RHÖN-KLINIKUM AG

INTERIM REPORT
FOR THE PERIOD FROM
1 JANUARY TO 31 MARCH 2002

INTERIM REPORT TO OUR SHAREHOLDERS FOR THE FIRST QUARTER OF 2002

Summary and Outlook

Our interim report is prepared in accordance with the principles of the International Accounting Standards (IAS). In applying these standards, we take into account all improvements, amendments or revisions that may have come to effect as well as the recommendations issued by Deutscher Standardisierungsrat (DRS) regarding the volume and content of interim reports. The accounting and valuation methods are consistent with those applied in the previous year.

In the first quarter of 2002, consolidated revenues rose by 21.8 % to € 212.8 million, while earnings declined by 8.9 % or € 1.9 million to € 14.8 million, falling € 1.2 million below our target of € 16 million which we had determined taking into consideration the following:

- Loan capital needs in the context of the take-over of Klinikum Frankfurt (Oder);
- Moderate start-up losses of our subsidiary in South Africa;
- The negative effect on revenues of the relocation of Park-Krankenhaus Dösen, Leipzig, and commissioning of its two newly constructed buildings;
- A reduction in revenues of Psychosomatische Klinik, Bad Neustadt, due to renovation measures; and
- A strong increase in executive staff numbers and related costs; however, building up managerial capabilities is seen as a must if we are to cope with the challenges of future growth.

The following factors had a stronger-than-expected influence on results:

- At DKD, a slow start of reorganisation measures to eliminate capacity bottlenecks;
- At several other hospitals, unsatisfactory progress in cost cutting due to still lacking rationalisation support not only from employees but also from managerial staff;
- In the above context, aggravating claims to vested rights put forward by sub-sections of ver.di., a labour union; and
- Bottlenecks in medical staff (physicians) so that budget charges could not quite be offset as envisaged.

The 2002 first quarter net earnings of €14.8 million (after deduction of earnings taxes) translate into per share earnings of € 0.57.

Looking at the second, third and fourth quarter of 2002, primary concerns are the imponderabilities of the current collective bargaining rounds and the fact that it is becoming increasingly difficult to offset the unrelenting pressure on budgets in the face of an ever growing demand for services, i.e. falling revenues per case at our „older" hospitals. Another concern is the current occupancy rate of our South African subsidiary, although this involves only a limited risk. We are working on a solution to improve the centre's capacity utilisation.

Opportunities for earnings growth will flow from our largely completed rationalisation investments in Park-Krankenhaus Leipzig, DKD in Wiesbaden, Freital and Herzberg as well as the renovation of Psychosomatische Klinik, Bad Neustadt. Targeting rationalisation gains and sound long-term growth, additions to fixed assets divide into € 74.1 million for new acquisitions and € 24.3 million for current investing in new construction, restructuring and extension projects. Of the total invested, € 26.5 million were funded from the operating cash flow; the remaining amount was financed from short-term loan capital. Our financial structures continue to be stable and sound.

All factors considered, we have reason to believe that it will be possible, though not easy, to close business year 2002 with total revenues of € 860 million and earnings of more than € 70 million – not taken into account possible further hospital take-overs.

Patients treated

During the first three months of 2002, the number of patients treated at our hospitals increased by 21,581 or 25 %, compared to the same period of the previous year:

	January through March	
	2002	2001
In-patient and day-case treatments at acute hospitals	56,900	45,581
In-patient treatments at rehabilitation clinics	1,655	1,660
Out-patient treatments	49,077	38,810
	107,632	86,051

The period under review has been the very first quarter with more than 100,000 patient treatments at our facilities.

Confirming their downward trend of previous years, revenues per case within the Group decreased from € 2,030 to € 1,977. Again, this decline was due to legal limitations to hospitals' revenue growth.

Staff

At 31 March 2002, the Group employed 12,211 persons (31 December 2001: 9,432). Most of this increase was attributable to our newly acquired hospitals who added 2,776 employees (as at 31 March) to our workforce.

Business development

	First quarter 2002 € million	%	First quarter 2001 € million	%
Revenues	212.8	100.0	174.7	100.0
Other operating income	6.6	3.1	4.7	2.7
	219.4	103.1	179.4	102.7
Cost of materials	52.3	24.6	43.9	25.1
Personnel costs	110.7	52.0	83.9	48.0
Depreciation	11.7	5.5	9.6	5.5
Other operating expenses	18.1	8.5	14.0	8.2
	192.8	90.6	151.4	86.7
	26.6	12.5	28.0	16.0
Financial result	- 4.1	1.9	- 3.1	1.8
	22.5	10.6	24.9	14.3
Earnings taxes	6.2	2.9	6.6	3.8
	16.3	7.7	18.2	10.4
Minority interests in profit	1.5	0.7	1.5	0.9
Net consolidated profit for the period (January - March 2002)	14.8	7.0	16.7	9.6

Investing and financing

During the first three months of 2002, the Group invested a total of € 98.4 million, of which € 74.1 million (= after deduction of grants under the hospital financing act - KHG) went into new acquisitions in Frankfurt (Oder), Nienburg, Hoya, Stolzenau, Wiesbaden and Hildburghausen.

Current capital spending breaks down by locations as follows:

	€ million
Leipzig	15.1
Uelzen	2.2
Wiesbaden	1.8
Freital	1.7
Attendorn	0.9
Bad Berka	0.8
Other locations	1.8
Total	24.3

Financing was effected from short-term loan capital, the cash flow and available liquid funds.

Structure of assets and liabilities

Apart from the 17.2 % increase in the balance sheet total, the first consolidation of our newly acquired hospitals has had only minor effects on balance sheet structures. The long-term nature of our business activities continues to be reflected in a high investment intensity and long-dated capital investments. Asset coverage by long-term means declined as short-term debt financing of new acquisitions increased. The change in shareholders' equity corresponds to first-quarter results.

The Group's financial structures continue to be stable.

	31 March 2002 € million	%	31 December 2001 € million	%
ASSETS				
Long-term assets				
Fixed assets				
- Intangible assets	24.8	2.5	16.7	2.0
- Tangible assets	692.6	70.6	614.0	73.4
- Financial assets	2.0	0.3	2.0	0.2
	719.4	73.4	632.7	75.6
Short-term assets				
Deferred taxes	7.9	0.8	7.7	0.9
Current assets				
- Inventories	12.3	1.3	10.4	1.2
- Receivables from supplies and services	142.8	14.5	107.5	12.9
- Liquid funds	89.2	9.1	71.5	8.5
- Other items	6.6	0.7	6.4	0.8
Prepaid expenses	2.2	0.2	0.4	0.1
	261.0	26.6	203.9	24.4
	980.4	100.0	836.6	100.0
SHAREHOLDERS' EQUITY AND LIABILITIES				
Long-term capital				
- Equity	376.3	38.4	361.5	43.2
- Minority interests	27.6	2.8	22.4	2.7
- Long-term financial debts	245.9	25.1	238.4	28.5
- Provisions for pensions	9.0	0.9	9.0	1.1
	658.8	67.2	631.3	75.5
Short-term capital				
- Proposed profit distribution	12.6	1.3	12.6	1.5
- Other provisions	3.3	0.3	2.9	0.3
- Deferred taxes	33.0	3.4	33.2	4.0
- Short-term liabilities to banks	104.9	10.7	29.0	3.5
- Liabilities from supplies and services	41.3	4.2	33.7	4.0
- Other items	126.1	12.9	93.4	11.2
- Deferred income	0.4	0.0	0.5	0.0
	321.6	32.8	205.3	24.5
	980.4	100.0	836.6	100.0

Cash Flow Statement

	First quarter 2002 € million	First quarter 2001 € million
Earnings before taxes	22.5	24.9
Elimination of financial result	4.2	3.1
Depreciation of fixed assets	11.7	9.6
EBITDA	38.4	37.6
Change in inventories	- 2.0	0.6
Change in receivables from supplies and services	- 35.3	- 12.4
Change in other receivables	- 3.6	- 2.6
Change in liabilities	45.1	4.8
Change in provisions	0.4	0.1
Other changes	0.0	- 0.4
Earnings taxes paid	- 9.6	- 5.7
Interests paid	- 4.9	- 3.9
Cash generated from operating activities	28.5	18.1
Investments in tangible and intangible fixed assets	- 98.4	- 18.2
Interests received	+ 0.7	0.8
Cash utilised in investing activities	- 97.7	- 17.4
Change in short-term financial debts	75.9	15.9
Change in long-term financial debts	7.4	- 2.3
Inflows/deposits from other companies	3.6	0.0
Dividends paid	0.0	0.0
Cash generated from financing activities	86.9	13.6
Change in liquidity	17.7	14.3
Net cash resources at 1 January	71.5	63.6
Net cash resources at 31 March	89.2	77.9

Bad Neustadt/Saale, 14 May 2002

RHÖN-KLINIKUM AG
The Board of Management