

DECLARATION ON CORPORATE GOVERNANCE

pursuant to section 289a of the
German Commercial Code

CORPORATE GOVERNANCE REPORT

6 APRIL 2017



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

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

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

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

At the same time, everything we do is governed by 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”. It is this ethical principle by which all our employees are bound in their dealings with patients and shareholders, and one which makes a decisive contribution towards supporting corporate governance in our field of business as a publicly listed healthcare provider.

DECLARATION OF COMPLIANCE

The German Corporate Governance Code (GCGC) describes nationally and internationally recognised standards of responsible corporate governance. In financial year 2016, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG regularly scrutinised the German Corporate Governance Code, its development and amendments

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

As a result of these consultations, an updated declaration of compliance – jointly drafted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG pursuant to section 161 of the AktG – was submitted on 3 November 2016 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 5 May 2015. The current and all past declarations of compliance are permanently made available over the Internet under www.rhoen-klinikum-ag.com.

**Declaration of Compliance in accordance with section 161
German Stock Corporation Act (Aktiengesetz, AktG)
(as issued on 3 November 2016)**

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

Code Item 4.2.2 (2) sentence 3 Relationship between remuneration of the Board of Management and that of senior management and staff overall

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

In view of the current management structure and specific staffing of a hospital company, the Supervisory Board at present does not find such definitions to be objectively justified.

Code Item 4.2.3 (3) Pension commitments

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

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

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

Code Item 5.4.1 (2), (3) Stating specific objectives regarding the composition of the Supervisory Board

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

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

Code Item 7.1.2 sentence 4 Period for making available the Consolidated Financial Statement

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

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

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

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

Above and beyond the statutory requirements, RHÖN-KLINIKUM Group applies the following corporate governance practices which form the basis of its business activity.

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 establish a clear division between duties and responsibilities, thus serving to promote an understanding of business procedures and cooperation between the individual divisions. The Terms of Reference of the Board of Management and the guidelines of the Company are available to all employees on our intranet.

Corporate philosophy and corporate code

From the very beginning, RHÖN-KLINIKUM AG has assumed a unique pioneering role on the German hospital market. Innovation, reliability and sustainable economic management are the key elements of our success. At the same time, we review and optimise our processes

and strategies on a continuous basis. For example, with our campus approach in Bad Neustadt an der Saale already in the implementation phase, we are creating a viable model of the future meeting the changing conditions of society. Our current projects in the area of digitalisation and network medical care moreover open up new opportunities for us in medical care.

Our basis of affordable, high-quality healthcare is private capital, whether generated thanks to our own entrepreneurial output or made available by the capital market. It enables investment in innovations, ensuring the future viability of healthcare. This in turn allows for profitability and sustainable financing of new growth and medical innovations.

The foundation of our business is characterised by the trust our patients place in our hospitals and staff, since good health means quality of life – the highest human good. That is why the well-being of our patients is at the heart of our corporate philosophy and underlies all our activity. We have an obligation towards them because their trust in our medical services is the basis of our success. That is why RHÖN-KLINIKUM AG offers high-quality and affordable medical care. For us, quality, cutting-edge medical care consists in the freedom in choosing medical treatment, ongoing investments in modern medical care as well as the further development of clinical processes and structures relating to our patients. We specifically promote interdisciplinary cooperation in the treatment provided by doctors and nurses, thus raising the quality of treatment noticeably. Personal integrity and professionalism enjoy the highest priority in all areas of our Company. Our leading principle is:

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

We firmly believe that everyone is entitled to affordable and high-quality medical care. That is why we offer our patients a broad range of quality medical care over all care levels. We see independent medical decisions and admissions as a key basis for good medical care. For that reason, freedom to choose medical treatment is our most important medical principle. At the same time, quality and economic efficiency for us are by no means at odds with each other. On the contrary: they are even closely interrelated. To achieve a high standard of quality in cutting-edge and maximum care, it is necessary to generate sufficient funds for

investment. High medical quality on the one hand and the efficiency of our facilities on the other in our view go hand in hand. Without an economically satisfactory business result we cannot ensure the sustainable treatment quality for our patients to high standards.

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

WORK APPROACH OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Management and supervisory structure

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

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

Both for members of the Supervisory Board and for members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductible mandatory for the Board of Management in accordance with Code Item 3.8 (2). In this connection, the insurance premium (including insurance tax) paid by the Company in financial year 2016 was € 159 thousand.

Annual General Meeting and relationships with shareholders

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

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

With the scope of possibilities afforded to them by the Articles of Association, it is stipulated that the shareholders of RHÖN-KLINIKUM AG avail themselves of their rights exclusively at the Annual General Meeting by exercising their voting rights. Shareholders are free to decide whether to exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. In the interests of securing the resolution procedure, we maintain at the present time the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Audit Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the inspection of the half-year financial statements for 2016 as well as the audit of the annual financial statements as at 31 December 2016. Prior thereto, the

Audit Committee thoroughly satisfied itself of the independence of the statutory auditor and assured itself that neither grounds for disqualification nor grounds for bias existed.

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

Board of Management

In financial year 2016, the Board of Management of RHÖN-KLINIKUM AG was comprised of four members whose service contracts for the Board of Management were adjusted in each case to five-year contracts as of 1 January 2016. As of 1 February 2017, Mr. Stephan Holzinger was appointed as a new member to the position of chairman of the Board of Management and replaced Dr. Dr. Martin Siebert as previous chairman of the Board of Management who assumes the office of permanent representative of the chairman of the Board of Management. Moreover, the Supervisory Board resolved on 23 February 2017 to reduce the size of the Board of Management from five to three members and for that purpose to remove the members of the Board of Management Martin Menger and Jens-Peter Neumann with immediate effect. The Board of Management of the Company is thus composed of Mr. Stephan Holzinger (chairman of the Board of Management), Dr. Dr. Martin Siebert (permanent representative of the chairman of the Board of Management) and Prof. Dr. Bernd Griewing. The responsibilities within the Board of Management were adjusted accordingly. The expectation of the Supervisory Board from this decision is that it will give new impetus for the Company's new orientation introduced with the Fresenius transaction to be pursued with even greater determination in future so as to promote the further and ongoing development of the Company in the long term, also as regards the implementation

of the campus approach and the ubiquitous advance of digitalisation. The Terms of Reference were adjusted to the respective dates. The Board of Management is responsible for directing the Company. In accordance with the Terms of Reference, its business operations are carried out under joint responsibility. Each member of the Board of Management has his own areas of responsibility as determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy as well as the Group's fundamental strategic orientation.

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

Conflicts of interest are to be disclosed by the members of the Board of Management immediately. Moreover, the Supervisory Board must give its consent to any side activity of the members of the Board of Management. The consent of the Supervisory Board is also required for transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other. In financial year 2016, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. For the members of the Board of Management, a fixed age limit of 65 years is enshrined in the Articles of Association.

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 is responsible for advising the Board of Management on directing the Company and for supervising its management activity. By their close and efficient cooperation, the Board of Management and the Supervisory Board pursue the common goal

of achieving sustained value enhancement. The basis for this is provided by the Terms of Reference for the work between the Board of Management and the Supervisory Board.

In accordance with the requirements of the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG, in accordance with the principle of equal representation of shareholders and staff and pursuant to the Articles of Association, currently comprises an equal number of shareholders' and employees' representatives (16 in total). In 2016 four regular meetings were held. The Supervisory Board is chaired by Mr. Eugen Münch in a full-time capacity.

The last election of the shareholders' representatives to the Supervisory Board took place as scheduled at the Annual General Meeting on 10 June 2015. The election of the shareholders' representatives was based on a recommendation of the Nomination Committee of the Supervisory Board and was held in accordance with the recommendations of the German Corporate Governance Code on an individual basis. For the proposed candidates, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests as well as in terms of their expected time commitment. The five-year term of office of the Supervisory Board ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2019. The Articles of Association provide for an age limit of 75 years for members.

The Supervisory Board member Stephan Holzinger resigned his Supervisory Board mandate before taking up his mandate as chairman of the Board of Management with effect from 31 January 2017. Mr. Holzinger had been on the Supervisory Board of RHÖN-KLINIKUM AG since 2013. The Nomination Committee nominated Dr. Annette Beller, member of the management board of B. Braun Melsungen AG, to succeed on the Supervisory Board. Dr. Beller was appointed by the court and as of 23 March 2017 is a member of the Supervisory Board until the conclusion of the next Annual General Meeting. The next Annual General Meeting will be held on 7 June 2017 at which the by-election will be on the agenda.

As a result, 43.8% of the Supervisory Board is comprised of women and 56.2% of men.

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

Committees of the Supervisory Board

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2016 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Finance Committee and the Committee for Compliance and Communication as committees with power to adopt resolutions, as defined in section 107 (3) AktG, and the Nomination Committee and Medical Innovation and Quality Committee. The respective committee chairmen report at regular intervals to the Supervisory Board on the work of the committees.

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

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

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements. This is done by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports with the auditor and the Board of Management. The Audit Committee is responsible for selecting and appointing the statutory auditor, including agreeing on the auditing fees, as well as for reviewing and monitoring the

auditor's independence and quality as well as the services additionally provided by the auditor. Monitoring of financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system, risk management system and the internal audit system likewise fall within the scope of duties of the Audit Committee, as does dealing with questions of fundamental importance relating to accounting and corporate governance. For all members elected to the Audit Committee, due regard is given to their independence and particular experience and knowledge with regard to the application of accounting regulations and internal controlling processes.

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

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

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

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

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

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and at regular intervals arranges for an efficiency audit to be carried out by an external consultant. The latest external audit in 2013/2014 included questionnaires and discussions. Its results were in line with the Supervisory Board's expectations in terms of efficient performance of duties. In financial year 2016, an independent external audit was once again commissioned.

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. The Board of Management can have recourse to its advice for any questions relating to future trends in the hospital and healthcare sector as well as medical development issues.

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

EQUAL PARTICIPATION OF WOMEN AND MEN IN MANAGEMENT POSITIONS

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

Following re-election of the Supervisory Board at the 2015 Annual General Meeting as well as the court appointment of Dr. Beller, 43.8% of the Supervisory Board is currently be made up of women and 56.2% of men. The minimum proportion of 30 per cent pursuant to section 96 (2) sentence 1 AktG is complied with already as of 2015. The Supervisory Board was elected for a term of five years.

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

To provide the basis for the newly organised Company's sustained further development in the long term, the Board of Management divisions were adjusted accordingly. All members of the Board of Management have 5-year contracts. The proportion of women on the Board of Management is nil and was also defined as nil until 30 June 2017.

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

Bad Neustadt a. d. Saale, 6 April 2017

The Supervisory Board

The Board of Management

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE AT RHÖN-KLINIKUM GROUP

Efficient and responsible decision-making and control processes oriented towards long-term corporate success are of central importance for our activities. The basis for the decision-making and control processes of the Supervisory Board and the Board of Management is good corporate governance. Coupled with a transparent as well as legally and ethically based corporate culture, corporate governance ensures that the trust patients, employees, shareholders and business partners place in us is preserved and strengthened. It is moreover indispensable for sustained value enhancement in our operations.

In financial year 2016, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thoroughgoing regular examination of the German Corporate Governance Code. Its development, amendments as well as compliance at RHÖN-KLINIKUM AG and its subsidiaries were the subject of detailed consultations.

DECLARATION OF COMPLIANCE

The outcome of these deliberations was published on 3 November 2016. In accordance with Item 3.10 of the German Corporate Governance Code as amended on 5 May 2015, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG, which is accessible on our website. Here, we depart from the Code's recommendations in a total of four disclosed exceptions. We observe most of the non-mandatory suggestions of the German Corporate Governance Code:

Declaration of Compliance in accordance with section 161
German Stock Corporation Act (Aktiengesetz, AktG)
(as issued on 3 November 2016)

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

Code Item 4.2.2 (2) sentence 3 Relationship between remuneration of the Board of Management and that of senior management and staff overall

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

In view of the current management structure and specific staffing of a hospital company, the Supervisory Board at present does not find such definitions to be objectively justified.

Code Item 4.2.3 (3) Pension commitments

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

If the retirement benefits existing at the Company constitute provision benefits within the meaning of the recommendation pursuant to Code Item 4.2.3 (3), the “level of provision” in the view of the Supervisory Board results from the probable term of office of the respective

member of the Board of Management and the formula defined in the retirement benefit. The annual as well as long-term expense for the Company is likewise derived from this.

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

Code Item 5.4.1 (2), (3) Stating specific objectives regarding the composition of the Supervisory Board

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

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

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

MANAGEMENT AND SUPERVISORY STRUCTURE

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

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

Both for members of the Supervisory Board and for members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductible mandatory for the Board of Management in accordance with Code Item 3.8 (2). In this connection, the insurance premium (including insurance tax) paid by the Company in financial year 2016 was € 159 thousand.

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With the scope of possibilities afforded to them by the Articles of Association, it is stipulated that the shareholders of RHÖN-KLINIKUM AG avail themselves of their rights exclusively at the Annual General Meeting by exercising their voting rights. Shareholders are free to decide whether to exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. In the interests of securing the resolution procedure, we maintain at the present time the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Audit Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the inspection of the half-year financial statements for 2016 as well as the audit of the annual financial statements as at 31 December 2016. Prior thereto, the Audit Committee thoroughly satisfied itself of the independence of the statutory auditor and assured itself that neither grounds for disqualification nor grounds for bias existed.

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

Board of Management

In financial year 2016, the Board of Management of RHÖN-KLINIKUM AG was comprised of four members whose service contracts for the Board of Management were adjusted in each case to five-year contracts as of 1 January 2016. As of 1 February 2017, Mr. Stephan Holzinger was appointed as a new member to the position of chairman of the Board of Management and replaced Dr. Dr. Martin Siebert as previous chairman of the Board of Management who assumes the office of permanent representative of the chairman of the Board of Management. Moreover, the Supervisory Board resolved on 23 February 2017 to reduce the size of the Board of Management from five to three members and for that purpose to remove the members of the Board of Management Martin Menger and Jens-Peter Neumann with immediate effect. The Board of Management of the Company is thus composed of Mr. Stephan Holzinger (chairman of the Board of Management), Dr. Dr. Martin Siebert (permanent representative of the chairman of the Board of Management) and Prof. Dr. Bernd Griewing. The responsibilities within the Board of Management were adjusted accordingly. The expectation of the Supervisory Board from this decision is that it will give new impetus for the Company's new orientation introduced with the Fresenius transaction to be pursued with even greater determination in future so as to promote the further and ongoing development of the Company in the long term, also as regards the implementation of the campus approach and the ubiquitous advance of digitalisation. The Terms of Reference were adjusted to the respective dates.

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

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

transactions and measures which are subject to consent are presented to the Supervisory Board in due time.

Conflicts of interest are to be disclosed by the members of the Board of Management immediately. Moreover, the Supervisory Board must give its consent to any side activity of the members of the Board of Management. The consent of the Supervisory Board is also required for transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other. In financial year 2016, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. For the members of the Board of Management, a fixed age limit of 65 years is enshrined in the Articles of Association.

Supervisory Board

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

In accordance with the requirements of the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG, in accordance with the principle of equal representation of shareholders and staff and pursuant to the Articles of Association, currently comprises an equal number of shareholders' and employees' representatives (16 in total). In 2016 four regular meetings were held. The Supervisory Board is chaired by Mr. Eugen Münch in a full-time capacity.

The last election of the shareholders' representatives to the Supervisory Board took place as scheduled at the Annual General Meeting on 10 June 2015. The election of the shareholders' representatives was based on a recommendation of the Nomination Committee of the Supervisory Board and was held in accordance with the recommendations of the German Corporate Governance Code on an individual basis. For the proposed candidates, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests as well as in terms of their expected time commitment. The five-year term of office of the Supervisory Board ends

upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2019. The Articles of Association provide for an age limit of 75 years for members.

The Supervisory Board member Stephan Holzinger resigned his Supervisory Board mandate before taking up his mandate as chairman of the Board of Management with effect from 31 January 2017. Mr. Holzinger had been on the Supervisory Board of RHÖN-KLINIKUM AG since 2013. The Nomination Committee nominated Dr. Annette Beller, member of the management board of B. Braun Melsungen AG, to succeed on the Supervisory Board. Dr. Beller was appointed by the court and as of 23 March 2017 is a member of the Supervisory Board until the conclusion of the next Annual General Meeting. The next Annual General Meeting will be held on 7 June 2017 at which the by-election will be on the agenda.

The Supervisory Board is comprised 43.8% of women and 56.2% of men. The composition of our Supervisory Board is presented in the 2016 Annual Report in the annex to the Report of the Supervisory Board and in the Notes to the consolidated financial statements.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2016 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Finance Committee and the Committee for Compliance and Communication as committees with power to adopt resolutions, as defined in section 107 (3) AktG, and the Nomination Committee and Medical Innovation and Quality Committee. The respective committee chairmen report at regular intervals to the Supervisory Board on the work of the committees.

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

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

and at regular intervals conducts a review of whether the remuneration of the Board of Management is reasonable and customary as well as of the guidelines for the remuneration of members of the Board of Management. In this regard, it makes proposals to the full Supervisory Board for adoption of resolutions.

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

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

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

remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments are reviewed and commented by this Committee.

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

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

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

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and at regular intervals arranges for an efficiency audit to be carried out by an external consultant. The latest external audit in 2013/2014 included questionnaires and discussions. Its results were in line with the Supervisory Board's expectations in terms of efficient performance of duties. In financial year 2016, an independent external audit was once again commissioned.

A detailed overview of the work of the individual committees and their composition in financial year 2016 is provided in the Report of the Supervisory Board of the 2016 Annual Report.

Other bodies

An Advisory Board is constituted as an additional body at RHÖN-KLINIKUM AG. The Board of Management can have recourse to its advice for any questions relating to future trends in the hospital and healthcare sector as well as medical development issues. For additional

information on the Company's Advisory Board, please refer to the Notes to the consolidated financial statements.

TRANSPARENCY

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

We make timely disclosure on our website of notices pursuant to Article 19 of the Market Abuse Regulation (MAR) (Managers' Transactions) by members of the Board of Management and the Supervisory Board as well as by parties closely associated with them on the acquisition and sale of shares of the Company or other financial instruments relating thereto. According to these notices, as at 31 December 2016 the members of the Supervisory Board and the Board of Management as well as their related parties (according to IAS 24) together held 37.0% of the Company's registered share capital, of which 37.0% of the shares in issue were attributable to the Supervisory Board and its related parties, whereas members of the Board of Management and their related parties as at 31 December 2016 did not hold any interests in the registered share capital of RHÖN-KLINIKUM AG.

Dealings of RHÖN-KLINIKUM AG and its subsidiaries with related parties of as well as companies related to such parties are disclosed in the Notes to the consolidated financial statements. Contracts entered into with related parties were reviewed and approved by the

Supervisory Board. In the view of the Board of Management and the Supervisory Board, such contracts have no impact on the independence of the member of the Supervisory Board.

RISK MANAGEMENT AND PERSONAL INTEGRITY

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

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

REMUNERATION REPORT

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

described and the shareholdings of the Board of Management and the Supervisory Board disclosed.

In 2016 the remuneration of the Board of Management is made up of fixed and variable components. The remuneration of the Supervisory Board exclusively comprises fixed components. The payments of each member of the Supervisory Board and the Board of Management – broken down into their components – are set out in tabular form at the end of this Report.

Remuneration of the Board of Management

The Supervisory Board has established in principle the remuneration scheme for the Board of Management in the guidelines on the remuneration of the members of the Board of Management of RHÖN-KLINIKUM AG (Remuneration Guidelines).

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

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

Essential provisions of the remuneration scheme

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

The remuneration of the members of the Board of Management is comprised of a non-performance-linked and a performance-linked component as well as short-term and long-term incentives. The non-performance-linked part is comprised of the basic salary and fringe benefits, and the performance-linked component covers a management profit sharing component. Provisions for a minimum remuneration and for a cap on total remuneration have been put in place to compensate for unexpected earnings developments. Moreover, there is a long-term share-based remuneration (stock options) for some members of the Board of Management that is tied to a long-term development of the RHÖN-KLINIKUM AG share. The contingent retirement benefits are always based on the annual remuneration at the time when the service relationship is terminated. These benefits are thus influenced by the non-performance-linked and performance-linked components of the remuneration scheme.

The basic salary as a rule is € 192,000 p.a. and is paid out as non-performance-linked remuneration in twelve equal monthly instalments. The chairman of the Board of Management is normally entitled to 1.5 times to twice said standard salary. The permanent representative of the chairman of the Board of Management in turn receives a 10% higher basic salary. The members of the Board of Management also receive additional non-cash benefits essentially consisting in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance, moving expenses and the D&O insurance. Since use of a company car and the accident insurance premiums are remuneration components, each individual member of the Board of Management has to pay

tax on these benefits. As a general rule, all members of the Board of Management are entitled to these in the same way, the amount of which varies depending on the member's personal situation.

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

As a general rule, these guidelines apply to all service contracts of members of the Board of Management that are entered into or amended as of such date. This was done for all members of the Board of Management holding office in financial year 2016. The calculation of the management profit sharing bonuses is adjusted to the changed circumstances of the Group. The provision for the management profit sharing bonuses of the members of the Board of Management holding office in financial year 2016 comprised the following elements:

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

This option exists when justified by special grounds, also for the other members of the Board of Management.

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

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

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

reaching the age of 60 for a reason not attributable to the Company, or does not renew the service contract despite having been received an offer for a renewal.

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

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

In financial year 2016, the incumbent members of the enlarged Board of Management received a total of € 4.9 million (previous year: € 4.2 million). Of this total, € 1.0 million (previous year: € 0.8 million) was accounted for by components that are not performance-linked and € 3.9 million (previous year: € 3.4 million) by variable components. The provision for claims to post-retirement benefits by the incumbent Board of Management in accordance with IFRS amounted to € 2.2 million (previous year: € 1.4 million) as at 31 December 2016. Members of the Board of Management no longer holding office or their surviving dependants received no remuneration.

Remuneration of the Supervisory Board

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

The fixed basic remuneration is € 40 thousand for each full financial year. The chairman of the Supervisory Board receives three times, and the deputy chairmen of the Supervisory Board twice the amount of the fixed basic remuneration. In the case of the fixed basic

remuneration, a share of € 20 thousand is conditional on attendance of the plenary meetings and the Annual General Meeting. For each non-attendance, this share is reduced by one fifth.

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

Moreover, the members of the Supervisory Board receive overall a fixed total remuneration equal to € 800 thousand per year. This fixed total remuneration is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. In addition to the responsibility assumed, this duly reflects in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year.

All expenditures which members of the Supervisory Board incur in the performance of their mandate as well as the VAT payable on the payments are reimbursed. The Company's chauffeur service and an office including a secretariat are made available to the chairman of the Supervisory Board. No loans are granted by the Company to the members the Supervisory Board. In financial year 2016, the remuneration of the active members of the Supervisory Board was € 2.0 million (previous year: € 2.2 million). The total amount in 2016 was completely accounted for by fixed remuneration components.

Remuneration of the Advisory Board

For each meeting attended in person, the members of the Advisory Board receive a fixed attendance fee of € 1.4 thousand. In addition, the members are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the payments.

The Company does not grant any loans to the members of the Advisory Board.

In financial year 2016, the total payments of the Advisory Board (excluding VAT) amounted to € 21 thousand (previous year: € 20 thousand).

Remuneration tables 2016

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

	2016	2015
	€ '000	€ '000
Payments of the Supervisory Board	2,023	2,215
Payments of the current Board of Management	4,851	4,156
Payments of former members of the Board of Management	0	0
Payments of the Advisory Board	21	20

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

Total payments	Fixed basic remuneration € '000	Fixed attendance fee € '000	Fixed total remuneration € '000	Total 2016 € '000	Total 2015 € '000
Eugen Münch	120	48	197	365	390
Joachim Lüddecke (until 10 June 2015)	0	0	0	0	75
Georg Schulze-Ziehaus	80	48	35	163	140
Wolfgang Mündel	80	52	158	290	313
Peter Berghöfer	40	20	34	94	91
Bettina Böttcher	36	12	16	64	76
Björn Borgmann (since 10 June 2015)	40	24	35	99	51
Prof. Dr. h. c. Ludwig Georg Braun	40	22	31	93	76
Sylvia Bühler (until 10 June 2015)	0	0	0	0	31
Helmut Bühner (until 10 June 2015)	0	0	0	0	40
Prof. Dr. Gerhard Ehninger	36	14	14	64	68
Stefan Härtel	40	24	35	99	92
Klaus Hanschur	40	22	33	95	88
Reinhard Hartl (until 10 June 2015)	0	0	0	0	53
Stephan Holzinger (until 31 January 2017)	40	68	84	192	165
Meike Jäger (since 10 June 2015)	36	14	22	72	49
Dr. Heinz Korte (until 10 June 2015)	0	0	0	0	61
Michael Mendel (until 10 June 2015)	0	0	0	0	38
Dr. Brigitte Mohn	32	8	8	48	64
Christine Reißner (since 10 June 2015)	40	20	34	94	49
Oliver Salomon (until 10 June 2015)	0	0	0	0	53
Evelin Schiebel (since 10 June 2015)	40	24	26	90	38
Dr. Franz-Josef Schmitz (until 10 June 2015)	0	0	0	0	35
Dr. Katrin Vernau	40	24	37	101	79
	780	444	799	2,023	2,215

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

Incumbent members of the Board of Management	Prof. Dr. Bernd Griewing (member of the Board of Management)					
	Inducements granted				Inflow	
	2016	2015	2016 (min)	2016 (max)	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	192	0	192	192	192	0
Fringe benefits	8	0	8	8	8	0
Total	200	0	200	200	200	0
One-year variable remuneration						
Management profit sharing	854	0	408	1,008	854	0
Total payments	1,054	0	608	1,208	1,054	0
Pension expense ¹	127	0	127	127	127	0
Total remuneration	1,181	0	735	1,335	1,181	0

Incumbent members of the Board of Management	Martin Menger (member of the Board of Management until 23 February 2017)					
	Inducements granted				Inflow	
	2016	2015	2016 (min)	2016 (max)	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	10	10	10	10	10	10
Total	202	202	202	202	202	202
One-year variable remuneration						
Management profit sharing	556	308	408	1,008	556	308
Multi-year variable remuneration						
Virtual share options	30	495	0	1,451	72	304
Total payments	788	1,005	610	2,661	830	814
Pension expense ¹	105	61	105	105	105	61
Total remuneration	893	1,066	715	2,766	935	875

Incumbent members of the Board of Management	Jens-Peter Neumann (member of the Board of Management until 23 February 2017, permanent representative of the chairman of the Board of Management until 31 January 2017)					
	Inducements granted				Inflow	
	2016	2015	2016 (min)	2016 (max)	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	211	211	211	211	211	211
Fringe benefits	10	9	10	10	10	9
Total	221	220	221	221	221	220
One-year variable remuneration						
Management profit sharing	1,000	739	989	2,189	1,000	739
Multi-year variable remuneration						
Virtual share options	30	495	0	1,451	72	304
Total payments	1,251	1,454	1,210	3,861	1,293	1,263
Pension expense ¹	111	115	111	111	111	115
Total remuneration	1,362	1,569	1,321	3,972	1,404	1,378

Incumbent members of the Board of Management	Dr. Dr. Martin Siebert (chairman of the Board of Management until 31 January 2017, permanent representative of the chairman of the Board of Management since 1 February 2017)					
	Inducements granted				Inflow	
	2016	2015	2016 (min)	2016 (max)	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	10	10	10	10	10
Total	394	394	394	394	394	394
One-year variable remuneration						
Management profit sharing	1,334	808	1,116	2,616	1,334	808
Multi-year variable remuneration						
Virtual share options	30	495	0	1,451	72	304
Total payments	1,758	1,697	1,510	4,461	1,800	1,506
Pension expense ¹	155	144	155	155	155	144
Total remuneration	1,913	1,841	1,665	4,616	1,955	1,650

¹Pension expense includes service cost according to IAS 19

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

Retirement pension benefits	Provision as at 31 Dec. 2015 € '000	Change in retirement benefits € '000	Provision as at 31 Dec. 2016 € '000	Nominal amount on contract expiry ¹ € '000
Incumbent members of the Board of Management				
Prof. Dr. Bernd Griewing	0	135	135	654
Martin Menger (until 23 February 2017)	522	42	564	935
Jens-Peter Neumann (until 23 February 2017)	351	292	643	1,237
Dr. Dr. Martin Siebert	499	406	905	1,771
Total	1,372	875	2,247	4,597

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

Bad Neustadt a. d. Saale, 6 April 2017

The Supervisory Board The Board of Management