

Declaration of Compliance 2012

The Executive Board and the Supervisory Board of H&R AG declare that between 21 December 2011 and 15 June 2012, the company has followed and continues to follow the recommendations made by the Government Commission of the German Corporate Governance Code as amended on 26 May 2010 and published by the German Federal Ministry of Justice in the official part of the Federal Gazette and the recommendations made by the Government Commission of the German Corporate Governance Code as amended on 15 May 2012 and announced on 15 June 2012, with the following exceptions:

- Item 4.2.3, Paragraph 2 of the Code: The variable remuneration components paid to Detlev Wösten, deputy member of the Executive Board, are made up equally of the annual consolidated operating result (EBITDA), adjusted for any extraordinary result as defined in Art. 275 para. 2 no. 16 of the German Commercial Code (HGB), and a second so-called earnings component dependent on personal targets. From the company's 2013 financial year, this will be a maximum of 100% of the annual fixed remuneration. This form of variable remuneration was decided upon in light of Detlev Wösten's position on the Executive Board being limited to the end of 2013. Since there are no long-term performance results that can be used for the calculation of the remuneration, no negative developments will be taken into account either. The Executive Board and the Supervisory Board are certain that this form of variable remuneration does not represent any kind of false incentive to the company's sustainable development, since the variable remuneration components will at most be 100% of the annual fixed remuneration from 2013. Should Mr Detlev's position on the Executive Board be extended, this form of variable remuneration will be examined against the legal requirements and the Code's recommendations.
- Item 4.2.3, Paragraph 3 of the Code: The German Corporate Governance Code recommends that no subsequent changes to the targets or comparison parameters are made for variable remuneration components. The executive employment contracts of all Executive Board members ensure that the variable remuneration is limited in case of extraordinary developments in the company that could not have been foreseen at the time the contract was drawn up or at the time that targets were defined, which are deemed to make the payment of the agreed variable remuneration or the achievement of the defined targets unreasonable. This could also be dealt with by appropriate amendments to the targets already defined for the payment of variable remuneration. It is the opinion of the Executive Board and the Supervisory Board that this does not represent any form of prohibited repricing as defined in Item 4.2.3, para. 3 of the German Corporate Governance Code, but rather an amendment of the agreed targets which, due to unforeseen circumstances, could be interpreted as false incentives. Since the decision of whether the amount of variable remuneration or the predetermined targets could be deemed unreasonable lies with the company, a subsequent change to the targets which would be unprofitable for the company is precluded.
- Item 4.2.3, Paragraph 4 of the Code: In the case of Luis Rauch or Niels H. Hansen terminating their executive roles prematurely, the calculation of the compensation cap will not be based on total remuneration of the previous financial year or the estimated total remuneration for the current financial year, but rather solely on the annual fixed

remuneration without consideration of the variable remuneration components. This regulation is more beneficial for the company than the recommendation of the Code and is therefore in the interest of the company.

- Item 5.1.2, Paragraph 2 of the Code: With the exception of the executive employment contract held by Mr Luis Rauch, neither the executive employment contracts of other Executive Board members nor the rules of procedure for the Executive Board stipulate a general age limit for members of the Executive Board at H&R AG. Given the age structure of the company's current Executive Board, the Executive and Supervisory Boards see no need for a rule of this kind. Furthermore, imposing a formal age limit would needlessly make it more difficult to find suitable Executive Board members. When searching for suitable candidates, the focus should be on individuals' qualifications, not their age.

- Item 5.4.5, Paragraph 1 of the Code: The former Chairman of the Supervisory Board at H&R WASAG AG, Mr Bernd Günther, was an executive at a publicly listed company. In total, he held more than three Supervisory Board mandates at listed companies outside the Group. In this particular case the Supervisory Board considered it unnecessary to limit the number of mandates, as the Chairman of the Supervisory Board had sufficient time to fulfil his mandates. With Mr Bernd Günther's exit from the Executive Board following the company's 2012 Annual Shareholders' Meeting on 31 May 2012, the company is again in compliance with Item 5.4.5, Sentence 2 of the Code's recommendations.

- Item 5.4.6, Paragraph 2: The annual variable remuneration for the Supervisory Board according to Section 15, Paragraph 1 of the Articles of Association, is linked to the return on capital employed (ROCE), which is calculated on the basis of the audited and approved consolidated financial statements by dividing the earnings before interest and tax (EBIT) by the interest-bearing capital, i.e. the sum of net financial debt, equity and pension provisions. This financial-year-related variable remuneration is not tailored to sustainable company development in terms of a time frame spanning several years, as intended by Art. 87, Para. 1, Sentences 2 and 3 of the German Companies Act for executive remuneration. The current regulations in the Articles of Association were made before the Code's recommendations came into force and have therefore not taken the new recommendations into account. The Executive Board and the Supervisory Board are currently deciding whether to suggest an amendment to the Supervisory Board's variable remuneration in light of the new recommendations at the Annual Shareholders' Meeting.

Salzbergen, Germany, 11 December 2012

Niels H. Hansen
- Chief Executive
Officer -

Luis Rauch
- Member of the
Executive Board -

Detlev Wösten
- Deputy member of
the Executive Board -

Dr Joachim Girg
- Chairman of the
Supervisory Board -