RHÖN-KLINIKUM AG

Interim Report
First Quarter 2006

Interim report to our shareholders for the first quarter of 2006

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 from 2005. The accounting and valuation methods consistent with those used in the previous year were applied.

Review and outlook

In the first three months of financial year 2006, revenues rose by € 113.1 million (+33.2%) to € 453.8 million versus the previous year (€ 340.7 million). Net consolidated profit of € 22.7 million (previous year: € 22.2 million/+2.2%) in the first quarter of 2006 is burdened by losses at Universitätsklinikum Gießen und Marburg of € 2.6 million from the date of consolidation on 1 February 2006.

We expect the loss currently foreseeable at Universitätsklinikum Gießen und Marburg to amount to € 7.0 million for the period 1 February 2006 to 31 December 2006. The burden on earnings will thus diminish successively – with reference to the respective quarter – over the remaining nine months of financial year 2006. Thanks to progress in hospital restructuring measures that are improving the earnings situation at our other hospitals, we will be able to compensate for the burden on earnings resulting from the takeover of Universitätsklinikum Gießen und Marburg. For financial year 2006 as a whole we therefore stick to our target for revenues of € 1.9 billion and net consolidated profit of € 93 million.

This rise in revenues mainly stems from the first-time consolidation of Universitätsklinikum Gießen und Marburg GmbH from February 2006 which added revenues of € 69.6 million and 2,262 beds and places, as well as from the takeover of two hospitals as per 1 July 2005 and two further hospitals as per 1 January 2006 which contributed an additional 794 beds and places in total. Net consolidated profit rose by 2.3% to € 22.7 million (previous year: € 22.2 million). At the end of the first quarter, the earnings-per-share figure stood at € 0.42 (previous year: € 0.41 adjusted).

Revenues and net consolidated profit were in line with our expectations.

As expected, margins declined as a result of the still inefficient structures of the newly consolidated facilities. The measures taken to reap the full rationalisation potential of these hospitals are moving ahead as planned. The Group's long-standing facilities once again recorded a slight improvement in margins and personnel cost ratios.

In the first three months we raised EBITDA (+€ 3.1 million), EBIT (+€ 1.8 million) and net consolidated profit (+€ 0.5 million) versus the same period last year.

In the first three months of financial year 2006 the Group invested a total of € 230.7 million (previous year: € 177.0 million), of which € 204.8 million (previous year: € 157.2 million) is accounted for by hospital takeovers and € 25.9 million (previous year: € 19.8 million) by new buildings and equipment for our hospitals. This investment volume was financed by the operating cash flow of € 38.9 million (previous year: € 37.3 million), a higher net debt with banks of € 64.1 million as well as interest-free short- and long-term loan capital.

Net debt to banks rose from € 301.0 million at the end of 2005 to € 365.1 million at the end of the first quarter of 2006 as a result of purchase price payments for the hospitals taken over. Coverage of non-current assets by equity capital and non-current liabilities is 88.4%.

The equity ratio declined from 39.6% at the end of financial year 2005 to 33.3% as at 31 March 2006. This comes as a result of the Company's buoyant growth and accompanying increase in assets and loan capital.

At the university hospitals in Gießen und Marburg the collective agreements expired on 31 December 2005. It is not possible to foresee the outcome of the collective bargaining negotiations currently under way between the doctors' association Marburger Bund and the Federal State of Hesse / the collective bargaining union of the German federal states (Tarifgemeinschaft der Länder, TDL). Since the current collective negotiations in the Federal State of Hesse impose a duty of industrial peace on the parties, strikes by doctors accompanied by major reductions in medical capacities have been virtually absent.

Scope of consolidation and acquisitions

As at 31 March 2006 we have 45 consolidated hospitals with 14,620 beds/places at a total of 34 sites. Due to the disputed prohibition of the takeover by the German Cartel Office, the figures do not include the district hospitals in Bad Neustadt and Mellrichstadt.

Taking into account Heinz Kalk-Krankenhaus in Bad Kissingen, Frankenwaldklinik in Kronach (both consolidated from 1 January 2006) and Universitätsklinikum Gießen und Marburg (from 1 February 2006), the first quarter of 2006 saw the first-time consolidation of four facilities with 2,660 beds/places and an annual revenue volume of € 450 million.

	Date consolidated	No. of hospitals	beds / places
Heinz Kalk-Krankenhaus Bad Kissingen	1 January 2006	1	86
Frankenwaldklinik Kronach	1 January 2006	1	312
Universitätsklinikum Gießen und Marburg	1 February 2006	2	2,262
		4	**2,660**

Other acquisition projects considered at the beginning of 2006 did not meet our requirements in terms of qualitative growth potential. As in the past, we consistently refrained from further negotiations in such cases.

Business performance

Patients

January through March	2006	2005
Inpatient and day-case treatments		
acute hospitals	128,452	100,560
rehabilitation hospitals and other facilities	2,219	1,919
	130,671	102,479
Outpatient treatments, acute hospitals	183,103	131,309
Total	**313,774**	**233,788**

In the first three months a total of 313,774 patients (previous year: 233,788 / + 34.2%) were treated in the Group's hospitals. 79% of this growth was accounted for by outpatient attendances which in turn were largely driven by the takeover of the two university hospitals on account of their large polyclinic facilities.

The decline in patient numbers at the long-standing hospitals by 2,175 patients concerns the outpatient area and results from the roughly 12,000 pathology cases outsourced in Hildesheim.

With inpatient cases we recorded internal growth of 4.4% at our long-standing facilities.

Per-case revenues

January through March	2006	2005
Per-case revenue, inpatient (€)	3,335	3,218
Per-case revenue, outpatient (€)	98	83
Average per-case revenue (€)	**1,446**	**1,457**

Compared with the first quarter of the previous year, per-case revenue rose by 3.6% in the inpatient area and by 18.1% in the outpatient area.

The much higher per-case revenues at Universitätsklinikum Gießen und Marburg (€ 4,016 for inpatient cases and € 127 for outpatient cases) brought an increase in average per-case revenue within the Group.

The long-standing hospitals posted roughly 0.7% higher per-case revenues. The gains mainly stem from higher remuneration for implants, which however were accompanied by similarly higher material expenditures

Overall, average per-case revenue declined slightly by 0.8% owing to the disproportionate rise in outpatient case numbers.

Staff

At 31 March 2006, the Group employed 30,967 persons (at 31 December 2005: 21,226), with 9,934 being added by the newly consolidated facilities. The hospitals consolidated at the end of 2005 witnessed a slight decline in staff numbers (-193).

Revenues and earnings

Compared with pre-year period, revenues in the first quarter of 2006 grew by € 113.1 million (+ 33.2%), reaching € 453.8 million (previous year: € 340.7 million). The hospitals consolidated after the first quarter of 2005 contributed € 89.3 million to this growth in revenues, with Universitätsklinikum Gießen und Marburg accounting for € 69.6 million. Internal growth was € 23.8 million (+ 7.0%).

Other operating income rose from € 13.8 million by € 14.7 million to reach € 28.5 million. Of this, Universitätsklinikum Gießen und Marburg accounted for € 13.9 million. Other operating income reflects, among other things, the net effect of revenues from ancillary and incidental activities and corresponding expenditures.

Compared with the pre-year period, the cost-of-materials ratio saw a disproportionate rise in the first three months of 2006 to 25.8% (previous year: 25.0%). This rise stems from unfavourable purchasing terms at the newly acquired hospitals.

At 58.6%, the personnel cost ratio in the three months of 2006 well exceeds the previous year's level of 56.5% as a result of acquisitions. In the hospitals already consolidated in the first three months the personnel cost ratio declined by 3.1% to 53.4%.

Due to the less favourable financial circumstances of the hospitals taken over, other operating expenses relative to revenues also rose from 8.2% in the previous year to 10.4% (14.1% with the newly consolidated hospitals and 9.5% with the other hospitals).

In EBITDA (earnings before depreciation/amortisktion, interest and tax) we recorded an increase in the first three months of 2006 by € 3.1 million (+ 6.3%) to € 52.0 million.

The depreciation and amortisation expense rose in Q1 2006 by € 1.3 million to € 16.2 million (previous year: € 14.9 million), thus showing a moderate trend relative to revenues. The depreciation and amortisation ratio is 3.6% (previous year: 4.4%).

The financial result saw an acquisition- and investment-induced decline by € 1.0 million, from – € 3.6 million to – € 4.6 million.

Income tax recorded a slight rise, from € 8.2 million in Q1 2005 to € 8.5 million in Q1 2006.

For the first three months of 2006 we recorded a rise in net consolidated profit by € 0.5 million to € 22.7 million (previous year: € 22.2 million). The result in Q1 2006 was burdened especially by the loss at Universitätsklinikum Gießen und Marburg of € 2.6 million, which however was offset by the improvements at the other hospitals.

Minority interests in profit remained constant at € 1.1 million despite the purchase of the remaining interest in Fachkrankenhaus Hildburghausen at the end of financial year 2005 thanks to the disproportionate rise in earnings at hospitals with minority owners.

The interest of RHÖN-KLINIKUM AG shareholders in profit for the first three months of 2006 rose by € 0.5 million or 2.3% to € 21.6 million compared with the same period last year. This corresponds to earnings per share of € 0.42 (previous year: € 0.41).

January through March	2006		2005	
	€ million	%	€ million	%
Revenues	453.8	100.0	340.7	100.0
Other operating income	28.5	6.3	13.8	4.1
	482.3	**106.3**	**354.5**	**104.1**
Material and consumables used	117.2	25.8	85.1	25.0
Employee benefits expense	265.9	58.6	192.6	56.5
Other operating expenses	47.2	10.4	27.9	8.2
	430.3	**94.8**	**305.6**	**89.7**
Interim result (EBITDA)	**52.0**	**11.5**	**48.9**	**14.4**
Depreciation/ amortisation expense	16.2	3.6	14.9	4.4
Operating result (EBIT)	**35.8**	**7.9**	**34.0**	**10.0**
Cost of financing	- 6.3	-1.4	- 4.2	- 1.2
Financial income	1.7	0.4	0.6	0.2
Financial result	**- 4.6**	**- 1.0**	**- 3.6**	**- 1.1**
Earnings before tax (EBIT)	**31.2**	**6.9**	**30.4**	**8.9**
Income tax	- 8.5	- 1.9	- 8.2	- 2.4
Net consolidated profit	**22.7**	**5.0**	**22.2**	**6.5**
of which				
Minority owners	**1.1**	**0.2**	**1.1**	**0.3**
Shareholders of RHÖN-KLINIKUM AG	**21.6**	**4.8**	**21.1**	**6.2**
Earnings per share in €*	**0.42**		**0.41**	

* Earnings per share in € for 2005 was adjusted to the volume of shares after the capital increase from own funds and the merging of the preference and ordinary shares in 2005

Investing activities

In the first three months of 2006 we invested € 230.7 million, of which € 204.8 million is accounted for by the addition of fixed assets acquired on hospital takeovers and € 25.9 million by current investments in our hospitals. These new, additional and replacement investments were realised at the following sites:

	€ million
Mittelweser Kliniken	6.5
Frankfurt (Oder)	4.0
Hildburghausen	2.9
Pirna	2.4
Cuxhaven	1.2
Meiningen	1.1
Weißeritztalkliniken	1.1
Bad Neustadt	1.0
Leipzig	1.0
Bad Berka	0.9
Gießen / Marburg	0.4
Übrige Standorte	3.4
Total	**25.9**

Asset and financial structure

Driven by the first-time consolidation of the newly acquired hospitals, assets as at 31 March 2006 reached € 2,007.2 million, a rise of € 385.0 million versus 31 December 2005. In addition to goodwill of € 162.2 million, intangible assets from rights of use in real estate of € 33.3 million, as well as accounts receivable, other receivables and other financial assets amounting to € 152.3 million, cash of € 34.8 million was also acquired. The final determination of goodwill depends on the still outstanding review of the opening balance sheet of Universitätsklinikum Gießen und Marburg.

Coverage of non-current assets by long-term financing is 88.4%. Matching maturities will be restored over the current financial year by the conversion of short-term loan capital into long-term loan capital.

Short-term loan capital of € 271.6 million still exceeds short-term financial debts of € 268.5 million, even though the latter saw a rise of € 84.0 million versus 31 December 2005 as a result of purchase price payments.

Compared with 31 December 2005 we recorded an investment- and acquisition-induced rise in net debt to banks by € 64.1 million to € 365.1 million.

Driven by acquisitions, other current liabilities rose from € 284.9 million to € 471.4 million. The rise is attributable almost exclusively to Universitätsklinikum Gießen und Marburg and is accounted for by liabilities to employees (€ 113.4 million) and by external allocations of funds not yet utilised according to their intended purpose (€ 63.8 million).

Investment obligations under purchase agreements currently total € 656.8 million, with € 367 million of this accounted for by Universitätsklinikum Gießen und Marburg. Investment obligations for the other hospitals acquired in the past total € 289.8 million as at 31 March 2006 (previous year: € 308.2 million) and were reduced by € 18.4 million through investments.

The Group continues to enjoy stable and sound financial structures.

	31 March 2006 € million	%	31 December 2005 € million	%
ASSETS				
Non-current assets				
Goodwill and other intangible assets	284.5	14.2	89.0	5.5
Property, plant and equipment	991.2	49.4	973.5	60.0
Investment property	4.5	0.2	4.5	0.3
Other financial assets	2.8	0.1	2.7	0.2
	1,283.0	**63.9**	**1,069.7**	**66.0**
Current assets				
Inventories	35.3	1.8	27.8	1.7
Accounts receivable, other receivables and other financial assets	404.0	20.1	257.7	15.8
Current income tax claims	13.3	0.7	12.7	0.8
Cash and cash equivalents	271.6	13.5	254.3	15.7
	724.2	**36.1**	**552.5**	**34.0**
	2,007.2	**100.0**	**1,622.2**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity				
Subscribed capital	51.8	2.6	51.8	3.2
Capital reserve	37.6	1.9	37.6	2.3
Other reserves	519.9	25.9	436.2	26.9
Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG	21.6	1.1	83.7	5.2
Treasury shares	- 0.1	0.0	- 0.1	0.0
Equity attributable to shareholders of RHÖN-KLINIKUM AG	630.8	31.5	609.2	37.6
Outside owners' minority interests in Group equity	37.0	1.8	32.3	2.0
	667.8	**33.3**	**641.5**	**39.6**
Long-term debt				
Financial debt	368.2	18.3	372.0	22.9
Deferred tax liabilities	16.4	0.8	18.2	1.1
Provisions for post-employment benefits	13.2	0.7	12.9	0.8
Other provisions	10.6	0.5	6.1	0.4
Other liabilities	57.6	2.9	6.3	0.4
	466.0	**23.2**	**415.5**	**25.6**
Short-term debt				
Accounts payable	115.2	5.7	79.3	4.9
Current income tax liabilities	10.8	0.5	10.2	0.6
Financial debt	268.5	13.4	184.5*	11.4
Other provisions	7.5	0.4	6.3	0.4
Other liabilities	471.4	23.5	284.9	17.5
	873.4	**43.5**	**565.2**	**34.8**
	2,007.2	**100.0**	**1,622.2**	**100.0**

* incl. negative market value of interest hedging derivative amounting to € 1.2 million

Shareholders' equity developed as shown below:

Statement of changes in shareholder's equity	Shareholders € million	Minorities € million	Total € million
As at 31 December 2004	**545.9**	**22.8**	**568.7**
Net consolidated profit for the first three months of 2005	21.1	1.1	22.2
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	1.4	1.4
As at 31 March 2005	**567.0**	**25.3**	**592.3**
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**

Cash flow statement

At 31 March 2006, cash and cash equivalents showed a decrease by € 67.9 million to € 3.1 million after deducting short-term financial debts.

Our internal financing strength continues to be solid. In the first three months of financial year 2006 we generated an operating cash flow of € 38.9 million (previous year: € 37.1 million).

January through March	2006 € million	2005* € million
Earnings before taxes	31.2	30.4
Financial result (net)	4.6	3.7
Impairment and losses on disposal of assets	15.9	15.1
	51.7	**49.2**
Change in net current assets		
Change in inventories	- 0.1	2.7
Change in accounts receivable	- 3.2	- 0.2
Change in other receivables	9.2	6.0
Change in liabilities (excluding financial debts)	7.0	- 7.4
Change in provisions	- 0.4	- 0.5
Income taxes paid	- 9.1	- 6.7
Interest paid	- 6.3	- 4.3
Cash generated (+) / utilised (-) by operating activities	**48.8**	**38.8**
Investments in property, plant and equipment and in intangible assets	- 22.9	- 16.3
Acquisition of subsidiaries, net of cash acquired	- 92.7	- 49.1
Sale of interests in subsidiaries	0.0	0.0
Sale proceeds from disposal of assets	1.4	0.6
Interest received	1.7	0.6
Cash generated (+) / utilised (-) in investing activities	**- 112.5**	**- 64.2**
Payments on issuance of a bond	0.0	0.0
Payments on contracting of long-term financial debts	0.0	0.0
Repayment of financial debts	- 4.2	- 8.1
Deposits from minorities	0.0	0.0
Dividend payments to shareholders of RHÖN-KLINIKUM AG	0.0	0.0
Dividends paid to minority owners	0.0	0.0
Cash generated (+) / utilised (-) by financing activities	**- 4.2**	**- 8.1**
Change in cash and cash equivalents	- 67.9	- 33.5
Cash and cash equivalents as at 1 January	71.0	33.9
Cash and cash equivalents after deduction of short-term financial debts as at 31 March	**3.1**	**0.4**

* Pre-year values adjusted

Bad Neustadt/Saale, 26 April 2006

RHÖN-KLINIKUM AG

THE BOARD OF MANAGEMENT