



Fresenius Medical Care

# P R E S S   R E L E A S E

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## **Fresenius Medical Care AG reports Second Quarter and Six Months Results 2003;**

### **Summary second quarter 2003:**

- **Total Revenue** of \$ 1,366 million up 9%
- **Operating income (EBIT)** of \$ 184 million up 8%
- **Net income** of \$ 79 million up 7%
- **Free Cash Flow** at record level of \$ 138 million
- **Operating margin** and **same store treatment growth** improvement in North America and International compared to the first quarter 2003
- The company **confirms its outlook** for 2003

**Bad Homburg, Germany – August 05, 2003** -- Fresenius Medical Care AG (“FME”) (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 second quarter and the first six months of 2003.

## **OPERATIONS**

### **Second Quarter 2003:**

Fresenius Medical Care AG reports a 7% increase in **net income** to \$ 79 million for the second quarter 2003.

**Total revenue** for the second quarter 2003 increased 9% (4.5% at constant currency) to \$ 1,366 million. Dialysis Care revenues grew by 7% to \$ 978 million (+5% at constant currency) in the second quarter of 2003. Same store treatment growth worldwide was 5%.

Dialysis Product revenues (including internal sales) increased by 14% to \$ 504 million (+5% at constant currency) in the same period. The internal sales increased to \$ 116 million after \$ 98 million in the second quarter of 2002.

### **North America:**

Revenue rose 3% to \$ 955 million, compared to \$ 928 million in the same period last year. Dialysis Care revenue in the US increased by 4% to \$ 846 million. Same store treatment growth increased sequentially 40 basis points to 3.7%. The average revenue per treatment was within the forecasted range at \$ 275 in the second quarter of 2003.

North American Dialysis Product revenue, including sales to company-owned clinics, increased 3% to \$ 195 million. Product sales to the available external market increased by 5%.

### **International:**

Revenue was \$ 412 million, up 26% (+9% adjusted for currency). Dialysis Care revenue reached \$ 133 million in the second quarter 2003, up 36% (+18% at constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 23% to \$ 309 million (6% currency adjusted).

**Operating Income (EBIT)** increased 8% to \$ 184 million resulting in an operating margin of 13.5% (Q2 2002: 13.6%). In the first quarter of 2003, the Company achieved an operating margin of 13.0%. The increase of approximately 50 basis points in the second quarter was mainly due to increased treatments, improved product margins in North America and increased dialyzer sales in International. The International EBIT-margin was still influenced by the same items discussed for the first quarter, such as the crisis in Middle East / Latin America and the pricing pressure in Central Europe. With implemented measures some of these impacts became less influential in the second quarter of 2003. The margin in the International area went up by 70 basis points compared to the prior quarter.

**Earnings per share (EPS)** in the second quarter 2003 rose 7% to \$ 0.82 per ordinary share (\$ 0.27 per ADS), compared to \$ 0.77 (\$ 0.26 per ADS) in the second quarter of 2002. The weighted average number of shares outstanding during both the second quarter of 2003 and the second quarter of 2002 was approximately 96.2 million.

In the second quarter of 2003, the Company generated \$ 175 million in **cash from operations**. A total of \$ 37 million (net of disposals) was spent for **capital expenditures**, resulting in a **Free Cash Flow** for the second quarter 2003 of \$ 138 million. This is an all-time record for any single historical quarter and was mainly driven by improved accounts receivable collections in North America and low capital expenditures. A total of \$ 29 million in cash was spent for **acquisitions**. **Free Cash Flow after acquisitions** was at a Q2 record level of \$ 109 million.

### **First Half Year 2003:**

For a complete overview of the first half year of 2002/3 please refer to the appendix.

In the first half of 2003, **net income** was \$ 149 million, up 8% from the first half of 2002. 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 half of 2002 would have been \$ 149 million. **Net revenue** was \$ 2.67 billion, up 9% from the first half of 2002. Currency adjusted, net revenue rose 5% in the first half of 2003. **Operating income (EBIT)** increased 2% to \$ 353 million resulting in an operating margin of 13.2%. In the first half of 2003, **earnings per ordinary share** rose 8% to \$ 1.54. Earnings per ordinary ADS for the first half of 2003 were \$ 0.51.

**Cash from operations** during the first six months of 2003 was up 23% or \$ 300 million compared to \$ 244 million in the first six months of 2002. A total of \$ 78 million was spent for **capital expenditures** (net of disposals) resulting in a **Free Cash Flow** for the first half of 2003 of \$ 222 million compared to \$ 154 million in the first half of 2002. Net cash used for acquisitions was \$ 57 million.

As of June 30, 2003, the Company operated a total of 1,510 **clinics** worldwide (1,095 clinics/+4% in North America and 415 clinics/+9% International). Fresenius Medical Care AG performed approximately 8.7 million **treatments**, which represents an increase of 9% year over year. North America accounted for 6.1 million treatments (+7%) and the International segment for 2.6 million (+15%). At the end of the second quarter 2003, Fresenius Medical Care AG provided treatment to around 115,800 **patients** worldwide which represents an increase of 7%. North America accounted for ~81,000 patients (+4%) and the International segment for ~34,800 patients (+14%).

## **OUTLOOK 2003**

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

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: "The results of the second quarter reinforce our confidence that Fresenius Medical Care's global strategy in patient care is on the right track. We expect that our initiatives will lead to continuous improvements in our financial results. In addition, we see continued strong acceptance of our new renal product technologies, underscoring that our strategy and investments of the past several years are correct. We clearly can accomplish more in terms of financial returns from these investments and our targets are clear. Our management team and employees have the dedication, skills and resources to achieve our objectives."

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 1,510 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 115,800 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>.

The analyst's conference call starts at 5.15 pm, to follow please use the listen-only modus at [www.fmc-ag.com](http://www.fmc-ag.com).

This release contains forward-looking statements that are subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors, including changes in business, economic and competitive conditions, regulatory reforms, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. These and other risks and uncertainties are detailed in Fresenius Medical Care AG's reports filed with the U.S. Securities and Exchange Commission. Fresenius Medical Care AG does not undertake any responsibility to update the forward-looking statements in this release.

## Fresenius Medical Care AG

### Statements of Earnings

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

(unaudited)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	% Change	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002 <sup>1)</sup>	% Change
<b>Net revenue</b>						
Dialysis Care	978,332	911,765	7.3%	1,922,619	1,792,941	7.2%
Dialysis Products	387,867	342,515	13.2%	743,016	647,843	14.7%
<b>Total net revenue</b>	<b>1,366,199</b>	<b>1,254,280</b>	<b>8.9%</b>	<b>2,665,635</b>	<b>2,440,784</b>	<b>9.2%</b>
Cost of revenue	923,444	846,844	9.0%	1,805,932	1,656,026	9.1%
Gross profit	442,755	407,436	8.7%	859,703	784,758	9.6%
Selling, general and administrative	245,366	226,433	8.4%	482,541	420,551	14.7%
Research and development	13,535	10,584	27.9%	24,478	19,893	23.0%
<b>Operating income (EBIT)</b>	<b>183,854</b>	<b>170,419</b>	<b>7.9%</b>	<b>352,684</b>	<b>344,314</b>	<b>2.4%</b>
Interest income	(3,320)	(3,721)	-10.8%	(6,598)	(5,950)	10.9%
Interest expense	56,301	55,034	2.3%	113,324	130,018	-12.8%
Interest expense, net	52,981	51,313	3.3%	106,726	124,068	-14.0%
Earnings before income taxes and minority interest	130,873	119,106	9.9%	245,958	220,246	11.7%
Income tax expense	51,028	44,093	15.7%	95,566	80,941	18.1%
Minority interest	494	761	-35.1%	1,030	1,621	-36.4%
<b>Net income</b>	<b>\$79,351</b>	<b>\$74,252</b>	<b>6.9%</b>	<b>\$149,362</b>	<b>\$137,684</b>	<b>8.5%</b>
Loss on early redemption of trust preferred securities					11,777	
<b>Net income before extraordinary loss prior SFAS No. 145</b>	<b>\$79,351</b>	<b>\$74,252</b>	<b>6.9%</b>	<b>\$149,362</b>	<b>\$149,461</b>	<b>-0.1%</b>
<b>Operating income (EBIT)</b>	<b>183,854</b>	<b>170,419</b>	<b>7.9%</b>	<b>352,684</b>	<b>344,314</b>	<b>2.4%</b>
Depreciation and amortization	52,141	53,953	-3.4%	104,987	104,982	0.0%
<b>EBITDA</b>	<b>235,995</b>	<b>224,372</b>	<b>5.2%</b>	<b>457,671</b>	<b>449,296</b>	<b>1.9%</b>
<b>Earnings per ordinary share</b>	<b>\$0.82</b>	<b>\$0.77</b>	<b>6.8%</b>	<b>\$1.54</b>	<b>\$1.42</b>	<b>8.4%</b>
<b>Earnings per ordinary ADS</b>	<b>\$0.27</b>	<b>\$0.26</b>	<b>6.8%</b>	<b>\$0.51</b>	<b>\$0.47</b>	<b>8.4%</b>
<b>Earnings per preference share</b>	<b>\$0.84</b>	<b>\$0.78</b>	<b>7.1%</b>	<b>\$1.58</b>	<b>\$1.45</b>	<b>8.7%</b>
<b>Earnings per preference ADS</b>	<b>\$0.28</b>	<b>\$0.26</b>	<b>7.1%</b>	<b>\$0.53</b>	<b>\$0.48</b>	<b>8.7%</b>
<b>Average weighted number of shares</b>						
Ordinary shares	70,000,000	70,000,000		70,000,000	70,000,000	
Preference shares	26,188,575	26,187,173		26,188,575	26,181,918	
<b>Percentages of revenue</b>						
Cost of revenue	67.6%	67.5%		67.7%	67.8%	
Gross profit	32.4%	32.5%		32.3%	32.2%	
Selling, general and administrative	18.0%	18.1%		18.1%	17.2%	
Research and development	1.0%	0.8%		0.9%	0.8%	
<b>Operating income (EBIT)</b>	<b>13.5%</b>	<b>13.6%</b>		<b>13.2%</b>	<b>14.1%</b>	
Interest expense, net	3.9%	4.1%		4.0%	5.1%	
Earnings before income taxes and minority interest	9.6%	9.5%		9.2%	9.0%	
Income tax expense	3.7%	3.5%		3.6%	3.3%	
Minority interest	0.0%	0.1%		0.0%	0.1%	
<b>Net income</b>	<b>5.8%</b>	<b>5.9%</b>		<b>5.6%</b>	<b>5.6%</b>	
<b>EBITDA</b>	<b>17.3%</b>	<b>17.9%</b>		<b>17.2%</b>	<b>18.4%</b>	

<sup>1)</sup> Loss from early redemption of trust preferred securities reclassified from extraordinary loss into ordinary earnings as a result of adoption of SFAS No. 145 (extraordinary loss of US-\$ 19,517, US-\$11,777 net of taxes)

## Fresenius Medical Care AG

### Segment and other Information

(in US-\$ million)  
(unaudited)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	% Change	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	% Change
<b>Net revenue</b>						
North America	955	928	2.8%	1,884	1,821	3.5%
International	412	326	26.3%	781	620	26.1%
<b>Total net revenue</b>	<b>1,366</b>	<b>1,254</b>	<b>8.9%</b>	<b>2,666</b>	<b>2,441</b>	<b>9.2%</b>

### **Operating income (EBIT)**

North America	129	122	5.6%	251	248	1.1%
International	62	54	14.0%	115	105	8.6%
Corporate	(7)	(6)	17.8%	(13)	(9)	36.7%
<b>Total operating income (EBIT)</b>	<b>184</b>	<b>170</b>	<b>7.9%</b>	<b>353</b>	<b>344</b>	<b>2.4%</b>

### **In percentage of revenue**

North America	13.5%	13.1%		13.3%	13.6%	
International	15.0%	16.6%		14.7%	17.0%	
<b>Total</b>	<b>13.5%</b>	<b>13.6%</b>		<b>13.2%</b>	<b>14.1%</b>	

### **Operating income (EBIT) adjusted for one-time items**

North America	129	122	5.6%	251	248	1.1%
Pension curtailment gain and severances	0	0		0	(6)	
North America adjusted for one-time items	129	122	5.6%	251	242	3.6%
International	62	54	14.0%	115	105	8.6%
Corporate	(7)	(6)	17.8%	(13)	(9)	36.7%
<b>Operating income (EBIT) adjusted for one-time items</b>	<b>184</b>	<b>170</b>	<b>7.9%</b>	<b>353</b>	<b>338</b>	<b>4.2%</b>

### **In percentage of revenue**

North America	13.5%	13.1%		13.3%	13.3%	
International	15.0%	16.6%		14.7%	17.0%	
<b>Total</b>	<b>13.5%</b>	<b>13.6%</b>		<b>13.2%</b>	<b>13.9%</b>	

### **Total bad debt expenses**

	27	29		51	52	
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### **Employees (June, 30 compared to Dec., 31)**

Full-time equivalents	40,595	39,264				
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