RHÖN-KLINIKUM AG

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

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

Summary

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

The Group's business development during the second quarter of 2001 did not quite come up to our own expectations. Due to the number of working days being 4 % lower in the second quarter of 2001 as compared to the first quarter, second quarter revenues stood at € 171.9 million, i.e. slightly below the first quarter level (€ 174.9 million). Overall, we posted revenues of € 346.6 million during the first half of 2001, which is according to plan. Revenues grew by 3.5 % while the number of patients treated increased by 7 %. The present legislative proposals provide that this year's case numbers be the standard of measure when introducing the new DRG-based payment system. This is why we continued with our strategy of accepting all patients seeking treatment at our hospitals, regardless of the existing statutory limitations on revenues, even if this entails considerable repayment obligations (€ 9.7 million; previous year: € 5.4 million). In addition, we have increasingly focused on substituting in-patient treatments by day-clinic or out-patient treatments. We believe that these strategies are a farsighted investment in the future.

During the period under review, personnel expenses, depreciation and other operating expenditure developed favourably while the cost of materials rose more than proportionally due to the higher number of patients treated, combined with increased energy costs and an intensified use of high-quality implants. The reduction of the corporate tax has had a positive effect on the tax rate.

After deduction of earnings taxes and outside shareholders' interests, the 2001 first half result amounted to € 32.9 million, or € 1.27 per share.

Capital expenditure in the amount of € 32.7 million (of which € 25.6 million for construction projects) was covered by free liquidity and a cash flow of € 52.1 million. The Group continues to show sound and stable financial structures.

Patients treated

During the first six months of 2001, the total number of patients treated increased by 11,480 or 7 % compared to the same period of the previous year.

	January through June 2001	2000
In-patient and day-clinic treatments at acute care hospitals	87,378	83,487
In-patient treatments at rehabilitation clinics	3,383	3,172
Out-patient treatments	78,526	71,147

With the duration of stays in hospital being further reduced, our rehabilitation clinics reported more patient treatments, and total revenues from the rehabilitation business improved slightly compared to the previous year. As expected, average revenues per case within the Group decreased from € 2,078 in the previous year to € 2,047.

Financial Results

Development of revenues and performance

During the first six months of 2001, the Group posted total revenues of € 346.6 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, an intensified use of high-quality implants and increased energy costs. By contrast, personnel expenses and other operating expenditure grew less than proportionally to revenues. The interest balance remained nearly unchanged. Thanks to the cut in the corporate tax, the tax rate is substantially lower in 2001.

	January through June 2001		Previous year	
			IAS*	HGB
	€ million	€ million	€ million	€ million
Revenues		346.6	334.6	327.9
Other operating income		10.8	11.3	18.1
		357.4	345.9	346.0
Cost of materials	87.1		80.8	79.1
Personnel expenses	168.1		164.8	162.3
Depreciation	19.2		18.5	24.9
Other operating expenditure	28.7	303.1	30.3	25.2
		54.3	51.5	54.5
Financial result		- 6.1	- 6.3	- 6.6
		48.2	45.2	47.9
Taxes on earnings		12.7	11.2	18.0
		35.5	34.0	29.9
Outside shareholders' interest in profit		2.6	3.0	2.4
Group net profit January through June		32.9	31.0	27.5

* 2000 half-year figures = 2000 figures divided by two

Capital expenditure and financing

Group capital expenditure during the first six months of 2001 amounted to € 32.7 million. Construction projects in progress in Leipzig, Freital, Herzberg and Attendorn accounted for € 25.6 million. Financing was effected in full from free liquidity and the cash flow of € 52.1 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 position continues to be sound.

	30 June 2001		31 March 2001	
	€ million	%	€ million	%
ASSETS				
Long-term assets	604.5	73.5	599.7	73.8
Short-term assets	217.9	26.5	213.1	26.2
	822.4	100.0	812.8	100.0
LIABILITIES				
Equity	351.9	42.8	335.7	41.3
Long-term loan capital	257.3	31.3	270.5	33.3
Short-term loan capital	213.2	25.9	206.6	25.4
	822.4	100.0	812.8	100.0

Liabilities to banks in the amount of € 263.4 million compare with liquid funds of € 80.4 million.

Cash flow statement

	1 January - 30 June 2001
	€ million
Result before earnings tax	48.2
Elimination of financial result	6.1
Depreciation of fixes assets	19.2
EBITDA	73.5
Change in inventories	0.3
Change in receivables from supplies and services	- 16.7
Change in other receivables	- 1.5
Change in liabilities	2.3
Change in provisions	0.2
Other changes	- 0.4
Earnings tax paid	- 17.9
Interests paid	- 7.9
Cash generated by operating activities	31.9
Investments in tangible and intangible assets	- 32.7
Interests received	1.8
Cash utilised in investment activities	- 30.9
Increase in short-term financial debts	16.5
Redemption of short-term financial debts	0.0
Increase in long-term financial debts	5.0
Redemption of long-term financial debts	- 5.7
Dividends paid	0.0
Cash generated by financing activities	15.8
Change in liquidity	16.8
Cash at 1 January	63.6
Cash at 30 June	80.4

Staff

As at 30 June 2001, the Group employed 9.304 persons (31 March 2001: 9.314).

Outlook

Group revenues for the whole of 2001 are forecast to increase by 3.5 % to € 693 million compared with the previous year. We expect to tap further significant rationalisation potentials with corresponding effects on operating expenses. Therefore, the positive first half trend towards more than proportional improvements in earnings and cash flow should gain strength in the second half of 2001.

The above revenue and earnings forecast does not take into account possible further take-overs of hospitals. We have, however, reason to believe that we shall be able to take over one special hospital and several district hospitals by 1 January 2002 at the latest.

Bad Neustadt/Saale, 12 July 2001

RHÖN-KLINIKUM AG
The Board of Management