

Structure of remuneration of members of the Executive Board

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. The objective of this Executive Board remuneration system is to allow the members of the Executive Board to participate appropriately in the increase in the enterprise value according to their personal tasks and performance, the overall performance of the Executive Board as well as success-oriented company management under consideration of the competitive environment.

The core elements of the system include non-performance-related remuneration that takes the tasks and performance of members of the Executive Board into consideration along with a component that depends on the achievement of annual performance goals ("Short Term Incentive", STI). In addition to the annual performance-related remuneration, members of the Executive Board also receive a remuneration component geared toward the long term ("Long Term Incentive", LTI), which is measured to a significant extent on the increase in value of the STADA share and thus sets an incentive for the members of the Executive Board toward a sustainable increase in enterprise value. The objective of the long-term variable remuneration is also to consider the interests of shareholders in the incentive structure of the remuneration in an overall sustainable manner. There are no stock option plans. The individual performance-related components are limited to a maximum amount.

The remuneration system for members of the Executive Board applicable for financial year 2016 is presented in detail in the current remuneration report, which was published in the Management Report for financial year 2016 and is accessible on STADA Arzneimittel AG's website at <https://ir.stada.com/stada/English/pdf/ar-2016.pdf>.

The amount and structure of the Executive Board remuneration is reviewed regularly by the Supervisory Board and adjusted whenever necessary. The last comprehensive review of the remuneration system was completed by the Supervisory Board in the fourth quarter of 2016 with the support of an external remuneration consultant and resulted in the changes described below. The Executive Board members are to be remunerated in line with this new remuneration system in future. The service contracts concluded with Engelbert Coster Tjeenk Willink and Dr. Bernhard Düttmann are not based on the new remuneration system as Mr Tjeenk Willink and Dr. Düttmann are each only appointed as Executive Board members on an interim basis until December 31, 2017. The service contract concluded with Dr. Barthold Piening as an Executive Board member has already been based on the new remuneration system.

Restructuring of the Executive Board remuneration system

Remuneration structure

As a result of the aforementioned review of the remuneration system, the Supervisory Board initially examined the remuneration structure and revised the **weighting of remuneration components (fixed and variable)**. While fixed remuneration represented 50 percent¹ of the total remuneration awarded in the previous remuneration system, the proportion of fixed (non-performance-related) remuneration in the revised remuneration system is now at 44 percent of the total remuneration granted for all Executive Board members.² The Supervisory Board therefore increased the proportion of performance-related remuneration in the total remuneration compared with the previous system, in order to more strongly orient the total remuneration towards the company's performance.

¹ 55 percent for former Chairman of the Executive Board Hartmut Retzlaff.

² Slight differences may occur between Executive Board members as a result of the rounding of target amounts for individual remuneration components.

The Supervisory Board also set uniform future target percentages for all Executive Board members for short and long-term performance-related remuneration. With 100 percent achievement of all targets, the short-term performance-related remuneration (“Short-Term Incentive”, STI) will be 50 percent of the individual fixed salary. With maximum target achievement, the annual bonus is limited to 100 percent of the individual fixed remuneration. The multi-year performance-related remuneration (“Long-Term Incentive, LTI”), will be 75 percent of the individual fixed remuneration with 100 percent achievement of all target values in the revised system and will be limited to 150 percent of the individual fixed remuneration (see chart).³

The ratio of short-term to long-term performance-related remuneration is 40 percent (STI) to 60 percent (LTI) if all targets are reached.

Chart: Share of individual remuneration components in fixed remuneration

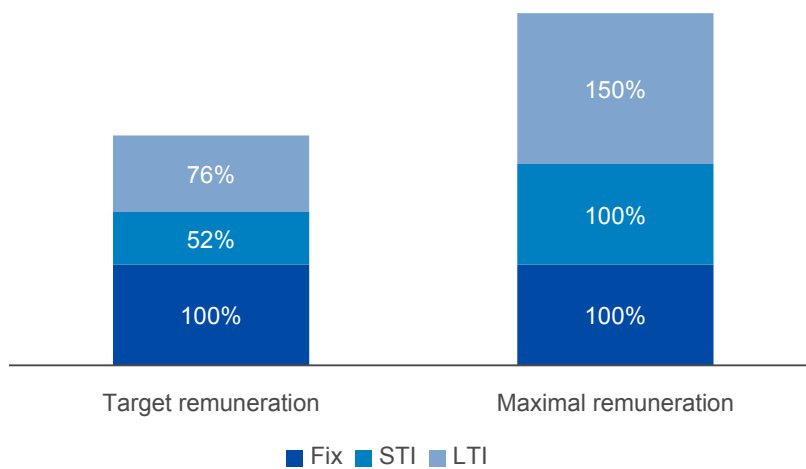
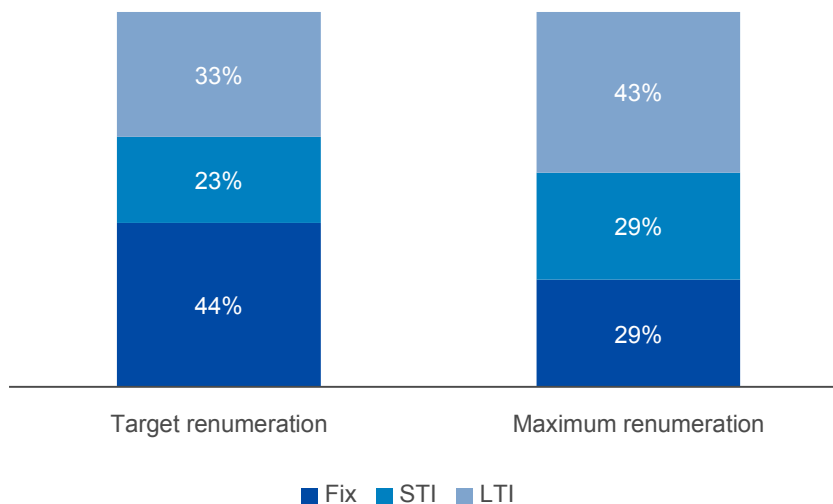


Chart: Share of individual remuneration components in total remuneration



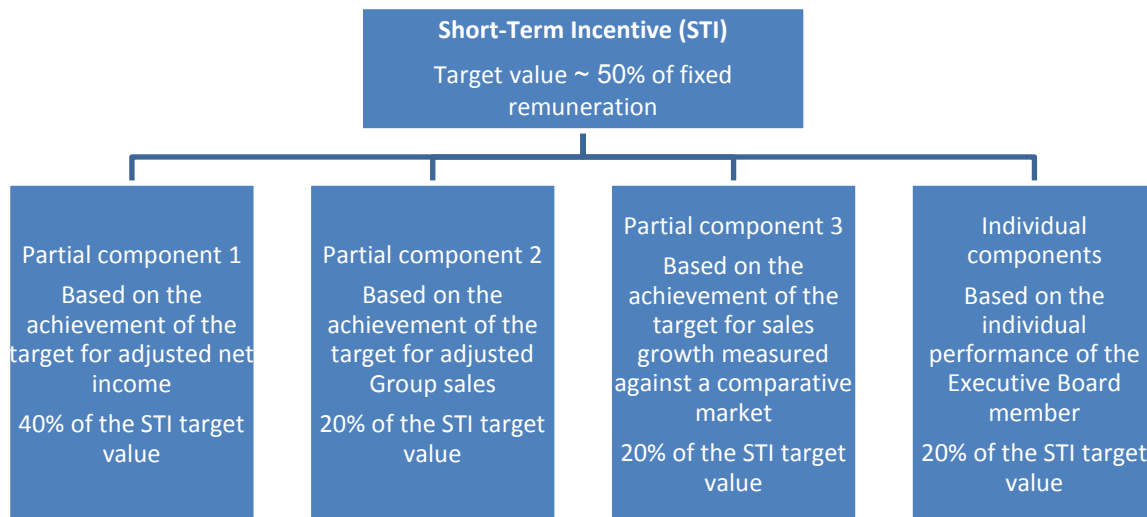
In the interests of increased transparency and comprehensibility, the annual and multi-year performance-related remuneration components will be clearly separated in future. In the future remuneration system, STI and LTI will no longer be linked through the same

³ Minor deviations of several percentage points can occur due to rounding of the target values to round figures.

mathematical starting amount, as had been the case in the previous remuneration system through the LTIP deferrals.

Annual performance-related components

Chart: Components of the short-term performance-related remuneration (STI)



In future, the short-term performance-related remuneration will be oriented towards the achievement of three partial targets, of which three partial components are based on different weighted Group-related targets and one partial component is based on the personal targets of each Executive Board member, derived from the strategy of STADA Arzneimittel AG. The Group components represent a total of 80 percent of the STI target value of the short-term performance-related remuneration.

The adjusted net income (EBT) will continue to be relevant for one component of the short-term performance-related remuneration. The adjusted EBT is a firm part of the STADA internal management system. In order to ensure consistency in management, the Supervisory Board agreed to retain EBT as a key figure in the STI.⁴ The Supervisory Board agreed to include further measurement parameters, in addition to EBT. The amount paid out for Group-related components will be based on the achievement of targets for the three partial components in future. These are:

- The adjusted net income (40 percent of the STI target value),
- The adjusted Group sales (20 percent of the STI target value),⁵ as well as
- Growth measured against a comparable market defined by the Supervisory Board (20 percent of the STI target value).

The amount paid for the individual partial components will continue to be oriented towards the achievement of measurable defined individual targets in future, which are derived from the strategy of STADA Arzneimittel AG and which allow the Supervisory Board to objectively determine the target achievement of the Executive Board member. The Supervisory Board

⁴ At the same time, the Supervisory Board looked intensively at how to include cash flow in the remuneration system as an additional key figure. The Supervisory Board ultimately dismissed this idea, as EBT already takes into consideration several aspects of cash flow, cash flow is more vulnerable to manipulations and the remuneration system would have been more complex if cash flow had been taken into account.

⁵ Group sales and net income are adjusted for extraordinary expenses and income as part of the STI.

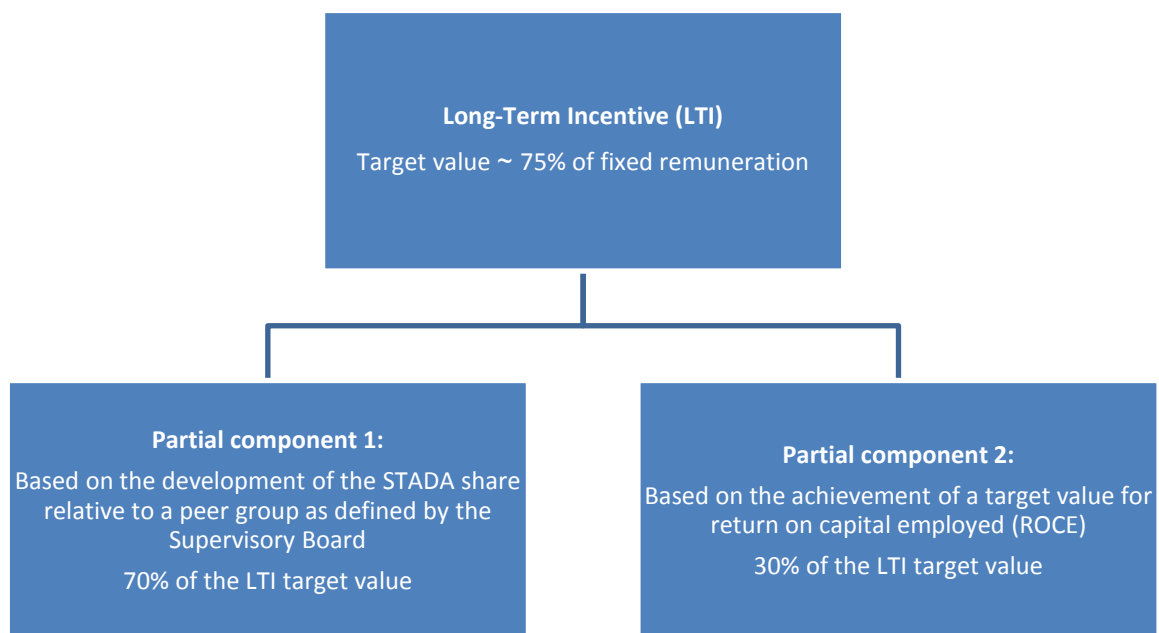
determines the targets for the aforementioned Group-related and individual STI measurement parameters at the beginning of each financial year.

The amount paid for all partial components of the STI is capped at 200 percent of the target value. If the level of target achievement of the STI partial components is less than 80 percent of the target, no payment is made for the corresponding STI portion. The individual components are independent and cannot compensate each other. The total amount of the STI payment amount for the financial year results from the addition of the calculated payment amounts of the four STI partial components. The option of the Supervisory Board to increase or reduce the variable remuneration of the financial year (STI and LTI) by 20 percent no longer exists in the revised remuneration system. The payment of the STI will continue to be made exclusively in cash.

Multi-year performance-related components

The multi-year performance-related remuneration was also revised by the Supervisory Board. In future, it will be based on a rolling bonus system with a performance period of three years. The payment amount of each performance period is based on the achievement of two partial components.

Chart: Components of the long-term performance-related remuneration (LTI)



In future, the LTI payment will be determined on the basis of the development of the STADA share price measured against a comparable company (70 percent of the LTI target value). The comparable company (“peer group”) as well as the stock exchange used for the measurement of the share price of this company are determined by the Supervisory Board before the beginning of a performance period. In the performance period relevant for financial year 2017 (2017 to 2019), the peer group comprises 13 comparable national and international companies in the pharmaceutical, chemical and health care industry.⁶ If the Supervisory Board determines a new peer group before a performance period, the peer

⁶ The Supervisory Board may decide before the beginning of each performance period that companies are to be added to the peer group and/or companies will no longer be part of the peer group. With such a change to the peer group, an increase or decrease in the number of companies belonging to the peer group is also possible, although the total must be at least ten.

groups of ongoing performance periods are not affected by the this new determination by the Supervisory Board.

The level of target achievement following the third and final financial year of each performance period is initially determined separately for each financial year by the Supervisory Board. A comparison of the share price of the company and the companies in the peer group at the beginning and end of a financial year is carried out in this context. On the basis of the comparison of the percentage development of the STADA Group resulting from the opening and closing price with the percentage development of shares in the peer group, a ranking is created for the companies (including STADA). The company with the highest percentage price increase is awarded first position, the further companies follow based on the percentage development from highest to lowest.

The level of target achievement for partial component 1 of the LTI is determined as follows for each financial year:

Ranking	Level of target achievement
1	200%
2	200%
3	180%
4	160%
5	140%
6	120%
7	100%
8	80%
9	60%
10	0%
11	0%
12	0%
13	0%
14	0%

After determining the level of target achievement for the three financial years of a performance period, the level of target achievement for the entire performance period is determined using the arithmetic mean of target achievement of the three financial years. The level of target achievement is limited to 200 percent (cap) in each financial year and in each performance period. Below rank 9, target achievement is zero percent.

In future, the LTI payment amount of 30 percent of the LTI target value will be calculated using the return on capital employed (ROCE) in the three financial years of a performance period.⁷ The ROCE of a financial year is calculated by dividing earnings before interest and taxes (EBIT) by capital employed in the financial year. Before the beginning of a performance period, the Supervisory Board sets the target for the ROCE of the three financial years of a performance period.

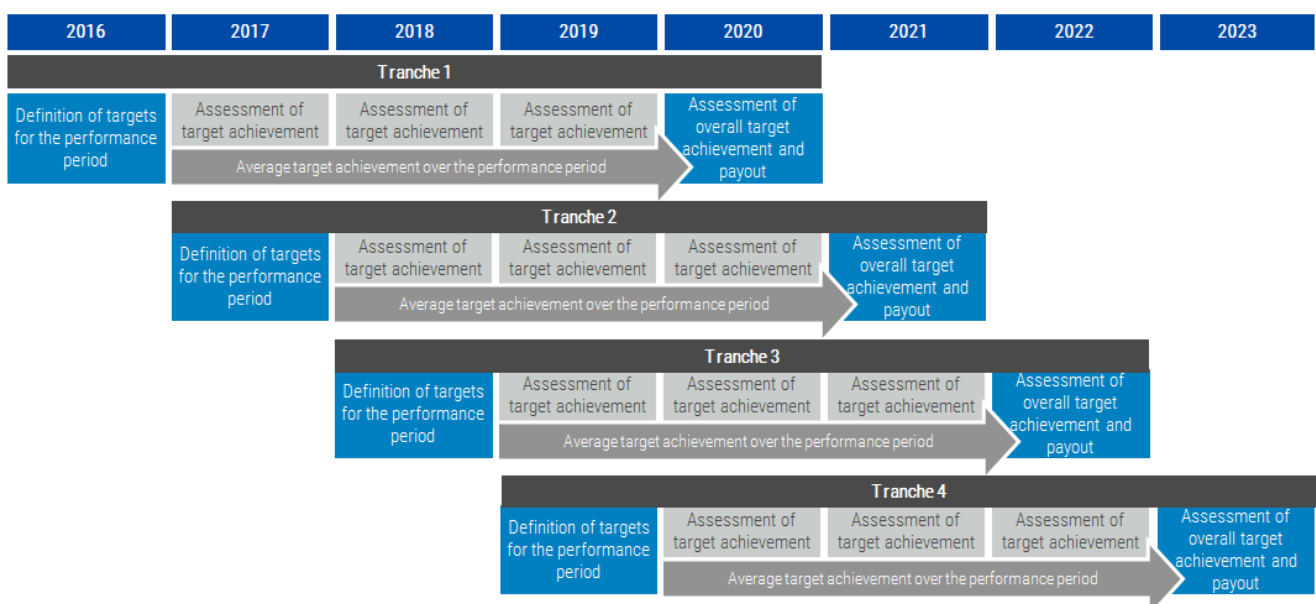
⁷ ROCE reflects investors' interests, as it provides information about the financial performance of the entire capital employed and allows a control effect in terms of efficient capital expenditure. The key figure is also easily derived from the financial statements.

The level of target achievement is determined by the Supervisory Board for each financial year following the approval of the consolidated financial statements for the third and final financial year of a performance period. The level of target achievement is derived from the average percentage ratio of the actually achieved ROCE (actual ROCE) to the target ROCE in the three financial years of the performance period. When determining the level of target achievement, it must be considered that the target achievement is zero if the actual ROCE represents less than 80 percent of the target ROCE in a financial year. If the ratio of actual ROCE to target ROCE is at least 80% and a maximum of 200%, the level of target achievement represents the ratio of actual ROCE to target ROCE. The level of target achievement is limited to 200 percent (cap) in each financial year and in each performance period.

The total amount of the LTI payment amount for the financial year or performance period results from the addition of the calculated payment amounts of the two LTI partial components. The payment of the LTI will continue to be made exclusively in cash.

Chart: Presentation of the tranches of the LTI program

All Executive Board members will continue to receive fringe benefits such as a company car,



contributions to health and long-term care insurance, the conclusion of and contributions to accident and D&O insurance policies and other benefits in kind as part of their salary in future, as well as other reimbursements and benefits necessary for the fulfillment of Executive Board tasks. The amount of the deductible of the D&O insurance is determined on the basis of the applicable regulations and currently totals 10% of the damage sum up to a minimum of one and a half times the annual fixed salary. Executive Board members are to pay tax on the financial benefit obtained from the private use of the company car.

No company pension plan will exist for Executive Board members in future.

The regulation on the limitation of severance payments for former Executive Board members, previously included in employment contracts, was described in more detail. The regulation for a severance payment in the case of a change of control is more closely oriented to this general severance payment regulation in the new remuneration system, as the amount of the severance payment pursuant to this regulation is limited to a maximum of two years'



remuneration, rather than three years as was previously the case. These two regulations continue to be in line with the specifications of the German Corporate Governance Code.

The Executive Board contracts now also include so-called “hold-back” and “claw-back” clauses. In accordance to these clauses, the Supervisory Board can, at reasonable discretion, determine to withhold and not pay out as yet unpaid variable STI and LTI remuneration components (hold back). A prerequisite for this is serious misconduct by an Executive Board member, as a result of which STADA suffered material or immaterial damage (in particular damage to reputation) or has reason to fear such damage as a result of concrete evidence.

In certain cases, in which a hold back is considered, the possibility of a “claw back” exists. The Supervisory Board can request the reimbursement of amounts already paid for the LTI for up to three previous financial years in response to certain cases of serious misconduct at reasonable discretion.