

DECLARATION ON CORPORATE GOVERNANCE
PURSUANT TO SECTION 289A OF THE GERMAN
COMMERCIAL CODE

CORPORATE GOVERNANCE REPORT

14 APRIL 2016



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE

The Declaration on Corporate Governance, in addition to the Declaration of Compliance of the Board of Management and the Supervisory Board pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), also contains information on corporate governance practices. The work approach of the Board of Management and the Supervisory Board as well as the established committees are also described and the equal participation of men and women in management positions reported on. The Corporate Governance Report is published in connection with this Report.

The corporate code of RHÖN-KLINIKUM Aktiengesellschaft summed up in our leading principle “Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself” serves as the guideline of the Board of Management and all employees in their dealings with patients and shareholders and makes a decisive contribution towards supporting corporate governance in our field of business as a publicly listed healthcare provider.

We generally give high priority to good corporate governance. A transparent as well as legally and ethically sound corporate culture is for us the basis for ensuring value enhancement at our enterprises on a sustained basis as well as for preserving and strengthening the trust that shareholders, business partners, patients and employees place in us. In this context, efficient and responsible decision-making and control processes oriented towards long-term corporate success are of central importance for our activities. With circumspection and sound judgment, we coordinate the interests of our shareholders and employees and manage opportunities and risks in a forward-looking and transparent manner.

DECLARATION OF COMPLIANCE

The German Corporate Governance Code (GCGC) describes nationally and internationally recognised standards of responsible corporate governance. In financial year 2015, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG regularly scrutinised

the German Corporate Governance Code, its development and amendments thereto as well as its compliance at RHÖN-KLINIKUM AG and its subsidiaries. Overall, we deviate from the recommendations with five disclosed exceptions. We observe most of the non-mandatory suggestions of the German Corporate Governance Code on a voluntary basis.

As a result of these consultations, an updated declaration of compliance – jointly drafted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG pursuant to section 161 of the AktG – was submitted on 5 November 2015 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 5 May 2015. The current and all past declarations of compliance are permanently made available over the Internet under www.rhoen-klinikum-ag.com.

**Declaration of Compliance pursuant to Section 161 German Stock Corporation Act
(As at: 5 November 2015)**

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 5 May 2015 and published by the Federal Ministry of Justice in the official section of the Federal Gazette on 12 June 2015 have been implemented, and will be implemented, with the following exceptions:

Code Item 4.2.2 (2) sentence 3

Relationship between remuneration of the Board of Management and that of senior management and staff overall

Although the Supervisory Board has taken account of the wage and salary structure within the Company when setting the remuneration of the Board of Management, the Supervisory Board has not expressly determined how the senior management and the relevant overall staff are to be differentiated. The relationship of the remuneration of the Board of Management to the remuneration of the senior management and the relevant overall staff is consequently not reflected, either, by application of such definitions in the case of the criteria specified in Code Item 4.2.2 (2) sentence 2.

In view of the new corporate strategy of concentrating on facilities providing full-service cutting-edge medical care, the Supervisory Board at present does not find such definitions to be objectively justified.

Code Item 4.2.3 (3)

Pension commitments

Typical pension commitments do not exist at the Company. However, upon termination of the service contract or the decease of a member of the Board of Management the Company, subject to certain conditions, grants a “retirement benefit” explained in further detail in the Remuneration Report. It is paid as a one-time amount that is based on the number of completed years of service and additionally capped.

If the retirement benefits existing at the Company constitute provision benefits within the meaning of the recommendation pursuant to Code Item 4.2.3 (3), the “level of provision” in the view of the Supervisory Board results from the probable term of office of the respective member of the Board of Management and the formula defined in the retirement benefit. The annual as well as long-term expense for the Company is likewise derived from this.

Given the ambiguity of the recommendation pursuant to Code Item 4.2.3 (3) and the special structure of the retirement benefits existing at the Company, deviation from Code Item 4.2.3 (3) is nonetheless hereby declared as a precaution.

Code Item 5.4.1 (2), (3)

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition, and does not define any limits, either, in respect of age or in terms of a standard length of service within the meaning of Code Item 5.4.1 (2) sentence 1. Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates and by the law. The shareholders’ representatives on the Supervisory Board are convinced that this practice has proven itself.

Code Item 5.4.6 (2) sentence 2

Results-based remuneration of Supervisory Board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), were granted a results-based remuneration up to and including financial year 2014. In this connection, the results-based remuneration was based on the consolidated profit of a financial year; in this regard, the Articles of Association thus did not provide for any explicit orientation on sustained corporate development within the meaning of Code Item 5.4.6 (2) sentence 2. Consequently, the recommendation was not complied with up to the end of financial year 2014.

However, the Supervisory Board proposed to the 2014 Annual General Meeting to abolish results-based remuneration components as of financial year 2015. The Annual General Meeting of 12 June 2014 complied with this proposal and adopted the resolution to amend the provisions on remuneration of the Supervisory Board in section 14 of the Articles of Association such that results-based remuneration components will no longer be granted to the Supervisory Board as of financial year 2015.

Code Item 7.1.2 sentence 4

Deadline for making available the Consolidated Financial Statement

The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

The annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and section 161 of the AktG."

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The business activity of RHÖN-KLINIKUM Group is conducted on the basis of the following corporate governance practices which are applied above and beyond the statutory requirements.

Terms of Reference of the Board of Management and guidelines of the Company

The Terms of Reference of the Board of Management and the guidelines of the Company serve to provide for work procedures and other operative processes with binding effect as well as to define fundamental organisational decisions. They thus ensure efficient allocation of work resources for performance of tasks in line with the Company's objectives and provide for a clear division of duties and responsibilities. They also serve to promote an understanding of business procedures and cooperation between individual areas. The Terms of Reference of the Board of Management and the guidelines of the Company are available to all employees on our intranet.

Corporate philosophy and corporate code

RHÖN-KLINIKUM AG has led the way in hospital privatisation for over 25 years. Innovation, reliability and sustainable economic management are the foundations of our success. That is why we continue to be steadfast in our efforts at reviewing and optimising our processes and strategies. Our basis of affordable, high-quality healthcare is private capital, whether generated thanks to our own entrepreneurial output or made available by the capital market. It enables investment in innovations, ensuring the future viability of healthcare. This in turn allows for profitability and sustainable financing of new growth and medical innovations.

The foundation of our business is characterised by the trust our patients place in our hospitals and staff, since good health means quality of life – the highest human good. That is why the well-being of our patients is at the heart of our corporate philosophy and underlies all our activity. In our hospitals, it is the patient's condition that determines the level of care and the pace of clinical processes. We specifically promote interdisciplinary cooperation in the treatment provided by doctors and nurses, thus raising the quality of treatment

noticeably. Personal integrity and professionalism enjoy the highest priority in all areas of our Company. Our leading principle is:

“Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself.”

As a responsible private provider of healthcare services, our goal is therefore to offer our patients over all care levels a broad range of good-quality and independent medical care that everyone can afford, because we are convinced that everyone is entitled to affordable and high-quality medical care. At the same time, quality and economic efficiency for us are not at odds with each other. On the contrary: they are even closely interrelated. Freedom of choosing medical treatment, ongoing investments in modern medical care as well as ongoing optimisation of clinical processes and structures specifically with a view to meeting the needs of our patients are indispensable if good medical care is not to become a luxury.

Our corporate philosophy and our corporate code are permanently made available to the general public over the Internet at www.rhoen-klinikum-ag.com.

WORK APPROACH OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Management and supervisory structure

In keeping with the requirements of German legislation governing joint stock corporations and corporations, RHÖN-KLINIKUM AG has a dual management system subject to the strict separation at the personnel level between the management and supervisory bodies. The Board of Management has powers to direct the Company and the Supervisory Board powers to supervise the Company. Simultaneous membership of both corporate bodies is excluded.

With the goal of creating sustainable value-added for the Company, the Board of Management and the Supervisory Board have committed themselves to cooperate through mutual trust in the best interests of the Company on the basis of a balanced allocation of duties and responsibilities as defined by law, the Articles of Association and the Terms of Reference.

For members of the Supervisory Board and members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductibles recommended by Code Item 3.8 para. 2. The insurance premium (incl. insurance tax) paid by the Company in financial year 2015 was € 158.0 thousand.

No conflicts of interests of members of the Board of Management and Supervisory Board subject to disclosure to the Supervisory Board have occurred during the reporting year.

Annual General Meeting and relationships with shareholders

RHÖN-KLINIKUM AG reports quarterly to its shareholders and the interested public in accordance with the applicable International Financial Reporting Standards (IFRS), applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), on business development as well as the Group's net assets, financial position and results of operations. The preliminary business figures for a past financial year are disclosed approximately six to eight weeks after year-end, and forecasts for the next financial year, in accordance with the requirements, are provided. Important Company notices are published immediately. All reports and communications can be accessed on our Company's website.

At the Annual General Meeting, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders on business development as well as the financial position and results of operations. The Annual General Meeting of the Company normally takes place within the first six months of the financial year. The information required by our shareholders for their decision-making is made available in compliance with law.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Association solely by exercising their voting rights during the Annual General Meeting. They may exercise voting rights in person or arrange for them to be exercised by an authorised representative of their choosing or by a proxy of the Company subject to instructions. Each share confers one vote. In the interest of safeguarding the resolution procedure, we maintain the system until further notice that

voting rights are exercised by personal attendance or authorised representation at the Annual General Meeting.

In accordance with the statutory regulations, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Auditing Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statements for 2015 as well as the annual financial statements as at 31 December 2015 after the Audit Committee was thoroughly convinced of its independence, i.e. the absence of any grounds for disqualification and/or bias.

Together with the statutory auditor, we entered into the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements. The auditor shall therefore notify the chairman of the Audit Committee immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately. The auditor shall also report on all facts and events of importance for the tasks of the Supervisory Board arising during the performance of the audit. In the event that any facts are identified during the performance of the audit of the annual financial statements indicating that the Declaration of Compliance submitted by the Board of Management and the Supervisory Board pursuant to section 161 of the AktG is incorrect, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

Board of Management

In financial year 2015, the Board of Management of RHÖN-KLINIKUM AG was comprised of three members. The chairman of the Board of Management is Dr. Dr. Martin Siebert. As of 1 January 2016, Prof. Dr. Bernd Griewing was appointed by the Supervisory Board to the Board of Management as Chief Medical Officer (CMO). In accordance with the aims of an activity oriented on the long term, the terms of the service contracts of the Board of Management were harmonised. All members of the Board of Management have 5-year contracts each commencing as of 1 January 2016. The Terms of Reference were adjusted in line with this date.

The Board of Management manages the Company and conducts transactions with shared responsibility based on Terms of Reference. The areas of responsibility of the individual members of the Board of Management are determined by operative and/or functional responsibilities. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation. For further information, please refer to the disclosures made in the Notes to the consolidated financial statements.

The Board of Management reports regularly, without delay and comprehensively to the Supervisory Board on all significant issues relating to the business development and position of the Group and its subsidiaries. The Board of Management furthermore coordinates and discusses with the Supervisory Board the Group's further strategic development and its implementation. The chairman of the Board of Management reports immediately to the chairman of the Supervisory Board on events of special importance. Any transactions and measures requiring approval are presented to the Supervisory Board in due time.

Members of the Board of Management are obliged to disclose any arising conflicts of interests immediately. Moreover, they require the approval of the Supervisory Board for secondary employment activities of any kind. Business transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other also require the consent of the Supervisory Board. In financial year 2015 there were no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG. A fixed age limit of 65 years for the members of the Board of Management is stipulated in the Articles of Association.

The composition of our Board of Management is permanently made available over the Internet at www.rhoen-klinikum-ag.com.

Supervisory Board

The Supervisory Board advises the Board of Management and supervises its management activity. Close and efficient cooperation between the Board of Management and the Supervisory Board, with the shared objective of creating sustainable value-added, is carried out on the basis of the Terms of Reference for the work between the Board of Management and the Supervisory Board.

The Supervisory Board of RHÖN-KLINIKUM AG, pursuant to the requirements of the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG) regarding the principle of equal representation of shareholders and employees, and pursuant to the Articles of Association, currently comprises an equal number of shareholders' and employees' representatives (16 in total). In 2015, a total of four regular meetings were held as well as the constituting meeting of the newly elected Supervisory Board following the Annual General Meeting. The Supervisory Board is chaired by Mr. Eugen Münch in a full-time capacity.

At the Annual General Meeting on 10 June 2015, a new Supervisory Board was elected as scheduled. In this connection, the number of members was adjusted from 20 persons to 16 persons in accordance with the Articles of Association. Mr. Eugen Münch was re-elected as chairman of the Supervisory Board. Mr. Georg Schulze-Ziehaus was elected to the office of deputy chairman. The previous first deputy chairman, Mr. Joachim Lüddecke, left the Supervisory Board on the same day.

The following persons also left the Supervisory Board: Ms. Sylvia Bühler, Mr. Helmut Bühner, Mr. Reinhard Hartl, Dr. Heinz Korte, Mr. Michael Mendel, Mr. Oliver Salomon and Dr. Franz-Josef Schmitz. The following persons were newly elected to the Supervisory Board: Mr. Björn Borgmann, Ms. Meike Jäger, Ms. Christine Reißner as well as Ms. Evelin Schiebel. The following persons were confirmed in office: Mr. Peter Berghöfer, Ms. Bettina Böttcher, Professor Dr. h. c. Ludwig Georg Braun, Professor Dr. Gerhard Ehninger, Mr. Klaus Hanschur, Mr. Stefan Härtel, Mr. Stephan Holzinger, Dr. Brigitte Mohn, Mr. Wolfgang Mündel as well as Dr. Katrin Vernau.

The election of the shareholders' representatives to the Supervisory Board was based on a recommendation of the Nomination Committee of the Supervisory Board and was held in accordance with the recommendations of the Corporate Governance Code on an individual basis. When proposing persons for election as members of the Supervisory Board, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests as well as in terms of their expected time commitment. The Supervisory Board's term of office is five years and ends upon conclusion of the Annual General Meeting resolving on the formal

approval of the actions of the Supervisory Board for the 2019 financial year. The age limit defined in the Articles of Association is 75 years.

If members of this Supervisory Board also exercise mandates on supervisory boards or similar bodies of other companies or organisations, membership on these supervisory boards, in the view of the Supervisory Board of RHÖN-KLINIKUM AG, has not given rise to any conflicts of interest that might result in an impairment in the performance of their mandates.

The composition of our Supervisory Board is permanently made available over the Internet at www.rhoen-klinikum-ag.com.

Committees of the Supervisory Board

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2015 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Finance Committee and the Committee for Compliance and Communication as committees with power to adopt resolutions, as defined in section 107 (3) AktG, and the Nomination Committee and Medical Innovation and Quality Committee. At regular intervals, the respective committee chairmen report to the Supervisory Board on the work of the committees.

The **Mediation Committee** submits proposals to the Supervisory Board for the appointment of members to the Board of Management if in the first round of voting the required majority of two thirds of votes of the Supervisory Board members is not reached.

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. In particular, it reviews candidates for service as members on the Board of Management and makes proposals to the Supervisory Board regarding appointments. This Committee's tasks include negotiations on, preparatory work for the conclusion of, as well as amendment and termination of service contracts of members of the Board of Management and other contracts, the performance appraisal of the Board of Management, as well as the regular review of the reasonable and customary level of the remuneration of the Board of Management, of the guidelines on remuneration of members

of the Board of Management and submission of proposed resolutions in this regard to the plenary session of the Supervisory Board.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports as part of a preliminary consultation with the auditor. In addition to selecting and appointing the auditor of the annual accounts, including agreeing on the auditing fees, the tasks include reviewing and monitoring its independence and quality including additional services performed by the auditor of annual accounts. The Audit Committee supervises financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system and risk management system, and the internal audit system. The Committee addresses the fundamental issues of accounting and corporate governance. In electing members, the Supervisory Board has given due regard to the independence of the Committee members and their special experience and knowledge in the application of accounting rules and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, as a long-term member of the Supervisory Board of RHÖN-KLINIKUM AG, has the necessary knowledge of the Company and its market environment and, as an auditor and tax adviser, has the necessary qualifications to carry out this demanding function pursuant to Item 5.3.2 of the German Corporate Governance Code. As the second deputy chairman of the Supervisory Board he performs his duties on the Supervisory Board in a full-time capacity. Additional financial experts who fulfil the conditions of section 100 (5) AktG also form part of the Audit Committee.

The **Investment, Strategy and Finance Committee** advises the Board of Management on the business development strategy. The Committee adopts resolutions, as defined in section 107(3) AktG, on the approval of hospital takeovers, on other investments requiring consent and financing thereof. Reports to be remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments are reviewed and commented by this Committee.

The **Committee for Compliance and Communication** may be approached in all compliance matters directly by all patients, employees, suppliers and other third parties, and devotes its efforts to advising on and monitoring the Group's compliance management as well as communication with the media and the capital markets. To ensure a close ties to the Audit Committee, the chairman of the Committee for Compliance and Communication is also represented on the Audit Committee. He has the right in certain cases to request a special audit.

The **Nomination Committee** makes recommendations to the shareholders' representatives on the Supervisory Board for the nomination of candidates of the shareholders' representatives for election by the Annual General Meeting to the Supervisory Board.

The **Medical Innovation and Quality Committee** works in an advisory capacity, particularly with regard to developments and trends in medicine. It also monitors the development of medical quality at the Company.

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and at regular intervals arranges for an efficiency audit to be carried out by an external consultant. The latest external audit in 2013/2014 included questionnaires and discussions. Its results were in line with the Supervisory Board's expectations in terms of efficient performance of duties.

The composition of the committees of the Supervisory Board is permanently made available over the Internet under www.rhoen-klinikum-ag.com.

Other bodies

An Advisory Board is constituted as an additional body at RHÖN-KLINIKUM AG. It advises the Board of Management on future trends in the hospital and healthcare sector as well as on medical development issues.

The composition of the Advisory Board is permanently made available over the Internet at www.rhoen-klinikum-ag.com.

EQUAL PARTICIPATION OF WOMEN AND MEN IN MANAGEMENT POSITIONS

Already before and on entry into force of the Act on Equal Participation of Women and Men in Management Positions in the Public and Private Sector (Gesetz zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst, BGleiG), target figures, relevant management levels and target dates for the share of women were the subject of thorough discussions.

Following re-election of the Supervisory Board at the 2015 Annual General Meeting, 37.5 per cent of the Supervisory Board is made up of women. The minimum proportion of 30 per cent pursuant to section 96 (2) sentence 1 AktG is complied with already as of 2015. The Supervisory Board was elected for a term of five years.

For the Board of Management and the two lower management levels below it, targets pursuant to section 111 (5), section 76 (4) AktG were specified.

To create the basis for promoting the newly organised Company's further development in the long term and on a continuous basis, the terms of the service contracts of the Board of Management were harmonised in keeping with the aims of an activity oriented on the long term. All four members of the Board of Management have been given 5-year contracts. The proportion of women on the Board of Management was therefore defined as nil until 30 June 2017.

The two management levels below the board of management refer to the hierarchical levels below the board of management actually established in the specific company. According to the management structure in place at RHÖN-KLINIKUM AG and the Terms of Reference, only one management level is formed below the Board of Management. The group of persons includes the persons participating in the extended Board of Management meeting: managing directors, Group divisional heads, chairman and deputy chairman of the Medical Board. The target for the proportion of women at this management level is defined at 13 per cent until 30 June 2017 and currently likewise is 13 per cent.

Bad Neustadt a. d. Saale, 14 April 2016

The Supervisory Board

The Board of Management

CORPORATE GOVERNANCE REPORT

Joint report on corporate governance by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG

CORPORATE GOVERNANCE AT RHÖN-KLINIKUM GROUP

For us, corporate governance means responsible corporate management and control oriented towards long-term value-added and enhanced Company value. The basis for the decision-making and control processes of the Supervisory Board and the Board of Management is good corporate governance. Coupled with a transparent as well as legally and ethically based corporate culture, corporate governance ensures that the trust patients, employees, shareholders and business partners place in us is preserved and strengthened. It is furthermore indispensable for sustained value enhancement in our operations.

In financial year 2015, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thoroughgoing regular examination of the German Corporate Governance Code. Its development, amendments as well as compliance at RHÖN-KLINIKUM AG and its subsidiaries were the subject of detailed consultations.

DECLARATION OF COMPLIANCE

The outcome of these deliberations was published on 5 November 2015: in accordance with Item 3.10 of the German Corporate Governance Code as amended on 5 May 2015, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG, which is accessible on our website. Here, we depart from the Code's recommendations in a total of five disclosed exceptions. We observe most of the non-mandatory suggestions of the German Corporate Governance Code:

**Declaration of Compliance pursuant to Section 161 German Stock Corporation Act
(As at: 5 November 2015)**

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 5 May 2015 and published by the Federal Ministry of Justice in the official section of the Federal Gazette on 12 June 2015 have been implemented, and will be implemented, with the following exceptions:

Code Item 4.2.2 (2) sentence 3

Relationship between remuneration of the Board of Management and that of senior management and staff overall

Although the Supervisory Board has taken account of the wage and salary structure within the Company when setting the remuneration of the Board of Management, the Supervisory Board has not expressly determined how the senior management and the relevant overall staff are to be differentiated. The relationship of the remuneration of the Board of Management to the remuneration of the senior management and the relevant overall staff is consequently not reflected, either, by application of such definitions in the case of the criteria specified in Code Item 4.2.2 (2) sentence 2.

In view of the new corporate strategy of concentrating on facilities providing full-service cutting-edge medical care, the Supervisory Board at present does not find such definitions to be objectively justified.

Code Item 4.2.3 (3)

Pension commitments

Typical pension commitments do not exist at the Company. However, upon termination of the service contract or the decease of a member of the Board of Management the Company, subject to certain conditions, grants a “retirement benefit” explained in further detail in the Remuneration Report. It is paid as a one-time amount that is based on the number of completed years of service and additionally capped.

If the retirement benefits existing at the Company constitute provision benefits within the meaning of the recommendation pursuant to Code Item 4.2.3 (3), the “level of provision” in the view of the Supervisory Board results from the probable term of office of the respective member of the Board of Management and the formula defined in the retirement benefit. The annual as well as long-term expense for the Company is likewise derived from this.

Given the ambiguity of the recommendation pursuant to Code Item 4.2.3 (3) and the special structure of the retirement benefits existing at the Company, deviation from Code Item 4.2.3 (3) is nonetheless hereby declared as a precaution.

Code Item 5.4.1 (2), (3)

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition, and does not define any limits, either, in respect of age or in terms of a standard length of service within the meaning of Code Item 5.4.1 (2) sentence 1. Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates and by the law. The shareholders’ representatives on the Supervisory Board are convinced that this practice has proven itself.

Code Item 5.4.6 (2) sentence 2

Results-based remuneration of Supervisory Board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), were granted a results-based remuneration up to and including financial year 2014. In this connection, the results-based remuneration was based on the consolidated profit of a financial year; in this regard, the Articles of Association thus did not provide for any explicit orientation on sustained corporate development within the meaning of Code Item 5.4.6 (2) sentence 2. Consequently, the recommendation was not complied with up to the end of financial year 2014.

However, the Supervisory Board proposed to the 2014 Annual General Meeting to abolish results-based remuneration components as of financial year 2015. The Annual General Meeting of 12 June 2014 complied with this proposal and adopted the resolution to amend the provisions on remuneration of the Supervisory Board in section 14 of the Articles of Association such that results-based remuneration components will no longer be granted to the Supervisory Board as of financial year 2015.

Code Item 7.1.2 sentence 4

Deadline for making available the Consolidated Financial Statement

The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

The annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and section 161 of the AktG."

MANAGEMENT AND CONTROL STRUCTURE

As prescribed in German stock corporation and corporate law, RHÖN-KLINIKUM AG has a dual management system, i.e. a strict separation exists at the personnel level between the Board of Management vested with powers of direction and the Supervisory Board vested with supervisory powers. Simultaneous membership in both corporate bodies is not permissible.

To achieve the objective of sustainable value-added, the Board of Management and the Supervisory Board have committed themselves to cooperating through mutual trust in the best interests of the Company and on the basis of a balanced allocation of duties and responsibilities in accordance with the law, the Articles of Association and the Terms of Reference. During the reporting period, no conflicts of interests of members of the Board of

Management and the Supervisory Board subject to disclosure to the Supervisory Board occurred.

Both for members of the Supervisory Board and for members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductibles recommended by Code Item 3.8 (2) and (3). In this connection, the insurance premium (including insurance tax) paid by the Company in financial year 2015 was € 158.0 thousand.

Annual General Meeting and shareholder relations

Pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), RHÖN-KLINIKUM AG reports once per quarter, in accordance with the applicable International Financial Reporting Standards (IFRS) applying section 315 a of the German Commercial Code (Handelsgesetzbuch, HGB), to its shareholders and the interested public on the performance of business as well as the Group's net assets, financial position and results of operations. Approximately up to eight weeks from the end of the financial year, its preliminary business figures and forecasts for the current year are made known in accordance with the requirements. Important company notices are published immediately as soon as they arise. All reports and notices can be accessed on our Company's website.

Moreover, every year – normally within the first six months – an ordinary Annual General Meeting of the Company is held at which the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders on business performance as well as the financial position and results of operations. In this way our shareholders are provided with the information they need for their decision-making in accordance with legislation in force.

It is stipulated that the shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Association exclusively at the Annual General Meeting by exercising their voting rights. Shareholders are free to decide whether to exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. In the interests of securing the

resolution procedure, we maintain at the present time the system whereby voting rights are exercised by attendance in person or by legitimized representation at the Annual General Meeting.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖNKLINIKUM AG. The chairman of the Audit Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statements for 2015 as well as the annual financial statements as at 31 December 2015. Prior thereto, the Audit Committee thoroughly satisfied itself of the independence of the statutory auditor and assured itself that neither grounds for disqualification nor grounds for bias existed.

We entered into the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements with the statutory auditor, who shall inform the chairman of the Audit Committee immediately of any grounds for disqualification or bias occurring during the audit, unless such grounds are eliminated. Furthermore, the auditor shall report on all facts and events of importance for the tasks of the Supervisory Board arising during the performance of the audit. If any facts are identified during the performance of the audit of the annual financial statements which show the Statement of Compliance submitted by the Board of Management and the Supervisory Board pursuant to section 161 of the AktG is not correct, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

Board of Management

In financial year 2015, the Board of Management of RHÖNKLINIKUM AG was comprised of three members. The chairman of the Board of Management is Dr. Dr. Martin Siebert. As of 1 January 2016, Prof. Dr. Bernd Griewing was appointed by the Supervisory Board to the Board of Management as chief medical officer (CMO). The reorganization of the Board of Management resulting from this created the basis for the Company's sustained further development in the long term.

In accordance with the aims of an activity oriented on the long term, the terms of the service contracts of the Board of Management were harmonised. All members of the Board of Management have 5-year contracts each commencing as of 1 January 2016. The Terms of Reference were adjusted in line with this date. For further information on the composition of the Board of Management, please refer to the disclosures made in the Notes to the consolidated financial statements.

The Board of Management is responsible for directing the Company. Its business operations are carried out under joint responsibility in accordance with the Terms of Reference. Each member of the Board of Management has his own areas of responsibility as determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

The Board of Management reports to the Supervisory Board regularly, without delay and comprehensively on all significant issues relating to the business development and position of the Group and its subsidiaries. The Board of Management furthermore coordinates with the Supervisory Board the Group's further strategic development and discusses its implementation. If any events of special significance should arise, the chairman of the Board of Management informs the chairman of the Supervisory Board of these without delay. Any transactions and measures which are subject to consent are presented to the Supervisory Board in due time.

Conflicts of interest are to be disclosed by the members of the Board of Management immediately. Moreover, the Supervisory Board must give its consent to any side activity of the members of the Board of Management. The consent of the Supervisory Board is also required for transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other. In financial year 2015, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. For the members of the Board of Management, a fixed age limit of 65 years is enshrined in the Articles of Association.

Supervisory Board

The Supervisory Board is responsible for advising the Board of Management on directing the Company and for supervising its management activity. By their close and efficient cooperation, the Board of Management and the Supervisory Board pursue the common goal of achieving sustained value enhancement. The basis for this is provided by the Terms of Reference for the work between the Board of Management and the Supervisory Board.

In accordance with the requirements of the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG, in accordance with the principle of equal representation of shareholders and staff and pursuant to the Articles of Association, currently comprises an equal number of shareholder and employee representatives (16 in total). In 2015, four regular meetings and one constituting meeting took place. The Supervisory Board is chaired by Mr. Eugen Münch in a full-time capacity.

At the Annual General Meeting on 10 June 2015, a new Supervisory Board was elected as scheduled. In this connection, the number of members was adjusted from 20 persons to 16 persons in accordance with the Articles of Association. Mr. Eugen Münch was re-elected as chairman of the Supervisory Board. Mr. Georg Schulze-Ziehaus was elected to the office of deputy chairman. The previous first deputy chairman, Mr. Joachim Lüddecke, left the Supervisory Board on the same day.

The following persons also left the Supervisory Board: Ms. Sylvia Bühler, Mr. Helmut Bühner, Mr. Reinhard Hartl, Dr. Heinz Korte, Mr. Michael Mendel, Mr. Oliver Salomon and Dr. Franz-Josef Schmitz. The following persons were newly elected to the Supervisory Board: Mr. Björn Borgmann, Ms. Meike Jäger, Ms. Christine Reißner as well as Ms. Evelin Schiebel. The following persons were confirmed in office: Mr. Peter Berghöfer, Ms. Bettina Böttcher, Professor Dr. h. c. Ludwig Georg Braun, Professor Dr. Gerhard Ehninger, Mr. Klaus Hanschur, Mr. Stefan Härtel, Mr. Stephan Holzinger, Dr. Brigitte Mohn, Mr. Wolfgang Mündel as well as Dr. Katrin Vernau.

As a result, 37.5% of the Supervisory Board is comprised of women and 62.5% of men. The composition of our Supervisory Board is presented in the 2015 Annual Report in the annex

to the Report of the Supervisory Board and in the Notes to the consolidated financial statements.

The election of the shareholders' representatives was based on a recommendation of the Nomination Committee of the Supervisory Board and was held in accordance with the recommendations of the German Corporate Governance Code on an individual basis. For the proposed candidates, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests as well as in terms of their expected time commitment. The five-year term of office of the Supervisory Board ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2019. The Articles of Association provide for an age limit of 75 years for members.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2015 there were seven standing committees: the Mediation, Personnel Affairs, and Audit Committees, the Investment, Strategy and Financial Committee, as well as the Committee for Compliance and Communication as committees with power to adopt resolutions within the meaning of section 107 (3) AktG, and the Nomination Committee as well as the Medical Innovation and Quality Committee. At regular intervals, the respective committee chairmen report to the Supervisory Board on the work of the committees.

The **Mediation Committee** submits proposals to the Supervisory Board for the appointment of members to the Board of Management if in the first round of voting the required majority of two thirds of votes of the Supervisory Board members is not reached.

The **Personnel Affairs** Committee is responsible for the personnel-related matters of the Board of Management. Its tasks include reviewing candidates for service as members on the Board of Management and making proposals to the Supervisory Board regarding appointments. It is also responsible for negotiating, making preparations for entering into, amending and terminating service contracts of members of the Board of Management and other contracts. Furthermore, it evaluates the performance of the Board of Management, and at regular intervals conducts a review of whether the remuneration of the Board of Management is reasonable and customary as well as of the guidelines for the remuneration

of members of the Board of Management. In this regard, it makes proposals to the full Supervisory Board for adoption of resolutions.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements. This is done by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports with the auditor. The Audit Committee is responsible for selecting and appointing the statutory auditor, including agreeing on the auditing fees, as well as for reviewing and monitoring the auditor's independence and quality as well as the services additionally provided by the auditor. Monitoring of financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system, risk management system and the internal audit system likewise fall within the scope of duties of the Audit Committee, as does dealing with questions of fundamental importance relating to accounting and corporate governance. For all members elected to the Audit Committee, due regard is given to their independence and particular experience and knowledge with regard to the application of accounting rules and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, possesses the required knowledge of the Company and its market environment given his longstanding membership in the Supervisory Board of RHÖNKLINIKUM AG. He meets the requirements pursuant to Item 5.3.2 of the German Corporate Governance Code for this challenging position thanks to his qualification as auditor and tax adviser. Mr. Mündel is the 2nd deputy chairman of the Supervisory Board and performs his duties on the Supervisory Board in a full-time capacity. The Audit Committee comprises two financial experts who satisfy the conditions of section 100 (5) of the AktG.

The **Investment, Strategy and Finance Committee** is responsible for advising the Board of Management regarding the strategy for the Company's further development. It furthermore adopts resolutions pursuant to section 107 (3) of the AktG on the approval of hospital takeovers, on other investments subject to approval and their financing. Reports to be remitted by the Board of Management to the Supervisory Board on the Company's

investment and financial development as well as on fundamental strategic developments are reviewed and commented by this Committee.

The **Committee for Compliance and Communication** may be approached in all compliance matters directly by all patients, employees, suppliers and other third parties, and devotes its efforts to advising on and monitoring the Group's compliance management as well as communication with the media and the capital markets. To ensure close ties to the Audit Committee, the chairman of the Committee for Compliance and Communication is also represented on the Audit Committee. He has the right in certain cases to request a special audit.

The **Nomination Committee** selects candidates from the shareholders' representatives to be members of the Supervisory Board and proposes them to the Supervisory Board for nomination.

The **Medical Innovation and Quality Committee** works in an advisory capacity, particularly with regard to developments and trends in medicine. It also monitors the development of medical quality at the Company.

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and at regular intervals commissions an efficiency audit by an external consultant. The latest external audit in 2013/2014 included questionnaires and discussions. Its results were in line with the Supervisory Board's expectations in terms of efficient performance of duties.

A detailed overview of the work of the individual committees and their composition in financial year 2015 is provided in the Report of the Supervisory Board of the 2015 Annual Report.

Other bodies

The Advisory Board is constituted as a further body at RHÖN-KLINIKUM AG. The Board of Management can have recourse to its advice for any questions relating to future trends in the hospital and healthcare sector as well as medical development issues. For additional information on the Company's Advisory Board, please refer to the Notes to the consolidated financial statements.

TRANSPARENCY

Engaging in an active and open, i.e. transparent communication with our shareholders and treating them equally are things that are self-evident to us. We resort to suitable communication channels such as the Internet to provide information promptly and uniformly, and to ad hoc service providers for mandatory publications to be disseminated throughout Europe. Our financial calendar containing all important financial dates for analysts, investors, shareholder associations and media can be viewed on our website at en.rhoen-klinikum-ag.com under the section "Investor Relations". Information relating to our share and its price trend as well as inside information directly concerning us are also publicly accessible on our website. If we become aware of the fact that an individual reaches, exceeds or falls below the statutory thresholds of voting rights in the Company by means of a purchase, sale or in any other manner, we also publish this information on our website immediately.

We disclose on our website all notices on the acquisition and sale of shares of the Company or of financial instruments relating thereto pursuant to section 15 a of the WpHG by members of the Board of Management and the Supervisory Board. Accordingly, as at 31 December 2015, the members of the Supervisory Board and the Board of Management as well as their related parties (according to IAS 24) together held 32.2% of the Company's registered share capital, of which 32.2% of the shares in issue were attributable to the Supervisory Board and its related parties, whereas members of the Board of Management and their related parties as at 31 December 2015 did not hold any interests in the registered share capital of RHÖN-KLINIKUM AG.

Dealings of RHÖN-KLINIKUM AG and its subsidiaries with related parties of as well as companies related to such parties are disclosed in the Notes to the consolidated financial statements. Contracts entered into with related parties were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, such contracts have no impact on the independence of the member of the Supervisory Board.

RISK MANAGEMENT AND PERSONAL INTEGRITY

Our handling of risks and opportunities is also consistent with the principles of responsible corporate behaviour. Consequently, a risk management system with the aim of identifying risks early was established at the level of RHÖN-KLINIKUM AG and directly applied to hospitals and investments. The risk profile allows the Board of Management to respond early and adequately to changes in the Group's risk position and to exploit opportunities. The risk management system is reviewed by our auditors as part of the annual audit of the financial statements.

For us, compliance means upholding personal integrity in corporate governance, and that is exactly how the Board of Management understands it as an essential management duty. The Board of Management is required to comply with law, statutory regulations and Group-internal guidelines, and to implement and enforce these requirements in their dealings with employees and business partners. For RHÖN-KLINIKUM AG and all other Group companies, a compliance guideline exists which is regularly amended and adjusted. Our compliance activities are focused on combating active and passive corruption. Thus, any contraventions in the area of corruption are not tolerated and strictly sanctioned. This applies to all executive and staff levels. Each and every employee is called upon to actively bring to light cases of corruption in their respective areas of responsibility. They can turn to a committee of the Supervisory Board in this regard which is bound by a duty of confidentiality.

REMUNERATION REPORT

In 2015 the remuneration of the Board of Management is made up of fixed and variable components. The remuneration of the Supervisory Board exclusively comprised fixed components. The payments of each member of the Supervisory Board and the Board of Management – broken down into their components – are set out in tabular form at the end of this Report.

In the Remuneration Report, the principles applied in determining the remuneration of the Board of Management of RHÖN-KLINIKUM AG are summarised. Moreover, the structure and amount of the income of the Board of Management are explained, the principles and

amount of the remuneration of the Supervisory Board and of the Advisory Board are described and the shareholdings of the Board of Management and the Supervisory Board disclosed.

Remuneration of the Board of Management

The remuneration scheme for the Board of Management was defined by the Supervisory Board in the guidelines on the remuneration of the members of the Board of Management of RHÖN-KLINIKUM AG (Remuneration Guidelines).

The aggregate remuneration of the members of the Board of Management is comprised of several remuneration components. Specifically, these are the base salary, the management profit sharing, fringe benefits (non-cash benefits), a long-term share price-based remuneration and a contingent retirement benefit.

Pursuant to the Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) which entered into force on 5 August 2009, the plenary session is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee.

Essential provisions of the remuneration scheme

As specified by the remuneration scheme, the total payments of the members of the Board of Management are defined and reviewed by the Supervisory Board giving due regard to the criteria for assessing the reasonable and customary level of remuneration as well as the duties of each individual member of the Board of Management, to such member's personal performance, as well as to the economic position and success of the Company. Moreover, the total payments are not to exceed the customary level of remuneration unless there are special grounds for doing so. If the Company's economic position deteriorates, the Supervisory Board will lower the total payments subject to the provisions of section 87 (2) of the AktG if continuation of such total payments would be unreasonable.

The members of the Board of Management receive a remuneration that is comprised of a non-results-based and a results-based component as well as short-term and long-term incentives. The non-results-based part is comprised of the basic salary and fringe benefits, and the results-based component covers a management profit sharing component.

Provisions for a minimum remuneration and for a cap on total remuneration have been put in place to compensate for unexpected earnings developments. Moreover, there is a long-term share-based remuneration (stock options) for some members of the Board of Management that is tied to a long-term development of the RHÖN-KLINIKUM AG share. The contingent retirement benefits are always based on the annual remuneration at the time when the service relationship is terminated. These benefits are thus influenced by the non-results-based and results-based components of the remuneration scheme.

The basic salary as a rule is € 192 thousand p.a. and is paid out as non-performance-linked remuneration in twelve equal monthly instalments. The chairman of the Board of Management is normally entitled to 1.5 times to twice said standard salary. The permanent representative of the chairman of the Board of Management in turn receives a 10% higher basic salary. The members of the Board of Management additionally receive fringe benefits in the form of non-cash benefits, such benefits essentially consisting in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance, moving expenses as well as the D&O insurance. Since use of a company car and the accident insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. As a general rule, all members of the Board of Management are entitled to these in the same way, the amount of which varies depending on the member's personal situation.

The managing profit sharing element represents the results-based component of the remuneration. The multiyear assessment basis for its level is the development of the consolidated result over the past three financial years. The consolidated result after minority interests in accordance with the currently applicable IFRS is used as the reference value. In the event that the consolidated result has been influenced by extraordinary developments, the one-off impacts of such developments are not included.

For financial year 2015, the management profit sharing consists of a basic component and a performance-linked component. The former is defined by the Supervisory Board as an absolute amount (basic amount) when calculated from the assessment basis for the duration of the service contract, and in each case is paid out in advance in twelve equal monthly instalments. At the beginning or upon an amendment of the service contract, the basic

amount is approximately two thirds of the assessment basis. The rate of management profit sharing for the basic amount is the same for all members of the Board of Management and is defined by the Supervisory Board on recommendation by the Personnel Affairs Committee. If the assessment basis calculated for a financial year is less than the basic amount, such rate of management profit sharing is to be applied to the reduced basic amount. The advance payment on the basic management profit sharing not covered results in a recovery claim on the part of the Company. The performance component in each case results from the difference between the assessment basis calculated for the respective financial year less the basic amount. The rate of management profit sharing for such performance share is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee, giving due regard to the performance, duties and number of terms of office. Normally, the chairman of the Board of Management receives 1.5 times to twice the rate of management profit sharing. For members and in particular deputy members who have been appointed to the Board of Management for the first time, it is possible to agree on an appropriate reduction in the rates of management profit sharing. This option exists when justified by special grounds, also for the other members of the Board of Management.

For the financial year, the members of the Board of Management receive a guaranteed total annual remuneration (sum of base salary and management profit sharing) of at least € 450 thousand. The cap is set at € 900 thousand. The minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to twice these amounts for his permanent representative and the chief financial officer (CFO).

In November 2015, the Supervisory Board adjusted the remuneration scheme to current conditions. The guidelines on the remuneration of the members of the Board of Management had to be adjusted based on the reduced size of the Group since 2014, the re-orientation of business policy and the related future earnings expectations, as well as the re-organisation of the Board of Management.

As a general rule, these guidelines apply to all service contracts of members of the Board of Management that are entered into or amended as of such date. This was done for all

incumbent members of the Board of Management as of 1 January 2016. The calculation of the management profit sharing was adjusted to the changed conditions of the Group. The changes essentially cover the management profit sharing scheme and the increase in the minimum remuneration levels and caps on total remuneration and specifically concern the following components:

As of financial year 2016, the assessment basis is comprised of the average of consolidated results of the last three financial years weighted by the factors of 3, 2 and 1. The consolidated results which are furthest in the past are weighted with the lowest factor. The consolidated result used as a basis is the consolidated result after minority interests in accordance with the currently applicable IFRS. For financial year 2014, which was affected by the restructuring of the Group and thus by extraordinary events and one-off effects, a facilitating value is applied as the calculation basis. In the event that the consolidated result has been influenced by extraordinary developments, the one-off impacts of such developments are eliminated. The rate of management profit sharing is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee, giving due regard to the performance, duties and number of terms of office. Normally, the chairman of the Board of Management receives 1.5 times to twice the rate of management profit sharing. For members and in particular deputy members who have been appointed to the Board of Management for the first time, it is possible to agree on an appropriate reduction in the rates of management profit sharing. This option exists when justified by special grounds, also for the other members of the Board of Management.

As of financial year 2016, the members of the Board of Management receive a guaranteed total annual remuneration (sum of base salary and management profit sharing) of at least € 600 thousand. The cap is set at € 1,200 thousand. The guaranteed total remuneration for the year is paid out in advance in twelve equal monthly instalments. The minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to twice these amounts for his permanent representative and the chief financial officer (CFO).

In 2014, members of the Board of Management holding office during that year were granted an incentive programme of virtual shares. This was a long-term sharebased remuneration component. The aim was to support the Company's re-orientation in the long term. Each incumbent member of the Board of Management in 2014 had received vested virtual shares participating in all capital-adjustment measures and dividends. After five years (as calculated from 2014), the members of the Board of Management will be remunerated for the virtual shares remaining at that time at the then applicable market price.

If a service contract of a member of the Board of Management ends without this being attributable to good cause in the person of such member, or in the event of decease of the member of the Board of Management during such member's term of office, the member of the Board of Management receives (or, in the event of decease, that member's heirs receive) an old-age pension benefit in the form of a one-off payment. For each full year of work as member of the Board of Management, this benefit amounts to 0.125 times the annual payments (annual basic salary plus management profit sharing excluding virtual shares) for the calendar year in which such member leaves the Board of Management or deceases – not more than 1.5 times such latter payments, but at least 1.5 times the average remuneration during the contractual term for the term of work for the Board of Management. The retirement benefit is due and payable six months after the close of the financial year in which the service contract ends or the member of the Board of Management has deceased. As a rule, no old-age pension benefit is granted if a member of the Board of Management terminates the service contract of his/her own accord before reaching the age of 60 for a reason not attributable to the Company, or does not renew the service contract despite having received an offer for a renewal.

If a member of the Board of Management having terminated his activity on the Board of Management without good cause is granted severance compensation, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not provide remuneration for more than the remaining term of the service contract.

Currently, pension commitments, loans and similar benefits are not granted to the members of the Board of Management.

In financial year 2015, the incumbent members of the Board of Management received a total of € 4.5 million (previous year: € 11.1 million). Of this total, € 0.8 million (previous year: € 0.8 million) was accounted for by components that are not results-based and € 3.7 million (previous year: € 10.3 million) by variable components. The provision for claims to post-retirement benefits by the incumbent members of the Board of Management in accordance with IFRS amounted to € 1.4 million (previous year: € 0.8 million) as at 31 December 2015. Members of the Board of Management no longer holding office or their surviving dependants received no remuneration (previous year: € 0.2 million).

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is governed by section 14 of the Articles of Association. As of financial year 2015, the members of the Supervisory Board no longer receive any remuneration components based on the results of the Company (results-based remuneration). However, the remuneration continues to be performance-linked, taking account of the amount of time worked, the duties and the functional responsibilities assumed by the members of the Supervisory Board. The components of the Supervisory Board remuneration are a fixed basic remuneration, a fixed attendance fee as well as a share in the annual fixed total remuneration.

The fixed basic remuneration is € 40 thousand for each full financial year. The chairman of the Supervisory Board receives three times, and the deputy chairmen of the Supervisory Board twice the amount of the fixed basic remuneration. A share of € 20 thousand of the fixed basic remuneration shall be conditional on attendance of the plenary meetings and the Annual General Meeting. For each non-attendance, this share is reduced by one fifth.

For their participation in person in a meeting of the Supervisory Board, of a committee and of an Annual General Meeting, each member of the Supervisory Board receives a fixed attendance fee of € 2 thousand. The chairman of the Supervisory Board and the deputy chairmen of the Supervisory Board shall receive double the amount of the fixed attendance fee. Chairmen of Supervisory Board committees with power to adopt resolutions on behalf of the Supervisory Board shall also receive twice the aforementioned amount unless they hold office as chairman of the Supervisory Board or deputy chairman of the Supervisory Board at the same time. If a Supervisory Board member chairs several committees with

power to adopt resolutions, he shall receive double the amount only once. Supervisory Board members belonging to the Supervisory Board during only part of the financial year receive a pro rata remuneration. Moreover, the members of the Supervisory Board receive overall a fixed total remuneration equal to € 800 thousand per year (up to Annual General Meeting on 10 June 2015 of € 1 million per year). This fixed total remuneration is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. These duly reflect, in addition to the responsibility assumed, in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year. Up to the Annual General Meeting on 10 June 2015, the fixed total remuneration was paid pro rata on the basis of € 1 million per year since the Supervisory Board at that time was still comprised of 20 members. It was only after the Annual General Meeting on 10 June 2015 that the number was reduced to 16 members and with it also the pro rata fixed total remuneration to € 800 thousand per year.

All expenditures which members of the Supervisory Board incur in the performance of their mandate as well as the VAT payable on the payments are reimbursed. The Company's chauffeur service and an office including a secretariat are made available to the chairman of the Supervisory Board. No loans are granted by the Company to the members the Supervisory Board. In financial year 2015, the remuneration of the active members of the Supervisory Board was € 2.2 million (previous year: € 2.6 million). The total amount in 2015 was completely accounted for by fixed remuneration components.

Remuneration of the Advisory Board

For each meeting attended in person, the members of the Advisory Board receive a fixed attendance fee of € 1.4 thousand. In addition, the members are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the payments. The Company does not grant any loans to the members of the Advisory Board. In financial year 2015, the total payments of the Advisory Board (excluding VAT) amounted to € 20 thousand (previous year: € 20 thousand).

Remuneration tables 2015

Total payments of the Supervisory Board, the Board of Management and the Advisory Board:

	2015	2014
	€ '000	€ '000
Remuneration of the Supervisory Board	2,215	2,586
Remuneration of the incumbent Board of Management	4,156	11,128
Remuneration of former members of the Board of Management	0	0
Remuneration of the Advisory Board	20	20

The total payments (excluding VAT) for members of the Supervisory Board are broken down below:

Total remuneration	Fixed basic remuneration	Fixed attendance fee	Fixed total remuneration	Total 2015	Total 2014
	€ '000	€ '000	€ '000	€ '000	€ '000
Eugen Münch	120	56	214	390	488
Joachim Lüddecke (until 10 June 2015)	35	24	16	75	140
Georg Schulze-Ziehaus	62	38	40	140	119
Wolfgang Mündel	80	56	177	313	401
Peter Berghöfer	40	18	33	91	94
Bettina Böttcher	40	16	20	76	78
Björn Borgmann (since 10 June 2015)	22	14	15	51	0
Prof. Dr. h. c. Ludwig Georg Braun (since 12 June 2014)	40	14	22	76	27
Sylvia Bühler (until 10 June 2015)	18	6	7	31	55
Helmut Bühner (until 10 June 2015)	18	10	12	40	78
Prof. Dr. Gerhard Ehninger	40	12	16	68	45
Stefan Härtel	40	22	30	92	112
Klaus Hanschur (since 17 April 2014)	40	18	30	88	70
Reinhard Hartl (until 10 June 2015)	18	12	23	53	102
Stephan Holzinger	40	52	73	165	185
Meike Jäger (since 10 June 2015)	22	10	17	49	0
Detlef Klimpe (until 12 June 2014)	0	0	0	0	79
Dr. Heinz Korte (until 10 June 2015)	18	12	31	61	146
Michael Mendel (until 10 June 2015)	14	6	18	38	107
Dr. Brigitte Mohn	40	10	14	64	59
Annett Müller (until 27 February 2014)	0	0	0	0	3
Werner Prange (until 27 February 2014)	0	0	0	0	5
Christine Reißner (since 10 June 2015)	22	10	17	49	0
Oliver Salomon (until 10 June 2015)	18	12	23	53	65
Evelin Schiebel (since 10 June 2015)	22	8	8	38	0
Prof. Dr. Jan Schmitt (until 30 April 2014)	0	0	0	0	23
Dr. Franz-Josef Schmitz (until 10 June 2015)	18	8	9	35	38
Dr. Katrin Vernau	40	16	23	79	67
	867	460	888	2,215	2,586

The total payments of the Board of Management break down as follows:

Incumbent members of the Board of Management	Martin Menger (member of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	10	9	10	10	10	9
Total	202	201	202	202	202	201
One-year variable remuneration						
Management profit sharing	308	258	258	708	308	258
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,005	3,334	460	2,875	814	1,238
Pension expense ¹	61	56	61	61	61	56
Total remuneration	1,066	3,390	521	2,936	875	1,294

¹Pension expenditure includes past service cost according to IAS 19.

Incumbent members of the Board of Management	Jens-Peter Neumann (permanent representative of the chairman of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	211	211	211	211	211	211
Fringe benefits	9	9	9	9	9	9
Total	220	220	220	220	220	220
One-year variable remuneration						
Management profit sharing	739	689	689	1,589	739	689
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,454	3,784	909	3,774	1,263	1,688
Pension expense ¹	115	83	115	115	115	83
Total remuneration	1,569	3,867	1,024	3,889	1,378	1,771

¹Pension expenditure includes past service cost according to IAS 19.

Incumbent members of the Board of Management	Dr. Dr. Martin Siebert (chairman of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	10	10	10	10	10
Total	394	394	394	394	394	394
One-year variable remuneration						
Management profit sharing	808	741	758	1,866	808	741
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,697	4,010	1,152	4,225	1,506	1,914
Pension expense ¹	144	113	144	144	144	113
Total remuneration	1,841	4,123	1,296	4,369	1,650	2,027

¹Pension expenditure includes past service cost according to IAS 19.

The retirement benefits of the Board of Management break down as follows:

Retirement benefits	Provision as at 31 Dec. 2014	Change in retirement benefits	Provision as at 31 Dec. 2015	Nominal amount on contract expiry ¹
	€ '000	€ '000	€ '000	€ '000
Incumbent members of the Board of Management				
Martin Menger	244	278	522	1,042
Jens-Peter Neumann	248	103	351	919
Dr. Dr. Martin Siebert	322	177	499	1,294
Total	814	558	1,372	3,255

¹Claim according to ordinary expiry of service contract (31 December 2020) based on remuneration.

Bad Neustadt a. d. Saale, 14 April 2016

The Supervisory Board

The Board of Management