

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

CORPORATE GOVERNANCE REPORT

16 APRIL 2015



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

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

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, and in a transparent manner, we co-ordinate the management of opportunities and risks as well as the interests of our shareholders and employees.

The corporate code of RHÖN-KLINIKUM AG 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 accord high priority to good corporate governance, and as part of a transparent, legally unobjectionable and ethically sound corporate culture, see it as an important prerequisite for preserving and strengthening the trust that shareholders, business partners, patients and employees place in us and for creating value-added in our enterprises on a sustained basis.

The Corporate Governance Declaration (section 289a German Commercial Code (Handelsgesetzbuch, HGB)), 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 Code (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. The Corporate Governance Report is published in connection with this Report.

Declaration of Conformity

The German Corporate Governance Code (GCGC) describes nationally and internationally recognised standards of responsible corporate governance. The Supervisory Board and Board of Management of RHÖN-KLINIKUM AG regularly scrutinized the Corporate Governance Code, its development and amendments thereto, and equivalence at RHÖN-KLINIKUM

AG and subsidiaries in the 2014 financial year. Overall we vary from the recommendations with five disclosed exceptions. We observe most of the non-compulsory suggestions of the German Corporate Governance Code.

As a result of these consultations, an updated declaration of conformity – jointly drafted by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz, AktG) - was submitted on 6 November 2014, according to section 3.10 of the German Corporate Governance Code, as amended on 24 June 2014, which declaration is published on our website:

**Declaration of Conformity pursuant to Article 161 of the German Stock Corporation Act
(Aktiengesetz, AktG) (as at: 6 November 2014)**

“The Board of Management and Supervisory Board of RHÖN-KLINIKUM AG hereby declare that the recommendations of the ‘Government Commission on the German Corporate Governance Code’, promulgated by the Federal Ministry of Justice in the official part of the Federal Gazette on 30 September 2014, in the version of 24 June 2014, have been and will be observed, with the following exceptions:

*Section 4.2.2 para. 2 clause 3 Relationship between remuneration of the Board of
Management and remuneration of senior management
and total workforce*

When setting remuneration of the Board of Management, the Supervisory Board drew on the wage and salary structure at the company, but did not specifically establish how the senior management and relevant total workforce are to be differentiated. The relationship of remuneration of the Board of Management to remuneration of senior management and relevant total workforce is consequently not reflected, either, by application of such definitions in the case of the criteria specified in section 4.2.2 para 2 clause 2.

In view of the new business 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.

Section 4.2.3 para. 3 Pension commitments

No typical pension commitments exist at the company. Upon termination of the service contract or death of a member of the Board of Management, however, the company grants a “retirement benefit” under certain conditions, as explained in greater detail in the remuneration report, which benefit is paid out by means of a lump sum based on the number of service years completed and additionally capped.

If retirement benefits at the company are benefits as defined in the recommendation pursuant to section 4.2.3 paragraph 3, valid since 10 June 2013, the “level of benefit” in the view of the Supervisory Board results from the expected term of office of the relevant member of the Board of Management and the formula set out in the retirement benefit scheme. Annual and long-term expenditure for the company is also derived from this.

With regard to the ambiguity of the recommendation pursuant to section 4.2.3 paragraph 3, valid since 10 June 2013, and the special arrangement of retirement benefits existing at the company, the deviation from section 4.2.3 para 3 in the version applicable since 10 June 2013 is nonetheless hereby declared as a precaution.

Section 5.4.1 para. 2, 3 Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives for its composition as defined in section 5.4.1 paragraph 2. As a result it is not possible to comply with the recommendations on this basis according to section 5.4.1 paragraph 3.

The Supervisory Board has so far exclusively been guided by the suitability of candidates in its proposed nominations for the Supervisory Board. This practice has proved its value in the opinion of the shareholders’ representatives on the Supervisory Board. No need is therefore seen to change this practice.

Section 5.4.6 para. 2 clause 2 Performance-related remuneration of the Supervisory Board

In line with the recommendation under section 5.4.6 paragraph 2 clause 1 in the Code version effective until 15 June 2012, members of the Supervisory Board were promised perfor-

mance-based remuneration, in addition to a fixed basic remuneration (and fixed attendance fees) pursuant to Article 14 section 3.3 paragraph 4 of the Articles of Association. Performance-based remuneration was tied to the consolidated profit in a financial year, whereas the Articles of Association did not provide for any specific alignment to sustainable business development as defined in section 5.4.6 paragraph 2 clause 2.

The recommendation in section 5.4.6 paragraph 2 clause 2 valid from 15 June 2012 had not yet taken effect at the time of convening the company's 2012 Annual General Meeting (AGM), meaning that the relevant provision of the Articles of Association could not be adjusted. In the run-up to the 2013 AGM, the Supervisory Board, as a result of the generally controversial discussion on remuneration structure, had not yet formed a conclusive opinion on whether a corresponding resolution proposal should be submitted to the AGM; the recommendation was not therefore implemented (and will not be implemented until the end of the 2014 financial year).

However, the Supervisory Board proposed to the 2014 Annual General Meeting abolishing performance-related elements of remuneration with effect from the 2015 financial year. The AGM held on 12 June 2014 agreed and resolved to amend the rules on the remuneration of the Supervisory Board in Article 14 of the Articles of Association, such that no performance-based elements of remuneration will be granted to the Supervisory Board with effect from the 2015 financial year.

Section 7.1.2 clause 4 Deadline for disclosure of the consolidated financial statement

The financial year of the company and the Group is the calendar year. The annual financial statement for the company and the Group is presented the following April.

The annual financial statement for the company and the Group is only completed on the date indicated above due to specific intra-Group quality requirements.

The Board of Management and Supervisory Board shall decide on the application of suggestions in the Code on a case-by-case basis; in the event of deviations the Code and Article 161 of AktG do not provide for publication."

The current and all past declarations of conformity 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.

Procedural Rules of the Board of Management and guidelines of the Company

The procedural rules 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 procedural rules of the Board of Management and the guidelines of the Company are available to all employees on our intranet.

Corporate philosophy and corporate code

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.

Since completing the sale of a total of 43 facilities the basis of our strategy is an integrated healthcare company focusing on innovation and excellence in treatment.

Our goal as a responsible private provider of healthcare services is therefore – fully in keeping with our corporate philosophy – to offer our patients over all care levels a broad range of good-quality and independent medical care that everyone can afford. For us, quality and economic efficiency are not antagonistic opposites but go hand in hand. What is indispensable to providing such cutting-edge medical care is freedom of choosing medical treatment,

ongoing investments in modern medical care as well as the ongoing optimisation of clinical processes and structures specifically with a view to meeting the needs of our patients.

At the heart of our corporate philosophy and underlying all our activity is the well-being of our patients. The trust they place in our hospitals forms the very essence of our business. For this reason we give the highest priority to personal integrity and professionalism 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.”

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 co-operation in the treatment provided by doctors and nurses, thus raising the quality of treatment noticeably.

RHÖN-KLINIKUM AG has led the way in hospital privatisation for over two decades now. Innovation, reliability and sustainable economic management are the foundations of our success. We make a constant effort to evaluate our processes and strategies with a view to further optimisation. The basis of affordable, high-quality healthcare is private capital – whether generated thanks to an entrepreneur’s own performance or made available by the capital market – 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.

Our corporate philosophy is the idea of responsible and sustainable corporate governance. For us, quality and economic efficiency are not antagonistic opposites but go hand in hand. What is indispensable to providing such cutting-edge medical care is freedom of choosing medical treatment, ongoing investments in modern medical care as well as the ongoing optimisation of clinical processes and structures specifically with a view to meeting the needs of our patients – so that good medical care does not 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 control structure

In accordance with the requirements of German stock corporation and company law, RHÖN-KLINIKUM AG has a dual management system, with strict separation at the personnel level between the executive and monitoring bodies. The Board of Management has executive powers and the Supervisory Board has monitoring powers. Simultaneous membership of both bodies is excluded.

With the goal of creating sustainable added value for the company, the Board of Management and the Supervisory Board are obliged to cooperate through mutual trust for the benefit of the company based on a balanced division of tasks and responsibilities as defined by law, articles of association and procedural rules. There were no conflicts of interest, to be disclosed to the Supervisory Board, for members of the Board of Management and Supervisory Board.

RHÖN-KLINIKUM AG has taken out financial loss liability insurance (D&O insurance) for members of the Supervisory Board and the Board of Management with an appropriate coverage plan and the excess amounts recommended under section 3.8 paragraphs 2 and 3. The insurance premium (including insurance tax) undertaken by the company in the 2014 financial year was € 158,000.

Annual General Meeting and relationships with shareholders

Pursuant to the Securities Trading Act (WpHG), RHÖN-KLINIKUM AG reports to its shareholders and the interested public once a quarter based on the effective International Financial Reporting Standards (IFRS), in application of Article 315a of the German Commercial Code (HGB), about business development and the net assets, financial position and results of operations for the Group. Provisional business figures for a past financial year are disclosed approximately six to ten weeks after year-end and forecasts for the next financial year, in accordance with the requirements, are provided. Major company reports are published immediately. All reports and communications can be accessed on our company's website.

Furthermore, the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG report annually to their shareholders about business development and the financial position and results of operations at an Annual General Meeting of the company, which is usually held in the first six months of the financial year. The information required by shareholders to take a decision is made available in compliance with the 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 AGM. They may exercise voting rights in person or arrange for them to be exercised by an authorized representative of their choosing or by a proxy of the company subject to instructions. Each share grants 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 authorized representation at the AGM.

According to the legal regulations, the Annual General Meeting is obliged to select the auditor for the annual and half-year financial statement of the Group and for the annual financial statement of RHÖN-KLINIKUM AG. The Chairman of the Audit Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the 2014 half-year financial statement and the annual financial statement as at 31 December 2014, once the Audit Committee had been persuaded of its independence, i.e. the absence of any grounds for exclusion or prejudice.

With the auditor we entered into the necessary agreements pursuant to the German Corporate Governance Code to conduct the audit. The auditor shall therefore notify the Chairman of the Audit Committee immediately if grounds for exclusion or prejudice arise during the audit, unless they are eliminated. The auditor shall also report on all significant findings and events for the tasks of the Supervisory Board resulting from the audit of the annual accounts. If facts are identified when conducting the audit of the annual accounts, which reveal that the declaration of conformity submitted by the Board of Management and Supervisory Board, pursuant to Article 161 of AktG, is incorrect, the auditor shall inform the Supervisory Board and/or note this in the audit report.

Board of Management

In the 2014 financial year the Board of Management of RHÖN-KLINIKUM AG consists of three members and is presided over by the Chairman of the Board of Management, Dr. Martin Siebert.

The Board of Management manages the company and conducts transactions with shared responsibility based on procedural rules. Areas of responsibility for individual members of the Board of Management result from operational or functional responsibilities. The allocation of duties within the Board of Management was updated in the year under review. The Chairman of the Board of Management is responsible for business policy and the fundamental strategic alignment of the Group. Further information is given in the Notes to the consolidated financial statements.

The Board of Management reports regularly, promptly and comprehensively to the Supervisory Board about all significant business development issues and the position of the Group and its companies. The Board of Management coordinates the further strategic development of the Group and discusses implementation with the Supervisory Board. The Chairman of the Board of Management shall report immediately to the Chairman of the Supervisory Board on events of special importance. Business transactions and measures requiring approval are submitted 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 need the approval of the Supervisory Board for secondary employment activities of any kind. Business transactions between members of the Board of Management and/or related persons, or companies with a close relationship to them on the one hand and RHÖN-KLINIKUM AG on the other hand also require the consent of the Supervisory Board. In the 2014 financial year there were no conflicts of interests for members of the Board of Management of RHÖN-KLINIKUM AG. A fixed age limit of 65 for 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 Supervisory Board, with the shared objective of creating sustainable added value, is carried out on the basis of procedural rules for the work between the Board of Management and Supervisory Board.

The Supervisory Board of RHÖN-KLINIKUM AG, pursuant to the requirements of the Co-Determination Act (MitbestG), is equally and statutorily represented by a total of 20 shareholder and employee representatives and convened at four regular meetings in 2014. The Chairman of the Supervisory Board is Mr Eugen Münch who performs this duty full-time.

At the AGM held on 12 June 2014 a resolution was adopted to amend Article 10 of the Articles of Association with regard to a future, new Supervisory Board being selected without modification in terms of size and composition according to the Co-Determination Act (MitbestG). With current staffing levels for the Group, this means that a newly elected Supervisory Board will in future be made up of 16 rather than the previous 20 members. Equal representation on the Supervisory Board from shareholder and employee representatives is unchanged. Given that the amendment to the Articles of Association does not automatically result in reduction to 16 members, status proceedings pursuant to Article 97 et seq. AktG are currently ongoing with the objective of implementing the reduction at the next ordinary Annual General Meeting in 2015, where the Supervisory Board is in any case due to be re-elected.

The most recent election for shareholder representatives on the Supervisory Board was held in 2010 in the form of an individual election according to the recommendations of the Corporate Governance Code. 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 in order to avoid conflicts of interest. The Supervisory Board's term of office is five years and ends upon conclusion of the AGM resolving on the formal approval of the actions of the Supervisory Board for the 2014 financial year. The age limit defined in the Articles of Association is 75.

Mr Werner Prange and Mrs Annett Müller retired from the Supervisory Board with effect from 28 February 2014. Their successors on the Supervisory Board were Mr Oliver Salomon with effect from 9 April 2014, and Mr Klaus Hanschur, starting from 17 April 2014. Prof Dr Jan Schmitt left the Supervisory Board with effect from 30 April 2014. He was succeeded as a member of the Supervisory Board by Dr Franz-Josef Schmitz on 1 May 2014. Mr Detlef Klimpe retired from the Supervisory Board with effect from 12 June 2014, while Prof Dr h.c. Ludwig Georg Braun was elected to the Supervisory Board on the same day.

If members of this Supervisory Board also exercise mandates on supervisory boards or comparable bodies of other companies or organisations, there were no resultant conflicts of interest from membership of these supervisory boards in the view of the Supervisory Board of RHÖN-KLINIKUM AG, which could lead to an adverse effect on exercising 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 procedural rules of the Supervisory Board provide for the formation of committees. There were seven permanent committees in 2014: 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 Article 107 (3) AktG, and the Nomination Committee and Medical Innovation and Quality Committee. The respective committee chairmen regularly report to the Supervisory Board about the work of the relevant committees.

The **Mediation Committee** submits proposals to the Supervisory Board for appointment of members to the Board of Management if the necessary majority of two thirds of the votes of members of the Supervisory Board is not achieved in the first ballot.

The **Personnel Affairs Committee** is responsible for personnel matters of the Board of Management. In particular it reviews candidates for service as members of the Board of Management and makes proposals to the Supervisory Board regarding appointments. The Committee's tasks include negotiations, preparatory measures for the conclusion, amendment

and termination of Board of Management service and other contracts, performance appraisal of the Board of Management and regular review of the reasonable and customary level of Board of Management remuneration, guidelines on remuneration for members of the Board of Management and submitting proposed resolutions to the plenary session of the Supervisory Board.

The **Audit Committee** prepares resolutions of the Supervisory Board on the adoption of the annual financial statements and 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 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 monitors financial reporting including interim reports, the accounting process as well as the efficiency of the internal controlling system and the risk management and internal auditing systems. The Committee addresses the fundamental issues of accounting and corporate governance. In electing members, the Supervisory Board has given consideration to the independence of committee members and special expertise 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 section 5.3.2 of the German Corporate Governance Code. As the second Deputy Chairman of the Supervisory Board, he performs his activities on the Supervisory Board on a full-time basis. Additional financial experts who fulfil the conditions of Article 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 Article 107(3) AktG, on the approval of clinic takeovers, on other investments requiring consent and

financing thereof. At the same time it reviews and comments on reports - to be submitted to the Supervisory Board by the Board of Management - on investment and financial development and fundamental strategic developments.

The **Committee for Compliance and Communication**, through its members, is a direct contact point in the event of compliance cases brought by employees, suppliers and patients. The Committee acquires information about current compliance cases and addresses organisational, personnel and procedural factors in the area of compliance. If necessary the Committee has the right to request a special audit. The personnel interface with the Audit Committee guarantees effective engagement with the facts. In the area of communication, the Committee ensures a link between internal communication and associated compliance communication and addresses the company's public communications strategy.

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

The **Medical Innovation and Quality Committee** deliberates on medical developments and trends and monitors development in medical quality. The Committee prepares statements of opinion for the plenary session 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 arranges for a regular efficiency audit to be carried out by an external adviser. The results of the last external audit held in 2013/14 based on questionnaires and discussions met the Supervisory Board's expectations in terms of the efficient performance of duties. A detailed presentation of the work of the individual committees in the 2014 financial year, and their composition, is included in the Report of the Supervisory Board in the 2014 Annual Report.

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 developments in the hospital and healthcare system and on medical development issues.

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

Bad Neustadt a. d. Saale, 16 April 2015

The Supervisory Board

The Board of Management

CORPORATE GOVERNANCE REPORT

Joint Report of the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG on Corporate Governance

Corporate Governance in the RHÖN-KLINIKUM AG Group

For us corporate governance means responsible corporate management and control, geared to creating and increasing long-term corporate value. Good corporate governance forms the basis for the decision-making and control processes of the Supervisory Board and Board of Management. In conjunction with a transparent, legally faultless and ethically justified business culture, corporate governance forms a precondition for retaining and consolidating the confidence shown in our company by patients, shareholders, business partners and employees and for consistent added value in our business ventures.

The Supervisory Board and Board of Management of RHÖN-KLINIKUM AG regularly scrutinized and provided detailed advice on the Corporate Governance Code, its development and amendments thereto, and equivalence at RHÖN-KLINIKUM AG and subsidiaries in the 2014 financial year.

Declaration of conformity

As a result of these consultations, an updated declaration of conformity – jointly drafted by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG pursuant to Article 161 of AktG (German Stock Corporation Act) – was submitted on 6 November 2014, according to section 3.10 of the German Corporate Governance Code, as amended on 24 June 2014, which declaration is published on our website. Overall we vary from the recommendations with five disclosed exceptions. We observe most of the non-compulsory suggestions of the German Corporate Governance Code:

Declaration of conformity pursuant to Article 161 of AktG

(as at: 6 November 2014)

"The Board of Management and Supervisory Board of RHÖN-KLINIKUM AG hereby declare that the recommendations of the "Government Commission on the German Corporate Governance Code", promulgated by the Federal Ministry of Justice in the official part of the Federal Gazette on 30 September 2014, in the version of 24 June 2014, have been and will be observed, with the following exceptions:

Section 4.2.2 para. 2 clause 3 Relationship between remuneration of the Board of Management and remuneration of senior management and total workforce

When setting remuneration for the Board of Management, the Supervisory Board drew on the wage and salary structure at the company, but did not specifically establish how the senior management and relevant total workforce are to be differentiated. The relationship of remuneration of the Board of Management to remuneration of senior management and total workforce is consequently not reflected, either, by application of such definitions in the case of the criteria specified in section 4.2.2 para. 2 clause 2.

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

Section 4.2.3 para. 3 Pension commitments

No typical pension commitments exist at the company. Upon termination of the service contract or death of a member of the Board of Management, however, the

company grants a "retirement benefit" under certain conditions, as explained in greater detail in the remuneration report, which benefit is paid out by means of a lump sum based on the number of service years completed and additionally capped.

If retirement benefits at the company are benefits as defined in the recommendation, pursuant to section 4.2.3 paragraph 3 (valid since 10 June 2013), the "level of benefit" results from the view of the Supervisory Board the expected term of office of the relevant member of the Board of Management and the formula set out in the retirement benefit scheme. Annual and long-term expenditure for the company is also derived from this.

With regard to the ambiguity of the recommendation, pursuant to section 4.2.3 paragraph 3 valid since 10 June 2013, and the special arrangement of retirement benefits existing at the company the deviation from section 4.2.3 paragraph 3 in the version applicable since 10 June 2013 is nonetheless hereby declared as a precaution.

Section 5.4.1 para. 2, 3

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives for its composition as defined in section 5.4.1 paragraph 2. As a result it is not possible to comply with the recommendations on this basis according to section 5.4.1 paragraph 3.

The Supervisory Board has so far exclusively been guided by the suitability of candidates in its proposed nominations for the Supervisory Board. This practice has proved

its value in the opinion of the shareholders' representatives on the Supervisory Board. No need is therefore seen to change this practice.

Section 5.4.6 para. 2 clause 2

Performance-related remuneration of the Supervisory Board

In line with the recommendation under section 5.4.6 paragraph 2 clause 1 in the Code version effective until 15 June 2012, members of the Supervisory Board were promised performance-based remuneration, in addition to a fixed basic remuneration (and fixed attendance fees) pursuant to Article 14 section 3.3 paragraph 4 of the Articles of Association. Performance-based remuneration was tied to the net consolidated profit in a financial year, whereas the Articles of Association did not provide for any specific alignment to sustainable business development as defined in section 5.4.6 paragraph 2 clause 2.

The recommendation in section 5.4.6 paragraph 2 clause 2 valid from 15 June 2012 had not yet taken effect at the time of convening the company's 2012 Annual General Meeting (AGM), meaning that the relevant provision of the Articles of Association could not be adjusted. In the run-up to the 2013 AGM, the Supervisory Board, as a result of the generally controversial discussion on remuneration structure, had not yet formed a conclusive opinion on whether a corresponding resolution proposal should be submitted to the AGM; the recommendation was not therefore implemented (and will not be implemented until the end of the 2014 financial year).

However, the Supervisory Board proposed abolishing performance-related elements of remuneration with effect from the 2015 financial year to the 2014 Annual General Meeting. The AGM held on 12 June 2014 agreed and resolved to amend the rules on the remuneration of the Supervisory Board in Article 14 of the Articles of Association, such that no performance-based elements of remuneration will be granted to the Supervisory Board with effect from the 2015 financial year.

Section 7.1.2 clause 4

Deadline for disclosure of the consolidated financial statement

The financial year of the company and the Group is the calendar year. The annual financial statement for the company and the Group is presented the following April.

The annual financial statement for the company and the Group is only completed on the date indicated above, due to specific intra-Group quality requirements.

The Board of Management and Supervisory Board shall decide on the application of suggestions in the Code on a case-by-case basis; in the event of deviations the Code and Article 161 of AktG do not provide for publication."

Bad Neustadt a. d. Saale, 6 November 2014

On behalf of the Supervisory Board	Eugen Münch
On behalf of the Board of Management	Dr. Dr. Martin Siebert

Management and control structure

In accordance with the requirements of German stock corporation and company law, RHÖN-KLINIKUM AG has a dual management system, with strict separation at the personnel level between the executive and monitoring bodies. The Board of Management has executive powers and the Supervisory Board has monitoring powers. Simultaneous membership of both bodies is excluded.

With the goal of creating sustainable added value for the company, the Board of Management and the Supervisory Board are obliged to cooperate through mutual trust for the benefit of the company based on a balanced division of tasks and responsibilities as defined by law, articles of association and procedural rules. There were no conflicts of interest, to be disclosed to the Supervisory Board, for members of the Board of Management and Supervisory Board.

RHÖN-KLINIKUM AG has taken out financial loss liability insurance (D&O insurance) for members of the Supervisory Board and the Board of Management with an appropriate coverage plan and the excess amounts recommended under section 3.8 paragraphs 2 and 3. The insurance premium (including insurance tax) undertaken by the company in the 2014 financial year was € 158,000.

Annual General Meeting and relationships with shareholders

Pursuant to the Securities Trading Act (WpHG), RHÖN-KLINIKUM AG reports to its shareholders and the interested public once a quarter based on the effective International Financial Reporting Standards (IFRS), in application of Article 315a of the German Commercial Code (HGB), about business development and the net assets, financial position and results of operations for the Group. Provisional business figures for a past financial year are disclosed approx. six to ten weeks after year-end and forecasts for the next financial year, in accordance with the requirements, are provided. Major company reports are published immediately. All reports and communications can be accessed on our company's website.

Furthermore, the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG report annually to their shareholders about business development and the financial position

and results of operations at an Annual General Meeting of the company, which is usually held in the first six months of the financial year. The information required by shareholders to take a decision is made available in compliance with the 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 voting rights during the AGM. They may exercise voting rights in person or arrange for them to be exercised by an authorized representative of their choosing or by a proxy of the company subject to instructions. Each share grants one vote. In the interest of safeguarding the resolution procedure, we maintain, until the system further notices that voting rights are exercised by personal attendance or authorized representation at the AGM.

According to the legal regulations, the Annual General Meeting is obliged to select the auditor for the annual and half-year financial statement of the Group and for the annual financial statement of RHÖN-KLINIKUM AG. The Chairman of the Audit Committee appointed Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the 2014 half-year financial statement and the annual financial statement as at 31 December 2014, once the Audit Committee had been persuaded of its independence, i.e. the absence of any grounds for exclusion or prejudice.

With the auditor, we entered into the necessary agreements pursuant to the German Corporate Governance Code, to conduct the audit. The auditor shall therefore notify the Chairman of the Audit Committee immediately if grounds for exclusion or prejudice arise during the audit, unless they are eliminated. The auditor shall also report on all significant findings and events for the tasks of the Supervisory Board resulting from the audit of the annual accounts. If facts are identified when conducting the audit of the annual accounts, which reveal that the declaration of conformity submitted by the Board of Management and Supervisory Board, pursuant to Article 161 of AktG, is incorrect, the auditor shall inform the Supervisory Board and/or note this in the audit report.

Board of Management

In the 2014 financial year, the Board of Management of RHÖN-KLINIKUM AG consists of three members and is presided over by the Chairman of the Board of Management, Dr. Dr. Martin Siebert.

The Board of Management manages the company and conducts transactions with shared responsibility based on procedural rules. Areas of responsibility for individual members of the Board of Management result from operational or functional responsibilities. The allocation of duties within the Board of Management was updated in the year under review. The Chairman of the Board of Management is responsible for business policy and the fundamental strategic alignment of the Group. Further information is given in the notes to the consolidated financial statements.

The Board of Management reports regularly, promptly and comprehensively to the Supervisory Board about all significant business development issues and the position of the Group and its companies. The Board of Management coordinates the further strategic development of the Group and discusses implementation with the Supervisory Board. The Chairman of the Board of Management shall report immediately to the Chairman of the Supervisory Board on events of special importance. Business transactions and measures requiring approval are submitted to the Supervisory Board in due time.

Members of the Board of Management are obliged to disclose any arising conflicts of interest immediately. Moreover, they need the approval of the Supervisory Board for secondary employment activities of any kind. Business transactions between members of the Board of Management and / or related persons, or companies with a close personal relationship to them on the one hand, and RHÖN-KLINIKUM AG on the other hand also require the consent of the Supervisory Board. In the 2014 financial year there were no conflicts of interest for members of the Board of Management of RHÖN-KLINIKUM AG. A fixed age limit of 65 is stipulated for members of the Board of Management in the Articles of Association.

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 Supervisory Board, with the shared objective of creating sustainable added value, is carried out on the basis of procedural rules for the work between the Board of Management and Supervisory Board.

The Supervisory Board of RHÖN-KLINIKUM AG, pursuant to the requirements of the Co-Determination Act (MitbestG), is equally and statutorily represented by a total of 20 shareholder and employee representatives and convened at four regular meetings in 2014. The Chairman of the Supervisory Board is Mr Eugen Münch who performs this duty full-time.

At the AGM held on 12 June 2014 a resolution was adopted to amend Article 10 of the Articles of Association with regard to a future, new Supervisory Board being selected without modification in terms of size and composition according to the Co-Determination Act (MitbestG). With current staffing levels for the Group, this means that a newly elected Supervisory Board will in future be made up of 16 rather than the previous 20 members. Equal representation on the Supervisory Board from shareholder and employee representatives is unchanged. Given that the amendment to the Articles of Association does not automatically result in reduction to 16 members, status proceedings pursuant to Article 97 et seq. AktG are currently ongoing, with the objective of implementing the reduction at the next ordinary Annual General Meeting in 2015, where the Supervisory Board is in any case due to be re-elected.

The most recent election for shareholder representatives on the Supervisory Board was held in 2010 in the form of an individual election, according to the recommendations of the Corporate Governance Code. 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 in order to avoid conflicts of interest. The Supervisory Board's term of office is five years and ends upon conclusion of the AGM, resolving on the formal approval of the actions of the Supervisory Board for the 2014 financial year. The age limit defined in the Articles of Association is 75.

Mr Werner Prange and Mrs Annett Muller retired from the Supervisory Board with effect from 28 February 2014. Their successors on the Supervisory Board were Mr Oliver Salomon with effect from 9 April 2014, and Mr Klaus Hanschur, starting from 17 April 2014. Professor Jan Schmitt left the Supervisory Board with effect from 30 April 2014. He was succeeded as a member of the Supervisory Board by Dr Franz-Josef Schmitz on 1 May 2014. Following expiry of the term of their appointment by the court, Mr Stephan Holzinger, Mr Reinhard Hartl and Dr Katrin Vernau as well as Professor Ludwig Georg Braun, as successor to Mr Detlef Klimpe who retired from his office with effect from 12 June 2014, were elected as members of the Supervisory Board by the AGM held on 12 June 2014.

If members of this Supervisory Board also exercise mandates on supervisory boards or comparable bodies of other companies or organizations, there were no resultant conflicts of interest from membership of these supervisory boards in the view of the Supervisory Board of RHÖN-KLINIKUM AG, which could lead to an adverse effect on exercising their mandates.

The procedural rules of the Supervisory Board provide for the formation of committees. There were seven permanent committees in 2014: 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 Article 107(3) AktG, and the Nomination and Medical Innovation and Quality Committee. The respective committee chairmen regularly report to the Supervisory Board about the work of the relevant committees.

The **Mediation Committee** submits proposals to the Supervisory Board for appointment of members to the Board of Management if the necessary majority of two thirds of the votes of members of the Supervisory Board is not achieved in the first ballot.

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

Board of Management remuneration, guidelines on remuneration for members of the Board of Management and submitting proposed resolutions to the plenary session of the Supervisory Board.

The **Audit Committee** prepares resolutions of the Supervisory Board on the adoption of the annual financial statement and approval of the consolidated financial statement through a preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profits and discusses annual financial statements and audit reports as a part of a preliminary consultation with the auditor. In addition to selecting and appointing of 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 monitors financial reporting, including interim reports, the accounting process as well as the efficiency of the internal controlling system and the risk management and internal auditing systems. The Committee addresses the fundamental issues of accounting and corporate governance. In electing members, the Supervisory Board has given consideration to the independence of committee members and special expertise 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 section 5.3.2 of the German Corporate Governance Code. As the second Deputy Chairman of the Supervisory Board, he performs his activities on the Supervisory Board on a full-time basis. Additional financial experts, who fulfil the conditions of Article 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 Article 107(3) AktG, on the approval of clinic takeovers, on other investments requiring consent and financing thereof. At the same time it reviews and comments on reports – to be submitted to the Supervisory Board by the Board of Management – on investment and financial development and fundamental strategic developments.

The **Committee for Compliance and Communication**, through its members, is a direct contact point in the event of compliance cases brought by employees, suppliers and patients. The Committee acquires information about current compliance cases and addresses organizational, personnel and procedural factors in the area of compliance. If necessary the Committee has the right to request a special audit. The personnel interface with the Audit Committee guarantees effective engagement with the facts. In the area of communications, the Committee ensures a link between internal communication and associated compliance communication and addresses the company's public communications strategy.

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

The **Medical Innovation and Quality Committee** deliberates on medical developments and trends and monitors development in medical quality. The Committee prepares statements of opinion for the plenary session 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 arranges for a regular efficiency audit to be carried out by an external adviser. The results of the last external audit held in 2013/2014 based on questionnaires and discussions met the Supervisory Board's expectations in terms of the efficient performance of duties.

A detailed presentation of the work of the individual committees in the 2014 financial year, and their composition, is included in the Report of the Supervisory Board in the 2014 Annual Report.

Other bodies

An Advisory Board is constituted as an additional body at RHÖN-KLINIKUM AG. It advises the Board of Management on future developments in the hospital and healthcare system and on medical development issues. We refer to details in the Notes to the consolidated financial statement regarding further information on the Advisory Board of the company.

Transparency

We communicate with our shareholders actively and openly, i.e. transparently, and treat all shareholders equally. For the purpose of timely and consistent information we use appropriate channels of communication, such as the Internet, and ad-hoc service providers for compulsory publications to be submitted across Europe. We publish our financial calendar with all important financial dates for analysts, investors, shareholder associations and media on our website www.rhoen-klinikum-ag.com under the "Investors" heading. Moreover, we publish information on our website about our stocks and their price development, as well as insider information directly related to our company. Once we become aware that someone has reached, exceeded or undercut the statutory threshold values for voting rights in the company by means of acquisition, sale or in any other way, we also publish this fact on our website without delay.

We disclose all notices about the acquisition and sale of shares in the company or relating thereby financial instruments according to Article 15a of the Securities Trading Act (WpHG) by members of the Board of Management and the Supervisory Board, on our website. Members of the Supervisory Board and Board of Management and related parties (as defined in IAS 24) together held 29.3 per cent of the company's registered share capital on 31 December 2014. 29.3 per cent of the issued shares are allotted to the Supervisory Board and related parties. Members of the Board of Management and related parties do not hold any shares in the registered share capital of RHÖN-KLINIKUM AG on 31 December 2014.

We disclose relationships of RHÖN-KLINIKUM AG and its subsidiaries with related parties or companies related to such persons in the Notes to the consolidated financial statement. Contracts concluded with related parties were reviewed and approved by the Supervisory Board. In the view of the Board of Management and Supervisory Board, the contracts do not affect the independence of the related member of the Supervisory Board.

Risk Management and personal integrity

Opportunities and risks are also handled pursuant to the principles of responsible corporate activity. The risk management system set up by RHÖN-KLINIKUM AG was established with the goal of identifying risks arising in RHÖN-KLINIKUM AG at an early stage and was simulta-

neously transferred to clinics and holdings. The risk profile and changes thereto enable the Board of Management to respond early and appropriately to any change in the risk situation of the Group and make use of any opportunities. The risk management system is reviewed by our auditor within the scope of the annual audit of accounts.

Compliance in the sense of upholding of personal integrity in corporate management is regarded as an essential management task by the Board of Management. The Board of Management is required to comply with all measures to adhere to the law statutory regulations and Group-internal guidelines, and to implement and enforce such measures in dealing with employees and business partners. There is a compliance guideline for RHÖN-KLINIKUM AG and all other Group companies, which is amended and adapted at regular intervals. The focus of our compliance activities is on combating active and passive corruption. Corruption offences are not tolerated and are strictly sanctioned on all management and staff levels. All employees are requested to actively detect cases of corruption in their areas of responsibility. A committee of the Supervisory Board with a duty of confidentiality, is directly available to employees.

Remuneration report

In 2014, remuneration of the Supervisory Board and the Board of Management comprises fixed and variable components. Details on the remuneration received by each member of the Supervisory Board and the Board of Management, broken down by fixed and variable components, are set out in the table at the end of this Report.

The remuneration report summarizes the principles applied in determining the remuneration for the Board of Management of RHÖN-KLINIKUM AG, and explains the structure and amount of income for the Board of Management. It also describes the principles and level of remuneration of the Supervisory Board and Advisory Board and details of the shareholdings of the Board of Management and Supervisory Board are provided.

Remuneration of the Board of Management

The Supervisory Board set out the remuneration system for the Board of Management in the guidelines on remuneration for members of the Board of Management of RHÖN-KLINIKUM AG (Remuneration Guidelines).

Total remuneration of members of the Board of Management consists of several elements of remuneration. In particular this involves the basic salary, profit sharing, fringe benefits (benefits in kind), long-term share price based remuneration and conditional retirement benefit.

Following preparation by the Personnel Affairs Committee, the plenary session is responsible for determining the individual remuneration for the Board of Management, according to the Act on the Appropriateness of Management Board Remuneration (VorstAG), which took effect on 5 August 2009. The Supervisory Board adapted the remuneration system to the latest provisions on 20 February 2013 through revision of the Remuneration Guidelines and adopted a resolution on the long-term share price-based remuneration on 29 April 2014. The guidelines generally apply to all Board of Management service contracts which are concluded or amended from this date.

Main content of the remuneration system

The remuneration scheme provides that the entire remuneration of the members of the Board of Management is 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, such member's personal performance, as well as to the economic position and success of the Company, and that the overall remuneration does not exceed the customary level of remuneration unless there are special reasons for this. In the event of a deterioration in the Company's economic position, the Supervisory Board will lower the overall remuneration subject to the provisions of Article 87 (2) of the AktG where continued payment of the overall remuneration would be unreasonable.

Remuneration of members of the Board of Management consists of non-performance-related and performance based components and short-term and long-term incentives. The

non-performance-related elements consist of the basic salary and fringe benefits, whereas the performance-based component consists of profit sharing. Regulations on minimum remuneration and a cap on total remuneration should have a compensating effect in case of unforeseen developments in results. Long-term, share price-based remuneration (share options) is linked to the long-term development in the RHÖN-KLINIKUM AG share. Conditional retirement benefits are essentially based on annual remuneration at the time of termination of service and are thereby influenced by the non-performance-related and performance-related components of the remuneration system.

The basic salary usually amounts to € 192,000 p/a and is paid in twelve equal monthly instalments as non-performance-related remuneration. The Chairman of the Board of Management generally receives 1.5 to 2 times the standard salary. In addition, members of the Board of Management receive fringe benefits in the form of benefits in kind, essentially meaning the value determined by the taxation guidelines for the private use of company cars, insurance premiums for accident insurance, relocation costs and 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. In principle all members of the Board of Management have a similar entitlement; the amount varies depending on the personal situation.

The performance-related component of remuneration is profit sharing, the level of which depends on the development of the consolidated profit in the last three financial years as a multi-year basis for assessment. The benchmark is the consolidated result after minority shares based on the applicable IFRS. One-off effects from extraordinary developments, which affected the consolidated result, are eliminated. Profit sharing consists of a basic component and a performance related amount. The basic component is defined as an absolute amount (basic amount) when calculated by the Supervisory Board from the assessment basis for the duration of the service contract and is paid out as an advance payment in twelve equal monthly instalments. The basic component at the start or in the event of amendment to the service contract amounts to approx. two thirds of the basis for assessment. The profit sharing rate for the basic component is identical for all members of the Board of Management and is set by the Supervisory Board upon the recommendation by the

Personnel Affairs Committee. If the basis for assessment calculated for a financial year falls below the basic amount, this profit sharing rate is applicable to the reduced basic amount. Non-covered advance payments on basic profit sharing result in a restitution claim for the company. The performance-related amount is shown as the difference between the basis for assessment calculated for the relevant financial year less the basic amount. The profit sharing rate for this performance-related amount is determined (by the Supervisory Board) individually for each member of the Board of Management, upon the recommendation of the Personnel Affairs Committee, with consideration for performance, tasks and number of terms of office. The Chairman of the Board of Management generally receives 1.5 to 2 times the profit sharing rates. An appropriate reduction in profit sharing rates can be agreed for initially appointed members, in particular for deputy members of the Board of Management. The same also applies to the alter members of the Board of Management if there are special reasons justifying the reduction.

An annual total remuneration (sum of basic salary and profit sharing) of at least € 450,000 is guaranteed for members of the Board of Management. The cap for annual total remuneration is set at € 900,000. The minimum remuneration and cap can be set at up to 2.5 times this level for the Chairman of the Board of Management and up to 2 times this level for his permanent deputy and the CFO.

The incentive program of virtual shares provided to the Board of Management in 2014 constitutes long-term share price-based remuneration. This is meant to establish a special incentive in 2014 for the distribution of surplus capital and support the long-term re-orientation of the company. Each incumbent member of the Board of Management was given non-forfeitable virtual shares through the successful share repurchase program in 2014. These virtual shares participate in all capital measures and dividends. The members of the Board of Management receive remuneration at the respective share price for the virtual shares remaining after five years.

If the service contract for a member of the Board of Management ends without this being attributable to good cause in the person of such member, or the member of the Board of Management dies during his term of office, he (or in case of death his heir) shall receive a retirement benefit in the form of a lump-sum payment. For each full year of service as a

member of the Board of Management, this amounts to 0.125 times annual remuneration (annual basic salary plus profit sharing, excluding virtual shares) for the calendar year in which such member leaves the Board of Management or dies – but at most 1.5 times such latter remuneration and at least 1.5 times average remuneration during the contractual term for the duration of service on the Board of Management. Retirement benefit is due for payment six months after the end of the financial year in which the service contract comes to an end or the member of the Board of Management has died. Retirement benefit is not generally paid if a member of the Board of Management decides to terminate the service contract before reaching the age of 60 for reasons not attributable to the company, or does not extend the service contract, despite having been offered an extension.

If a member of the Board of Management receives a severance payment in the event of early termination of Board of Management activity without good cause, the sum of this payment, including fringe benefits, shall not exceed the value of two years' remunerations and shall not compensate for more than the residual term of the contract of employment.

Additional benefits such as pension commitments or loans are not currently granted to members of the Board of Management.

Total remuneration to incumbent members of the Board of Management in the 2014 financial year came to € 11.1 million (previous year: € 2.3 million). Of this amount, € 0.8 million (previous year € 0.9 million) was allotted to nonperformance-related components and € 10.3 million (previous year € 1.4 million) to variable components. Provisions for claims to retirement benefits by incumbent and former members of the Board of Management based on IFRS amount to € 0.8 million on 31 December 2014 (previous year € 0.6 million). Those who were no longer incumbent members of the Board of Management on the balance sheet date, or their surviving dependents, received remuneration of € 0.2 million for retirement benefits in the 2014 financial year (previous year € 0.0 million).

Remuneration of the Supervisory Board

Remuneration of the Supervisory Board is regulated in Article 14 of the Articles of Association. At the AGM held on 12 June 2014, the Supervisory Board proposed abolishing the performance-related elements of remuneration from the 2015 financial year. The AGM held on

12 June 2014 agreed and resolved to amend provisions on remuneration of the Supervisory Board in Article 14 of the Articles of Association such that no more performance-based remuneration components are granted to the Supervisory Board starting from the 2015 financial year.

The Supervisory Board was remunerated for the 2014 financial year pursuant to the old rules which were performance-based and depended on time spent working on the tasks and the functional responsibilities of the members of the Supervisory Board and on the economic success of the RHÖN-KLINIKUM Group. Supervisory Board remuneration consisted of fixed and variable components.

In addition to reimbursement of expenses, members of the Supervisory Board received remuneration, consisting of the following elements: a fixed basic amount of € 20,000 p/a and a fixed attendance fee of € 2,000 for each personal attendance at a meeting of the Supervisory Board, Committee or Annual General Meeting. The Chairman of the Supervisory Board and his deputies received double the amount of the fixed attendance fee. The Chairmen of committees also receive double the amount, unless they are simultaneously Chairman or Deputy Chairman of the Supervisory Board.

Furthermore, the Supervisory Board receives performance-related remuneration at a rate of 1.25 per cent of the modified consolidated profit of RHÖN-KLINIKUM AG. For this purpose, consolidated profit is reduced by 4 per cent of the contribution paid on the registered share capital of RHÖN-KLINIKUM AG. When calculating variable remuneration for the Supervisory Board, a cap on modified consolidated profit of € 150 million shall be considered in the financial year. The total amount is distributed to individual members of the Supervisory Board is carried out based on a remuneration policy issued by the Supervisory Board. Which particularly considers the time the individual member spent working and the change in workload during the year for members of the Supervisory Board are also considered in addition to the responsibility undertaken by the member.

With effect from the 2015 financial year, the Supervisory Board is remunerated without performance-related elements of remuneration. Remuneration of the Supervisory Board continues to be performance-based and depends on time spent working, on the tasks and func-

tional responsibilities undertaken by members of the Supervisory Board. Remuneration of the Supervisory Board consists of fixed basic remuneration, a fixed attendance fee and a share of total fixed remuneration.

In addition to reimbursement of expenses, members of the Supervisory Board receive remuneration consisting of the following elements: a fixed basic amount of € 40,000 p/a (the Chairman of the Supervisory Board receives three times this amount and his deputy receives double the fixed basic amount) and a fixed attendance fee of € 2,000 for each personal attendance at in a meeting of the Supervisory Board, Committee and Annual General Meeting. The Chairman of the Supervisory Board and his deputy receive double the amount of the fixed attendance fee. Chairmen of committees with power to adopt resolutions also receive double the amount, unless they are simultaneously Chairman or Deputy Chairman of the Supervisory Board.

A € 20,000 share of the fixed basic remuneration is dependent on the number of attendances at meetings of the Supervisory Board and the AGM. This share is reduced by one fifth for each case of non-attendance.

Furthermore, members of the Supervisory Board receive total fixed remuneration of € 1,000,000. This total fixed remuneration is distributed to individual members of the Supervisory Board pursuant to a remuneration policy issued by the Supervisory Board which particularly considers the time of the individual member spent working and the change in workload during the year for members of the Supervisory Board in addition to the responsibility undertaken by the member. The total fixed remuneration of € 1,000,000 a year is reduced to € 800,000 a year if the Supervisory Board consists of just 16 rather than 20 members.

Presiding over and membership of the Supervisory Board committees are separately remunerated in accordance with the German Corporate Governance Code. Members of the Supervisory Board, who only belong to the Supervisory Board for part of the financial year, are remunerated on a pro rata basis.

Members of the Supervisory Board are reimbursed all expenses incurred in connection with exercising of the mandate as well as VAT payable on the remuneration. The company's

chauffeur service and an office with secretarial staff are provided to the Chairman of the Supervisory Board.

Members of the Supervisory Board do not receive any loans from the company.

Remuneration of active members of the Supervisory Board amounted to € 2.6 million (previous year € 2.0 million). Out of this total, € 0.9 million (previous year € 1.0 million) was allotted to fixed remunerations. € 1.7 million (previous year € 1.0 million) was included as performance-related remuneration.

Remuneration of the Advisory Board

Members of the Advisory Board receive a fixed attendance fee of € 1,400 for each personal attendance at a meeting. Furthermore, members are reimbursed for all expenses incurred in connection with exercising of the mandate as well as VAT payable on the remuneration.

Members of the Advisory Board do not receive any loans from the company.

Total remuneration of the Advisory Board (excluding VAT) amounted to € 20,000 in the past financial year (previous year € 22,000).

Remuneration tables 2014

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

	2014	2013
	€ '000	€ '000
Remuneration to the Supervisory Board	2,586	1,950
Remuneration to the incumbent Board of Management	11,128	2,301
Remuneration to former members of the Board of Management	0	462
Remuneration to the Advisory Board	20	22



Total remuneration (excluding VAT) for members of the Supervisory Board is broken down in detail as follows:

	Basic amount	Attendance fee, fixed	Attendance fee, variable	Functional days, variable	Total 2014	Total 2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Total remuneration						
Eugen Münch	20	60	135	273	488	313
Joachim Lüddecke	20	56	64	0	140	140
Wolfgang Mündel	20	56	152	173	401	267
Peter Berghöfer	20	18	56	0	94	87
Bettina Böttcher	20	18	40	0	78	20
Prof. Dr. h. c. Ludwig Georg Braun (from 12 June 2014)	11	4	12	0	27	0
Sylvia Bühler	20	10	25	0	55	69
Helmut Bühner	20	18	40	0	78	55
Prof. Dr. Gerhard Ehninger	20	8	17	0	45	54
Stefan Härtel	20	28	64	0	112	98
Klaus Hanschur (from 17 April 2014)	14	14	42	0	70	0
Reinhard Hartl (from 19 December 2013)	20	18	64	0	102	1
Caspar von Hauenschild (until 12 September 2013)	0	0	0	0	0	74
Stephan Holzinger (from 03 July 2013)	20	48	94	23	185	32
Detlef Klimpe (until 12 June 2014)	9	12	58	0	79	114
Dr. Heinz Korte	20	22	104	0	146	108
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach (until 04 June 2013)	0	0	0	0	0	34
Michael Mendel	20	16	71	0	107	105
Dr. Rüdiger Merz (until 12 September 2013)	0	0	0	0	0	40
Dr. Brigitte Mohn	20	12	27	0	59	49
Annett Müller (until 27 February 2014)	3	0	0	0	3	55
Werner Prange (until 27 February 2014)	3	2	0	0	5	98
Oliver Salomon (from 09 April 2014)	15	12	38	0	65	0
Prof. Dr. Jan Schmitt (until 30 April 2014)	7	4	12	0	23	59
Dr. Franz-Josef Schmitz (from 01 May 2014)	13	8	17	0	38	0
Georg Schulze-Ziehaus	20	22	77	0	119	77
Dr. Katrin Vernau (from 20 December 2013)	20	14	33	0	67	1
	395	480	1,242	469	2,586	1,950

Total remuneration for the Board of Management breaks down in detail as follows:

Incumbent member of the Board of Management	Martin Menger (member of the Board of Management)					
	granted allowances				inflow	
	2014 € '000	2013 € '000	2014 (Min.) € '000	2014 (Max.) € '000	2014 € '000	2013 € '000
Basic salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	9	8	9	9	9	8
Total	201	200	201	201	201	200
one-year variable remuneration						
Profit sharing	258	258	258	708	258	258
multi-year variable remuneration						
virtual share options	2,875	0	0	5,200	779	0
Total remuneration	3,334	458	459	6,109	1,238	458
Pension expenditure ¹	56	45	56	56	56	45
Total remuneration	3,390	503	515	6,165	1,294	503

Incumbent member of the Board of Management	Jens-Peter Neumann (permanent deputy of the Chairman of the Board of Management)					
	granted allowances				inflow	
	2014 € '000	2013 € '000	2014 (Min.) € '000	2014 (Max.) € '000	2014 € '000	2013 € '000
Basic salary (fixed remuneration)	211	195	211	211	211	195
Fringe benefits	9	86	9	9	9	86
Total	220	281	220	220	220	281
one-year variable remuneration						
Profit sharing	689	538	689	1,589	689	538
multi-year variable remuneration						
virtual share options	2,875	0	0	5,200	779	0
Total remuneration	3,784	819	909	7,009	1,688	819
Pension expenditure ¹	83	23	83	83	83	23
Total remuneration	3,867	842	992	7,092	1,771	842



Incumbent member of the Board of Management

Dr. Dr. Martin Siebert
(Chairman of the Board of Management)

	granted allowances				inflow	
	2014 € '000	2013 € '000	2014 (Min.) € '000	2014 (Max.) € '000	2014 € '000	2013 € '000
Basic salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	13	10	10	10	13
Total	394	397	394	394	394	397
one-year variable remuneration						
Profit sharing	741	627	741	1,866	741	627
multi-year variable remuneration						
virtual share options	2,875	0	0	5,200	779	0
Total remuneration	4,010	1,024	1,135	7,460	1,914	1,024
Pension expenditure ¹	113	28	113	113	113	28
Total remuneration	4,123	1,052	1,248	7,573	2,027	1,052

¹ Pension expenditure includes service period expenditure pursuant to IAS 19.

Retirement benefits for the Board of Management break down in detail as follows:

Retirement benefits	Provision as at 31 Dec. 2013 € '000	Change in retirement benefits € '000	Provision as at 31 Dec. 2014 € '000	Nominal amount upon expiry of contract ² € '000
Incumbent members of the Board of Management				
Martin Menger	164	80	244	353
Jens-Peter Neumann	95	153	248	450
Dr. Dr. Martin Siebert	138	184	322	984
	397	417	814	1,787
Member of the Board of Management who left in 2013				
Volker Feldkamp ¹	158	-158	0	0
	158	-158	0	0
Total	555	259	814	1,787

¹ Until 9 August 2013.

² Eligibility based on planned phase-out of the Board of Management contract based on remuneration.

Bad Neustadt a. d. Saale, 16 April 2015

Supervisory Board

Board of Management