RHÖN-KLINIKUM AG

INTERIM REPORT
FOR THE PERIOD FROM
1 JANUARY TO 30 SEPTEMBER 2002

INTERIM REPORT TO OUR SHAREHOLDERS FOR THE NINE MONTHS ENDED ON 30 SEPTEMBER 2002*

Summary and Outlook

Revenues posted during the first nine months of 2002 at € 651.9 million are within our expectations. Third-quarter earnings at € 20.7 million, or € 0.79 per share, were substantially higher than that of the previous two quarters of 2002, even after bringing to account the flood damages at our hospital in Freital. This improvement clearly confirms the trend-reversing effectiveness of our massive cost-cutting measures introduced earlier this year, and the result is within the scope of planning.

Net consolidated earnings for the first three quarters of 2002 at € 49.3 million, or € 1.89 per share, were € 1.1 million lower than that of the same period of the previous year. We have reason to believe that the positive trend in performance will continue during the fourth quarter of 2002, and it is expected that Group results for the whole of 2002 will at least reach their previous-year level.

The third quarter of 2002 saw the temporary evacuation of our hospital in Freital due to flooding: when the floodgate of a nearby barrage was opened, the waters flooded the hospital's entire basement and destroyed technical plant and equipment. Activities could not be resumed in rapid time but only step by step, depending on the progress made in installing new technical plant. Overall, the flood lead to the following extraordinary charges:

Shortfalls in revenue	approx. €	1.1 million
Write-downs	€	3.0 million
	€	4.1 million
Reimbursements from insurers	€	1.0 million
	approx. €	**3.1 million**

Such loss limitation would not have been possible without the great efforts of our staff, numerous voluntary helpers, local fire fighters, rescue services and the armed forces as well as the firms in charge of installing new technical equipment. Expected shortfalls in Q4 revenues should not exceed € 0.6 million.

Withdrawing from our South African joint venture lead to disposal proceeds of € 1.0 million, reducing the extraordinary losses for the second quarter of 2002 to € 2.3 million.

In addition, total Group result improved by € 2.4 million due to pension obligations incurred upon concluding a hospital take-over having ceased to exist, following successful negotiating of an in-house wage agreement in line with the Group's direct insurance approach, which offers greater benefits for employees.

Capital spending at € 144.9 million, comprising investments in hospital take-overs, new construction and extension projects as well as current replacement needs, was financed from a cash flow of € 94.7 million and loan capital of € 72.6 million. Group financial structures continue to be sound and stable.

During the first nine months of 2002, our hospitals treated a total of 353,860 patients, 35.2 % more than in the same period of the previous year. Throughout RHÖN-KLINIKUM Group, growth in patient numbers has outpaced revenue growth for many years. This divergence is partially due to the fact that general hospitals acquired in recent years show lower revenues per case than specialised hospitals that enabled our entering the hospital market. But it's also the demographic developments and advances in medicine and medical technology that make patient numbers at all our hospitals grow more rapidly than revenues.

We are able to cope with the rationalisation pressure resulting from these developments. Looking at the broader market, we see the nation-wide increase in the number of public hospital owners with privatisation plans as a strong sign, suggesting that regional authorities have largely reached their "pain threshold" as lack of investment strength and rising losses continue to weigh on them. This pressure will certainly intensify with the budget increases announced for 2003 at a mere 0.81 % for the old and 2.09 % for the new federal states, as politicians continue to postulate stable social insurance contributions. Against this background, we expect further significant growth from hospital take-overs in the foreseeable future, which we will increasingly organise using new systemised structural modules. This will enable us to reduce not only the complexity of take-over projects but also the burden upon management that such projects have meant in the past.

Patient treatments

The trend towards higher service volumes, combined with decreasing revenues per case (i.e., patient numbers rise more quickly than statutory budget ceilings) continued again in the third quarter of 2002. While average revenues per case stood at € 1,992.00 during the first nine months of 2001, they fell to € 1,842.00 in the period under review. This development was also influenced by an above-proportion increase in the number of outpatient treatments at comparably low revenues per case.

	January through September 2002	2001
Inpatient and day case treatments at acute hospitals	177,219	136,631
Inpatient treatments at rehabilitation clinics	5,096	5,093
Outpatient treatments	171,545	120,063
Total	**353,860**	**261,787**

* In line with Group annual financial statements, this Interim Report has been prepared in accordance with the International Accounting Standards (IAS), using accounting and valuation methods consistent with that of previous periods.

Staff

At 30 September 2002, the Group employed 12,298 persons, compared with 12,239 at 30 June 2002.

Financials

Revenues for the first nine months of 2002 show a 25 % increase to € 651.9 million. Close to 90 % of this increase has resulted from external growth, i.e. hospital take-overs. Other operating income was influenced by reimbursements from insurers for flood damages and the release of provisions due to pension obligations having ceased to exist. The increased personnel cost ratio is explained by unfavourable personnel cost structures of hospitals acquired during the year; these are now facing the challenge of having to cut personnel costs. Personnel costs and also material costs of newly acquired hospitals actually provide substantial potential for improvements in results of coming business years. The cost cutting programmes initiated during the year have already had first positive effects on material costs. Both depreciation and interest result are shown higher, reflecting the Group's acquisition and investment activities, including financing. The development of taxation on earnings is due to the tax neutral depreciation of our South African investment. Since the number of consolidated subsidiaries with minority shareholders has increased during 2002, with these subsidiaries showing considerably improved results, profit attributable to outside shareholders has also increased.

	January through September 2002		January through September 2001	
	€ million	%	€ million	%
Revenues	651.9	100.0	521.4	100.0
Other operating income	29.6	4.5	14.0	2.7
	681.5	**104.5**	**535.4**	**102.7**
Costs of material	157.9	24.2	131.0	25.1
Personnel costs	338.3	51.9	253.8	48.7
Depreciation	39.5	6.1	27.9	5.4
Other operating expenses	58.0	8.9	42.5	8.2
	593.7	**91.1**	**455.2**	**87.3**
	87.8	**13.5**	**80.2**	**15.4**
Financial result	- 12.5	1.9	- 9.3	1.8
	75.3	**11.6**	**70.9**	**13.6**
Extraordinary result	- 2.3	0.4	0.0	0.0
	73.0	**11.2**	**70.9**	**13.6**
Taxes on earnings	- 17.8	2.7	- 16.5	3.2
	55.2	**8.5**	**54.4**	**10.4**
Minority interests in profit	5.9	0.9	4.0	0.8
Net consolidated profit January through September	**49.3**	**7.6**	**50.4**	**9.7**

This corresponds to per-share earnings of € 1.89.

	July through September 2002		July through September 2001	
	€ million	%	€ million	%
Revenues	220.0	100.0	174.8	100.0
Other operating income	12.8	5.8	3.2	1.8
	232.8	**105.8**	**178.0**	**101.8**
Costs of material	52.9	24.0	43.9	25.1
Personnel costs	114.4	52.0	85.7	49.0
Depreciation	14.4	6.5	8.7	5.0
Other operating expenses	20.1	9.1	13.8	7.9
	201.8	**91.7**	**152.1**	**87.0**
	31.0	**14.1**	**25.9**	**14.8**
Financial result	- 4.3	2.0	- 3.2	1.8
	26.7	**12.1**	**22.7**	**13.0**
Extraordinary profits	1.0	0.5	0.0	0.0
	27.7	**12.6**	**22.7**	**13.0**
Taxes on earnings	- 4.9	2.2	- 3.8	2.2
	22.8	**10.4**	**18.9**	**10.8**
Minority interests in profit	2.1	1.0	1.4	0.8
Net consolidated profit July through September	**20.7**	**9.4**	**17.5**	**10.0**

This corresponds to per-share earnings of € 0.79.

Investing and Financing

During the first nine months of financial year 2002, the Group invested € 144.9 million, of which € 76.0 million in new acquisitions (Frankfurt/Oder, Nienburg, Hoya, Stolzenau, Wiesbaden, and Hildburghausen) and € 68.9 million in current capital spending projects at the following locations:

Location	€ million
Leipzig	22.0
Uelzen	8.5
Wiesbaden	3.8
Freital	3.6
Herzberg	4.8
Bad Neustadt	3.1
Bad Berka	3.5
Other locations	19.6
Total	**68.9**

Structure of assets and liabilities

The first consolidation of newly acquired hospitals with effect from 1 January 2002 has had only marginal effects on horizontal balance sheet structures while the balance sheet total increased by some 18 %. The long-term nature of our business activities continues to be reflected in the Company's high investment ratio, implying long-term capital ties. The change in equity capital is consistent with year-to-date Group results after currency conversion.

	30 September 2002 € million	%	31 December 2001 € million	%
ASSETS				
Long-term assets				
Fixed assets				
- Intangible assets	18.2	1.8	16.7	2.0
- Tangible assets	713.1	72.0	614.0	73.4
- Financial assets	2.0	0.2	2.0	0.2
	733.3	74.1	632.7	75.6
Deferred taxes	9.8	1.0	7.7	0.9
	743.1	**75.1**	**640.4**	**76.5**
Short-term assets				
Current assets				
- Inventories	12.7	1.3	10.4	1.2
- Receivables from supplies and services	130.6	13.2	107.5	12.8
- Liquid funds	87.1	8.8	71.5	8.5
- Other	14.5	1.5	6.4	0.8
Prepaid expenses	1.8	0.2	0.4	0.0
	246.7	**24.9**	**196.2**	**23.5**
	989.8	**100.0**	**836.6**	**100.0**
EQUITY AND LIABILITIES				
Long-term capital				
- Subscribed capital	411.2	41.5	361.5	43.2
- Outside shareholders' interests	28.7	2.9	22.4	2.7
- Long-term financial debts	241.8	24.4	238.4	28.5
- Provisions for pensions	11.4	1.2	9.0	1.1
- Deferred taxes	34.5	3.5	33.2	4.0
	727.6	**73.5**	**631.3**	**75.5**
Short-term capital				
- Proposed dividend distribution	0.0	0.0	12.6	1.5
- Other provisions	4.3	0.4	2.9	0.3
- Short-term liabilities to banks	101.5	10.3	29.0	3.5
- Liabilities from supplies and services	37.3	3.8	33.7	4.0
- Other	118.5	12.0	93.4	11.2
- Deferred income	0.6	0.1	0.5	0.1
	262.2	**26.5**	**205.3**	**24.5**
	989.8	**100.0**	**836.6**	**100.0**

Development of shareholders' interests

The following changes in shareholders' interests have occurred:

	€ million
Balance at 1 January 2002	**374.1**
Consolidated result for the first nine months of 2002	49.2
Dividends	- 12.6
Adjustments arising from currency conversion	0.5
Balance at 30 September 2002	**411.2**

Ordinary share capital and capital reserves remained unchanged. Of the 2001 consolidated profit at € 66.1 million, € 53.5 million (= net profit after dividend distribution to shareholders) was allocated to consolidated retained earnings which now stand at € 298.6 million.

Cash flow statement

Net cash resources increased by € 15.7 million. Cash generated from operating activities of € 96.2 million and loans of € 72.5 million was used to finance investment activities of € 144.9 million and dividends of € 15.7 million paid to shareholders and minority shareholders.

	January through September 2002 € million	2001 € million
Earnings before taxes	72.9	70.9
Elimination of financial result	12.6	9.3
Depreciation and book losses on fixed assets	43.6	27.9
EBITDA	**129.1**	**108.1**
Changes in inventories	- 0.5	0.5
Changes in receivables from supplies and services	- 2.6	- 15.6
Changes in other receivables	- 5.0	0.6
Changes in liabilities	19.1	0.7
Changes in provisions	3.3	0.0
Other changes	0.0	- 0.4
Earnings taxes paid	- 30.9	- 22.0
Interest paid	- 14.7	- 11.7
Cash generated from operating activities	**97.8**	**60.2**
Investments in tangible and intangible fixed assets	- 144.9	- 61.5
Realised profit on the sale of fixed assets	0.0	0.0
Interest received	2.1	2.4
Cash utilised in investing activities	**-142.8**	**-59.1**
Changes in short-term financial debts	69.4	18.3
Changes in long-term financial debts	3.2	- 2.3
Contributions from outside shareholders	3.8	0.0
Dividends paid and profit distributions to minority shareholders	- 15.7	- 13.1
Cash generated from financing activities	**60.7**	**2.9**
Change in liquidity	15.7	4.0
Net cash resources at 1 January	71.4	63.6
Net cash resources at 30 September	**87.1**	**67.6**

Bad Neustadt/Saale, 29 October 2002

RHÖN-KLINIKUM AG - The Board of Management