



Fresenius Medical Care

## P R E S S   R E L E A S E

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### Fresenius Medical Care reports First Quarter 2003 results

#### Summary:

- **Total Revenue** of \$ 1,299 million up 10%. Adjusted for currency effects revenue increased by 7%.
- **Net income** of \$ 70 million
- **Free Cash Flow** at Q1 record level of \$ 84 million
- **Operating margin** in North America improved in Q1 2003 compared with Q4 2002 - despite lower number of dialysis days
- International Operating margin impacted by crisis in Middle East, Latin America, pricing pressures in Central Europe

Fresenius Medical Care AG ("the Company") (Frankfurt Stock Exchange: FME, FME3) (NYSE: FMS, FMS\_p), the world's largest provider of Dialysis Products and Services, today announced the results for the first quarter 2003.

#### OPERATIONS

##### First Quarter 2003:

**Total revenue** for the first quarter 2003 increased 10% (7% at constant currency) to \$ 1,299 million. Dialysis Care revenue grew by 7% to \$ 944 million

(+7% at constant currency) in the first quarter of 2003. External Dialysis Product revenue increased by 16% to \$ 355 million (+6% at constant currency) in the same period. Internal revenue growth was 4.5%.

#### **North America:**

Revenue rose 4% to \$ 929 million, compared to \$ 892 million in the same period last year. Dialysis Care revenue increased by 5% to \$ 824 million. Same store treatment growth year over year was 3.3%. The average revenue per treatment decreased to \$ 278 in the first quarter 2003 (Q1 2002: \$ 284). Adjusted for the announced intra division billing changes for some Medicare Peritoneal Dialysis patients and the new billing procedures for Vitamin D (Zemlar), the revenue per treatment was comparable with the first quarter 2002. Dialysis Product revenue, including sales to company-owned clinics, increased 5% to \$ 190 million. Product sales to the available external market grew by 6.2%.

#### **International:**

Revenue was \$ 370 million, up 26% from the first quarter of 2002, an increase of 14% adjusted for currency. Dialysis Care revenue reached \$ 121 million, an increase of 24% (19% at constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 26% to \$ 275 million (12% at constant currency).

**Operating income (EBIT)** was \$ 169 million resulting in an operating margin of 13.0%. Operating income in the first quarter of 2002 was \$ 174 million including a one-time benefit of \$ 6 million. The operating margin was 14.7%. First quarter 2002 operating income before the one-time item was \$ 168 million and the operating margin was 14.2%. The first quarter 2003 operating margin was below the targeted range for the year as the situation in the Middle East and Latin America affected the International margin. Additionally, pricing pressure in Central Europe, in particular the difficult environment in Germany following a reimbursement change, impacted the operating margin in the International area.

In North America the operating margin increased sequentially to 13.2%, despite a lower number of dialysis days than in the fourth quarter 2002. In the first quarter of 2002, the North American margin was impacted by the above-mentioned one-time benefit of \$ 6 million. Adjusted for this effect the comparable North American operating margin for the first quarter of 2002 would have been 13.5%.

**Net income** in the first quarter 2003 was \$ 70 million, an increase of 10%. In accordance with the new US-GAAP Accounting Standard SFAS 145, the loss from the early redemption of the Trust Preferred Securities in the first quarter of 2002 of \$ 12 million after taxes (\$ 20 million before taxes) had to be reclassified from extraordinary to operating earnings. Excluding the redemption loss net income in the first quarter 2002 would have been \$ 75 million.

**Earnings per share (EPS)** in the first quarter 2003 rose 10% to \$ 0.72 per ordinary share (\$ 0.24 per ADS), compared to \$ 0.66 (\$ 0.22 per ADS) in the first quarter of 2002. The weighted average number of shares outstanding during the first quarter of 2003 was approximately 96.2 million.

The Company achieved record first quarter operating and free cash flow levels. **Cash from operations** increased to \$ 125 million. A total of \$ 41 million (net of disposals) was spent for **capital expenditures**, resulting in **Free Cash Flow** before acquisitions of \$ 84 million. A total of \$ 28 million in cash was spent for **acquisitions**. **Free Cash Flow after acquisitions** was \$ 56 million. In the first quarter of 2002, Free Cash Flow after acquisitions was \$ 11 million.

As of March 31, 2003, the Company operated a total of 1,500 **clinics** worldwide [1,090 clinics in North America and 410 clinics International]. In the first quarter 2003, the Company opened 12 new clinics (de novos). Fresenius Medical Care AG performed approximately 4.2 million **treatments**, which represents an increase of 9% year over year. North America accounted for 3.0 million treatments (+7%) and the International segment for 1.3 million (+16%). At the end of the first quarter 2003, Fresenius Medical Care treated about 114,300 **patients** worldwide, which represents an increase of 7%. North America

accounted for ~80,200 patients (+4%) and the International segment for ~34,100 patients (+16%).

### **OUTLOOK 2003**

For the year 2003, the Company reconfirms its outlook and expects mid single digit revenue growth before acquisitions (in constant currency) and net income growth in the high single digit to low double digits range. Due to the increased risks and unpredictability the Company expects to achieve net income growth for the full year 2003 near the lower end within the predicted range.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: “We saw continued momentum during the first quarter of 2003 in our business segments. Our sequential operating margin improvement in North America was achieved through the continued focus towards operating efficiencies. In our Dialysis Care business we have accomplished our desired cost structure and our unique position with the UltraCare therapy. We are now focused on revenue and treatment growth. Products revenue in North America to the Net Available External Market (NAEM) grew at above-market rates. In International we continued to achieve strong above-market revenue growth. We also expect to sequentially improve our International operating margin to the targeted range during the remaining quarters of 2003. We achieved record first quarter Operating and Free Cash Flow demonstrating our abilities to work toward achieving financial targets.”

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Fresenius Medical Care AG is the world’s largest, integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 1,200,000 individuals worldwide. Through its network of approximately 1,500 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 114,300 patients around the globe. Fresenius Medical Care is also the world’s leading provider of Dialysis Products such as hemodialysis machines, dialyzers and related disposable

products. For more information about Fresenius Medical Care, visit the Company's website at <http://www.fmc-ag.com>.

## Fresenius Medical Care AG

### Statements of Earnings

(in US-\$ thousands, except share and per share data)  
(unaudited)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002 <sup>1)</sup>	% Change
<b>Net revenue</b>			
Dialysis Care	944,287	881,176	7.2%
Dialysis Products	355,148	305,328	16.3%
	<b>1,299,435</b>	<b>1,186,504</b>	9.5%
Cost of revenue	882,487	809,182	9.1%
Gross profit	416,948	377,322	10.5%
Selling, general and administrative	237,175	194,118	22.2%
Research and development	10,943	9,309	17.6%
<b>Operating income (EBIT)</b>	<b>168,830</b>	<b>173,895</b>	-2.9%
Interest income	(3,277)	(2,229)	47.0%
Interest expense	57,023	74,984	-24.0%
Interest expense, net	53,746	72,755	-26.1%
Earnings before income taxes and minority interest	115,084	101,140	13.8%
Income tax expense	44,537	36,848	20.9%
Minority interest	537	860	-37.6%
<b>Net income</b>	<b>\$70,010</b>	<b>\$63,432</b>	10.4%
Loss on early redemption of trust preferred securities		11,777	
<b>Net income before extraordinary loss prior SFAS No. 145</b>	<b>\$70,010</b>	<b>\$75,209</b>	-6.9%
<b>EBIT</b>	<b>168,830</b>	<b>173,895</b>	-2.9%
Depreciation and amortization	52,846	51,030	3.6%
<b>EBITDA</b>	<b>221,676</b>	<b>224,925</b>	-1.4%
<b>Earnings per ordinary share</b>	<b>\$0.72</b>	<b>\$0.66</b>	10.3%
<b>Earnings per ordinary ADS</b>	<b>\$0.24</b>	<b>\$0.22</b>	10.3%
<b>Earnings per preference share</b>	<b>\$0.74</b>	<b>\$0.67</b>	10.5%
<b>Earnings per preference ADS</b>	<b>\$0.25</b>	<b>\$0.22</b>	10.5%
<b>Average weighted number of shares</b>			
Ordinary shares	70,000,000	70,000,000	
Preference shares	26,188,575	26,176,604	
<b>Percentages of revenue</b>			
Cost of revenue	67.9%	68.2%	
Gross profit	32.1%	31.8%	
Selling, general and administrative	18.3%	16.4%	
Research and development	0.8%	0.8%	
<b>Operating income (EBIT)</b>	<b>13.0%</b>	<b>14.7%</b>	
Interest expense, net	4.1%	6.1%	
Earnings before income taxes and minority interest	8.9%	8.5%	
Income tax expense	3.4%	3.1%	
Minority interest	0.0%	0.1%	
<b>Net income</b>	<b>5.4%</b>	<b>5.3%</b>	
<b>EBITDA</b>	<b>17.1%</b>	<b>19.0%</b>	

<sup>1)</sup> Loss from early redemption of trust preferred securities (\$ 19.5 million pre-tax equals \$ 11.8 million net of taxes) reclassified from extraordinary loss into ordinary earnings as a result of the adoption of the SFAS No.145.