RHÖN-KLINIKUM AG

INTERIM REPORT
FOR THE PERIOD FROM
1 JANUARY TO 30 SEPTEMBER 2001

Interim Report to our Shareholders on Corporate Performance during the first nine months of 2001

Summary

Following the change to International Accounting Standards (IAS) in 2000, RHÖN-KLINIKUM's 2001 interim reports are also prepared according to IAS.

At group level, business development during the third quarter of 2001 continued to fall slightly short of our own expectations.

Third-quarter revenues stood at € 174.8 million or 2 % above the second-quarter level. Overall, revenues posted during the first nine months of 2001 totalled € 521.4 million, which is according to plan. Compared to the same period of the previous year, we were able to achieve a 7 % increase in the number of patients treated whereas the revenue growth was lower at 3.9 % as a result of statutory budget limitations.

As in the previous six months, the cost side continued to develop favourably during the third quarter of 2001; this was achieved thanks to further rationalisation leading to relatively declining personnel expenses, lower depreciation and reduced other operating expenditure. The cost of materials rose again more than proportionally due to an intensified use of high-quality implants at our heart centres and one orthopaedic centre as well as the higher number of patients treated. We continued to focus on providing services in excess of the existing budgets, in line with our strategy of creating a broad platform with a view to the introduction of the new DRG-based reimbursement scheme. The resulting reduction in proceeds related to average patients and the consequential repayment obligations (due to the health insurance funds initially reimbursing the fixed quota) in the amount of € 11.5 million (previous year: € 4.9 million) have been charged to earnings.

Our project of a 120-bed clinic at the Groote-Schuur Hospital in Cape Town is well advanced, and commissioning is scheduled for January 2002. The operating expenditure shown includes initial costs of € 0.4 million for this joint venture.

The financial result remained nearly unchanged. Both the reduction of the corporate tax and the dividend payment had a positive effect on the tax rate during the third quarter of 2001.

After deduction of earnings taxes and outside shareholders' interests, the result for the first nine months of 2001 stood at € 50.4 million or € 1.94 per share.

The capital expenditure in the amount of € 61.5 million was financed from the operative cash flow of € 78.3 million. The Group continues to show sound and stable financial structures.

Patients treated

During the first nine months of 2001, the number of patients seeking treatment at our hospitals increased by 17,222 or 7 % compared to the same period of the previous year.

	January through September	
	2001	2000
In-patient and day-clinic treatments at acute care hospitals	130,438	123,872
In-patient treatments at rehabilitation clinics	5,093	4,825
Out-patient treatments	120,063	109,675

Driven by competition, the duration of stays in rehabilitation clinics was further reduced. This brought the average revenues per case within the Group down to € 2,040 from € 2,083 in the previous year, as had been expected. However, we were able to increase the number of patients so that the total proceeds from our rehabilitation business improved slightly.

Financials

Development of revenues and performance

During the first nine months of 2001, we posted total revenues of € 521.4 million, which is in line with our forecasts. The cost of materials rose more than proportionally to revenue growth, due in the first place to the higher number of patients treated and an intensified use of high-quality implants. By contrast, personnel expenses and other operating expenditure grew less than proportionally to revenues. The interest balance remained nearly unchanged. As a result of the cut in the corporate tax rate effective 2001 and the dividend payment, the tax rate was substantially lower in the third quarter of 2001.

	January through September 2001		Previous year IAS*	HGB
	€ million	€ million	€ million	€ million
Revenues		521.4	501.9	496.6
Other operating income		14.0	16.9	28.0
		535.4	518.8	524.6
Cost of materials	131.0		121.2	119.9
Personnel expenses	253.8		247.2	244.5
Depreciation	27.9		27.8	38.8
Other operating expenditure	42.5	455.2	45.3	37.8
		80.2	77.3	83.6
Financial result		- 9.3	- 9.5	- 9.7
		70.9	67.8	73.9
Taxes on earnings		16.5	16.8	28.3
		54.4	51.0	45.6
Outside shareholders' interest in profit		4.0	4.6	3.4
Net consolidated profit January through September 2001		50.4	46.4	42.4

* Figures for the first nine months of 2000 = 2000 figures : 12 x 9

Capital expenditure and financing

At group level, capital expenditure during the first nine months of 2001 amounted to € 61.5 million, with construction projects in progress in Leipzig, Freital, Herzberg and Attendorn accounting for € 47.2 million. Financing was effected in full from free liquidity and the operative cash flow of € 78.3 million.

Structure of assets and liabilities

Given the investment intensity at RHÖN-KLINIKUM and the long-term nature of our activities, there have been no material changes in the structure of assets and liabilities. The equity ratio is influenced by the dividend payment. The short-term loan capital decreased due to payments of bonus-related wages for the last year.

	30 September 2001		30 June 2001	
	€ million	%	€ million	%
ASSETS				
Long-term assets	624.6	75.7	604.5	73.5
Short-term assets	200.9	24.3	217.9	26.5
	825.5	100.0	822.4	100.0
LIABILITIES				
Equity	358.8	43.5	351.9	42.8
Long-term loan capital	261.6	31.7	257.3	31.3
Short-term loan capital	205.1	24.8	213.2	25.9
	825.5	100.0	822.4	100.0

Liabilities to banks in the amount of € 263.5 million compare with liquid funds of € 67.6 million.

Cash flow statement

1 January - 30 September 2001	€ million
Result before earnings tax	70.9
Elimination of financial result	9.3
Depreciation of fixed assets	27.9
EBITDA	**108.1**
Change in inventories	+ 0.5
Change in receivables from supplies and services	- 15.6
Change in other receivables	+ 0.6
Change in liabilities	+ 0.7
Change in provisions	0.0
Other changes	- 0.4
Earnings tax paid	- 22.0
Interests paid	- 11.7
Cash generated by operating activities	**60.2**
Investments in tangible and intangible assets	- 61.5
Interest received	2.4
Cash utilised in investment activities	**- 59.1**
Increase in short-term financial debts	18.3
Redemption of short-term financial debts	0.0
Increase in long-term financial debts	5.0
Redemption of long-term financial debts	- 7.3
Dividends paid	- 13.1
Cash generated by financing activities	**2.9**
Change in liquidity	+ 4.0
Cash at 1 January	63.6
Cash at 30 September	**67.6**

Staff

As at 30 September 2001, the Group employed 9,380 persons (30 June 2001: 9,304).

Outlook

Consolidated revenues for the whole of 2001 are expected to increase by 3.5 % to € 693 million compared with the previous year. On this basis, earnings and cash flow should improve more than proportionally to revenues. However, we foresee a potential risk of failure to meet this target should the fourth quarter of 2001 see

- the number of patient treatments increase more than proportionally whilst most of the statutory limitations to revenues remain in place; as publicly owned hospitals increasingly put "more cost-intensive" patients on the waiting list; and
- the health insurance funds' paying morals worsen as their financial situation tightens; this has already led to partially absurd discussions or even lawsuits about reimbursements.

Looking at the year 2002, we expect to realise several of the acquisition projects we are negotiating at present. The transfer of ownership of the three district hospitals located in the district of Nienburg will become effective on 1 January 2002. The fact that patients come to our hospitals because they want to avoid waiting lists shows clearly that public-sector hospitals are under a growing rationalisation pressure and – due to their lack of financing power – an ever increasing privatisation pressure. Although there are often long periods between the first contacts and the signing of take-over agreements, we identify a growing readiness to sell even if, in some cases, still combined with extremely rigid selling conditions which require great efforts to be tailored to realistic proportions

Bad Neustadt/Saale, 13 November 2001

RHÖN-KLINIKUM AG
The Board of Management