effectiveness of hedges is evaluated on the reporting date according to the critical terms match method.

In the future, the risks being hedged will likely be offset, because the hedged items and hedging transactions are subject to the same risk, which is influenced by identical factors in the same way and because the hedging transactions to not exhibit any other risks than the hedged items. Settlement shall be completed to the greatest extent by December 31, 2017.

Bad Vilbel, March 21, 2016

STADA Arzneimittel Aktiengesellschaft
The Executive Board

H. Retzlaff
Chairman

H. Kraft
Chief Financial Officer

Dr. M. Wiedenfels
Chief Business Development &
Central Services Officer

BASIS OF THE COMPANY

Business Model and Company Structure

As a publicly-listed parent company, STADA Arzneimittel AG (hereinafter abbreviated as STADA AG or STADA), directly and indirectly holds shares in the companies that belong to the STADA Group.

The operating business of STADA AG represents just one part of the global business of the STADA Group. In the evaluation of the results of STADA AG, the operating profit of the activities of the AG in the core segments of Generics and Branded Products should be taken into account. The international sales structure of the STADA Group is made up of numerous nationally aligned sales companies, and thus close market proximity, which are regionally managed within the four market regions and supported by central Group functions. This market region-oriented sales concept enables STADA to respond promptly to changes in the individual markets of the respective market region and to immediately adapt local sales to the corresponding requirements. Profit or loss is significantly affected by the services, such as the delivery of goods to other Group companies, which result from the function of the AG as a parent company or holding company of the STADA Group. The costs for these strategic services are covered by the Group companies taking advantage of them and are accounted for under sales at STADA AG. The profit or loss from ordinary business activities of STADA AG is also influenced by investment income. The four market regions Germany, Central Europe, CIS/Eastern Europe[1)] and Asia/ Pacific & MENA[2)] hold operating responsibility in the STADA Group. The Annual Report of the STADA Group provides a complete overview.

Controlling

The most important financial performance indicators of STADA AG include sales and net profit.

Sales is an important key figure for ensuring the success of STADA AG. Among other things, top-line programs to increase sales, which particularly focus on branded products, play a significant role for future success. Reported sales is an indicator of financial performance as STADA AG aims at the generation of further sales growth, also by way of its active acquisitions policy.

Net profit has been defined as an indicator of financial performance and a key parameter as it also represents a key figure of the success of STADA AG and, among other things, ensures STADA AG's ability to provide a dividend.

1) CIS/Eastern Europe includes the markets of Bosnia-Herzegovina, Bulgaria, Kazakhstan, Lithuania, Macedonia, Montenegro, Romania, Russia, Serbia and Ukraine (CIS: Commonwealth of Independent States).
2) Since January 1, 2015, significant activities of the MENA region have been disclosed in the expanded market region Asia/Pacific & MENA instead of the market region Germany.

Research and Development

STADA AG deliberately does not conduct any research based on the business model. The focus is generally on the development of finished pharmaceutical products that are not subject to commercial property rights. The basis for profitable growth and long-term company success is the continuous market introduction of generics products at the earliest point in time following the expiration of patents and at the best possible cost of sales in the individual countries. The Group's own development centers play a significant role in the process, and they are supplemented by subcontracted development and cooperations with external development partners. One decisive strategic success factor in the Group's timely product development includes the coordination of an international network of internal and external development partners.

In addition to classic generics, the STADA Group continuously expands its product portfolio pipeline with special projects. These include, among others, biosimilar products that are developed in cooperation with highly specialized partners. STADA focuses on marketing for reasons of risk and cost consideration. In the Generics market, biosimilars will play an increasingly important role in the future, since biological therapeutics already have a high share in costs of the individual national health care markets – with an accelerating upwards trend. In comparison to the original product, biosimilars are a high-quality but inexpensive alternative with proven therapeutic equivalency. Included since the launch of the Epoetin product SILAPO® by the STADA subsidiary cell pharm in 2008 are the licensing and cooperative agreements concluded with Gedeon Richter for the development and marketing of a Rituximab biosimilar. STADA was able to continually expand its activities in the area of biosimilars by in-licensing a filgrastim product of the Canadian pharmaceutical company Apotex as well as a teriparatid product of the German Richter-Helm Bio Tec GmbH & Co. AG for the European market in October 2013 and November 2014 respectively. The filigrastim product Grastofil® was introduced into the market in the third quarter of 2014. In November 2014, STADA signed a letter of intent for the in-licensing of Adalimumab with the biotech specialists mAbxience. On August 6, 2015, STADA finally signed a licensing and sales agreement with Gedeon Richter PLC for the non-exclusive marketing of the Pegfilgrastim biosimilar in Europe.

The Branded Products area has strategic priority, since it is generally subject to less regulatory intervention and is thus characterized by more attractive profit margins than the Generics segment. Our employees develop products, which allow a positioning that is different to our competitors as well as gradual internationalization of the portfolio. In this context, STADA Arzneimittel AG's "Center of OTC Excellence" plays a significant role. The objective is the long-term pipeline and portfolio development in the areas of OTC and dermatology. This innovation center of STADA Arzneimittel AG, which was conceived as a think tank, is supported by the expertise of the British STADA subsidiary Thornton & Ross.

The STADA Group's development costs amounted to € 65.0 million in 2015 (previous year: € 56.9 million). The Group's innovative power resulted in 578 product launches worldwide in 2015 (previous year: 626). Over 1,300 ongoing approval procedures for more than 150 active pharmaceutical ingredients for more than 55 countries were in the approval process as of December 31, 2015.

Employees

The long-term success of STADA AG is largely attributable to its employees with their specialist knowledge, their experience and their commitment as well as diversity. Personnel management at STADA generally follows a long-term personnel policy with the goal of optimally supporting employees as well as attracting and keeping the best talents. STADA offers internships to young people as well as various career training programs in the pharmaceuticals area. Training, language skills support and specialist workshops and seminars also contribute to staff development and to the up-to-date knowledge of employees in various specialist departments.

The STADA Group's personnel management is organized in a decentralized way, allowing to meet the various needs at individual locations. They are largely independent in many areas of personnel policy in accordance with company guidelines. Further details are published annually in the personnel and social report on the Group's website at www.stada.de.

Employees are rewarded with a variable remuneration system according to performance goals set with them personally and measured by the Company's success. STADA employees in Germany can purchase a maximum number of shares in the context of an employee stock ownership program that is supported with a contribution.

The average number of employees of STADA AG decreased by 10.1% compared to the previous year to 918, primarily as a result of the transfer of operations of the logistics activities to service provider DHL (previous year: 1,021 employees).

Environmental Protection and Safety

STADA AG promotes environmental protection as a rule. Procedures and processes are being continuously improved in order to minimize their environmental impact and health risks. Within the Group, the responsibility for sustainability, especially with regard to environmental matters, is operatively met in a project-related way beyond the legal framework.

STADA makes a significant contribution to efficient health care due to the STADA Group's development of Generics as the largest business segment according to sales. The Branded Product segment also represents a relief for the health care systems of the individual countries due to the high proportion of self-pay patients.

As a health company, STADA AG places the highest priority on product quality and product safety. This applies likewise to finished products, raw materials, services and working conditions. For this purpose, STADA AG introduced international quality management systems such as good manufacturing practice standards (GMP) and ISO standards.

ECONOMIC REPORT
General Economic and Industry-specific Situation

General economic situation

In 2015, global economic development remained subdued. The financial markets were characterized by the gradual decline in economic activity in China, the significant drop in oil and commodity prices as well as monetary policy decisions by central banks.

According to information from the International Monetary Fund (IMF)[1], global economic output in 2015 increased by 3.1% and was therefore 0.3% below last year's level. In the course of this, the growth rates of the advanced countries at 1.9% and those of the emerging markets at 4.0% thus slightly approached each other. This development supports the purchasing power of patients that behave as so-called "self-pay patients" in the health care sectors of these markets. GDP in the Eurozone, in which STADA holds a leading position in the generics and branded products markets in some countries (particularly in the OTC market), benefited from a revival of private consumption, lower oil prices as well as a favorable financing environment and could therefore more than compensate for weakened export (+1.5%; +0.6% in comparison with the previous year). In the home market of Germany as well as in Spain, France and Italy, GDP recorded positive development of +1.5%, +3.2%, +1.1% and +0.8% respectively. Growth in GDP in so-called emerging and developing Europe[2] was at 3.4%. With growth of +0.5%, Serbia[3] was able to reverse the negative growth trend of the previous year. With GDP of -2.8%, the CIS countries (Commonwealth of Independent States) fell into a deep recession, with Russia in particular at -3.7% struggling as a result of the significant drop in energy prices and sanctions from the West. The associated shortage in liquidity and strong devaluation of the Russian currency led to both subdued consumer mood and subdued behavior from the end customer. The remaining emerging market regions that are important for STADA are ASEAN-5 and the Middle East and North Africa, which showed pleasing growth in 2015 of 4.7% and 2.5%.

Industry-specific situation

The health care and pharmaceuticals market generally benefits from global growth in the population, the demographic development of an aging society and from medical progress. The global health care and pharmaceutical markets recorded further increase in 2015. Sales in the international pharmaceutical market thus increased by approx. 8.9% to approx. € 987 billion[4] as compared to the previous year. Sales in the global generics market increased by approx. 8.5% to approx. € 169.8 billion[4] in 2015 as compared to the previous year. The market share of generics in the global pharmaceutical market amounted to approx. 17.2%[4]. Growth drivers of the industry include the continuous expiration of patent rights. In addition, the penetration of generics is still relatively low in several European countries where STADA has a leading role, and penetration is expected to grow against the backdrop of the pressure to reduce costs in the context of the European sovereign debt crisis. In certain markets, however, this growth in volume will be partially eaten away by governmental intervention in pricing. The volume of the generics market is also growing in Germany. However, this growth is being diminished by intensive price competition, particularly with tenders for discount agreements with the public health insurance organizations. The German generics market recorded a slight increase of 4.9%[5] in euro – considering the list prices – in 2015.

Sales of the global OTC market increased on the previous year by approx. 7.8% to € 69.03 billion[6]. The market share of OTC products in the global pharmaceutical market amounted to 7.7%[6]. The branded product area is hardly affected by government price regulations and is largely dependent on the demand and purchasing power of so-called "self-pay patients" and the marketing materials used. The segment can generally benefit from relatively free pricing conditions. In spite of this, the branded product portfolio is subject to seasonal fluctuations, which are primarily a result of weather influences (e.g. cold portfolio, sunscreen). For this reason, among others, the Branded Product segment of STADA Arzneimittel AG in Germany recorded slightly negative development in 2015, in contrast with the positive development of the market in Germany (+6.0%)[5].

1) International Monetary Fund (IMF): World Economic Outlook of January 2016.
2) Including Bulgaria, Croatia, Lithuania, Poland, Romania, Serbia, Turkey and Hungary.
3) International Monetary Fund (IMF): World Economic Outlook of October 2015.
4) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.
5) IMS MIDAS (September) 2015, data based on the STADA market regions.
6) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016. IMS MIDAS (September) 2015.

Effects of overall economic and industry-specific framework conditions

In consideration of the demand in the health care market, which is relatively independent of the economy, the international economic environment generally has less direct effects on the business development of STADA AG than the regulatory environment does. Nevertheless, the economic development does have an effect on the Group’s activities in the form of currency and interest rate fluctuation, which primarily has an indirect influence on the success of STADA AG within investment income. STADA regularly takes precautionary measures in order to appropriately react to strong volatility.

Business Development

Overall, sales in 2015 developed in line with the 2014 outlook. Revenues from the delivery of goods to third parties benefited from the decision to only take part in tenders for discount agreements with one subsidiary in the German generics business. Alongside the elimination of redundancies, this measure also directly resulted in an improved product mix with lower revenue reductions in both segments. This positive effect was able to more than compensate for a slight decrease in the branded products business, as a result of seasonal conditions. Intercompany sales including the payment of strategic services decreased significantly, resulting in an overall decrease of STADA Arzneimittel AG sales. Intercompany sales suffered as a result of the subdued end consumer demand in the CIS states, particularly in Russia. Payments for strategic services were again influenced by a decrease in sales in Belgium and France.

The significant increase in net profit in 2015 – despite the decrease in sales – from € 77.2 million to € 49.8 million primarily resulted from increased earnings from profit transfer agreements and investments as well as an improved financing environment.

In order to strengthen the mid and long-term earnings potential, the STADA Group continuously identifies and implements efficiency-boosting projects. In 2014, the Executive Board already decided that only one of the previous two German subsidies will take part in tenders for discount agreements, which had a strong positive impact on profitability in 2015, despite the continued difficult tender business. The opening of a new IT service center in Serbia in 2013 will also generate annual cost savings of a total of € 5 million for STADA AG from 2015. In addition, STADA has also handed over the German logistic activities to the global leading logistics company DHL, in order to focus on its core business.

The STADA Group and STADA AG focus investments in particular on the expansion and internationalization of the high-margin branded products business.

Situation | Earnings Situation

in € million	2015	2014
Sales	393.3	420.3
Net profit or loss from ordinary business activities	47.1	-25.5
Net profit	**49.8**	**-27.4**

Net profit or loss from ordinary business activities

The sales of STADA AG recorded a decrease in 2015 of 6.4% or € 26.9 million to € 393.3 million. Net revenues from the delivery of goods to third parties increased significantly, primarily as a result of a sales increase in the German Generics segment. Despite a continued difficult tender business, the decision to only offer discount agreements with one German subsidiary led to an improved product mix with lower revenue reductions in both segments. This was countered by the seasonal slight decrease in the branded products business. Intercompany sales including strategic services were significantly below the figures of the previous year.

Adjusted for currency effects, the balance from other operating income and expenses had a negative effect of € 145.8 million. Adjusted for currency translation expenses, other operating expenses increased by € 23.7 million as a result of increased external services, among other things, which allowed cost synergies to be achieved in other areas. Other operating income adjusted for currency translation gains increased by € 6.3 million.

Cost of materials decreased in line with sales (-10.6%). The reduced personnel expenses (-2%) were characterized by the transfer of operations of the logistics activities to service provider DHL. The decrease in amortization/depreciation and impairment on intangible assets and property, plant and equipment by € 7.1 million had a positive effect. This primarily relates to impairment losses on approvals and brands as well as goodwill in the total amount of € 31.2 million. The predominant reason for this is the worsened economic situation in the CIS region, which is noticeable in currency relations, interest rates and country risks. In contrast, amortization and impairment of financial assets decreased by € 5.8 million. Here, against the backdrop of a difficult market environment, impairments on a French subsidiary played an important role.

Investment income and income from profit transfer agreements improved by € 75.0 million to € 122.2 million. Both earnings from profit transfer agreements as a result of good performance by one German subsidiary in particular (€ 61.9 million, € +37.2 million) and earnings from investments as a result of higher dividends from associates, primarily from the Netherlands and Spain (€ 60.3 million, € +37.8 million) recorded a significant increase. Interest income and expenses had a significantly positive effect on a balance of € 29.5 million. This effect resulted from higher interest income and similar income primarily from associates (€ +15.5 million) with reduced interest expenses and similar expenses (€ -13.9 million) through higher settlements of promissory note loans and particularly the bond as well as refinancing at more favorable terms. Earnings from loans to associates remained at approximately the level of the previous year at € 35.6 million. The total result of ordinary business activities increased substantially by € 72.6 million to € 47.1 million in 2015.

Net profit

Extraordinary expenses decreased by € 1.9 million. Due to outsourcing of the pension obligation of the Chairman of the Executive Board and other associated effects, extraordinary expenses in the amount of € 2.0 million were incurred in the previous year. After tax income of a total of € 2.8 million, which primarily comprises taxes from outside the current period as a result of the conclusion of an external tax audit, net profit amounts to € 49.8 million (previous year: € -27.4 million).

Situation | Assets situation

in € million	2015	2014
Non-current assets	2,261.7	2,302.9
Current assets	468.5	365.7
Equity	891.4	853.3
Provisions	125.7	154.6
Liabilities	1,718.0	1,664.8

The balance sheet total of € 2,735.1 million in 2015 was slightly higher than the previous year by 2.3%.

Non-current assets declined by a total of € 41.2 million. The decrease in intangible assets (€ -43.7 million) and property, plant and equipment (€ -3.0 million) could not be compensated by the slight increase in financial assets (€ +5.5 million). Within intangible assets, the amount of concessions acquired against payment and commercial property rights decreased by € 38.8 million, particularly due to an increased need for amortization. Goodwill decreased due to amortization and impairment by € 23.3 million. Within financial assets, loans to companies with participating interests (€ -3.3 million) decreased alongside shares in associates (€ -8.3 million), whilst loans to associates (€ +14.8 million) and the shareholding value in associated companies increased (€ +2.2 million). Loans to associated companies primarily served to finance acquisitions in the market region Central Europe.

Current assets increased substantially by € 102.8 million. This effect was mainly attributable to an increase in receivables from associates and other assets. Whilst other assets decreased, primarily as a result of tax refunds (€ -11.1 million), receivables from associates increased by € 164.1 million. These resulted from short-term lending to subsidiaries. In contrast, both cash on hand (€ -44.7 million) and inventories (€ -4.9 million) decreased, which benefited from a project for inventory optimization.

Equity increased significantly by € 38.1 million, primarily as a result of the net income of € 49.8 million and the exercise of share options in 2015 through the resulting change in share capital (€ +4.5 million) and capital reserve (€ +23.8 million). The dividend payment for 2014 amounted to € 40.0 million. The equity-to-assets ratio remained stable at 32.6% in comparison with the previous year.

Provisions primarily decreased by € 28.9 million to € 125.7 million as a result of the transfer of the German discount business to a subsidiary.

The amount of liabilities increased by € 53.2 million. This was mainly due to the significant increase in liabilities to associates by € 71.8 million, which particularly resulted from an increase in cash pool liabilities. Against the backdrop of the issuing of a corporate bond in 2015 with a nominal value of € 300 million, which replaced an expiring bond with a nominal value of € 350 million, liabilities for bonds decreased by € 50 million, whilst liabilities due to banks increased by € 20.4 million. There were hardly any changes to liabilities from trade accounts (€ +3.1 million) and other liabilities (€ -1.1 million). In addition to assets recognized in the balance sheet, STADA AG takes advantage of off balance sheet assets. These primarily include leased or rented items within the usual framework such as company cars and rented building space. STADA AG primarily has factoring as off balance sheet financing instruments.

Situation | Financial Situation

Cash flow from operating activities amounted to € 32.2 million in 2015 (previous year: € 237.0 million). This decrease is mainly attributable to a strong increase in receivables from associates by € 164.1 million. Provisions decreased by € 28.9 million (previous year: € -33.2 million), particularly as a result of the transfer of the German discount business to a subsidiary.

Cash flow from investing activities was € -37.7 million in 2015 (previous year: € -48.1 million) and resulted, above all, from investments in intangible assets and increased loans to associates. Proceeds of € 21.5 million resulted from the intercompany sale of intangible assets. Cash flow from financing activities amounted to € -39.2 million (previous year: € -145.8 million). Earnings were primarily influenced by the increase in short-term liabilities for the financing of intercompany loans and the payments for loans (€ -50 million). There was a capital increase of € 28.3 million as a result of the exercising of warrants, whilst dividend payments (€ -40 million) were also made. The net change in financial liabilities was € +53.2 million and increased notably as compared to the previous year (previous year: € -46.4 million).

As a result of the cash flows described, cash and cash equivalents decreased from € 50.3 million to € 5.6 million. The primary goal of financial management is to ensure liquidity at all times and to limit the risks associated with financing. The mid to long-term borrowed capital financing is capital market-oriented and primarily relates to two corporate bonds in euro which mature in 2018 and 2022 and promissory note loans with maturities until 2020. The goal is to maintain a balanced maturity dates profile with a diversified investor basis and optimized financing conditions. The average capital weighted interest rate of the interest-bearing financial liabilities of STADA AG was 2.29% as of December 31, 2015.

General Statements on the Business Development

In the financial year, STADA AG recorded an overall business development which exceeded the outlook published in the Prognosis Report 2014 in terms of net profit.

With a decrease of 6.4% to € 393.3 million, overall sales were in line with the prognosis. Positive effects from the good performance of the German subsidiaries were, however, unable to fully balance decreased earnings – influenced by the challenging economic situation in Russia and decreased sales in Belgium and France – from intercompany sales including strategic services. A challenging economic situation in the CIS region had a negative effect due to an increased need for write-down of intangible assets. The increase of earnings from ordinary business activities was primarily the result of a significant increase in earnings from investments and profit transfer agreements, particularly in German and Central European subsidiaries (€ +75.0 million) as well as a significantly improved interest result in the balance (€ +29.5 million).

As a consequence of this development, the results of ordinary business activities increased from € -25.5 million in 2014 to € 47.1 million in 2015. With only minimal extraordinary expenses and tax income of a total of € 2.8 million, at € 49.8 million (€ +77.2 million) net profit was above the prognosis for 2015 provided in the Management Report 2014 (slight increase).

The result achieved by STADA AG in financial year 2015 is therefore based on structural improvements and an increased focus of the business model on branded products with long-term growth potential and limited governmental regulation. This strategic plan will sustainably support the profitability of STADA Arzneimittel AG. STADA AG indirectly benefits from investment income from associates who focus on market regions that also have long-term growth potential. This development is currently overshadowed by the challenging economic situation in the CIS region, which may have a direct or indirect effect on the business, financial and earnings situation of STADA Arzneimittel AG.

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:

	Hartmut Retzlaff, CEO (Chairman of the Executive Board since 1993)					
	Benefits granted				Allocation	
in € 000s	**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)					
	Benefits granted				Allocation	
in € 000s	**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)					
	Benefits granted				Allocation	
in € 000s	**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:

	Hartmut Retzlaff, CEO (Chairman of the Executive Board since 1993)	
	Benefits granted	
in € 000s	**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 advances[1)] in the total amount of € 200,000 (previous year: € 1,206,250) in financial year 2015; thereof € 0[2)] was attributable to Hartmut Retzlaff (previous year: € 806,250), € 0[2)] 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

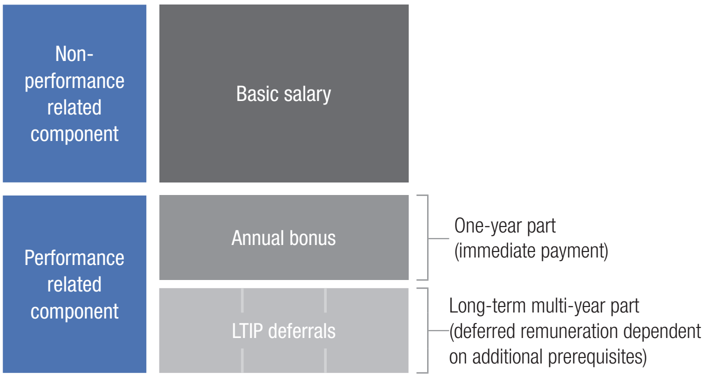
In financial year 2015, with the support of an independent external advisor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, the Supervisory Board of STADA Arzneimittel AG developed and agreed a new remuneration system for the Executive Board, which particularly makes changes to the structure 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 (LTIP[1] 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.

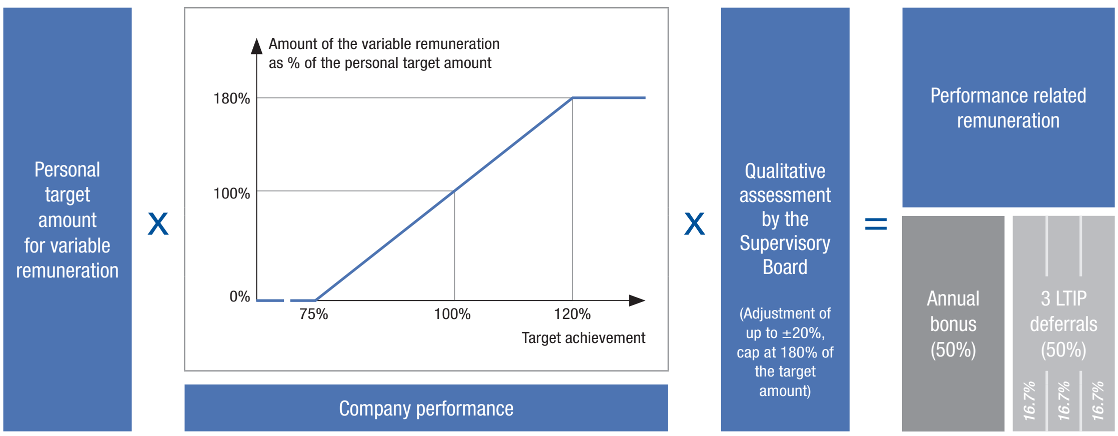
The performance related remuneration is dependent on the achievement of the fixed targets set by the Supervisory Board for the Executive Board and is adjusted depending on three subcomponents – the company performance, share performance and individual Executive Board performance. The performance related 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 share[1)] 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.

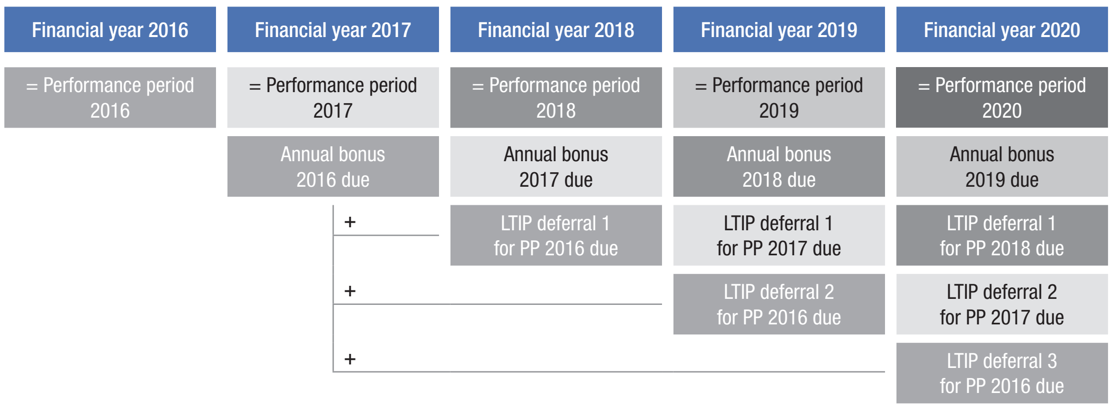
The payment amount for an LTIP deferral corresponds to the initial value, if the yield of the STADA share has developed in line with the MDAX in the underlying deferral period. If the development of the STADA share yield is 70% or less of the MDAX development, the LTIP deferral is dropped as part of 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:



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.

SUPPLEMENTARY REPORT

Between the end of financial year 2015 and the date of the signing of the Management Report and the Financial Statements for 2015, no event occurred which has an effect on the business, financial or earnings position of STADA Arzneimittel AG.

OPPORTUNITIES REPORT

As a publicly-listed parent company, STADA Arzneimittel AG directly and indirectly holds shares in the companies that belong to the STADA Group.

The operating business of STADA AG represents a part of the global business of the STADA Group. STADA's profit or loss and risk profile are significantly affected by the services, such as the delivery of goods to other Group companies, which result from the function of the AG as a parent company or holding company of the STADA Group. The profit or loss and respective opportunities and risks of STADA are also characterized by those included in investment income. The Annual Report of the STADA Group provides a complete overview.

Opportunities management

To secure the short, medium and long-term success of the company, the company carries out continuous opportunity management. In this context, STADA aims to determine and seize new growth opportunities and to secure and expand upon existing potential for growth. STADA's strategic success factors create the basis for utilizing growth opportunities that arise and thereby for securing sustainable success. They particularly include strong product development, a focused sales structure, an active acquisition policy including experienced integration management, a functionally organized company with short decision-making processes, efficient cost management as well as qualified employees.

Important strategic success factors of STADA Arzneimittel AG

The regional organizational and management structure in the sales related areas, which is organized in a strategically centralized manner and managed decentrally, ensures that trends and requirements can be recognized and analyzed at an early stage so that opportunities can be used in a targeted manner. It is supported by intensive observations of both the market and the competition as well as close contact with important institutions. In addition, STADA has centrally organized processes for the identification of opportunities. This includes, among other things, the area of business development to identify suitable acquisition objects.

In the future, STADA will also continue to expand its product portfolio in the two core segments Generics and Branded Products. In addition to sales and earnings achieved in the context of new product launches, the opportunity exists to attain an improved margin mix as well as for economy of scale effects insofar as the products can be launched with margins that are better than the company average. STADA can hereby fall back on sustainable development and approval strength, which is evident in the large number of products launched every year and which will continue at a high level in future. In light of the fact that the Branded Products area is generally characterized by more attractive margins and is subject to less regulatory intervention than the generics area, STADA intends to particularly expand development activities in the Branded Products core segment. This will take place in close cooperation with the "Center of OTC Excellence", which will continue to support the increasing strategic orientation of the Company towards Branded Products, including as regards further internationalization. With the "time and cheap to market" strategy STADA pursues the goals of launching new products on the market not only at the earliest possible time, but also at the best possible cost of sales. Furthermore, in the past STDA has continually increased the number of in-house developments of strategically important and high-sale products with a view to cost savings. This will continue to be the case in the future. The increasingly important field of biosimilars, particularly in competitive and margin aspects, also represents an important aspect of product development. In light of the existing potential in this area, STADA will continue to pursue the strategy of selectively in-licensing biosimilars from highly specialized partners and thereby deliberately avoiding in-house developments for risk and cost reasons. In order to expand the existing biosimilar portfolio in a targeted manner, STADA continuously reviews offers for in-licensing biosimilars for various indications, which meanwhile also cover biosimilars for monoclonal antibodies whose patents expire as from 2020.

The focused sales structure of STADA Arzneimittel AG is designed to market the products from the company product portfolio in a way which is adapted to the different regulatory and competitive framework conditions. This allows STADA to orient the largely internationally coordinated sales activities towards each local market and to react to market changes in the short-term.

In the course of the active acquisition policy, STADA intends to further expand the business activities within the Company to further accelerate organic growth through external impulses. In light of increasing pressure to reduce costs to which the health care systems are exposed, the Executive Board sees further growth potential in branded products, as they are generally characterized by better margins and less regulatory intervention than generics.

With a view to further growth, functional reporting structures with short decision-making channels and simultaneous strong regional market presence will continue to be a high priority in the future. This particularly applies to sales activities, because the ability to adapt to structural, regulatory or competition-related changes in the short-term plays an essential role in both exploiting opportunities and reducing risks. In light of this, the Group will continue to pursue an aggressive pricing policy in individual cases, provided that this will enable the achievement of a better market position or a higher market share. The prerequisite for this approach, however, is that the business activities are profitable or become so within a foreseeable time period.

In consideration of earnings, efficient cost management will also be assigned an important function in the future. Continuous cost optimization will focus on cost of sales and all the associated costs, as this represents by far the largest cost item. STADA is hereby relying on the continued expansion of the two procurement offices in Shanghai, China and Mumbai, India, because these markets represent important resources for the procurement of low-cost active ingredients. With the goal of taking advantage of opportunities for cost reduction, STADA will continue to involve suppliers in the market risks and hire suppliers from low-cost countries. In addition, in future STADA will also expand the transfer of product manufacturing to Group-owned production facilities, where this contributes towards cost optimization.

The employees represent another substantial opportunity, since they will continue to have a significant share in the sustainable success of STADA Arzneimittel AG in the future with their extensive expertise, their long-standing experience and their strong commitment. The expansion of the numerous voluntary benefits such as the planned introduction of a lifetime working account model, which significantly increases flexibility for employees and meets the modern requirements of employees, results in a further increase of the attractiveness of STADA as an employer. This and further measures will continue to contribute towards gaining and maintaining qualified and committed employees for the Company.

RISK REPORT

As an internationally active pharmaceutical company STADA is part of a global business community and is thus exposed to a variety of risks in a dynamic market environment. STADA understands risks as potential future developments or events that could lead to a negative deviation from STADA's projected business objectives.

STADA defines the management of risks as a permanent task of entrepreneurial activities. For this reason, STADA's Executive Board implemented an ongoing risk management system which is integrated into the value-based management and existing organizational structure of the Group and which is based on a globally recognized framework concept, the "Enterprise Risk Management – Integrated Framework" (2004), developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The risk management system is therefore an integral component of business processes and company decisions.

The risk strategy is based on STADA's corporate strategy. It aims to put the Executive Board in the position to recognize risks at an early stage so they can take control of them in due time. The risk strategy is practiced within all business segments of the STADA Group.

Risk management

As a stock corporation based in Germany, STADA is subject to German risk management legislation such as Section 91 (2) of the German Stock Corporation Act. The Executive Board has established a company and Group-wide risk management system to ensure compliance with the relevant legislation as well as to guarantee the effective management of risks. The risk management system aims to systematically and regularly identify risks that are significant for STADA and that may jeopardize its continued existence, to assess their effects on STADA Arzneimittel AG and on the Group and determine possible measures that can be initiated in due time if necessary. At the same time, the risk management system is intended to guarantee sufficient security to ensure that STADA's goals, particularly financial, operational and strategic goals, can be reached according to plan. STADA's risk management system represents a key element in the entrepreneurial decision-making process and has therefore been implemented as an integral component of business processes throughout the STADA Group. The company-wide standard and integrated approach to the management of risks is intended to ensure the effectiveness of Group-wide risk management and make it possible to aggregate risks and provide transparent reporting.

The fundamental components of the Group-wide risk management system, thus also including STADA Arzneimittel AG as a parent company, are:

1. the Risk Management department, which is vertically and horizontally integrated in the Company and is responsible for the planning and further development of the risk management system (including the Group-wide establishment of the risk management software "R2C – Risk to Chance"), as well as the methods and procedures used to identify and assess risks and support the local risk confidants;

2. the local risk confidants who identify and assess risks (including measures) and document and update them in the risk management system who are integrated in all corporate units and subsidiaries throughout the Group (bottom-up communication);

3. written and oral queries (top-down communication) sent to the responsible risk confidants by the Risk Management department on current topics and the risk situation in the individual areas of the Group.

4. the company-specific risk management guide, which defines the risk management terms, risk policy and the risk management system including the risk management process and responsibilities;

5. Risk reporting at Group and individual-company level.

STADA's Group-wide risk management covers STADA Arzneimittel AG and companies in which STADA holds a stake of at least 50% even if they are not consolidated. Insofar as recognizable risks to the Group arise at subsidiaries in which STADA holds a stake of less than 50%, these risks are also recorded in the Group's risk management system.

Only risks are recorded in the risk management system. Opportunities are not recorded in the risk management system along the lines of risks. The identification and evaluation of opportunities takes place in the respective business environments. Opportunities are indicated in the Opportunities Report within the Management Report of this Annual Report.

Risk management process

At STADA, the risk management process comprises the phases of risk identification, risk measurement, risk control, risk aggregation, risk monitoring and risk reporting.

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Risk identification	Risk measurement	Risk control	Risk aggregation	Risk monitoring	Risk reporting

Phase 1: Risk identification

Within the “risk identification” phase, all of STADA’s corporate units and subsidiaries systematically record all possible future developments or events that could have substantial impact on STADA’s business model or change STADA’s risk profile. These possible future developments or events are allocated to a category in the company-specific risk atlas. These individual risks are identified, on the one hand, via self-assessment of the risk confidants (bottom-up) and, on the other hand, via written and verbal inquiry of the Risk Management department (top-down). Close cooperation between the Risk Management department and the risk confidants in the individual business areas and worldwide locations is meant to ensure the individual risks are defined uniformly and that the conditions are present that make thorough risk management possible throughout all departments and countries.

Phase 2: Risk measurement

In the “risk measurement” phase, the respective risk confidant analyzes the cause-and-effect structure and then, individually or in cooperation with the Risk Management department, an evaluation is prepared for every individual identified risk. The quantitative evaluation of individual risks is based on probability and impact; the evaluation should consider potential direct damage as well as indirect results caused by individual risks if they arise. In an additional step, each evaluated individual risk is subjected to a plausibility test by the Risk Management department. Any inconsistencies uncovered by the plausibility test are discussed and resolved by the Risk Management department and the responsible risk confidant in cooperation.

Phase 3: Risk control

In the “risk control” phase, the risk confidants, individually or in cooperation with the Risk Management department, identify potential measures of risk avoidance, reduction, transfer and/or compensation. The measures identified can relate to the cause (preventative) as well as to the effect (reactive). In some cases, the acceptance of an individual risk can be approved as a measure. In an additional step, each identified measure is subjected to a plausibility test by the Risk Management department. Any inconsistencies uncovered by the plausibility test are discussed and resolved by the Risk Management department and the responsible risk confidant in cooperation.

Phase 4: Risk aggregation

In the “risk aggregation” phase, the causes of the individual risks are analyzed by the Risk Management department in an initial step. Following the analysis, individual risks with identical or similar causes are aggregated in order to increase transparency. The risk descriptions and probability of risks grouped into one risk aggregate item are closely analyzed and mutual compatibility ensured.

Phase 5: Risk monitoring

In the “risk monitoring” phase, the development of risks, as well as the implementation and effectiveness of the identified measures, are continuously monitored by the risk confidants, who are supported by the Risk Management department. For individual, potentially high-risk business processes, the Risk Management department accompanies the operational implementation, also in an observational role.

Phase 6: Risk reporting

In the “risk reporting” phase, the Risk Management department prepares separate, recipient-oriented quarterly risk reports based on the individual risks identified and the risk aggregates for the Executive Board, the Vice Presidents and the Managing Directors and makes them available in a timely manner. The risk report for the Executive Board is also passed on to the Supervisory Board. Significant individual risks and risk aggregates indicated in the recipient-oriented report are jointly discussed by the Executive Board and the Supervisory Board and if required, measures to counter risks are addressed. Any new significant risks or risk aggregates that appear between reports within the scope of the risk management system are immediately provided via ad-hoc reporting to the Executive Board and, if necessary, the Supervisory Board.

The risk management system run by STADA is regularly reviewed and evaluated by Internal Auditing for compliance with the statutory framework conditions and Group-internal guidelines. In the scope of auditing the annual financial statements, STADA’s auditor also reviews and evaluates whether the early risk detection system, which is integrated in the risk management system, is generally suitable to recognize risks, which may jeopardize the company’s continued existence, at early stage. The auditor has confirmed that STADA’s early risk detection system conforms to the legal requirements.

Main features of the internal control and risk management system as relates to the accounting process (Section 289 (5) of the German Commercial Code)

The internal control risk management system with regard to the financial reporting process (ICRMS) is a component of STADA’s comprehensive risk management system. It follows the objective of ensuring the accuracy and reliability of financial reporting (bookkeeping, separate and consolidated financial statements and management reports) by implementing appropriate and effective procedures and controls, in accordance with relevant accounting standards and in compliance with internal guidelines. This involves the combination of central system organization and control as well as local responsibility for individual sub-processes.

Responsibility for the introduction as well as the functionality of the ICRMS rests with the Executive Board of STADA Arzneimittel AG. The appropriateness and effectiveness of the ICRMS is assessed by the Executive Board at the end of each financial year at a minimum.

The Annual Financial Statements are prepared on the basis of uniform accounting guidelines laid down by the accounting department and a uniform accounting plan. New developments in the area of accounting standards are monitored on an ongoing basis. Insofar as these are relevant for STADA, the accounting guidelines and the chart of accounts are adjusted accordingly.

The primary control functions for the significant accounting processes are carried out by the respective plausibility tests integrated in the programs. The software systems used are protected against unauthorized external access by appropriate IT systems. In addition, authorization procedures ensure that internally, only the relevant individuals in each case have access to the individual systems.

In addition to the software-supported systems, manual plausibility tests and verification of the completeness and accuracy of data and calculations are carried out at all company levels. In the context of internal auditing activities as an additional component of the internal control system, the appropriateness and effectiveness of the ICRMS is subjected to regular audits, thus ensuring the reliability and functionality of the control mechanisms as well as the appropriateness and effectiveness of the risk management system and compliance with internal guidelines.

As a controlling body by way of its Audit Committee, the Supervisory Board also regularly monitors the financial reporting process and the effectiveness of the control system, the risk management system, the internal auditing system and the audit of the financial statements.

The extent and focus of the established ICRMS is thus fully in line with STADA's company-specific requirements. In the view of the Executive Board, STADA has an appropriate and adequate monitoring system, which includes the necessary components of ICRMS for the Group. In the context of a cost benefit analysis of each ICRMS, however, limitations in relation to its effectiveness must be tolerated. In addition – even in the case of existing control mechanisms considered as effective – the possibility of errors or an incorrect assessment of risks cannot be completely excluded.

Period of assessment

The period of assessment for this Risk Report is generally 24 months in the future to the extent that no other period is stated in individual cases. The assessment of the individual risks relates to December 31, 2015. There were no relevant changes after the balance sheet date, which would have required a change in the presentation of STADA's risk situation. It can, however, in principle not be ruled out that further, also significant individual risks will arise in the development of business during the risk assessment period, which can add to the individual risks stated in the following.

Evaluation of risk categories

From the current perspective of STADA's Executive Board, relevant anticipated risks to the business activities of STADA Arzneimittel AG include the individual risks summarized according to risk categories below. By grouping together similar individual risks, the individual risks are aggregated to a greater extent than they are for the purpose of internal controlling with the help of risk-management software. Unless otherwise indicated, all individual risks described affect all company segments (Generics, Branded Products and Commercial Business) to varying extents.

In order to determine which risk categories are most likely to endanger the continued existence of STADA, individual risks are classified according to their estimated or derived probability and impact in relation to STADA's business, financial and earnings situation. The scales used for the measurement of these two indicators are presented in the charts below:

Probability			Description
0% <	Probability	≤ 2%	very low
2% <	Probability	≤ 10%	low
10% <	Probability	≤ 30%	noticeable
30% <	Probability	≤ 50%	reasonable
50% <	Probability	≤ 70%	probable
70% <	Probability		high

Impact			Description
€ 0 ≤	Impact	≤ € 800,000	marginal
€ 800,000 <	Impact	≤ € 2,500,000	noticeable
€ 2,500,000 <	Impact	≤ € 5,000,000	moderate
€ 5,000,000 <	Impact	≤ € 10,000,000	significant
€ 10,000,000 <	Impact		serious

STADA only quantitatively evaluates and reports individual risks on the basis of probability and the potential impact of the risk, regardless of the risk categorization. For this reason, internal controlling only takes place at the individual risk level and not the level of aggregated risk categories. For presentation purposes within this Risk Report, the evaluated individual risks are converted into annual figures. The converted individual risks are summarized by aggregated risk category and weighted by classification "high", "moderate" and "low".

The following risks are generally presented as net risks, that is, risks including the steps taken to counteract them.

Environmental and industry risks

STADA is active in the health care and pharmaceuticals market in market regions and market segments which are characterized, among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. Of primary importance to STADA are risks related to changes in market conditions on the basis of intense competition or related to changes to structures and mechanisms outside of STADA's influence in the individual national markets of the respective market regions or market segments. Particular attention in this regard is paid to the STADA core segments of Generics and Branded Products.

Some competitors, as a result of their financial and/or organizational resources and/or production capabilities and/or sales strength and/or market power, can influence market conditions in a negative manner for STADA. This relates in particular to such activities of competitors that influence pricing (for example in tenders for discount agreements), product range and scope of service and/or delivery and discount conditions, in order to secure or improve their own competitive position. In addition, market conditions can also be influenced by the appearance of new competitors.

At the same time, a change in market conditions is also possible as a result of increased purchasing power of individual customers or customer groups (such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies), which could intensify competition regarding price, service, and condition terms as well as result in more unfavorable framework conditions of tenders and discount agreements.

STADA may therefore be faced with the choice of either selling at non cost covering prices in individual national markets of the respective market regions or foregoing substantial sales and accepting value adjustment and destruction of inventories that are no longer required. The loss of these sales may lead to a deterioration of the earnings situation for existing sales, for example due to a lower utilization of existing capacities or a worsened quantity scale in the case of external procurement.

To make use of opportunities, STADA is principally willing to accept, if necessary, losses in individual markets of respective market regions and/or for selected products or product groups, for example in market regions with major growth potential for sales and/or earnings or with strategic and/or operating necessity to maintain or expand its own market position. These losses may also be higher than anticipated as a result of competition, customer behavior or government regulation.

STADA operates active risk minimization by comprehensively monitoring the market activity of all market participants and on the basis of the observations indicating courses of action.

STADA places this in the “moderate” risk category.

Corporate strategy risks

STADA’s corporate strategy is mainly focused on growth and internationalization in the health care and pharmaceutical market in the core segments Generics and Branded Products. With regard to costs and risks, STADA generally does not conduct any own research on or marketing of new active pharmaceutical ingredients, but rather focuses on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents.

STADA’s growth strategy is linked to the risk that STADA might encounter difficulties in connection with certain operational and/or financial requirements, which cannot, or not to a sufficient extent, operatively be met. In the event that STADA’s facilities, human resources, internal structures, management tools, or financial resources cannot keep pace with the Group’s growth strategy, STADA may be affected in a materially adverse manner.

New companies and products acquired in the past or in the future or acquired or self-created other assets may not be integrated into the Group as planned, or only at higher costs than originally expected, and/or intended synergy effects may not be achieved, or not achieved in the intended amount. Furthermore, acquired companies and/or products may not generate the results anticipated in the market. Furthermore, there could be unexpected difficulties in introducing acquired products into new markets or in maintaining their existing market positions. Any of the above-mentioned issues can particularly lead to the impairment of assets.

The implementation of a fundamentally growth-oriented corporate strategy requires significant outside financing. In financing ongoing business activities and, in particular, the intended future expansion, there is an inherent risk that STADA may only be able to obtain capital or loans under disadvantageous conditions, or not at all.

In principle, internationally active companies, such as STADA, face the risk of having to react differently and possibly with substantial effort to legal and fiscal conditions that vary from region to region or country to country and are subject to change, to the relevant specific market environment, as well as outside of the euro area to the different currency. They are particularly indirectly faced with this risk due to their investment in the international subsidiaries.

It may be difficult for STADA to enforce its own claims under the law of a country where STADA undertakes business at affordable costs and without any materially adverse effects on business in this country. If, contrary to expectations, it turns out that this is not the case in a country where STADA undertakes business, this can have materially adverse effects for the business activity in this country, but also for the Group as a whole in the case of internationally linked business processes.

As STADA transfers and provides goods and services within the Group, there is a risk that tax authorities in individual countries assess the relevant transfer prices differently and address retroactive tax claims against a company in the STADA Group.

Moreover, there is the risk that conditions which are relevant for STADA’s international business activities – especially the conditions of fiscal laws – may be changed by national or supranational regulations in a way that affects STADA in a materially adverse manner. In addition, in connection with the internationalization, there is the risk that the political conditions in individual countries generally and for STADA or the Group’s business activity specifically are changed in a materially adverse manner due, for example, to international tensions or internal political developments in individual countries where STADA does business. Furthermore, parts of STADA’s business activities, especially in the areas of product development and procurement, may be related to the USA and may, in the Company’s view, be subject to elevated legal risks there as compared to other countries, particularly in the areas of liability and patent litigation. This may be associated there with substantial additional costs, in particular for legal counsel. The same applies to disputes in the USA resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Furthermore, a fundamental corporate strategic risk, thus also relating to STADA, is the fact that markets, market regions and market segments on which a company strategically focuses develop differently to expectations. Even if STADA undertakes all efforts to carefully analyze these expectations in advance, relying thereby also partly on external data and evaluations, assessment errors by STADA, due, for example, to insufficient data available, unexpected regulatory or competitive influences, new technological developments or changed social and macro and/or micro economic trends cannot be ruled out, which may be associated with substantial, primarily adverse effects for the Group or individual Group companies.

STADA places this in the “low” risk category.

Regulatory risks

The health care and pharmaceuticals market is characterized by a large number of regulations. Changes to or the removal of existing regulations or the passing of new regulations (in particular, regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products for example as a result of court decisions or legislative changes) can have significant economic and strategic effects on STADA's business success. Of primary importance for STADA are regulations on a national or supranational level relating to market structure, pricing and/or approvals of public health care system products.

For this reason, the risk exists for STADA's business model that investments made by the Company that rely on the continuation of existing market structures may prove of no value after regulatory intervention or existing market positions may even be jeopardized. This relates for example to STADA's individual national sales structures, which are geared to the different national regulatory conditions with regard to the marketing, as well as the sale and trade of pharmaceutical products, but also changes in the direct or indirect purchasing power of individual customers or customer groups or changed purchasing behavior.

In many markets of the respective market regions, the prices of pharmaceutical products are subject to state supervision and regulation. In some markets, governments also exert a direct influence on pricing. This can mean that as a result of national regulations, the prices of pharmaceutical products are regulated directly (for example through statutory price reductions) or indirectly (for example through reference prices, mandatory discounts, terms and/or requirements concerning discounts, the creation of framework conditions stimulating more intense competition) or influenced by supranational regulations. Pricing pressure as a result of state reimbursement systems can reduce the profitability of individual products and in individual cases make the market introduction of a new product unprofitable. In addition, there is the risk that total government expenditure within the pharmaceutical market of a company could be capped at a maximum value and, if this value is exceeded, retrospective mandatory discounts will have to be granted directly or indirectly by all market participants, thereby also by STADA. This could reduce profitability in the affected countries. STADA assumes that the extent of price regulation and pricing pressure will continue or even increase.

Fundamentally, the risk exists for all products in the health care market, but for pharmaceutical products in particular, of exclusion or reduction of cost reimbursement as a result of regulatory intervention under the respective national health systems. This can result in the profitability of individual products being reduced and in individual cases, the market introduction of a new product becoming unprofitable.

Moreover, the risk exists for pharmaceutical products that framework conditions in pharmaceutical legislation or provisions concerning commercial property rights or other provisions that are relevant for the expansion of the product portfolio can be changed through national or supranational regulations in a way that affects STADA in a materially adverse manner. Similar risks exist also for other partially regulated product categories in the health care market such as, for example, medicinal products.

Exact predictions concerning the introduction and scope of potential changes in national or supranational regulations as well as their effects on the market structures and/or business processes which are of relevance for STADA are not possible since the introduction and scope of such regulations depend on the political process of the country in question or on court decisions and after such regulations have become effective, the consequences are also influenced to a large degree by the reactions of the market participants affected. Changes in the regulatory environment in STADA's main markets by sales volume are continuously analyzed. Depending on the extent of state regulation, it could become necessary to adjust the business model.

STADA places this in the "moderate" risk category.

Product portfolio risks

The continuous expansion of the product portfolio plays an essential role for the competitive position and business success at STADA. Associated with this is the risk that due to unexpected events and/or the faulty implementation of activities preparing market entry – such as product development and approval – products to be added to STADA's product portfolio are, contrary to plans, either not launched on the market, or launched belatedly, or are only launched at higher development and/or production costs than originally assumed. Reasons for this can include additional requirements of approval authorities, direct government price controls or additional approvals for reimbursement via the relevant national health system. The risks of development and approval processes for new products are continuously identified and evaluated.

In addition, meticulous observance of relevant legislation is extremely important for the development and approval of every individual product. For generics, this also particularly applies to a great extent to the observance of commercial property rights (such as patents, SPCs and "data exclusivity"). If individual legislative requirements are violated, the result may be a delay or even prevention of the launch of a new product due to legal steps taken by competitors or rejection by the approval authorities. To the extent that STADA has offered products by assuming legal clearance and in the course of court decisions it turns out that this assumption was wrong, there is the risk that STADA has to take launched products at significant costs off the market, adjust the value of and destroy inventories which had existed already and those withdrawn as well as meet significant damage claim payments if, for example, commercial property rights were infringed.

Despite intensive testing, it is possible that potential side effects or initially hidden defects of existing products are only uncovered after approval or during marketing or that new scientific findings or evaluations could lead to an unfavorable risk/benefit analysis which would result in the necessity to remove the product from the market either completely or in part. Such a sales stop can be a voluntary act of responsibility or also due to legal or government steps. Additionally, legal proceedings and associated damage claims as a result of possible side effects or initially hidden defects could significantly burden earnings.

STADA places this in the "low" risk category.

Legal risks

STADA's business activities are subject to risks resulting from existing or potential future legal disputes. Risks that occur in relation to legal disputes are identified, evaluated and communicated on a continuous basis.

STADA's business activity, in particular in the core segment Generics, is associated with an elevated risk of legal disputes regarding commercial property rights (especially patents and SPCs) as well as allegations of violations of company or trade confidentiality and such disputes may be initiated by third parties with respect to STADA or by STADA with respect to third parties. In order to protect trade and business secrets, which are to be treated with confidentiality, STADA makes use of confidentiality agreements with employees, external alliance partners, service providers or certain other contractual partners. However, there is no guarantee that these agreements and other protective measures taken to ensure business and trade secrecy actually represent effective protection or that they will not be violated. Such events could result in considerable costs, in particular when such proceedings occur in the USA. Moreover, they could result in significant damage claims and/or a temporary or permanent ban on the marketing of particular products.

If there is a serious risk of future claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims, which amounted to a total volume of € 1.1 million for the Group as of December 31, 2015 (December 31, 2014: € 0.3 million). In principle, STADA cannot guarantee that the provisions made will be sufficient for individual instances or in total.

STADA's business activities engender risks associated with liability claims. Should specific products of the Company prove to be defective and/or to cause undesirable side effects or should individual services or activities of the Group be carried out in a faulty way, this could result in substantial damage claim liabilities and in the restriction or withdrawal of the product approvals concerned or in the withdrawal of the service approvals. There is, in principle, no assurance that the insurance policies maintained by the Group, depending on type and scope, will offer sufficient protection against all possible damage claims or losses.

In addition, STADA is subject to a jurisdiction risk, which can turn out to be considerably more adverse than initially expected by STADA. This risk relates to both those trials in which STADA itself is a participant as well as third-party trials in which judgments could have an indirect, materially adverse impact on STADA and/or the market environment that is relevant for STADA. This applies in particular to decisions relating to competition law and anti-trust law, tax law, patent law and to the implementation of individual regulatory requirements in the provision of health care at a national and/or supranational level.

STADA places this in the "moderate" risk category.

Performance-related risks

STADA's production facilities are subject to the risk of defective or inefficient planning and production processes as well as to production faults and breakdowns as a result of this or external influence. This could have a materially adverse effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with clients.

Although STADA undertakes all efforts to carry out exclusively safe business processes – particularly in the areas of product development, production and logistics – the occurrence of unexpected disruptions in the context of such processes, possibly endangering the health of employees from STADA or third parties and/or resulting in environmental damage cannot be ruled out, since STADA regularly works with hazardous substances in the development, production and examination of products from the Group portfolio, especially in case of drugs. It cannot be ruled out that the preventive measures and insurances taken do not provide sufficient coverage in the case of a damaging event.

In the core segment Generics, individual national markets are increasingly characterized by very large volume fluctuation that regularly arises in the context of tenders by governmental institutions or public health insurance organizations. Even though STADA undertakes every effort to avoid delivery bottlenecks and/or an unintentional increase in inventories (e.g. via scenario calculations and a specific operational positioning of the respective supply chain), such events cannot generally be ruled out in consideration of the comprehensive portfolio.

External suppliers, contract manufacturers, sales licensees and other contractors have been integrated into STADA's business processes to a considerable extent, particularly in the areas of product development, procurement, production, and packaging, logistics as well as sales, though also to an increasing extent in other areas. Furthermore, STADA is taking increasing advantage of the opportunity of having services performed by third parties, with whom cooperations are entered into. In addition, STADA has specifically licensed German pharmacies to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to two branded products. When third parties are incorporated into the Company's business processes, the risk arises that individual business or cooperation partners may not comply properly or at all with their obligations or that they may terminate their agreements with the Company, resulting in material adverse effects for STADA. Moreover, STADA could become liable for infringements on the part of business or cooperation partners.

STADA is dependent on global developments with respect to purchase prices for active ingredients or auxiliary materials required as well as on the prices negotiated with contract manufacturers in the case of products produced by these companies; these prices may fluctuate significantly, also depending on the product. To limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments with suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example. However, it cannot be ruled out that procurement cost increases and/or supply shortages in the case of individual products will have materially adverse effects on the sales and/or profit margins.

Numerous contracts at STADA include – especially in the areas of product development and production as well as for distribution rights – so-called “Change of Control” clauses, which usually provide both contracting parties, as is usual in the industry, with reciprocal extraordinary termination rights for agreements concluded by the parties in the case that one of the contracting partners becomes subject to a so-called change of control (change of majority shareholder) e.g. after a successful takeover offer. In the case of a change of control at STADA, this could result in material adverse effects for STADA if contracting parties make use of such extraordinary termination rights, in particular if the extent of these terminations is beyond individual cases.

STADA places this in the “moderate” risk category.

Human resources risks

STADA depends to a large extent on the commitment, motivation and abilities of its employees. The loss of specialists and managers in key positions could have significant adverse effects on the development of the Company. The Company’s continued success also depends on its ability, in competition with other companies, to attract and keep qualified employees in the future for the long term regardless of demographic challenges. Country and industry-specific fluctuation risks must be proactively identified and addressed specifically to maintain success and critical skills and competencies within the company. STADA counters these risks through global staff development and succession processes through which the potential of the employees is systematically identified and promoted. In addition, STADA uses targeted development activities to support both young and experienced highly qualified employees in their career development and to develop and retain performance-critical skills in the company.

It is STADA’s expressed goal that all business processes and activities be carried out exclusively within the framework of respective laws in force. To this end, within the scope of the compliance system established at STADA, all employees are regularly trained and instructed, to an extent adjusted to the scale of their individual areas of responsibility. It can, however, not be completely ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act negligently or intentionally in breach of legal regulations and that such breaches affect the business activities of the Group and/or individual subsidiaries or the business, financial and earnings situation of STADA in a materially adverse manner, e.g. following the discovery of such legal breaches through the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders or damage to reputation.

STADA places this in the “low” risk category.

Risks in relation to information technology

STADA's strategic goals can only be achieved by optimal alignment and appropriate support using a variety of IT systems and processes. Therefore, STADA has to make continuous investments to appropriately adapt these complex and high-performing systems to changing business processes.

IT applications in process control thereby form the basis for the delivery of products to the customers of STADA AG as agreed upon. In the event that information technology processes of the Company are, despite all precautions, insufficient and/or inefficient, this could have materially adverse effects on business processes at STADA. Variations in the quality of internal IT services can also lead to failure of business-critical IT applications that would have a direct impact on STADA's ability to deliver. Similarly, the failure of a data center could affect the quality of service or lead to a complete failure of critical applications.

The abuse of digital technology and the Internet as a means to perpetrate new types of crime, i.e. cybercrime as a whole (e-crime), is developing at great speed and represents a further challenge. This can result in threats such as the failure of central IT systems, the disclosure of confidential data from development and business activities, manipulation of IT systems in process control or increased strain on and/or impairment of IT systems through virus attacks. This scenario also includes the temporary takeover of exposed systems by hackers and consequently the possible revocation of pharmaceutical approval due to the deficient validation of relevant IT systems. Such unauthorized data access, misuse or loss of data could also have materially adverse effects on the Group.

Currently, the gradual conversion of various information technology systems (IT systems) to an integrated SAP system is being carried out at STADA. Generally, when introducing new or converting existing IT systems, there is an elevated risk that unanticipated events occur which, during the initial phase and also during the integration and expansion phase, can have materially adverse effects on the course of business processes and thus could influence business activities of STADA in a materially adverse manner.

STADA places this in the "low" risk category.

Economic risks

The business success of STADA and its investments is also generally dependent on economic influences because an economic downturn can regularly intensify the already prevalent cost pressure in national health care systems and thereby potentially significantly increase the speed and extent of regional regulatory measures to contain costs. As a result, adverse characteristics for STADA such as state-required price reductions, particularly for prescription drugs, cannot be ruled out.

Moreover, sales volume and sales of such products or product lines are particularly sensitive to changes in the economic environment, for which the consumer is not reimbursed as part of the individual national health insurance system but must bear a major part or all of the costs. In the scope of STADA's product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character as well as for services offered and for prescription drugs in market regions containing countries without a comprehensive state health care system, such as Russia in the market region CIS/Eastern Europe.

Another material risk for STADA lies in the area of corporate finance. Parameters in this area significantly influencing the Company's success such as financing possibilities, interest rates, inflation rate, currency ratios and client liquidity can be subject to distinct economic influences and thereby also have a material adverse effect on STADA's business success in the case of an economic downturn. Furthermore, liquid financial markets for refinancing are an important precondition for STADA's acquisition policy. In the case of disruptions of the financial markets – no matter whether globally or regionally in market regions that are important for STADA – materially adverse effects for STADA cannot be ruled out.

Since the beginning of the conflict between Russia and Ukraine in 2014, the development of STADA, particularly in the Russian market, which is part of the market region CIS/Eastern Europe, has been burdened by this conflict. In financial year 2015, this had a negative impact on STADA, on the one hand, through a reluctance to buy among Russian consumers and wholesalers. On the other hand, it led to a partially significant devaluation of the Russian ruble, the Ukrainian hryvnia and the Kazakhstani tenge. It is currently unclear how long the political upheaval will last. If the crisis continues, this could have further negative impacts on the earnings situation and financial performance of the STADA Group (see "Financial Risks").

Another risk lies in the value of the assets in the consolidated balance sheet, in particular goodwill and other intangible assets. They are subject to thorough and detailed reviews. In the case of specific indications, both intangible assets as well as property, plant and equipment are subject to a case-related impairment test. Generally, it can not be ruled out here that in the impairment tests, for example, as a result of new findings in approvals or changes to the market conditions in individual market regions or individual countries of a market region, a relevant impairment may occur.

In the case of a global financial and economic crisis, the economic-related cyclical risks indicated above can increase considerably.

STADA places this in the "low" risk category.

Financial risks

To the extent that it is possible, STADA counters financial risks with finance policy methods and specific risk management.

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates and interest rates. It is the objective of financial risk management to limit these market risks of ongoing operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used. However, on principle only financial risks are hedged which have significant consequences on cash flow.

Liquidity risks result if STADA does not hold sufficient liquidity. They may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of the liquidity management is to ensure solvency at all times as well as the financial flexibility of the STADA Group by way of maintaining a sufficient supply of liquidity reserves and having free credit lines. STADA finances itself with short-term and long-term borrowings from banks, promissory note loans, bonds and factoring. Furthermore, STADA has solid operating cash flow and further bilateral credit contracts with various banks (credit lines), which can be utilized as needed.

STADA's Group and balance sheet currency is euro. Due to the international alignment of business activities, STADA is however subject to risks arising from exchange rate fluctuations.

These risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency or as a result of exchange rate fluctuation (transaction risk).

STADA counters risks from currency related cash flow fluctuations with derivative financial instruments, which are exclusively used to hedge currency risks resulting from operating activities, financial transactions and investments.

In addition to natural hedges, STADA generally employs different financial derivatives to counter the risks associated with assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year, STADA made particular use of foreign-exchange futures contracts and interest/currency swaps among other things. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. The remaining term of the contracts is currently up to two years.

In principle, it cannot be ruled out that hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal.

STADA is subject to interest risks from financial assets and financial debts, primarily in the euro zone.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro with hedging transactions. STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity.

A sensitivity analysis according to the regulations of IFRS 7 has shown that an increase in market interest rates of 100 basis points in financial year 2015 would have led to a burden on earnings in the amount of € 0.7 million (previous year: € 0.5 million) and a decrease in market interest rates of 100 basis points would have also led to a burden on earnings in the amount of € 0.7 million (previous year: relief on earnings of € 0.4 million).

In financial year 2015, to hedge the interest rate risk, there were cash flow hedges in the form of interest rate swaps.

Derivative financial instruments are neither held nor issued for speculation purposes.

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations.

To avoid default risks in financing activities, on the one hand respective credit management processes are in place, and on the other hand such transactions are generally only concluded with counterparties of impeccable financial standing.

Risks of default also exist as a result of the supply of goods and services. STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous debtors. The fundamental, partly also cyclical commercial risk of debtor default is associated with this. STADA therefore strives to maintain business relations only with partners of impeccable financial standing. In addition, STADA partly uses suitable measures such as guarantees, loan insurances or the transfer of assets to safeguard itself against default risk. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and therefore burdens from one-time special effects, arise to a significant extent. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through value adjustments. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

In the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA does not recognize any more available-for-sale financial assets, whose fair values are determined based on market prices.

STADA takes advantage of an international network and carries out strategic Group functions centrally through STADA Arzneimittel AG. Thus an overarching tax transfer-pricing model for the billing of the corresponding Group-internal services is of increasing importance. Possible risks of non-recognition of these transfer prices for tax purposes are limited by the introduction of appropriate communication methods and an overarching definition of transfer pricing in the form of a Group guideline. However, non-recognition of transfer prices cannot be completely ruled out.

Furthermore, STADA has obligations in connection with pension plans. The present value of benefit obligations may increase substantially as a result of changes in relevant valuation parameters, for example, interest rate changes or future salary increases. Thus, there is a risk of relevant valuation parameters changing in a way that is unfavorable for STADA and of further additions being due.

In general, it cannot be ruled out that the financial policy methods and the specific financial risk management implemented by STADA and described above, prove insufficient to avoid all financial risks and the materially adverse effects for STADA that are potentially associated with them.

STADA places this in the “moderate” risk category.

Other risks

STADA as a Group and the STADA subsidiaries in the market regions or markets, like any company, are subject to additional general business risks such as unexpected disruptions in infrastructure, strikes, accidents, natural disasters, sabotage, criminal activities, terrorism, war and other unforeseeable materially adverse influences. STADA protects itself against such risks to the extent possible and financially reasonable through appropriate insurance policies. However, it cannot be ruled out that these insurances are insufficient.

STADA places this in the “low” risk category.

Summary evaluation of risks

Risk category	Risk classification by STADA
Environmental and industry risks	moderate
Corporate strategy risks	low
Regulatory risks	moderate
Product portfolio risks	low
Legal risks	moderate
Performance-related risks	moderate
Human resources risks	low
Risks in relation to information technology	low
Economic risks	low
Financial risks	moderate
Other risks	low

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have materially adverse effects on the Group's business activities. In particular, respectively material adverse effects on STADA's business, financial and earnings situation could be associated with this.

The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks on the basis of the applied risk management. As a result of the continued tense situation in the CIS region, the risk environment of STADA is unchanged. From today's perspective, however, no risks are discernible which, individually or as a whole, could jeopardize the continuance of the Group.

PROGNOSIS REPORT

Overall economic outlook

For 2016, the IMF expects a slight increase in global economic growth. This is supported by a moderate but unequal improvement in the developed countries and – despite continued declining development in China – slight recovery in the emerging markets, in particular in countries with a currently difficult economic situation such as Brazil, Russia, and a number of countries in the Middle East. In the euro zone as well, continued moderate recovery and slight growth is expected. Relaxed monetary policy, significantly lower oil prices and a devaluation of the euro are countered by the retrospective effects of the economic and financial crisis, the demographic development as well as decreasing productivity. While there is support from some emerging markets in Asia and the Middle East, stabilization of the economic performance is expected for the CIS region (Commonwealth of Independent States). Against the backdrop of economic sanctions and a substantially decreasing oil price, Russia in particular is faced with another difficult year, although the situation is expected to improve after the deep recession in 2015.

For 2016, the IMF makes the following assumptions[1)]:

- Global economic growth in 2016 at 3.4% and thus slightly higher than in the previous year (3.1%), driven by moderate improvements in developed countries (+2.1%; previous year: +1.9%) and emerging markets (+4.3%; previous year +4.0%); growth in the euro zone remains little dynamic at +1.7%, the increase of +1.7% in Germany is approximately at the level of the previous year (+1.5%)

- Growth in emerging markets with slightly improved performance: ASEAN-5 with +4.8% approximately at the level of the previous year (+4.7%); CIS with +0.0% stabilized compared to the previous year (-2.8%); Russia with -1.0% unable to overcome the recession, however, clearly stabilized (previous year: -3.7%); Emerging and Developing Europe region with +3.1% only slightly below the level of the previous year

Industry-specific outlook

Growth of health care markets is generally supported by population growth, demographic development and medical progress. The expected growth in emerging markets is anticipated to further increase the purchasing power of patients and therefore also the demand for branded products, which are generally not reimbursable. For the global OTC market, IMS Health thus forecasts annual growth of up to 3.6% until 2020.[2)] For the European OTC market, experts anticipate an increase of up to 2.5%. This is supported by the increasing number of so-called self-improvers, who rely on self-medication and are willing to spend an increasing amount of money on this, particularly in the Western industrialized nations. This also applies to applications in the market for aesthetic dermatology which has shown above-average growth. However, risks in connection with consumer sentiment and consumer-spending have increased due to the conflict between Russia and Ukraine, the falling oil price and the associated devaluation of the Russian ruble. In addition, the growth opportunities for the generics sector will continue to be based on specific drivers such as continuously expiring patents and – in the context of the pressure to reduce costs in the health care system – incentives and laws to increase prescriptions of low-cost generics. This has led to significant growth in sales volume in countries with a relatively low penetration. However, STADA assumes that further regulatory measures to reduce costs in the health care system – particularly against the backdrop of efforts to balance budgets in the euro zone – will burden the sales development in individual national markets as a result of price pressure. The stable high number of tenders in the Generics segment will also dampen the potential of sales. Overall, market research institutes such as IMS anticipate annual growth in sales for the global generics market of up to 7.9% until 2020. Since

1) Source: International Monetary Fund: World Economic Outlook of January 2016.
2) IMS Market Prognosis, September 2015; IMS Market Prognosis Global, September 2015; IMS Syndicated Analytics Service (September) 2015; prepared for STADA February 2016.

so-called biogenerics will have an increasing share in the future health costs, STADA has consistently relied on the expansion of a biosimilar portfolio. However, in order to minimize risks in connection with the development and manufacturing of these more complex products and to concentrate on its marketing and sales competences, STADA pursues an in-licensing approach with specialized partners.

The resulting opportunities and risks are described in the corresponding chapter.

Basis of the prognosis

The following assumptions were primarily made for the prognosis:

- predominantly unchanged regulatory market conditions in the most important markets of each market region, not including the regulatory changes and market assessments known at the time the forecast was prepared
- optimization of procurement prices for primary materials
- the continued possibility of immediately launching products upon patent expiration
- further reduction in the weighted average interest rate with pending long-term refinancing
- largely unchanged tax situation in the countries where STADA AG investments operate
- largely unchanged currency ratios and interest rates for Group activities which primarily have an indirect influence on the success of STADA AG within investment income

Summarizing outlook

Overall, for 2016, the Executive Board expects a continued sales decrease that is stronger than the previous year.

In revenues from the delivery of goods to third parties, weaker sales development is anticipated. With the decision to bid with only one subsidiary in Germany for the discount agreements in the tender business and with contracts constantly expiring over several years, a decline in sales in the generics business is expected. Although the decline in sales is partially compensated by the subsidiary ALUID Pharma, which still takes part in tenders, the income will be re-allocated to the financial result as a consequence of a profit transfer agreement. Due to a continued dampened sentiment among end consumers in Russia and on the basis of current weakness of the ruble, a decrease in sales is also expected for intercompany sales. Compensation for strategic services is expected to increase slightly.

The German generics business has been faced with permanent margin pressure since the introduction of discount agreements. Already in 2014, the Executive Board decided that only one of the previous two German companies will take part in tenders for discount agreements to increase profitability. While this will result in a sales decline for STADA AG due to constantly expiring contracts, this will also lead to a strengthened operating performance of the German generics companies in 2016, as already in 2015, due to an improved product mix, among other things.

In consideration of all these developments, the Executive Board expects a minor improvement in earnings for financial year 2016 as compared to the previous year. However, an escalation of the conflict between Ukraine and Russia as well as a worsening of the economic situation in Russia may have a direct or indirect effect on the business, financial and earnings position of STADA Arzneimittel AG.

DECLARATION OF CORPORATE GOVERNANCE PURSUANT TO SECTION 289a HGB

Declaration of Corporate Governance pursuant to Section 289a HGB (Corporate Governance Report, Declaration of Compliance) is published on the website of STADA Arzneimittel AG at http://www.stada.com/investor-relations/corporate-governance.html.

TAKEOVER-RELEVANT INFORMATION

In accordance with Section 315 (4) HGB, STADA is obligated to disclose the following information in the Annual Report:

Composition of share capital, rights and obligations / restrictions associated with shares, which affect the transfer of shares

Share capital amounted to € 162,090,344.00 as of December 31, 2015, divided into 62,342,440 registered shares with an arithmetical share in share capital of € 2.60 per share.

These shares of STADA Arzneimittel AG are exclusively registered shares with restricted transferability, which, under the Articles of Incorporation, can only be transferred and entered into the share registry with the approval of the Executive Board of the Company and which, in accordance with the Articles of Incorporation, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

Shares acquired by employees within the scope of the employee stock option program are subjected to a three-year lockup period.

Appointment and dismissal of Executive Board members / Amendments to the Articles of Incorporation

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations (Sections 84, 85 AktG).

The Articles of Incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for appointments and dismissals. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each, in accordance with the legal regulations. In accordance with Section 9 of the Articles of Incorporation, the Executive Board consists of two or more persons. In addition, the Supervisory Board determines the number of Executive Board Members and may appoint deputy Executive Board Members.

The Articles of Incorporation may generally be amended through a resolution of the Annual General Meeting.

The amendment takes effect with the entry of the amendment to the Articles of Incorporation into the commercial register. Amendments to Articles of Incorporation require, according to Section 179 (1) of the German Stock Corporation Act (AktG), a resolution of the Annual General Meeting, provided no other majority is foreseen, a majority of three-fourths of the share capital represented in the vote pursuant to Section 179 (2) AktG. Insofar as a change to the purpose of the company is affected, the Articles of Incorporation may call for a large majority. The Articles of Incorporation exercises in Section 23 (1) AktG the possibility of a deviation pursuant to Section 179 (2) AktG shall be passed by a simple majority of the votes cast and, insofar as a majority of the share capital is represented at the time the resolution is passed, with a simple majority of the capital present insofar as this is legally permissible. In case of a tie, a motion shall be deemed denied.

Furthermore, the Supervisory Board is authorized in accordance with Section 32 of the Articles of Incorporation to resolve on amendments and additions to the Articles of Incorporation which relate only to their wording.

Authorizations of the Executive Board to issue or buy back shares

On June 5, 2013 the Annual General Meeting authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by June 4, 2018, by up to € 77,134,304.00 through the issue of up to 29,667,040 registered shares with restricted transfer ability against contributions in cash and/or in kind (authorized capital). Shareholders have statutory subscription rights. The Executive Board is nevertheless authorized, with the approval of the Supervisory Board, to exclude the statutory rights of the shareholders in the cases described in the authorization. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the content of the share rights, the individual details of the capital increase as well as the conditions of the share issue in particular the issue price. The Executive Board has not made use of this authorization to date.

On June 5, 2013, furthermore, the Annual General Meeting authorized the Executive Board, on one or more occasions until June 4, 2018, to issue bearer and/or registered bonds with warrants and/or convertible bonds, participation rights and/or participating bonds (or a combination of these instruments) (collectively “bonds”) in an aggregate nominal amount of up to € 1,000,000,000.00 with or without limiting the term, and to grant the holders or creditors of the bonds with warrants and/or convertible bonds a proportionate amount of the share capital of up to € 69,188,340.00 for a total of up to 26,610,900 of the Company’s registered shares with restricted transferability in accordance with the more detailed provisions of the terms of the bonds. For the purposes of servicing these bonds, the Annual General Meeting on June 5, 2013 conditionally increased the share capital by up to € 69,188,340.00 by issuing up to 26,610,900 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The Executive Board, with approval of the Supervisory Board, is authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2013). The Executive Board has not made use of this authorization to date.

The Company also has Conditional Capital 2004/I, from which a total of 1,715,740 preference shares with an arithmetical share in share capital of € 2.60 per preference share – which represents a total of € 4,460,924.00 – were issued in financial year 2015. Because the conditional capital increase 2004/I will only be effected insofar as the holders of warrants exercise their option rights and because June 26, 2015 was the deadline for option exercise (held-to-maturity), the remaining Conditional Capital 2004/I has lost its purpose and was therefore removed from the Articles of Incorporation.

Following the resolution adopted at the Annual General Meeting on June 5, 2013, in accordance with Section 71 (1) No. 8 AktG, the Company was authorized from June 6, 2013 until June 5, 2018 to acquire own shares of up to 10% of the share capital. The Executive Board has not made use of this authorization to date.

Significant agreements on condition of a change of control

In case of a change of control resulting from a takeover offer to the company, there are, in accordance with common business practice, possibilities of termination for certain credit contracts, the lenders of several credit contracts, the issued corporate bonds and of the issued promissory note loans (see “Economic Report – Business Development and Situation – Financial Situation”).

For the agreement of the company with members of the Executive Board in the case of a change of control, please refer to the Remuneration Report in this Annual Report.

AUDITOR'S REPORT

We have audited the financial statements comprising balance sheet, income statement and notes in view of the accounting and the management report prepared by STADA Arzneimittel AG, Bad Vilbel for the financial year from January 1 to December 31, 2015. Accounting and the preparation of the financial statements and the management report in accordance with German commercial law are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these financial statements in view of accounting and on the management report based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the financial statements in accordance with generally accepted accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in accounting, financial statements and management report are examined primarily on a test basis within the framework of the audit.

The audit comprises assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the financial statements comply with the legal requirements and, in accordance with generally accepted accounting standards, give a true and fair view of the net assets, financial position and results of operations of the company. The management report is in accordance with the financial statements and provides on the whole a suitable understanding of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 21, 2016

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

A. Fröde S. Varughese

Annika Fröde	Santosh Varughese
German Public Accountant	German Public Accountant

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In financial year 2015, the Supervisory Board of STADA Arzneimittel AG carefully executed the duties imposed on it in accordance with the law and the Articles of Incorporation. The Supervisory Board continuously monitored the management of the company and advised the Executive Board regularly in the management of the Group. In all decisions of fundamental importance for the company, the Executive Board involved the Supervisory Board regularly, directly and in a timely manner. Within the scope of its supervisory and consultative duties, the Supervisory Board had the Executive Board inform it comprehensively through monthly oral and written reports on business development, the strategy and corporate planning including financial, investment and personnel planning as related to the company and the STADA Group. At all times, the members of the Supervisory Board had the opportunity in the committees and in the plenum to critically examine the reports and proposed resolutions submitted by the Executive Board and to present input of their own. In particular, the Supervisory Board intensively discussed all business transactions of importance for the company and reviewed them for their plausibility on the basis of the Executive Board reports. The Executive Board briefed the Supervisory Board – also between the regular meetings – regarding all questions of strategy, planning, business development, the risk situation, risk management and compliance. The Executive Board also briefed the Chairman of the Supervisory Board on the progress of business including the sales development and profitability, important business events and issues of particular importance. In addition, the Supervisory Board monitored the accounting process and the measures taken by the Executive Board for risk management, the internal control system, the internal auditing system as well as the compliance measures taken. The Executive Board explained in detail to the members of the Supervisory Board eventual deviations in the business development from the plans and objectives.

All issues which, in accordance with the Articles of Incorporation and rules of procedure require the approval of the Supervisory Board, were submitted to the Supervisory Board. The Supervisory Board treated and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, the risks and effects of the respective procedure.

Meetings of the Supervisory Board and focus of activities

In financial year 2015, the Supervisory Board held a total of eight meetings, each of which was attended by all nine members of the Supervisory Board. The Supervisory Board regularly convened alone and subsequently requested that Executive Board participate and report.

In the past financial year, the Supervisory Board, in an intensive exchange with the Executive Board, dealt with the business development of the company and the Group in the four market regions Germany, Central Europe, CIS/Eastern Europe and Asia/Pacific & MENA, the fundamental corporate strategy, in particular with a view to the positioning of the two core segments Generics and Branded Products, corporate planning of the company and the Group as well as the position of the Group, especially the financial and earnings situation. The Supervisory Board talked regularly to the Executive Board about the financial and liquidity situation considering especially the investment plans in the Group, the financing structures and refinancing strategies as well as the development of the debt-to-equity ratio. A common subject of meetings in the past financial year also included the economic and political developments in the market region CIS/Eastern Europe, particularly considering the devaluation of the Russian ruble, the Ukrainian hryvnia and the Kazakhstani tenge as a result of the CIS crisis.

The Supervisory Board had the Executive Board report to it regularly on the market structures, development of demand, the competitive situation and the price, conditions and discount development in the individual market regions and in particular the development of market shares of the Group and the relevant competitors. The effects of regulatory state interventions on the Group and/or on the individual subsidiaries and the necessary reactions to these played an important role here, especially in the German home market with regard to the discount agreements with health insurance organizations. In addition, the Supervisory Board regularly gained an overview of the product development and product portfolio of the Group. It discussed with the Executive Board the possibilities related to cost, tax and process optimizations. The integration of all German logistics activities of the Group into DHL as a worldwide leading provider of logistics services as of June 1, 2015 was important in this context.

The Supervisory Board also dealt intensively with the risk and opportunities management in the Group, the internal control and auditing system, the compliance management system, considered, planned and executed acquisitions, disposals and cooperations of the Group as well as with the integration of acquired companies and products into the Group.

The restructuring of the Executive Board remuneration system as of January 1, 2016 as well as the contractual implementation of the system were also the subject of an intensive consultation and resolution of the Supervisory Board in financial year 2015. The review of Executive Board remuneration at regular intervals by the Supervisory Board is required by the German Stock Corporation Act and the German Corporate Governance Code. In this regard, the Supervisory Board also obtained the advice of external remuneration experts. Details are presented in the Remuneration Report, which is part of the Management Report. The Supervisory Board is convinced that, with the new remuneration system, it has established a simple, transparent, performance-focused and attractive foundation for continued very good Executive Board performance. The new system creates an incentive for a successful and sustainable corporate governance by linking the remuneration of the Executive Board to the (short and long-term) development of the company, but through appropriate upper limits, the system prevents an excessively strong incentive toward risk-oriented behavior. In addition, the Supervisory Board can undertake, in consideration of the personal performance of a member of the Executive Board and within a certain framework, an upward or downward adjustment of the remuneration. The new remuneration system also reflects the interests of shareholders and investors in a continuous and long-term positive development of the STADA share, by making the long-term portion of the performance related remuneration, the so-called LTIP deferrals, directly dependent on the development of the STADA share as compared to the development of the MDAX. In the view of the Supervisory Board, the linking to the development of the STADA share in relation to the comparative index MDAX is a more suitable indicator than the absolute development of the STADA share or the comparison to a peer group defined by the Supervisory Board itself. This is demonstrated in times of negative market trends when a comparatively less negative development of the STADA share leads to an increase in the LTIP deferral payout amounts and not, as would be the case with an absolute link, to a reduction or even to an elimination. In times of generally good market development, on the other hand, only a disproportionately positive development of the STADA share would cause an increase in the LTIP deferral payout amount. The newly-structured Executive Board remuneration system will be presented for approval at the next Annual General Meeting on June 9, 2016.

At its financial statements meeting on **March 25, 2015**, the Supervisory Board dealt particularly intensively with the business situation and earnings development in the previous financial year 2014 as well as with the annual and consolidated financial statements as of December 31, 2014. Following a detailed review of the documentation for the financial statements and after discussions with the auditor, the Supervisory Board, based on the recommendation of the Audit Committee, adopted the consolidated and annual financial statements for financial year 2014. The auditor participated in the consultations and reported prior to the resolution on the significant results of the audit. The Supervisory Board discussed and approved the agenda for the Annual General Meeting on June 3, 2015 and adopted the Report of the Supervisory Board to the Annual General Meeting for financial year 2014.

At its meeting on **May 5, 2015**, the Supervisory Board, based on reporting from the Audit Committee as well as from the Executive Board, dealt with the results from the first quarter of financial year 2015 and with the current business development. In addition, the Supervisory Board dealt, among other things, with the positioning of the global development area of STADA and current acquisition projects.

On the day prior to the Annual General Meeting, on **June 2, 2015**, members of the Supervisory Board convened for a meeting. In addition to the report from the Executive Board on current developments in the individual areas of responsibility of the Executive Board, the upcoming Annual General Meeting in particular was discussed. The Supervisory Board also decided on new rules of procedure for the Advisory Board.

At the meeting on **August 5, 2015**, the Executive Board reported to the Supervisory Board, among other things, on the current M&A developments in the pharmaceutical industry as well as on the global market development of active ingredients that are also interesting for STADA. In addition to a review of the Annual General Meeting 2015, the business results for the first half of 2015 were also presented by the Executive Board and, under consideration of the report from the Audit Committee, discussed. Furthermore, the Supervisory Board dealt with the changes to the German Corporate Governance Code and made the determination in accordance with the Law on the Equal Participation of Women and Men in Management Positions. Details concerning the determination that was made by the Supervisory Board can be found in the chapter "Corporate Governance Report including Declaration of Corporate Governance". The Supervisory Board also discussed topics including personnel and Executive Board issues.

At its meeting on **September 8, 2015**, the Supervisory Board, on the basis of reporting from the Human Resources Committee, without the presence of the Executive Board members, decided on the extension of the appointment of Hartmut Retzlaff as Chairman of the Executive Board by an additional five years until August 31, 2021 and approved the conclusion of a new contract. The previous contract would have ended on August 31, 2016. In addition, the Supervisory Board dealt with general human resources issues with regard to the managers in the Group.

At the meeting on **October 8, 2015**, the Supervisory Board was informed by the Executive Board in particular about the corporate strategy of the STADA Group. In addition to questions of strategic positioning in the two core segments of Generics and Branded Products, the growth and sales strategy, quality assurance as well as the IT strategy were discussed, among other things. Furthermore, the Supervisory Board also dealt with current questions related to corporate governance and approved the issue of the annual Declaration of Compliance pursuant to the German Corporate Governance Code.

Subjects of the meeting on **November 11, 2015** included, among other things, the results of the first nine months of financial year 2015. In this meeting, the Executive Board also reported to the Supervisory Board about the ongoing acquisition projects. The Supervisory Board, without the presence of members of the Executive Board, also decided, on the basis of reporting from the Human Resources Committee, on the extension of the appointment of Helmut Kraft as Chief Financial Officer by one year until December 31, 2019 and approved the conclusion of a new contract. The previous contract would have ended on December 31, 2018.

At its last meeting of the reporting year on **December 17, 2015**, the Supervisory Board dealt with the operational planning of the Executive Board for financial year 2016. It also dealt with significant in court and out of court proceedings of the Group in the financial year. Without the presence of members of the Executive Board, the Supervisory Board discussed Executive Board personnel issues and the Executive Board remuneration and approved the goals for the variable Executive Board remuneration for financial year 2016. The Supervisory Board also occupied itself with the staffing of the committees.

Composition of the Executive Board and the Supervisory Board

The composition of the Executive Board and the Supervisory Board remained unchanged in financial year 2015.

At its meeting on **December 17, 2015**, the Supervisory Board elected one employee representative as further member of the Audit Committee (Mr. Jens Steegers) and one employee representative as a further member of the Human Resources Committee (Mr. Halil Duru), with effect from financial year 2016.

Work of the committees

The consultative committees established by the Supervisory Board, the Audit Committee and the Human Resources Committee, supported the Supervisory Board in its duties.

In financial year 2015, the **Audit Committee** held four meetings (on **March 24**, **May 4**, **August 4** and **November 10**), each of which was attended by all three members of the committee as well as the members of the Executive Board. The auditor participated in the financial statements meeting as well as in the first meeting in the second half of the year. The Chairman of the Audit Committee and the Chairman of the Supervisory Board also maintained an exchange with the auditor between the meetings.

The focus of the committee's work was, in particular, the review of the annual and consolidated financial statements from financial year 2014 together with the Management Report and the Group Management Report, the proposal for the appropriation of profits and the report of the auditor as well as the preparation of the Supervisory Board resolutions on these items. In addition, the condensed interim consolidated financial statements and Interim Group Management Report as of June 30, 2015 were discussed in detail under consideration of the report of the auditor on the review of the financial statements. The interim financial reports on the first quarter of 2015 and the first nine months of 2015 were also subjects that were dealt with by the committee. In addition, the Audit Committee dealt primarily with the operating results, key figures, accounting, Group financing principles, internal risk management, internal auditing as well as compliance in the Group. Members of the Audit Committee also dealt in detail with the current legal and accounting developments such as the auditor reform.

The **Human Resources Committee** convened for seven meetings in financial year 2015 (on **January 9**, **March 9**, **March 23**, **May 4**, **July 20**, **October 7** and **December 16**). It dealt in detail with the preliminary work and the draft version of a new remuneration system for the Executive Board, with the preparation for the personnel decisions of the Supervisory Board Plenum as well as the decisons on Executive Board remuneration and issued its recommendations in this regard. The subject of the meetings were, in addition, consultations on the re-appointment of members of the Executive Board as well as questions related to the Law on the Equal Participation of Women and Men in Management Positions.

Due to the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board believes that a Nomination Committee as recommended by the German Corporate Governance Code in the version of May 5, 2015 is structurally superfluous. In this regard, a deviation to Section 5.3.3 of the German Corporate Governance Code is explained in the annual Declaration of Compliance. The Supervisory Board, however, forms a Nomination Panel consisting of the Chairmen of the Human Resources Committee and the Audit Committee, which deals with the search for suitable candidates for future proposal to the Annual General Meeting for election of Supervisory Board members. The Nominating Panel prepared the discussion and the resolutions of the Plenum, which included, among other things, the Law on the Equal Participation of Women and Men in Management Positions.

The Chairmen of the committees informed the Supervisory Board Plenum at its ordinary meetings regularly and thoroughly on their work.

Corporate governance

In financial year 2015, too, the Supervisory Board and Executive Board dealt in detail with the further development of corporate governance in the Company while taking the current version of the German Corporate Governance Code into account. The joint Declaration of Compliance 2015 pursuant to Section 161 of the German Stock Corporation Act issued by the Executive Board and the Supervisory Board on October 8, 2015 on the basis of the German Corporate Governance Code as amended on May 5, 2015 is printed in this Annual Report in the chapter "Corporate Governance Report including Declaration of Compliance" and is publicly available on the Company's website in the section Investor Relations / Corporate Governance together with the Declarations of Compliance from previous years at www.stada.de or www.stada.com.

No conflicts of interest arose in the reporting year which had to be disclosed to the Supervisory Board and about which the Annual General Meeting must be informed.

Annual and consolidated financial statements, audit

The annual financial statements of STADA Arzneimittel AG and the consolidated financial statements as of December 31, 2015 as well as the Management Report and the Group Management Report for financial year 2015 were audited by PKF Deutschland GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg, and issued with an unqualified audit opinion. The responsible auditor since the audit of the annual and consolidated financial statements in 2009 has been the auditor Santosh Varughese. The legal requirements and rotation obligations from Sections 319 and 319a of the German Commercial Code are complied with. In addition to these legal requirements, the responsible auditor should in future not be active for a period longer than five years.

The Supervisory Board had no doubts with regard to the independence of the auditor. The auditor submitted the Statement of Independence as required by the German Corporate Governance Code. The main areas of the audit were established by the Supervisory Board within the scope of the commissioning of the auditor. The Audit Committee reviewed the financial statements and consolidated financial statements as well as the Management Report and the Group Management Report as well as the proposal for the appropriation of profits and also included the reports of the auditor on the audit of the financial statements in its review. The auditor reported on significant results of the audit in a meeting of the Audit Committee and was available to the members of the Committee for questions. The members of the Audit Committee dealt extensively with the submissions from the Executive Board and the audit reports and discussed these with the auditor. The Audit Committee raised no objections and recommended to the Supervisory Board to approve the financial statements and the Management Report as well as the Group Management Report and assent to the Executive Board's proposal for the appropriation of profits.

On the basis of the preparation by the Audit Committee, the Supervisory Board examined the financial statements and the consolidated financial statements prepared by the Executive Board, the Management Report and the Group Management Report of the Executive Board on financial year 2015 as well as the Executive Board's proposal for the appropriation of profits. The Chairman of the Audit Committee reported to the Supervisory Board on the work and the audit results of the Audit Committee. The auditor reported to the Supervisory Board on significant results of the audit and was available for questions from members of the Supervisory Board. The Supervisory Board discussed the submissions mentioned above and the conclusions of the auditor in detail with the auditor and the Executive Board. Also following the final results of the Supervisory Board's own examination, the Supervisory Board had no objections to the financial statements, the Management Report, the consolidated financial statements and the Group Management Report on the financial year 2015 and concurred with the outcome of the audit. The auditor also determined that the Executive Board had implemented an appropriate information and monitoring system which, in its concept and use, is suitable for the early recognition of any developments that could threaten the continuation of the company.

The Supervisory Board approved the financial statements and the consolidated financial statements prepared by the Executive Board. The annual financial statements are thus adopted. The Supervisory Board concurred with the individual assessments of the business situation and the outlook as given in the Management Report of the Executive Board and with the proposal of the Executive Board for the appropriation of profits that provides for a dividend of € 0.70 per STADA share.

The Supervisory Board wishes to express its gratitude to all of the Group's employees, the Executive Board and management for their tremendous commitment in financial year 2015.

Bad Vilbel, March 22, 2016

Dr. Martin Abend
Chairman of the Supervisory Board

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable financial reporting principles, the Annual Financial Statements give a true and fair view of the business, financial position and results of operations and profit or loss of STADA Arzneimittel AG, and the Management Report includes a fair review of the development and performance of the business and the position of STADA Arzneimittel AG, together with a description of the principal opportunities and risks associated with STADA Arzneimittel AG's expected development.

Bad Vilbel, March 21, 2016

H. Retzlaff Chairman	H. Kraft Chief Financial Officer	Dr. M. Wiedenfels Chief Business Development & Central Services Officer

RESOLUTION ON THE DISTRIBUTION OF PROFITS

Appropriation of profits of financial year 2015

Pending approval of the Supervisory Board, the Executive Board of STADA Arzneimittel AG, Bad Vilbel, Germany, made the following unanimous resolution via written circulation:

The Executive Board and the Supervisory Board will recommend to the Annual General Meeting of STADA Arzneimittel AG of June 9, 2016 the following appropriation of profits for financial year 2015:

in €	
Dividend distribution of € 0.70 per share entitled to a dividend (at 62,256,520 shares entitled to a dividend)	43,579,564.00
Balance carried forward to new account	15,559,824.83
Balance sheet profit	**59,139,388.83**

Bad Vilbel, March 23, 2016

H. Retzlaff
Chairman

H. Kraft
Chief Financial Officer

Dr. M. Wiedenfels
Chief Business Development & Central Services Officer

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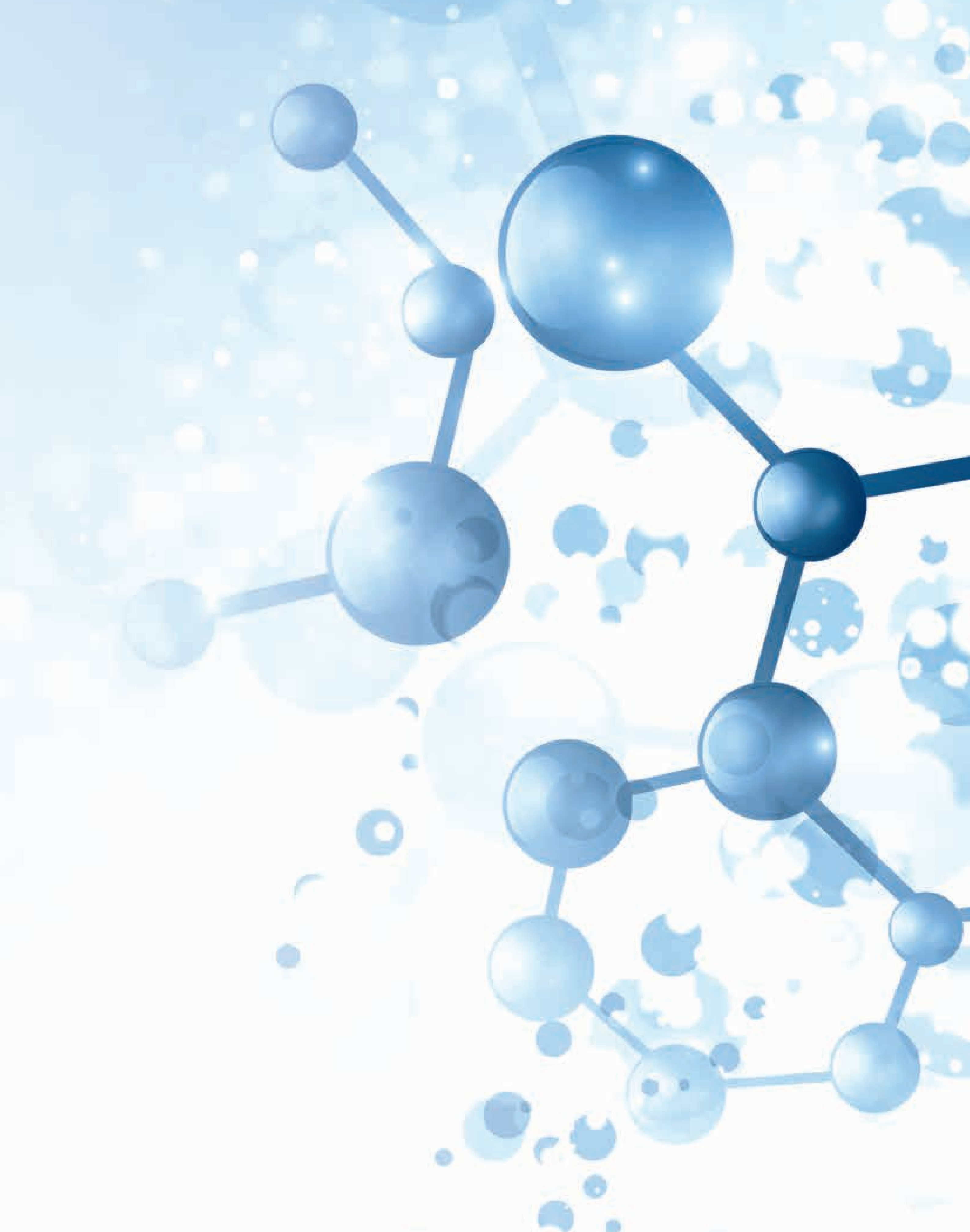
Forward-looking statements

This STADA Arzneimittel AG (hereinafter “STADA”) annual report contains certain statements regarding future events that are based on the current expectations, estimates and forecasts on the part of the company management of STADA as well as other currently available information. They imply various known and unknown risks and uncertainties, which may result in actual earnings, the business, financial and earnings situation, growth or performance to be materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate” and similar terms. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the results of clinical studies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA does not assume any obligation to update these forward-looking statements.

Rounding

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.



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