RHÖN-KLINIKUM AG

# INTERIM REPORT
# FOR THE PERIOD FROM
# 1 JANUARY TO 31 MARCH 2001

# Interim Report to our Shareholders on Corporate Performance during the first quarter of 2001

## Summary

Following the adoption of International Accounting Standards (IAS) in 2000, RHÖN-KLINIKUM Group's quarterly reports will also be prepared according to IAS as from the first quarter of 2001.

The Group's business development during the first three months of 2001 was within expectations. We were able to achieve revenues of € 174.7 million. Internal growth was again limited as a result of legal restrictions which confine revenue growth to 2.5 %. About one third of the overall revenue growth realised (+ 4.4 %) was derived from a hospital take-over concluded in business year 2000. This addition to the Group's portfolio contributed substantially (three quarters) to the 8 % increase in the number of patients treated during the period under review. Overall, operating expenditure grew less than proportionately to revenues. After deduction of income taxes and outside shareholders' interests, 2001 first-quarter earnings amounted to € 16.7 million, or € 0.65 per share.

Capital expenditure in the amount of € 18.2 million (of which € 13.5 million for construction projects) was covered by free liquidity and a cash flow of € 26.3 million. The Group continues to show sound and stable financial structures.

## Patients treated

During the first three months of 2001, the total number of patients treated increased by 6,553 or 8 % compared to the same period of the previous year.

| | January through March 2001 | 2000 |
|---|---|---|
| In-patient and day-clinic treatments at acute care hospitals | 45,581 | 42,687 |
| In-patient treatments at rehabilitation clinics | 1,660 | 1,594 |
| Out-patient treatments | 38,810 | 35,217 |

As expected, average Group revenues per case decreased from € 2,104 in the previous year to € 2,030. With the duration of stays in hospital being further reduced, our rehabilitation clinics reported more patient treatments while total revenues from these clinics remained nearly unchanged compared to the previous year.

## Financial Results

*Development of revenues and performance*

During the first three months of 2001, the Group posted total revenues of € 174.7 million, which is in line with our forecasts. Material costs rose more than proportionately, mainly due to intensified use of high-class implants and increased energy costs; here, appropriate counteraction is under consideration. Other operating expenditure developed favourably. The interest balance remains unchanged. The tax rate is substantially lower in 2001 thanks to the cut in the corporate tax rate.

| | January through March 2001 | | Previous year IAS* | Previous year HGB |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| Revenues | | 174.7 | 167.3 | 165.5 |
| Other operating income | | 4.7 | 5.6 | 8.2 |
| | | 179.4 | 172.9 | 173.7 |
| Material costs | 43.9 | | 40.4 | 39.7 |
| Personnel expenses | 83.9 | | 82.4 | 82.6 |
| Depreciation | 9.6 | | 9.3 | 12.1 |
| Other operating expenses | 14.0 | 151.4 | 15.1 | 12.2 |
| | | 28.0 | 25.8 | 27.1 |
| Financial result | | - 3.1 | - 3.1 | - 3.4 |
| | | 24.9 | 22.7 | 23.7 |
| Income taxes | | 6.6 | 5.6 | 9.1 |
| | | 18.2 | 17.0 | 14.6 |
| Outside shareholders' interest in profit | | 1.5 | 1.5 | 1.3 |
| Group net profit January through March | | 16.7 | 15.5 | 13.3 |

* First-quater-figures 2000: full-year-figures 2000 divided by four

*Capital expenditure and financing*

Group capital expenditure during the first three months of 2001 amounted to € 18.2 million. Construction projects in progress in Leipzig, Freital, Herzberg and Attendorn accounted for € 13.5 million. Financing was effected in full from free liquidity and the cash flow of € 26.3 million.

*Structure of assets and liabilities*

Given the investment intensity within the Group and the long-term nature of our activities, there have been no material changes in the structure of assets and liabilities. Our financial structures continue on stable and sound levels, only short-term assets and short-term liabilities increased slightly (mainly due to clearing terms).

| | 31 March 2001 | | 31 December 2000 | |
|---|---|---|---|---|
| | € million | % | € million | % |
| ASSETS | | | | |
| Long-term assets | 599.7 | 73.8 | 591.1 | 76.2 |
| Short-term assets | 213.1 | 26.2 | 184.3 | 23.8 |
| | 812.8 | 100.0 | 775.4 | 100.0 |
| LIABILITIES | | | | |
| Equity | 335.7 | 41.3 | 319.0 | 41.1 |
| Long-term loan capital | 270.5 | 33.3 | 268.4 | 34.6 |
| Short-term loan capital | 206.6 | 25.4 | 188.0 | 24.3 |
| | 812.8 | 100.0 | 775.4 | 100.0 |

Liabilities to banks in the amount of € 261.2 million compare with liquid funds of € 77.9 million.

## Cash flow statement

| | € million |
|---|---|
| Result before income tax | 24.9 |
| Elimination of financial result | 3.1 |
| Depreciation of fixes assets | 9.6 |
| **EBITDA** | 37.6 |
| Change in inventories | 0.6 |
| Change in receivables from supplies and services | -12.4 |
| Change in other receivables | - 2.6 |
| Change in liabilities | 4.8 |
| Change in provisions | 0.1 |
| Other changes | - 0.4 |
| Income tax paid | - 5.7 |
| Interests paid | - 3.9 |
| **Cash generated by operating activitites** | 18.2 |
| Investments in tangible and intangible assets | -18.2 |
| Interest received | 0.8 |
| **Cash utilised in investment activities** | -17.4 |
| Increase in short-term financial debts | 15.9 |
| Redemption of short-term financial debts | 0.0 |
| Increase in long-term financial debts | 0.0 |
| Redemption of long-term financial debts | - 2.3 |
| Dividends paid | 0.0 |
| **Cash generated by financing activities** | 13.6 |
| Change in liquidity | 14.3 |
| Cash at 1 January | 63.6 |
| **Cash at 31 March** | 77.9 |

## Staff

As at 31 March 2001, the Group employed 9.314 persons (31 December 2000: 9.357).

## Outlook

Developments during the first quarter of 2001 were within expectations. Not taking into account possible further take-overs of hospitals, Group revenues for the whole of 2001 are forecast to increase by 3 % to € 690 million. We expect the positive first-quarter trend towards more than proportionate improvements in earnings and cash flow to continue.

Bad Neustadt/Saale, 2 May 2001

RHÖN-KLINIKUM AG
The Board of Management