



Non-binding English translation from the German original version for convenience purposes only

Corporate Governance

Declaration of Corporate Governance

The Declaration of Corporate Governance according to Section 289a of the German Commercial Code (HGB) includes a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG), the relevant information pertaining to Corporate Governance practices and a description of Executive Board and Supervisory Board procedures plus the composition and procedures of the Supervisory Board committees.

Declaration of Compliance 2010

In the past financial year, the Executive Board and the Supervisory Board dealt in detail with the recommendations and suggestions of the German Corporate Governance Code (DCGK), particularly with the new requirements of May 26, 2010. On the basis of these consultations, the declaration of compliance detailed below was issued by the Executive and Supervisory Board.

Joint Declaration of the Executive Board and the Supervisory Board of STADA Arzneimittel AG concerning the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

STADA Arzneimittel AG complies with the recommendations of the German Corporate Governance Code in the version of May 26, 2010 (published on July 2, 2010 in the electronic Federal Gazette) with the following deviations:

Section 4.2.3, para. 5: Arrangements for payments in the case of early termination of Executive Board mandate

The regulations in existing Executive Board contracts with regard to payments in the case of early termination of the Executive Board mandate do not comply with the German Corporate Governance Code, but only with respect to the CEO. For the future, the Supervisory Board will also not rule out completing Executive Board contracts with regulations which, in this regard, do not comply with the German Corporate Governance Code. It is the position of the Supervisory Board that, for the completion of Executive Board contracts, detailed individual regulations may not be prejudged, but rather that the Supervisory Board must be able to take advantage of the full legal framework in the configuration of Executive Board contracts in order to achieve a situationally optimal filling of Executive Board positions.

Section 5.3.3: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board with six shareholder representatives the Supervisory Board believes that such an additional committee is structurally superfluous, but assigned the task of a nomination panel to the Chairman of the Personal Committee and the Chairman of the Audit Committee; the additional compensation, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus avoided.



Section 5.4.1, para. 2: Specification of objectives regarding the composition of the Supervisory Board

The Supervisory Board has started to specify concrete objectives regarding its composition and will publish such objectives in time before the next election of members of the Supervisory Board.

Section 6.6, para. 1 and 2: Shares held by members of the Executive Board and Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BaFin) in accordance with legal requirements and are published in accordance with legal requirements. However, the respective holdings of shares and options to purchase and sell such shares by individual members of the Executive Board and Supervisory Board are not published in the Notes to the Company's financial statements. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency. Accordingly the Corporate Governance Report will not contain any respective disclosures.

Since the last joint declaration in Q4 2009, STADA Arzneimittel AG complied with the recommendations of the German Corporate Governance Code with the following exceptions:

Section 3.8: D&O insurance - deductible for supervisory board members

The D&O insurance policy covering board members and top management, which is part of a common group insurance policy, does not contain a deductible for supervisory board members since it is not customary in international practice to have such a deductible for top management, and in the opinion of the Supervisory and Executive Board, supervisory board members should not be placed in a worse position than the Company's top management.

Section 4.2.3: Arrangements for payments in the case of early termination of Executive Board mandate

The regulations in existing Executive Board contracts with regard to payments in the case of early termination of the Executive Board mandate do not comply with the Corporate Governance Code. For the future, the Supervisory Board will also not rule out completing Executive Board contracts with regulations which, in this regard, do not comply with the Corporate Governance Code. It is the position of the Supervisory Board that, for the completion of Executive Board contracts, detailed individual regulations may not be prejudged, but rather that the Supervisory Board must be able to take advantage of the full legal framework in the configuration of Executive Board contracts in order to achieve a situationally optimal filling of Executive Board positions.

Section 5.3.3: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board, with six shareholder representatives, the Supervisory Board believes that such an additional committee is structurally superfluous; the additional compensation, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus avoided.

Section 5.4.1: Age limit for members of the Supervisory Board

The Supervisory Board's rules of order do not provide for an age limit because such an age limit would shorten the voting rights of the shareholders in the Annual Shareholders' Meeting.



Section 6.6: Shares held by members of the Executive Board and Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BaFin) in accordance with legal requirements and are published on the Company's website in accordance with legal requirements. However, the shares and the options to purchase and sell such shares held by individual members of the Executive Board and Supervisory Board are not published in the Notes to the Company's financial statements. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency.

For STADA, the recommendations of the German Corporate Governance Code serve as a general basis for the Company's activity. In daily practice, however, individual situations may occur in which the application of the Code could lead to limitations in the flexibility of the Company or in the proven corporate practice. In these individual cases, contrary to the Declaration of Compliance, deviations from the recommendations of the Code may take place. STADA will, however, regularly review and, if necessary correct compliance with the code and the above mentioned exceptions.

Bad Vilbel, November 9, 2010

Signed by
Dr. Martin Abend
Chairman of the Supervisory Board

Signed by
Hartmut Reztlaff
Chairman of the Executive Board



Relevant information pertaining to Corporate Governance practices

STADA Group Vision Statement

Responsibility is an essential element of STADA's Group vision statement. There it is said, amongst other things: "Care for people's health and well-being is at the center of STADA's activities. From this, the Group's philosophy and overall concept are developed."

With this mission statement, STADA commits itself expressly to the comprehensive and sustainable character of its own responsibility as a health care company. The Executive Board works continuously and comprehensively towards ensuring that this mission statement and the high responsibility it describes represents a sustainable maxim for acting for management and all employees in the STADA Group.

In this context, the economic success of the Group shall be linked with responsible action and in particular topics such as corporate social responsibility (CSR) integrated into business processes. This applies particularly to the areas of quality, compliance, personnel development as well as social responsibility.

Highest safety and quality standards

Against the backdrop of its overall concept focusing on responsibility, product safety and product quality have always been top priorities for STADA.

In the scope of regular and comprehensive audits, Group Quality Management examines the quality standards established by STADA which in part go clearly beyond the provisions required by law in the Group's own production sites as well as in the facilities of suppliers and contract manufacturers.

In this context, the Group strives to secure, also in countries outside of the EU, EU quality standards for drugs, which often go beyond local requirements.

In addition to legal provisions STADA also holds international certifications in accordance with external quality management systems. At numerous production sites the Group, for example, follows not only the Good Manufacturing Practice (GMP) standards, but also the relevant ISO standards, and holds various ISO certificates at several locations, such as ISO-9001:2008, ISO-14001:2004 and ISO-13485:2007.

Responsibility for compliance

It continues to be STADA's expressed goal that all business processes and Group activities be carried out exclusively within the framework of the respectively valid laws. For this purpose, there are company-internal behavioral guidelines, which obligate all employees to behave in accordance with legal provisions as well as ethical principles and values. The Chief Compliance Officer of STADA Arzneimittel AG reports directly to the Executive Board, coordinates STADA's compliance program and receives complaints and information – also anonymously. He or she is supported by the regional compliance officers. STADA's existing compliance management system is regularly reviewed and further developed.

Furthermore, STADA also lives up to – wherever sensible and reasonable from a cost perspective – the excellence claim ("best practice") and continuously reviews and optimizes business processes with respect to this. STADA has its own administrative department named "Development of Group Organization" for this purpose.



Continual personnel development

In the STADA Group, human resources work is seen as an essential factor influencing business success. STADA's employees are thus at the center of all considerations of success. In view of this, the further development of employees in the Group is supported and promoted with training and advanced professional training.

Social responsibility

In numerous countries STADA supports – usually via the respective national subsidiaries – selected social and cultural projects, partly also with a sponsoring character.

Sustainability and environment

Already STADA's strategic positioning can be considered distinctly sustainable since Generics – which represents by far the larger of the Group's two core segments – contributes significantly to a more efficient health care and thus to a sustainably better utilization of resources in an area of life that is of vital importance for the population.

In general, STADA commits itself to the protection of people and the environment and works continuously to improve procedures and -processes in order to minimize negative environmental impact and health risks. All employees in the STADA Group are urged to take responsibility for dealing with these resources in a conserving, sustainable manner and are obliged to comply with the relevant regulations on the protection of health and the environment.

Within the Group, the responsibility for sustainability, especially with regard to environmental matters, which STADA feels consciously committed to, is operatively met in a project-related way beyond the legal framework.

Further information relating to the STADA Group vision statement can be viewed on the company website under "About STADA/Company profile/Responsibility and Sustainability".



Transparent corporate governance

In order to ensure transparent corporate governance STADA informs shareholders, financial analysts, other capital market participants, the media and the interested public regularly and promptly about the situation of the Company and about any significant business changes.

The reporting about the situation and results of STADA Arzneimittel AG and the STADA Group is delivered by the Annual Report, the interim reports and at press and analysts' conferences which can generally be followed live and can be viewed for some time as a recording on the STADA website at www.stada.de and www.stada.com.

The consolidated financial statements are made available within 90 days after the financial year end and the interim financial statements within 45 days after the end of the reporting period.

All financial reports, notices and announcements are published on the company website at www.stada.com.



Executive and Supervisory Board procedures and composition and procedures of the Supervisory Board committees

Management and monitoring structure

STADA Arzneimittel AG is a joint stock corporation under German law and as such has a dual management and monitoring structure consisting of the Executive Board and the Supervisory Board. The third body of the Company is the Annual General Meeting. Furthermore, STADA Arzneimittel AG has an Advisory Board according to the articles of incorporation.

Executive Board

The members of the Executive Board of STADA Arzneimittel AG jointly manage the Company in its own responsibility. The Executive Board runs the businesses in accordance with legal requirements, the articles of incorporation and the rules of procedure for the Executive Board. Furthermore, the Executive Board informs the Supervisory Board about all relevant incidents in the Group.

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations. 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 the appointment and dismissal. It appoints the 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.

Supervisory Board

In accordance with the provisions of the One-Third Participation Act, the Supervisory Board of STADA Arzneimittel AG is comprised of nine members of which six are representatives of the shareholders and three represent the employees. The members representing the shareholders are elected by the Annual General Meeting and the employee representatives are elected by the employees.

The Supervisory Board appoints the Executive Board members. Furthermore, the Supervisory Board monitors and advises the Executive Board in the running of its business operations. Through a regular dialog with the Executive Board, the Supervisory Board is informed of the business development, strategy and company planning. It agrees the company planning and approves the financial statements of STADA Arzneimittel AG and the STADA Group.

Annual General Meeting and shareholders

The shareholders assume their rights in the Annual General Meeting and exercise their voting rights. Every STADA Arzneimittel AG share has one vote. Shareholders have the option to exercise their voting right themselves in the Annual General Meeting or to have their voting right exercised by an authorized representative of their choice or by a voting representative from the company, but bound by instructions. Every shareholder is entitled to participate in the Annual General Meeting, to speak on individual agenda items and to request information about company issued, if this is required for the appropriate assessment for an item on the agenda.

The Annual General Meeting passes resolutions, among other things, on the allocation of profits, the discharge of the Executive Board and Supervisory Board, the election of the auditor as well as any changes to the articles of incorporation and capital-changing measures.



Advisory Board

Members of the Advisory Board of STADA Arzneimittel AG are appointed by the Chairman of the Supervisory Board on the proposal of the Executive Board and the Supervisory Board. According to the Company's articles of incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board has currently 13 members.



Executive Board Procedures

Notwithstanding the overall responsibility of the Executive Board, each Executive Board member runs his business area independently. Business areas are allocated to the individual Executive Board members based on the business allocation plan which forms part of the Executive Board Procedures. The Executive Board in its entirety decides on all matters of fundamental and/or strategic importance or of specific significance for the company. All Executive Board members must keep each other informed of the main processes within their own business areas. Where processes also affect the business area of another Executive Board member, this member must align with other members in advance on such item.

According to the Executive Board Procedures, incumbent on the Chairman of the Executive Board is the coordination of the Executive Board in its entirety. The chairman of the Executive Board represents the Executive Board and the Company towards the public, in particular towards authorities, associations, industrial regulatory bodies and official gazettes. He can delegate this function regarding certain business areas or on a case by case basis to another member of the Executive Board.

In addition, based on the business allocation plan, the Chairman of the Executive Board is also specifically responsible for the strategy and corporate development as well as marketing and sales. The business allocation plan also assigns specific technical roles and responsibilities to two other Executive Board members, namely the Executive Board member responsible for finance and the Executive Board member for production and development.

The Executive Board meets regularly to hold Executive Board meetings. These meetings will be convened by the Chairman of the Executive Board. If so requested by an Executive Board member, the Chairman of the Executive Board is under the obligation to convene an Executive Board meeting. The Executive Board constitutes a quorum when all members are invited and minimum half of its members are present. It passes its resolutions with a simple majority of the votes cast. Members of the Executive Board who cannot attend the meeting, can vote by submitting their votes in writing or text format or orally. A representation is not allowed. Resolutions can also be taken in the written circulation proceeding unless no Executive Board member objects. In the event of a tie, the Chairman of the Executive Board casts the deciding vote. In the event of a tie the proposal to resolve is rejected.

For specific business areas laid down in the Executive Board Procedures, the Executive Board must obtain the prior consent of the Supervisory Board.

According to the Executive Board Procedures, every Executive Board member is under the obligation to immediately disclose any conflicts of interests to the Supervisory Board and to inform the other Executive Board members accordingly. The exercise of any ancillary activities, in particularly the assumption of Supervisory Board mandates outside of the Group, require the prior consent of the Supervisory Board.

The Executive Board of STADA Arzneimittel AG has not set up any Executive Board committees.



Supervisory Board Procedures

The Executive Board, within the framework of its legal reporting obligation, informs the Supervisory Board regularly, promptly and comprehensively on all issues relating to planning, business development, the risk situation, risk management and compliance that are relevant to the company. It agrees the strategic orientation of the company with the Supervisory Board and regularly discusses with the Supervisory Board the status of the execution of the strategy. In addition, the Chairman of the Supervisory Board maintains regular contact with the Executive Board and in particular with the Chairman of the Executive Board and consults with him on the strategy, business development and risk management of the company and the Group.

The Chairman of the Supervisory Board is responsible for the coordination of the work and the management of the Supervisory Board meetings as well as the execution of external Supervisory Board matters.

The Supervisory Board can be convened in writing if required by the Chairman of the Supervisory Board with a 14 day notice period. The Supervisory Board should meet at least once every calendar quarter and must meet twice in each calendar half year. As a rule the Supervisory Board meetings and its committee meetings must be attended in person. In justified exceptional cases, the Chairman of the Supervisory Board may determine that the meetings of the Supervisory Board and its committees can also be held using telephone or video conferencing equipment or that individual Supervisory Board members can be connected via telephone or video transmission.

Supervisory Board resolutions are generally taken in the Supervisory Board meetings. Outside of meetings, resolutions passed in writing or by telegram, telephone or fax, are also admissible if no member opposes this process within a time period to be determined by the Chairman. The Supervisory Board constitutes a quorum if at least two thirds of its members, including the Chairman of the Supervisory Board, or his deputy, are present, or if the members unable to attend have submitted their written votes via other members of the Supervisory Board. Supervisory Board resolutions are passed with a simple majority of the votes cast. In the event of a tie, the meeting chairman casts the deciding vote.

The Supervisory Board regularly reviews the efficiency of its activities. The subject of the efficiency review are, in addition to the qualitative criteria to be established by the Supervisory Board, in particular the procedural flows in the Supervisory Board and the information flow between the committees and the plenary as well as the prompt and sufficient information provision among themselves.

The Supervisory Board has established rules of procedure.

According to the Supervisory Board Procedures, Supervisory Board members should not exercise any board mandates or consultancy roles with significant competitors of the company. Moreover, the Supervisory Board members are under the obligation to disclose to the Supervisory Board, any conflicts of interest, in particular those which could occur due to a consultancy or board function with customers, suppliers, lenders or other business partners. Significant and not merely temporary conflicts of interest in the person of a Supervisory Board member should lead to the termination of the mandate. The Supervisory Board provides reports to the Annual General Meeting whether any conflicts of interest have occurred and how they were handled.



Composition and procedures of the Supervisory Board Committees

According to the Supervisory Board Procedures, the following Supervisory Board committees exist: The Audit Committee and the Human Resources Committee. Additional committees, for example a Nomination Committee shall be established as needed.

Audit Committee

The Audit Committee is composed of two members from the shareholders and one from the employees.

The Audit Committee deals in particular with questions of accounting, risk management, compliance, the required independence of the auditor, the award of the audit contract to the auditor, the determination of the main areas for the audit and with the fees agreement with the auditor. In addition, it explains the year and quarterly reports to the Executive Board prior to their publication.

For the purpose of monitoring the independence of the external auditors, the Audit Committee will, and in particular before submitting the proposed candidates for the external auditors to the Annual General Meeting, obtain a declaration from the proposed auditors. Such declaration shall explain, as to whether and if applicable, any professional, financial or other relationships exist on the one hand between the auditors, its boards and the audit managers, and on the other hand, the company and its board members, which may raise doubts in relation to its independence. Furthermore, the declaration should also state the extent to which other services have been provided for the company in the previous financial year, in particular in relation to consultancy, or which have been contractually agreed for the following year. In addition, the Audit Committee ensures to agree with the external auditors that the Chairman of the Supervisory Board and the Chairman of the Audit Committee are immediately informed of any possible reasons that arise during the audit for exclusion or bias in the person of the auditor, if these are not eliminated immediately. The Audit Committee makes a recommendation to Supervisory Board for the proposal at the Annual General Meeting for the election of the external auditor.

The Chairman of the Audit Committee shall possess specific knowledge and experience in the application of accounting principles and internal control procedures. Furthermore, the Chairman of the Audit Committee should be independent and neither the Chairman of the Supervisory Board nor a former Executive Board member whose appointment concluded less than two years previously.

Human Resources Committee

The Human Resources Committee is composed of two members from the shareholders and one from the employees.

The Chairman of the Supervisory Board is also the Chairman of the Human Resources Committee. The Human Resources Committee prepares the human resources decisions of the Supervisory Board. The committee deals in particular with the conditions relating to the employment contracts of the members of the Executive Board and prepares the Supervisory Board resolution relating to the remuneration system for the Executive Board, for which it proposes to the Supervisory Board the structure of the remuneration system and the bandwidths for the fixed and variable segments of the Executive Board remuneration. Moreover, together with the Executive Board, it ensures that a long-term succession plan is in place.

The Human Resources Committee also advises, together with the Executive Board, on the strategic development of STADA Arzneimittel AG and prepares the Supervisory Board decisions relating to this.



Additional Committees

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 26, 2010 is structurally superfluous. Nevertheless, the Supervisory Board set up a Nomination Panel in the reporting year, consisting of the Chairmen of the Human Resources Committee and the Audit Committee. The Nomination Panel has been assigned the task to compile the goals and profiles for the composition of the future Supervisory Board and has taken up work in the meantime.

Remuneration Report

The Remuneration Report, which forms part of the Management Report of the Executive Board in the Annual Report 2010 of STADA Arzneimittel AG, presents the main principles of the remuneration systematic for the Executive Board, the Supervisory Board and the Advisory Board of STADA Arzneimittel AG as well as the individual remuneration of each member of the Executive Board and the Supervisory Board of STADA Arzneimittel AG.

Bad Vilbel, March 22, 2011

Hartmut Retzlaff
Chairman of the Executive Board

Helmut Kraft
Chief Financial Officer

Dr. Axel Müller
Chief Production and
Development Officer