

Declaration on Corporate Governance pursuant to section 289 of the German Commercial Code (Handelsgesetzbuch, HGB)

RHÖN-KLINIKUM AG accords high priority to good corporate governance, and as part of a transparent and ethically sound corporate culture sees it as an important prerequisite for strengthening the trust that shareholders, business partners, patients and employees place in us and for securing and enhancing the value of our Company on a sustained basis.

For this reason an efficient and responsible corporate governance oriented on the long term is of central importance for our activities. The corporate code of RHÖN-KLINIKUM AG summed up in our leading principle “Don’t do to others what you would not have done to yourself, and don’t leave off doing anything that you would have 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 hospital operator.

The Corporate Governance Declaration (section 289 a HGB), in addition to the Declaration of Compliance of the Board of Management and the Supervisory Board pursuant to section 161 AktG, also contains information on corporate governance practices. Moreover, the work approach of the Board of Management and the Supervisory Board as well as the established committees are described.

Declaration of Compliance

The German Corporate Governance Code describes nationally and internationally recognised standards of responsible corporate governance. In financial year 2009, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG conducted a thorough regular examination of the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. Apart from one disclosed exception, we satisfy the recommendations of the German Corporate Governance Code and voluntarily observe most of its suggestions. As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 28 October 2009 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 18 June 2009.

In the following you will find the Declaration of Compliance of the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG regarding the recommendations of the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (Aktientgesetz, AktG).

Wording of the 2009 Declaration of Compliance of 28 October 2009

“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 6 June 2008 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) have been implemented since issuance of the last Declaration of Compliance – as declared on 30 October 2008 – with the following exception:

Item 7.1.2 sentence 4 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 of RHÖN-KLINIKUM AG further declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 18 June 2009 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) will be implemented with the following exception:

Item 7.1.2 sentence 4 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 AktG.”

The current and all past declarations of compliance are permanently made available over the Internet under www.rhoen-klinikum-ag.com.

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 co-operation 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 objective

Good health means quality of life – the highest human good. We firmly believe that everyone is entitled to affordable and high-quality medical care. Health must not become a luxury. Our goal is to ensure cutting-edge medicine for everyone. We would like to help secure the performance, efficiency and social responsibility of the German healthcare system in future as well.

To achieve this ambitious goal, we strive for rationalisation and innovation in healthcare delivery.

By rationalisation we understand the creation of rational – reasonable – structures that help improve services for patients while enhancing a hospital's efficiency. RHÖN-KLINIKUM AG has pioneered such structures within the hospital sector. The core idea is to align clinical processes to a patient's condition, making optimum use of division of labour.

We have successfully implemented this principle at the individual hospital level by introducing the flow principle: by sub-dividing the treatment process into different stages, the place of a patient's care always reflects the needs of that patient's condition. Thanks to extensive investments in construction and medical technology we succeed in designing an individual hospital's architectural structures and clinical processes in such a way that we improve the quality of care while making more efficient use of resources.

Patient-oriented division of labour can also be deployed beyond the bounds of individual hospitals and healthcare sectors: our patients are always cared for where they can receive the most sensible and best treatment. With our portal concept and our medical care centres, we apply rationalisation to healthcare delivery across facilities and sectors whilst ensuring high-quality medicine right where patients live, also in structurally weak regions. Our web-based electronic patient file, WebEPA, improves co-ordination amongst treating doctors across the different facilities and healthcare sectors involved, this for the good of patients.

This raises the quality of treatment, with all patients benefiting from the delivery of high-quality medical services.

RHÖN-KLINIKUM AG has led the way in hospital privatisation for over two decades now. Private capital – whether generated thanks to an entrepreneur's own performance or made available by the capital market – is the foundation of affordable, high-quality healthcare delivery since 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.

Clearly, then, in healthcare quality and efficiency go hand in hand – in the best interests of patients.

**We are committed to delivering affordable, high-quality patient care locally at all times.
(Eugen Münch)**

Our corporate philosophy is permanently made available over the Internet under www.rhoen-klinikum-ag.com.

Corporate code of conduct and ethics

We expect of our staff to perform their duties with a high degree of professionalism and personal commitment. As we strive to deliver services meeting the highest standards, top priority is given to orienting all work processes to the needs and wishes of our patients.

With our working model being based on division of labour, each professional group has its own areas of responsibility. Our corporate code of conduct and ethics was defined as a binding guideline for all our staff:

We are proud that all our staff feel committed to our guiding principle: "Don't do to others what you would not have done to yourself, and don't leave off doing anything you would have done to yourself."

Our corporate code of conduct and ethics is permanently made available over the Internet under 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 in both corporate bodies is excluded. The Board of Management and the Supervisory Board have an obligation to co-operate 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.

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

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) whose insured sum was adjusted in financial year 2009 to the Group's higher growth. In this connection, reasonable deductibles were also agreed for members of the Board of Management based on the new statutory requirements. For the members of the Supervisory Board, the D&O insurance is adjusted to the provisions of Item 3.8 of the German Corporate Governance Code. The insurance premium paid by the Company in financial year 2009 was €94,000.

Annual General Meeting and shareholders

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders annually on business performance as well as the financial and earnings position at the Company's Annual General Meeting. The Annual General Meeting normally takes place within the first six months of the financial year. In this context we have set ourselves the goal of providing all our shareholders with the information required for decision-making early and completely.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights at the Annual General Meeting by exercising their voting rights. Shareholders may 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.

We are continually watching technical developments in the use of electronic communication means, in particular the Internet, to facilitate participation in annual general meetings, but at the present time maintain the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting in the interest of securing the resolution procedure. If the implementation of European legal norms gives rise to the necessity of amendments to the Articles of Association, we shall submit the required resolutions without delay to the Annual General Meeting for approval by it.

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 RHÖN-KLINIKUM AG. The chairman of the Auditing Committee appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2009 as well as the annual financial statement as at 31 December 2009 after the Auditing Committee was thoroughly convinced of its independence, i.e. the absence of any grounds for disqualification and/or bias.

With the statutory auditor we have concluded 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 inform 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 which arise 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 which show the Declaration of Compliance submitted by the Board of Management and the Supervisory Board pursuant to section 161 AktG to be incorrect, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

Board of Management

In financial year 2009 the Board of Management of RHÖN-KLINIKUM AG was comprised of eight members and is headed by one chairman and in his absence by the deputy chairman of the Board of Management. The Board of Management directs the Company and manages its business under joint responsibility subject to the Terms of Reference. The areas of responsibility of the individual members of the Board of Management are 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.

New Terms of Reference were adopted for the Board of Management with effect from 1 January 2009. In the operative area the Board of Management was re-oriented with a view to exploiting the opportunities arising from the increasing integration of outpatient and inpatient structures to develop a new market for RHÖN-KLINIKUM AG. In the administrative area, the Internal Auditing and Communication divisions were reorganised to further strengthen the good corporate constitution of RHÖN-KLINIKUM AG both internally and externally. In this context the service contract with the deputy chairman of the Board of Management that was due to expire on 30 September 2009 was extended until 31 December 2010 in order to accompany the re-organisation of the Board of Management until its completion. This was also the objective pursued last year with the early extension of the service contract of the chairman of the Board of Management whose term of office runs until 30 April 2014.

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 co-ordinates and discusses with the Supervisory Board the Group's further strategic development and its implementation. The chairman of the Board of Management reports to the chairman of the Supervisory Board on events of special significance without delay. Any transactions and measures subject to consent are presented to the Supervisory Board in due time.

The members of the Board of Management are obliged to disclose any arising conflicts of interests without delay. Moreover, they require approval of the Supervisory Board for secondary activities of any kind. 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 2009, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose.

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

Supervisory Board

The Supervisory Board advises the Board of Management and supervises its management activity. The close and efficient co-operation between the Board of Management and the Supervisory Board is the basis for good corporate management and governance in the best interests of the Company.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz), the Supervisory Board of RHÖN-KLINIKUM AG comprises a total of 20 employees' and shareholders' representatives and held four ordinary meetings and one extraordinary meeting in 2009 in a personnel composition that was unchanged compared with the previous year.

Bernd Becker, the deputy chairman of the Supervisory Board elected by the employees, left the Supervisory Board at the end of the year by termination of his employment relationship with effect from 2 December 2009. Ms. Annett Müller joined the Supervisory Board as substitute member with effect from 10 December 2009. The substitution election of the chairman of the Supervisory Board by the employees took place at the Supervisory Board meeting on 10 February 2010; Mr. Joachim Lüddecke was elected.

The chairman of the Supervisory Board is Mr. Eugen Münch, who performs his function in a full-time capacity. Pursuant to Section 14.1 of the Articles of Association, a Supervisory Board office including a secretariat as well as a chauffeur service and its use are available to the Supervisory Board for the discharge of its duties.

In accordance with the recommendations of the German Corporate Governance Code, the shareholders' representatives were elected to the Supervisory Board on an individual basis in 2005. When proposing persons for election as members of the Supervisory Board, due regard was given to their qualification requirements and their independence from RHÖN-KLINIKUM AG to avoid conflicts of interests. The term of office of the Supervisory Board 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 financial year 2009. Age restrictions are provided for in the Articles of Association.

The composition of our Supervisory Board is permanently made available over the Internet under 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 2009 there were seven standing committees: the Mediation, Personnel Affairs, Audit as well as Investment, Strategy and Financial Committees as committees with power to adopt resolutions within the meaning of section 107 (3) AktG, the Anti-Corruption and Nomination Committees, as well as the Medical Innovation and Quality Committee. The respective committee chairmen report regularly 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 the negotiations on, the preparatory work for the conclusion of, as well as the amendment and the termination of service contracts of members of the Board of Management and other contracts as well as the regular review of the reasonable and customary level of the remuneration of the Board of Management, of the guidelines on the remuneration of members of the Board of Management and the submission of proposed resolutions in this regard to the plenary meeting 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. Its tasks include selecting and appointing the statutory auditor as well as agreeing on the auditing fees and monitoring its independence and quality. The Audit Committee supervises financial reporting including the interim reports, the effectiveness of the internal controlling system and risk management system, and deals with issues of accounting, corporate governance and compliance. With regard to the choice of members, the Supervisory Board must give due regard to the independence of the Audit Committee's members and their particular experience and knowledge in the application of accounting regulations and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, as long-standing member of the Supervisory Board of RHÖN-KLINIKUM AG, possesses the required knowledge of the Company and its market environment, and as an auditor and tax adviser has the required qualifications for this demanding position in accordance with Item 5.3.2 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.

The **Investment, Strategic and Financial Committee** advises the Board of Management on the strategy for the Company's further development. Pursuant to section 107 (3) AktG it adopts resolutions on the approval of hospital takeovers, other investments subject to approval and their financing. At the same time it reviews and comments the 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.

The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption and advises the Board of Management on corruption prevention measures. Its members are bound by a greater duty of confidentiality and, without prejudice to contrary statutory provisions, have an obligation to inform and render account to the Supervisory Board whenever they have sustained grounds to suspect corruption in specific cases. The Committee has a right to apply for the initiation of special audits which are decided on by the Audit Committee.

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** deliberates on developments and trends in medicine and monitors the development of medical quality. It prepares statements of opinion for the plenary meeting of the Supervisory Board, for the Investment, Strategy and Finance Committee and for the Board of Management.

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and is regularly subjected to an efficiency audit by an external consultant. The results of the external audit based on questionnaires and meetings have satisfied the expectations of the Supervisory Board in terms of the 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

A further body set up at RHÖN-KLINIKUM AG is the Advisory Board. Together with the individual members of the Supervisory Board and the Board of Management, it confers on future trends in the hospital and healthcare sector as well as on medical development issues.

Bad Neustadt a. d. Saale, 27 April 2010

The Supervisory Board

The Board of Management