



RHÖN-KLINIKUM AG

Interim Report
First Quarter 2007

Interim report to our shareholders for the first quarter of 2007

General remarks

We are pleased to present this interim report which has been prepared in accordance with International Financial Reporting Standards (IFRS) in their version applicable at the respective reporting date. The accounting and valuation methods are described at length in our Annual Report and are consistent with those applied at the last reporting date.

Review and outlook

During the first quarter of financial year 2007 revenues rose compared with the same period last year by € 48.2 million to reach € 502.0 million (Q1 of previous year: € 453.8 million). This translates into a gain of +10.6%. Net consolidated profit in Q1 2007 saw a slightly disproportionate rise to € 25.2 million (Q1 of previous year: € 22.7 million/+11.0%). Universitätsklinikum Gießen and Marburg improved its result and reduced the loss in the first quarter of 2007 to € 0.4 million (previous year: - € 2.6 million for the months of February and March due to first-time consolidation from 1 February 2006). The other hospitals also raised their quarterly earnings compared with Q1 of the previous year by € 0.3 million in total. This made it possible to compensate for the following burdening effects: the increase in VAT to 19% (which has a cost effect in the hospital area), the statutory reform impost for hospitals of 0.5% of revenues, and start-up financing for integrated care.

Of the growth in revenues by € 48.2 million (+ 10.6%), € 29.6 million is accounted for by revenue from Universitätsklinikum Gießen and Marburg in January 2006. Since the first-time consolidation took place only on 1 February 2006, no year-on-year quarterly comparison is possible. The remaining rise in revenues of € 18.6 million corresponds to organic growth in revenues of 4.1% and reflects the development in case numbers with growth rates of 2.0% in the acute inpatient area and 13.0% in the outpatient area. We treated a total of 388,882 patients in the first quarter of 2007, thus lifting the volume of treatments by 23.9%. Taking into account the date of the first-time consolidation of Universitätsklinikum Gießen and Marburg, the volume of treatments rose by 8.2% on an adjusted basis.

Revenues and net consolidated profit thus developed in line with expectations.

Helped by the ongoing restructuring measures pursued Group-wide, we improved our key figures compared with the previous year. EBITDA increased in the first three months of 2007 by € 9.1 million (+ 17.5%) to € 61.1 million and EBIT by € 4.6 million (+ 12.9%) to € 40.4 million. The corresponding margins also rose, by 0.7 percentage points to 12.2% for EBITDA and by 0.2 percentage points to 8.1% for EBIT.

First-quarter investments of € 31.5 million (Q1 of previous year: € 25.9 million) relate exclusively to replacement and top-up investments at existing hospitals that were financed fully from the operating cash flow of € 45.9 million (Q1 of previous year: € 38.9 million). Financial debt to banks totalling € 610.5 million (31 December 2006: € 615.8

million) compares with cash, cash equivalents and short-term money market securities (the latter stated under other financial-assets) of € 179.8 million (31 December 2006: € 185.6 million), thus resulting in a rise in our net debt to banks incl. the aforementioned securities by € 0.5 million to € 430.0 million in the first quarter of 2007.

The rise in our assets by € 9.5 million to € 1,989.1 million compares with an increase in equity by € 25.2 million as well as a decline in debt capital by € 15.7 million. The equity ratio thus rose from 36.7% to 38.0%. Our non-current assets are financed at matching maturities by equity capital and long-term debt.

The members of the Board of Management and the Supervisory Board – as announced at the meeting of the Supervisory Board on 17 April 2007 – waived that part of their variable remuneration component attributable to a one-off corporation tax effect (Section 37 Corporation Tax Act). This is expected to bring an additional earnings effect of roughly € 1.6 million in Q2 2007. We took this as an opportunity to raise our forecast for net consolidated profit by € 2 million to € 102 million while leaving our revenue forecast of € 2.0 billion unchanged. In this connection we expect to achieve a balanced result overall at Universitätsklinikum Gießen and Marburg in 2007 and to be able to fully offset the additional burdens of roughly € 39 million expected in 2007 from changes in legislation.

Scope of consolidation and acquisitions

As at 31 March 2007 we have 45 consolidated hospitals with 14,577 beds/places (31 December 2006: 14,703) at a total of 34 sites in eight federal states. The newly acquired district hospital Kreis Krankenhaus Köthen with 264 beds approved under the state hospital requirement plan will be consolidated with effect from 1 April 2007. That will bring our capacity to 14,841 beds/places in 46 hospitals at 35 sites in nine federal states.

On 11 April 2007 the Düsseldorf Court of Appeals dismissed our appeal in the cartel proceeding. We are currently reviewing further legal steps. We regard the effect of this decision as questionable in terms of antitrust policy, and problematic from the standpoint of health policy since the decision counteracts the Federal Cartel Office's first and foremost concern, namely to promote competition. The Group's growth will not be affected.

A number of further acquisition projects failed to meet our requirements in terms of qualified growth potential. For this reason we have consistently withdrawn from these bidding procedures. The privatisation process at our two university hospitals is viewed favourably by all, strengthening our expectations for further privatisation projects.

Based on available credit lines of over € 200 million, we have the wherewithal to realise our investment programmes and further acquisitions. In addition we will create the framework conditions for equity capital measures to finance future large-scale acquisitions.

With effect from 1 January 2007 we started a total of ten service companies for provision of infrastructural services

(cleaning, catering, facility management services, and others). Together with competent partners, our past business processes will be optimised in these companies under our management.

Business performance

Patients

| January through March | 2007 | 2006 |
|---|----------------|----------------|
| Inpatient and day-case treatments, | | |
| acute hospitals | 137,786 | 128,452 |
| rehabilitation hospitals and other facilities | 2,354 | 2,219 |
| | 140,140 | 130,671 |
| Outpatient treatments, acute hospitals | 248,742 | 183,103 |
| Total | 388,882 | 313,774 |

In the first three months a total of 388,882 patients (Q1 of previous year: 313,774/+23.9%) were treated in the Group's hospitals.

Roughly 87% of this growth was accounted for by outpatient attendances which in turn were largely driven by the first-time inclusion of full-quarter service volumes of the polyclinical facilities of the university hospitals in Gießen and Marburg (previous year 1 February to 31 March) and the first-time inclusion of service volumes at our medical care centres (MVZs). Adjusting for these effects, the rise compared with the same period last year was 13%.

In the inpatient area the rise in service volumes by 7.3% was mainly driven by the first-time inclusion of full-quarter inpatient service volumes at the university hospitals in Gießen and Marburg. After adjusting for this effect, organic growth in service volumes in the acute inpatient area was 2.0%.

Compared with the same period last year, case numbers in the rehab area rose by 6.1%.

Case revenue

| January through March | 2007 | 2006 |
|-------------------------------------|--------------|--------------|
| Case revenue | | |
| inpatient (€) | 3,433 | 3,335 |
| outpatient (€) | 84 | 98 |
| Average per-case revenue (€) | 1,291 | 1,446 |

The decline in average per-case revenue stems not only from statutory deductions for restructuring hospitals and financing integrated care but in particular from the disproportionate growth in the outpatient area. The rise in the inpatient area by roughly 2.9% is reflected by the first-time inclusion of full-quarter service volumes at the university hospitals in Gießen and Marburg and their disproportionately high per-case revenues compared with the other Group hospitals.

Employees

At the reporting date of 31 March 2007 the Group employed a total of 31,426 persons (31 December 2006: 30,409 persons). The increase by 1,017 versus the last reporting date is attributable to the ten service companies that commenced their operations, adding 1,284 persons through transfers of staff previously employed with external ser-

vice companies working for the Group. At our hospitals the number of employees declined by 267 or 0.9% versus the last reporting date.

Revenues and earnings

Of the growth in revenues by € 48.2 million (+ 10.6%), € 29.6 million is accounted for by revenue from Universitätsklinikum Gießen and Marburg in January 2006. Given its first-time consolidation on 1 February 2006, no year-on-year quarterly comparison is possible. The remaining rise in revenues of € 18.6 million stems from organic growth in revenues of 4.1% and accurately reflects the development of case numbers with increases of 2.0% in the acute inpatient area and 13.0% in the outpatient area. The statutory reform contribution for hospitals of roughly € 2.5 million paid in the first quarter of 2007 was fully compensated for by volume growth.

Other operating income rose by € 5.0 million or 17.5% to € 33.5 million (Q1 of previous year: € 28.5 million). Apart from € 0.3 million, this rise is attributable to the aforementioned first-time consolidation effect. Revenue from ancillary and incidental activities as well as cost reimbursements for personnel and material costs are stated to the extent these relate to research and teaching.

Compared with the same period last year, the cost-of-materials ratio declined by 0.5 percentage points to 25.3%, while the personnel cost ratio edged up slightly by 0.1 percentage points to 58.7%. This development is essentially attributable to the impact from our ten service companies that came on stream. Externally purchased services for cleaning, catering, and others reported under material expenditures in the previous year will be reflected pro rata under personnel and material costs in 2007.

For material costs the aforementioned first-time consolidation effect is € 9.1 million. On an adjusted basis material costs rose by only € 0.6 million as a result of our cost-cutting programmes, with additional burdens from the increase in VAT from 16% to 19% on 1 January 2007 of € 2.5 million being compensated.

Compared with the same period last year, personnel costs witnessed a rise of € 29.0 million or 10.9%, of which € 24.3 million is accounted for by the first-time consolidation effect and € 7.0 million by statement changes in connection with the service companies. Adjusted for these effects personnel costs, despite wage increases in the interim, declined by € 2.3 million as a result of our restructuring efforts.

Also with other operating expenses the rise by € 5.4 million or 11.4% to € 52.6 million (Q1 of previous year: € 47.2 million) was essentially driven by the first-time consolidation effect (€ 4.1 million) as well as the increase in VAT (€ 1.0 million).

In EBITDA (earnings before interest, taxes, depreciation and amortisation) we recorded a rise in the first quarter of 2007 by € 9.1 million (17.5%) to € 61.1 million (Q1 of previous year: € 52.0 million).

The depreciation and amortisation expense rose disproportionately in the first quarter of 2007 by € 4.5 million (27.8%) to € 20.7 million (Q1 of previous year: € 16.2 million). The rise in depreciation and amortisation stems from the commissioning of new and refurbished hospital buildings in the course of 2006 (Hildburghausen, Frankfurt (Oder), Nienburg) and during the first quarter of 2007 (Pirna). The depreciation and amortisation ratio is 4.1% (previous year: 3.6%).

The financial result declined by € 0.8 million or 17.4% to € -5.4 million due to the higher debt at the end of the first quarter of 2007 compared with the same time last year and due to the rise in debt capital interest during 2006 and the rise in interest rates.

With a nearly unchanged margin of 7.0% (previous year: 6.9%), earnings before tax (EBT) saw a slightly disproportionate increase by € 3.8 million to € 35.0 million (Q1 of previous year: € 31.2 million).

Income tax rose in line with the increase in the assessment basis by € 1.3 million to € 9.8 million (Q1 of previous year: € 8.5 million) compared with the same period last year.

In net consolidated profit we recorded a rise in the first quarter of 2007 by € 2.5 million to € 25.2 million (Q1 of previous year: € 22.7 million), despite the fact that it was still burdened by the loss at Universitätsklinikum Gießen and Marburg of € 0.4 million (previous year: - € 2.6 million). The statutorily prescribed reductions in remuneration as well as additional VAT burdens were successfully compensated for Group-wide.

Thanks in particular to the decline in the operating loss at Universitätsklinikum Gießen and Marburg, the negative earnings share attributable to minority owners declined slightly, so that minority owners in the aggregate account for a € 0.1 million higher earnings component of € 1.2 million (Q1 of previous year: € 1.1 million).

The interest of RHÖN-KLINIKUM AG shareholders in profit for the first three months of 2007 rose by € 2.4 million or 11.1% compared with the same period last year. This translates into earnings per share of € 0.46 (Q1 of previous year: € 0.42).

| January through March | 2007 | | 2006 | |
|---|--------------|--------------|--------------|--------------|
| | € million | % | € million | % |
| Revenues | 502.0 | 100.0 | 453.8 | 100.0 |
| Other operating income | 33.5 | 6.7 | 28.5 | 6.3 |
| | 535.5 | 106.7 | 482.3 | 106.3 |
| Material and consumables used | 126.9 | 25.3 | 117.2 | 25.8 |
| Employee benefits expense | 294.9 | 58.7 | 265.9 | 58.6 |
| Other operating expenses | 52.6 | 10.5 | 47.2 | 10.4 |
| | 474.4 | 94.5 | 430.3 | 94.8 |
| Interim result (EBITDA) | 61.1 | 12.2 | 52.0 | 11.5 |
| Depreciation/amortisation | 20.7 | 4.1 | 16.2 | 3.6 |
| Operating result (EBIT) | 40.4 | 8.1 | 35.8 | 7.9 |
| Finance expenditure | 7.1 | 1.4 | 6.3 | 1.4 |
| Finance income | 1.7 | 0.3 | 1.7 | 0.4 |
| Financial result (net) | 5.4 | 1.1 | 4.6 | 1.0 |
| Earnings before income taxes (EBT) | 35.0 | 7.0 | 31.2 | 6.9 |
| Income taxes | 9.8 | 2.0 | 8.5 | 1.9 |
| Net consolidated profit | 25.2 | 5.0 | 22.7 | 5.0 |
| of which attributable | | | | |
| to minority owners | 1.2 | 0.2 | 1.1 | 0.2 |
| to the shareholders | | | | |
| of RHÖN-KLINIKUM AG | 24.0 | 4.8 | 21.6 | 4.8 |
| Earnings per ordinary share in € | 0.46 | | 0.42 | |

Investing activities

In the first three months of financial year 2007 we invested € 31.5 million (Q1 of previous year: € 25.9 million) for current investments in our hospitals. These new, additional and replacement investments were realised at the following sites:

| | € million |
|------------------|-------------|
| Gießen/Marburg | 4.9 |
| Pirna | 4.8 |
| Bad Neustadt | 4.0 |
| Leipzig | 1.9 |
| Frankfurt (Oder) | 1.8 |
| Bad Kissingen | 1.6 |
| Pforzheim | 1.3 |
| Hildesheim | 1.1 |
| Kronach | 1.0 |
| Other sites | 9.1 |
| Total | 31.5 |

The investments for Gießen/Marburg relate to the new construction of the university hospital in Gießen and in Pirna to purchases for the totally new building successfully commissioned in March 2007.

Asset and financial structure

Compared with 31 December 2006, assets as at 31 March 2007 rose by € 9.5 million to € 1,989.1 million. Except for € 0.1 million, the rise fully relates to non-current assets, notably to additions of € 3.6 million to goodwill from payment of the second purchase price tranche as agreed for Klinikum Salzgitter GmbH as well as € 5.5 million in investment-related increases in property, plant and equipment as well as intangible assets (software).

The decline in cash and cash equivalents compares with purchases of securities of € 51.5 million in the first quarter of 2007 recorded under other financial assets.

Coverage of non-current assets by long-term financing is 101.2%. Our non-current assets are financed at matching maturities by equity capital and long-term debt.

Short-term loan capital of € 118.8 million continues to exceed short-term financial debts of € 50.5 million.

The rise in equity capital of € 25.2 million compared with the last reporting date corresponds to the net consolidated profit of the first quarter of 2007. Of this, € 24.0 million is attributable to the shareholders of RHÖN-KLINIKUM AG and € 1.2 million to minority owners. The quarterly profit translates into earnings per share of € 0.46.

At the end of the first quarter of 2007 investment obligations for hospitals acquired in the past stood at € 602.5 million, which also include the increase in investment obligations from the new building completed for the hospital in Hildesheim. The Group continues to enjoy stable and sound financial structures.

| | 31 March 2007 | | 31 December 2006 | |
|--|----------------|--------------|------------------|--------------|
| | € million | % | € million | % |
| ASSETS | | | | |
| Non-current assets | | | | |
| Goodwill and other intangible assets | 246.9 | 12.4 | 242.8 | 12.3 |
| Property, plant and equipment | 1,141.0 | 57.4 | 1,136.0 | 57.3 |
| Investment property | 4.3 | 0.2 | 4.3 | 0.2 |
| Income tax claims | 19.3 | 1.0 | 19.1 | 1.0 |
| Other financial assets | 1.5 | 0.1 | 1.4 | 0.1 |
| | 1,413.0 | 71.1 | 1,403.6 | 70.9 |
| Current assets | | | | |
| Inventories | 36.9 | 1.8 | 39.0 | 2.0 |
| Accounts receivable, other receivables, and other financial assets | 399.7 | 20.1 | 340.0 | 17.1 |
| Current income tax claims | 20.7 | 1.0 | 20.9 | 1.1 |
| Cash and cash equivalents | 118.8 | 6.0 | 176.1 | 8.9 |
| | 576.1 | 28.9 | 576.0 | 29.1 |
| | 1,989.1 | 100.0 | 1,979.6 | 100.0 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Subscribed capital | 51.8 | 2.6 | 51.8 | 2.6 |
| Capital reserve | 37.6 | 1.9 | 37.6 | 1.9 |
| Other reserves | 601.8 | 30.3 | 496.6 | 25.0 |
| Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG | 24.0 | 1.2 | 105.2 | 5.3 |
| Treasury shares | -0.1 | 0.0 | -0.1 | 0.0 |
| Equity attributable to shareholders of RHÖN-KLINIKUM AG | 715.1 | 36.0 | 691.1 | 34.8 |
| Outside owners's minority interests in Group equity | 38.8 | 2.0 | 37.6 | 1.9 |
| | 753.9 | 38.0 | 728.7 | 36.7 |
| Long-term debt | | | | |
| Financial debt | 560.0 | 28.1 | 566.6 | 28.6 |
| Deferred tax liabilities | 23.5 | 1.2 | 23.4 | 1.2 |
| Provisions for post-employment benefits | 7.5 | 0.4 | 7.3 | 0.4 |
| Other provisions | 4.3 | 0.2 | 4.5 | 0.2 |
| Other liabilities | 81.4 | 4.1 | 82.0 | 4.1 |
| | 676.7 | 34.0 | 683.8 | 34.5 |
| Short-term debt | | | | |
| Accounts payable | 128.4 | 6.5 | 166.0 | 8.4 |
| Current income tax liabilities | 17.9 | 0.9 | 18.4 | 0.9 |
| Financial debt | 50.5 | 2.5 | 49.2 | 2.5 |
| Other provisions | 20.7 | 1.0 | 19.7 | 1.0 |
| Other liabilities | 341.0 | 17.1 | 313.8 | 16.0 |
| | 558.5 | 28.0 | 567.1 | 28.8 |
| | 1,989.1 | 100.0 | 1,979.6 | 100.0 |

Shareholders' equity developed as shown below:

| Statement of changes in shareholder's equity | Shareholders | Minorities | Total |
|--|---------------------|-------------------|--------------|
| | € million | € million | € million |
| As at 31 December 2005 | 609.2 | 32.3 | 641.5 |
| Net consolidated profit for the first three months of 2006 | 21.6 | 1.1 | 22.7 |
| Dividends paid | 0.0 | 0.0 | 0.0 |
| Allocation to reserves | 0.0 | 0.0 | 0.0 |
| Capital contributions | 0.0 | 0.0 | 0.0 |
| Change in scope of consolidation | 0.0 | 3.6 | 3.6 |
| As at 31 March 2006 | 630.8 | 37.0 | 667.8 |
| As at 31 December 2006 | 691.1 | 37.6 | 728.7 |
| Net consolidated profit for the first three month of 2007 | 24.0 | 1.2 | 25.2 |
| Dividend paid | 0.0 | 0.0 | 0.0 |
| Allocation to reserves | 0.0 | 0.0 | 0.0 |
| Capital contributions | 0.0 | 0.0 | 0.0 |
| Change in scope of consolidation | 0.0 | 0.0 | 0.0 |
| As at 30 March 2007 | 715.1 | 38.8 | 753.9 |

Cash flow statement

At 31 March 2007, cash and cash equivalents showed a decrease by € 59.5 million to € 96.3 million after deduction of short-term financial debts; this decrease was mainly attributable to the purchase of securities (€ 51.5 million).

Cash generated from operations totalling € 28.8 million in the first quarter of 2007 compares with net cash used in investing activities and the purchase of securities together totalling € 80.9 million. The resulting net cash used amounting to € 52.1 million, including the amounts used for redemption payments of € 7.4 million in the first quarter of 2007, corresponds to the decline in loan capital by € 59.5 million.

Our internal financing strength continues to be high. In the first quarter of 2007 our operating cash flow rose compared with the same period last year from € 38.9 million to € 45.9 million.

| January through March | 2007 | 2006 |
|---|------------------|------------------|
| | € million | € million |
| Earnings before taxes | 35.0 | 31.2 |
| Financial result (net) | 5.4 | 4.6 |
| Depreciation and losses on disposal of assets | 20.3 | 15.9 |
| | 60.7 | 51.7 |
| Change in net current assets | | |
| Change in inventories | 2.1 | -0.1 |
| Change in accounts receivable | -8.7 | -3.2 |
| Change in other receivables (excluding securities) | 0.6 | 9.2 |
| Change in liabilities (excluding financial debts) | -9.4 | 7.0 |
| Change in provisions | 0.8 | -0.4 |
| Income taxes paid | -10.2 | -9.1 |
| Interest paid | -7.1 | -6.3 |
| Cash generated (+)/ utilised (-) by operating activities | 28.8 | 48.8 |
| Investments in property, plant and equipment and in intangible assets | -33.3 | -22.9 |
| Purchase of securities | -51.5 | 0.0 |
| Acquisition of subsidiaries, net of cash acquired | 0.0 | -92.7 |
| Sale proceeds from disposal of assets | 2.2 | 1.4 |
| Interest received | 1.7 | 1.7 |
| Cash generated (+)/ utilised (-) in investing activities | -80.9 | -112.5 |
| Repayment of financial debts | -7.4 | -4.2 |
| Cash generated (+)/ utilised (-) in investing activities | -7.4 | -4.2 |
| Change in cash and cash equivalents | -59.5 | -67.9 |
| Cash and cash equivalents as at 1 January | 155.8 | 71.0 |
| Cash and cash equivalents as at 31 March | 96.3 | 3.1 |

Bad Neustadt a. d. Saale, 3 May 2007

RHÖN-KLINIKUM AG
THE BOARD OF MANAGEMENT