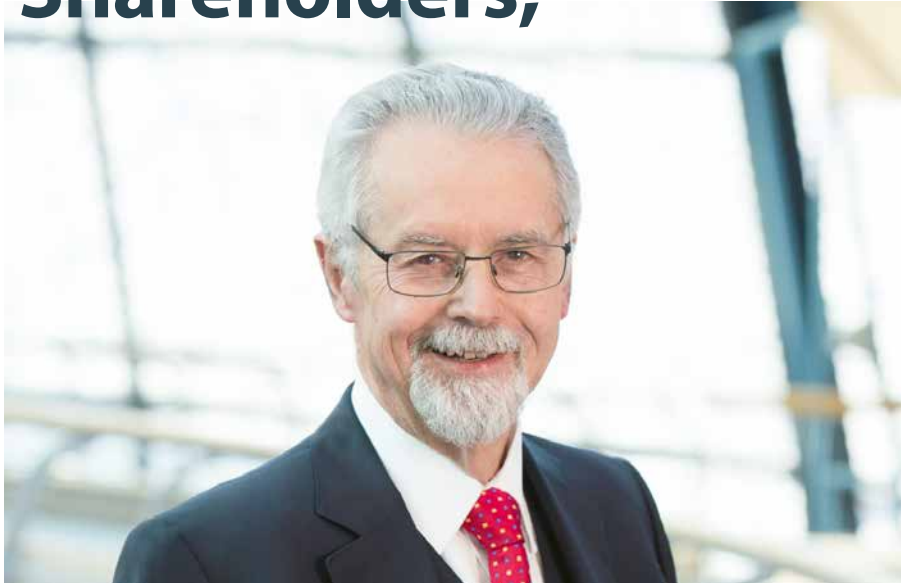


Dear Shareholders,



Chairman of the Supervisory Board
Eugen Münch

In the following I report to you on the work of the Supervisory Board and its committees during the 2019 financial year:

Cooperation between Supervisory Board and Board of Management

During the 2019 financial year also, the Supervisory Board examined on an ongoing basis and in detail the situation and development of the Company, fully performing the duties incumbent on it by law, the Articles of Association and the Terms of Reference: these include continuously monitoring management activity and regularly advising the Board of Management in connection with the directing of the Company. At the same time the Supervisory Board, in performing its duties, was at all times guided by the decisive principles of appropriateness, compliance with legal provisions, expediency and efficiency. Observance of these principles by the Board of Management was monitored by regularly reviewing the Company's general organisation and verifying the instruments used for internal risk control.

The Supervisory Board was involved in fundamental and important decisions taken by the Board of Management of RHÖN-KLINIKUM AG. The Board of Management as a general rule complied with its information duties, keeping us informed on a timely basis both in

written form and orally, with documents and records of relevance for decisions being provided to the Supervisory Board in good time prior to the respective deliberations and formal meetings. The Supervisory Board reviewed the reporting and the information submitted by the Board of Management regarding strategic and operative business performance, compliance issues as well as risks and risk management for plausibility and comprehensibility, advised the Board of Management, discussed issues of development comprehensively with the Board of Management and also scrutinised the same whenever appropriate.

The areas of focus of deliberations in the corporate bodies and with the Board of Management – as already in the previous years as well – were the further strategic development of the Group, with the main focus this year being on issues, projects and measures for implementing new care concepts reflecting the needs of patients. The role of escorting the Board of Management in these changes in an ongoing advisory capacity, e.g. in putting into service the pilot project RHÖN-Campus at Group headquarters in Bad Neustadt an der Saale, the implementation of the new RHÖN flow principle, the entry into telemedicine as well as the digitalisation of the business model, were among the key tasks of the Supervisory Board.

The chairman of the Supervisory Board moreover engaged in a regular exchange of information and ideas with all members of the Board of Management – also between meetings held by the corporate bodies – and was kept thoroughly informed at all times about material developments and current business transactions. The Board of Management complied with its duties to inform. We thoroughly discussed the resolution proposals made by the Board of Management and, to the extent required by statute, the Articles of Association and the Terms of Reference, voted on the same after a thoroughgoing review in the Supervisory Board and in the respective competent Supervisory Board committees. In a few cases, we were advised and assisted by external experts and advisers in the interests of the shareholders. Where required in the case of particularly pressing and time-critical business matters, the Supervisory Board, or, as the case may be, the competent committee held meetings by means of conference calls and also adopted resolutions by voting in written form.

Work of the Supervisory Board in committees and plenary session

With a view to performing its tasks and assuming its responsibility in the best possible way, the Supervisory Board has set up a total of seven standing committees whose members possess specific expertise and experience for the special issues dealt with in the committees. The committees prepare resolutions and issues to be decided in the plenary session of the Supervisory Board. They act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association – also in lieu of the Supervisory Board – and the Terms of Reference of the latter to the extent consistent with statute and previously defined by the Supervisory Board. The committees generally meet separately from plenary sessions. Meetings were also held as conference calls convened on short notice as required.

The **Investment, Strategy and Finance Committee** held three ordinary meetings during the year under review (attendance rate: 100 per cent), two of which were held as joint meetings with the Medical Innovation and Quality Committee (attendance rate: 90 per cent).

At the ordinary meetings of the Investment, Strategy and Finance Committee, the chairman of the Board of Management reported at each meeting on current developments in the industry and on the business position of the Group, as well as on the development of investments and financing in a continuously updated investment and finance plan. At each meeting, the members of the Board of Management reported regularly – in some cases consulting specialist employees possessing the requisite qualifications – in status reports on the development at the individual sites of the Group in accordance with their areas of responsibility.

Specific motions for approval of investment projects and financing measures were openly discussed, critically reviewed and – after the members carefully considered and were fully convinced of the same – adopted in the committee based on detailed written resolution proposals of the Board of Management as well as, among other things, on market studies and investment calculations. For example, the committee gave its approval for construction measures at the sites of UKGM in Giessen (modernisation of Klinik Seltersberg and Neubau Parkhaus) and Marburg (new construction of the Clinic for Paediatric and Juvenile Psychiatry as well as modernisation and restructuring of the OR area).

To supplement the existing financing measures of the Group, the committee gave its approval by way of written procedure to the issue of a long-term registered bond for 60 million euros. With the establishment of Medgate Deutschland GmbH together with the Swiss telemedicine provider Medgate in a joint venture, we entered the area of telemedicine for generalised healthcare delivery in Germany. After extensive consultation and careful consideration at its meeting on 5 November 2019, the committee gave its consent to the establishment of the new subsidiary, approved its comprehensive financing and set out its support by the Supervisory Board in view of its special importance for the future.

At all meetings, the key focus of supervision and consultations was on the commissioning and start-up of the Bad Neustadt health campus project completed at the end of the previous financial year. Key issues in this connection were process and patient management and avoiding wasting resources as a result of misallocations. The committee also thoroughly assessed the effects of the government regulatory restrictions in the nursing area and their negative impact on the trend in service volumes. Another area of focus of the deliberations was the continued operation and development of patient numbers of the Marburg Ion Beam Therapy Centre (MIT GmbH) wholly taken over by us.

At a conference call held during the reporting year (attendance rate: 100 per cent) and in a written resolution procedure, the **Personnel Affairs Committee** prepared subjects relating to personnel matters of the Board of Management for the Supervisory Board and, to the extent required, adopted resolutions and made recommendations to the Supervisory Board on the adoption of resolutions.

During the past financial year also, the **Mediation Committee** (pursuant to section 27 (3) of the Co-Determination Act (*Mitbestimmungsgesetz*, *MitBestG*)) did not have to be convened.

The **Audit Committee** of the Supervisory Board met five times in the year under review (attendance rate: 90 per cent). All meetings were attended by the Board of Management. Two meetings were attended by the statutory auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PWC). For selected agenda items, the committee – as proposed by the Board of Management – consulted the heads of the Internal Auditing, Compliance as well as Accounting, Tax, Controlling and Finance departments, who were available to the committee for additional reports and questions.

This committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2018. Also reviewed and discussed were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries which were subjected to critical review by the members of the committee, as well as the proposal on the appropriation of the net distributable profit.

The Audit Committee assessed the independence of the auditor designated for auditing the annual financial statements for the 2019 financial year and for the review of the Half-Year Financial Report, obtained the statement regarding the auditor's independence pursuant to Item 7.2.1 of the German Corporate Governance Code, recommended to the plenary session of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting and – after the election – issued the auditor with the audit mandate and concluded with it a reasonable remuneration agreement for the same. The statutory auditor moreover reported to the committee on orders for services performed in addition to the auditing services rendered. The qualification of the statutory auditor was monitored by the committee. A list of audit items was once again prepared and defined for the audit in 2019.

Questions of fundamental importance relating to accounting, corporate planning, the capital base, the supervision of the accounting process, as well as the effectiveness of the internal controlling system, risk management system (including special business risks), and the internal audit system were discussed with the Board of Management and in some cases also with the statutory auditor. The interim reports were thoroughly discussed on a regular basis with the Board of Management prior to their publication, as well as the half-year financial report with the Board of Management and in the presence of the statutory auditor, giving due regard to the review by the latter.

The Group controlling report on performance and finance controlling submitted quarterly, which forms part of our risk management system, was thoroughly discussed at every meeting with the Board of Management. Here, the development of service volumes and earnings of the Group and of the individual Group hospitals was also analysed, questioned and discussed with the Board of Management, also with regard to deviations from targets.

The body kept itself regularly informed about the activity of the Internal Auditing department by the responsible member of the Board of Management and by reports submitted by the head of Internal Auditing, and examined the auditing plan for 2019 as well as its update. The auditing plan for 2020 was approved. The audit reports of the Internal Auditing department as well as the 2018 activity report were then submitted and discussed with the Board of Management. We kept ourselves informed by the Board of Management on the implementation of the recommendations by the Internal Auditing department through information on the results of follow-up reporting and inspection. We once again satisfied ourselves of the effectiveness of the Internal Auditing department.

In updating, and amending during the year under way, of the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (*Aktiengesetz*, AktG) relating to the recommendations of the German Corporate Governance Code, the version of 7 February 2017 was reviewed as to its application and duly considered, with a corresponding resolution proposal being submitted to the Supervisory Board as a whole.

The Committee was responsible for the preparing the tender procedure for the auditor of the accounts from 2021 and adopted the tender for the audit of the financial statements.

For the non-financial declaration at the Company level and Group level to be submitted in the form of a separate condensed non-financial report for 2019, the committee once again adopted a resolution on the performance of a voluntary external audit. The audit assignment was issued on the basis of an offer and by fee agreement to the statutory auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PWC).

The **Committee for Compliance and Communication** serves to advise and supervise the Board of Management and senior executives with respect to compliance with legal and other provisions as well as with regard to communication by the Company with the media and the capital market. To ensure close and non-bureaucratic coordination with the Audit Committee, which, among other things, is responsible for supervising the Internal Auditing department, the chairman of the committee for Compliance and Communication is assigned a seat on the Audit Committee.

In 2019, the committee met four times (attendance rate: 100 per cent). The Board of Management was represented at all meetings by at least one member of the Board of Management and was assisted in the deliberations at all times by the Central Compliance and Internal Auditing departments as well as in some instances by the heads of the Group's Investor Relations, Communications and IT divisions as well as the Group data protection officer.

In the area of corporate communications, the Board of Management informed on reporting relating to the campus in Bad Neustadt, on the establishment of the new communications strategy within the Group and on the new requirements for reporting in the Management Report. The committee was furthermore kept informed about the investor relations activities, current draft legislation (second German Act Implementing the Shareholder Rights Directive (*zweites Gesetz zur Umsetzung der Aktionärsrechterichtlinie*, ARUG II)), as well as the planned revision of the German Corporate Governance Code and the audit performed in accordance with the German IT Security Act (*IT-Sicherheitsgesetz*, IT-SiG) relating to critical infrastructure.

The **Medical Innovation and Quality Committee** provides the Board of Management with technical advice on developments and trends in medicine and monitors the situation and development of medical quality within the Company. During the reporting year, the committee did not hold any separate meetings but convened exclusively in two joint meetings with the Investment, Strategy and Finance Committee (see above).

The **Nomination Committee**, which selects candidates from the shareholders' representatives for supervisory board office and proposes them to the Supervisory Board, held one conference call (attendance rate: 100 per cent). Subjects were the preparation for the Supervisory Board of a proposal to the 2019 Annual General Meeting on the succession to Professor Dr. h. c. Ludwig Georg Braun, who left the Supervisory Board upon reaching the retirement age in accordance with the Articles of Association, and perspectives for a composition of the Supervisory Board on new elections at the 2020 Annual General Meeting.

During the reporting year, four regular meetings of the **full Supervisory Board** were held (attendance rate: 94 per cent). No member of the Supervisory Board attended fewer than half the meetings of the Supervisory Board and the committees attached to it. The members of the Board of Management attended the meetings of the Supervisory Board except in the case of agenda items relating to internal matters of the Supervisory Board and matters pertaining to the Board of Management. At all meetings, the Board of Management was supported by the head of Accounting, Tax, Controlling and Finance.

At the four ordinary meetings of the Supervisory Board, the **plenary session**, based on detailed reports of the chairman of the Board of Management on current developments, strategic issues and the financial position of the Group, as well as based on the written reports and presentations by the Board of Management, regularly deliberated together with the Board of Management on the net assets, financial position and results of operations, the trend in revenues and earnings, the performance data, key figures and personnel of the Company and Group as well as of the individual Group subsidiaries. The Board of Management moreover informed on the current developments in healthcare policy, the healthcare environment, healthcare legislation and their impact on the Group as well as the competitive situation. The respective interim reports for the past quarters were explained by the Board of Management in detail at the plenary session prior to publication.

At the first meeting of the financial year on 21 February 2019, the Supervisory Board, on the recommendation by the Nomination Committee, deliberated on the succession to the member leaving the Supervisory Board on conclusion of the 2019 Annual General Meeting upon reaching the retirement age, Prof. Dr. Braun, and on the future design and composition of the Supervisory Board for the new election by the 2020 Annual General Meeting. Mr. Jan Hacker, chairman of the board of management of Oberender AG, was nominated as successor. The Board of Management, as part of its status reports on the sites of the Group, informed chiefly on the impressions and experience gained from putting into service the newly opened campus in Bad Neustadt. We received the report of the Board of Management on planning for 2019 for the parent company (AG) and the Group and on the proposal for the appropriation of profit for 2018, and approved the submitted drafts of the Report of the Supervisory Board, the Corporate Governance Report for financial year 2018 and the Declaration on Corporate Governance pursuant to section 289f of the German Commercial Code (*Handelsgesetzbuch*, HGB).

At the balance sheet meeting on 28 March 2019 also attended by the statutory auditors, the plenary session discussed the annual financial statements and management report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group management report for financial year 2018 together with the Board of Management and the statutory auditor PWC. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. The plenary session approved the annual financial statements. Also discussed at this meeting were the preparations for the Annual General Meeting on 5 June 2019, in particular the adoption of resolution recommendations of the Supervisory Board on the resolution proposals in the agenda items for the

Annual General Meeting after a prior discussion of the agenda items. Further approval resolutions were adopted for, among other things, the Report of the Supervisory Board, Corporate Governance Report and the Declaration on Corporate Governance pursuant to section 289f of the German Commercial Code (*Handelsgesetzbuch*, HGB). After the Supervisory Board completed its own review, the separately summarised non-financial report audited by PWC was approved for 2018.

At the meeting on 3 July 2019, the plenary session first decided once again to consult an external expert to conduct an efficiency audit regarding the activity of the Supervisory Board. At this meeting the focus of the deliberations, as a result of the reporting from the committee's work, was on subjects like optimising the care concept at our hospitals to improve economic efficiency and on the control measures required for this to ensure use of resources according to the needs of patients. When submitting the divisional and hospital results, the Board of Management reported extensively on the stage reached in the rehabilitation of the Marburg Ion Beam Therapy Centre (MIT GmbH). Another key subject was the analysis of the impending earnings development and the impact of extraordinary effects on earnings planning and annualisation for 2019.

At the Supervisory Board meeting on 6 November 2019, the Supervisory Board, in the absence of the Board of Management, first looked at Board of Management matters and issues internal to the Supervisory Board. A special focus continued to be on the impact of the tightened industry-specific regulatory framework conditions on the current and future trend in earnings and counter-measures or strategies to exploit opportunities. A resolution on a recommendation by the Audit Committee was adopted for the annually submitted Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (*Aktiengesetz*, AktG) regarding the recommendations of the German Corporate Governance Code.

Corporate Governance Code and Declaration of Compliance

During the past financial year, the Supervisory Board also examined the further development and implementation of the recommendations and suggestions as set out in the German Corporate Governance Code. The Declaration of Compliance issued on 8 November 2018 pursuant to section 161 of the AktG as amended during the year under way on 18 January 2019, was revised and, giving due regard to the Code as amended on 7 February 2017, was replaced by an updated Declaration of Compliance issued on 6 November 2019 by the Board of Management and the Supervisory Board. An addition was made by the amendment in the year under way of this Declaration of Compliance on 19 March 2020. The declarations were permanently made available to the shareholders on the Company's website. In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board jointly report on corporate governance on pages 51ff. of this Annual Report.

Examination and approval of the 2019 financial statements

The Board of Management adopted the financial statements of the Company and the management report for the year ended 31 December 2019 in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements and Group management report for the year ended 31 December 2019 were adopted pursuant to section 315e of the German Commercial Code (HGB) in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has examined the financial statements of the Company and Management's report as well as the consolidated financial statements and Management's consolidated report for the year ended 31 December 2019. The auditors of the accounts issued an unqualified auditor's report in each case.

The financial statements of the Company and management report, the consolidated financial statements and Group management report as well as the reports of the auditors on the result of their audit were received by all members of the Supervisory Board together with the Management's proposal for the appropriation of the net distributable profit for the year. These documents were examined by the Supervisory Board and extensively discussed by the Audit Committee and by the Supervisory Board with representatives of the auditors at the respective balance sheet meetings. As

part of the audit, the Audit Committee and the Supervisory Board examined both the accounting findings and the procedures and processes relating to the accounting findings. As the standard of their review, they primarily applied the criterion of legality and verified whether the documents submitted comply with legislation in force and, in particular, with applicable accounting rules. Furthermore, in addition to their review of legality they also conducted an expediency review in terms of accounting, financial and business policy aspects. Based on the findings of the preliminary review by the Audit Committee, the Supervisory Board concurred with the findings of the auditors and, having conducted its own review, determined that it sees no grounds for objections.

The Supervisory Board approved the financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 19 March 2020 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

The Supervisory Board approves the Board of Management's proposals for the appropriation of net distributable profit.

Review of separate condensed Non-Financial Report

The Audit Committee and the Supervisory Board have furthermore examined the separate condensed Non-Financial Report prepared with the Board of Management for 2019. The auditing firm PricewaterhouseCoopers GmbH has conducted a review to obtain limited assurance and has issued an unqualified report. The documents were carefully reviewed by the Audit Committee at its meeting on 18 March 2020 and by the Supervisory Board at its meeting on 19 March 2020. The Board of Management thoroughly explained the reports at both meetings. Representatives of the auditor attended the meeting of the Audit Committee on 18 March 2020 and reported on the key results of their review and answered additional questions from the Supervisory Board members. After its review, the Supervisory Board had no objections.

Changes and composition of the Board of Management

This Annual Report presents the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading "Corporate bodies of the Company".

Changes and composition of the Supervisory Board

In accordance with the requirements of the Co-Determination Act (MitBestG) and after the effective date of the amendment of the Articles of Association in § 10 (Size and composition of Supervisory Board) adopted by the 2014 Annual General Meeting, the Supervisory Board of RHÖN-KLINIKUM AG as of 10 June 2015 is comprised of 16 members. Eight Supervisory Board members were elected by the shareholders and eight Supervisory Board members by the employees.

Prof. Dr. Ludwig Georg Braun left the Supervisory Board on conclusion of the 2019 Annual General Meeting upon reaching the retirement age in accordance with the Articles of Association. The 2019 Annual General Meeting elected Mr. Jan Hacker, chairman of the board of management of Oberender AG, as successor.

The personal details of the members of the Supervisory Board in 2019 are set out in the Notes to the consolidated financial statements. The section also provides information on the professional qualifications of the Supervisory Board members as well as their further mandates. The organisational structure of the Supervisory Board and the composition of the committees during the past financial year are set out in the overview provided following this report.

The Supervisory Board thanks the members of the Board of Management, all employees of the Group as well as the employee representatives of all Group companies for their commitment and work performed during the past financial year.

The Supervisory Board

Eugen Münch
Chairman

Bad Neustadt a. d. Saale, 19 March 2020

OVERVIEW OF THE ORGANISATIONAL STRUCTURE OF THE SUPERVISORY BOARD AND COMPOSITION OF THE STANDING COMMITTEES

(period of 1 January–31 December 2019)

Chair of the Supervisory Board

Eugen Münch
Chairman

Georg Schulze-Ziehaus
1st deputy chairman

Wolfgang Mündel
2nd deputy chairman

Composition of the committees

Investment, Strategy and Finance Committee

Eugen Münch
Chairman

Dr. Annette Beller
Prof. Dr. Ludwig Georg Braun
(until 5 June 2019)
Jan Hacker (from 24 June 2019)
Stefan Härtel
Klaus Hanschur
Wolfgang Mündel
Oliver Salomon
Georg Schulze-Ziehaus

Personnel Affairs Committee

Eugen Münch
Chairman

Stefan Härtel
Dr. Brigitte Mohn
Georg Schulze-Ziehaus

Mediation Committee

Eugen Münch
Chairman

Prof. Dr. Ludwig Georg Braun
(until 5 June 2019)
Jan Hacker (from 24 June 2019)
Meike Jäger
Georg Schulze-Ziehaus

Audit Committee

Wolfgang Mündel
Chairman

Dr. Annette Beller
Peter Berghöfer
Meike Jäger
Christine Reißner
Dr. Katrin Vernau

Committee for Compliance and Communication

Dr. Annette Beller
Chairman

Evelin Schiebel
Dr. Katrin Vernau
Natascha Weihs

Medical Innovation and Quality Committee

Eugen Münch
Chairman

Prof. Dr. Ludwig Georg Braun
(until 5 June 2019)
Prof. Dr. Gerhard Ehninger
Jan Hacker (from 24 June 2019)
Klaus Hanschur
Evelin Schiebel

Nomination Committee

Eugen Münch
Chairman

Dr. Brigitte Mohn
Wolfgang Mündel