



## P R E S S   R E L E A S E

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### **Fresenius announces results of first nine months 2003:**

- Sales: € 5.25 billion  
+ 6 % at constant currency, - 5 % at actual exchange rates
- EBIT: € 590 million  
+ 8 % at constant currency, - 4 % at actual exchange rates
- Net income: € 105 million  
+ 38 % at constant currency, + 24 % at actual exchange rates
- Operating cash flow and free cash flow at record levels
- Fresenius Medical Care: strong margin improvement in Q3
- Fresenius Kabi: Strong organic growth and positive earnings development
- Fresenius ProServe: further measures to improve profitability
- Reported figures impacted by exchange rate fluctuations

In the first nine months of 2003 the results of the Fresenius Group were significantly impacted by exchange rate fluctuations in the currency translation. At constant currency, sales increased 6 % for the first nine months of 2003. At actual rates, sales decreased 5 %. Operating income (EBIT) increased 8 % at constant currency and decreased 4 % at actual rates. Net income grew significantly at both constant currency and actual rates (+38 % and +24 % respectively).

## **Group outlook for the full year 2003**

In the first nine months the health care systems were affected by postponed investments, cost-cutting measures and price pressure. In this difficult environment, Fresenius Group achieved further significant improvements in sales and earnings at constant currency. For the full-year 2003 expectations for a mid single digit sales growth remain unchanged.

The largest business segments, Fresenius Medical Care and Fresenius Kabi, both performed very well during the first nine months of 2003. The Group expects this trend to continue in the fourth quarter. Fresenius ProServe's performance during the third quarter 2003 was marked by declining bed utilization rates in the German hospitals, project delays and a general investment caution of the pharma industry. Fresenius ProServe plans to focus its business operations to improve profitability. In addition to the restructuring program initiated in the second quarter for Wittgensteiner Kliniken AG (WKA), Fresenius ProServe will take measures in the current year to reorganize its health care project and Pharma Industry businesses.

The Managing Board maintains its forecast that, at constant currency and before one-time expenses for the WKA program and the reorganization of the health care project and Pharma Industry businesses, the Group's net income will increase at a double-digit rate. Forecast is based on the continued strong performance of Fresenius Medical Care and Fresenius Kabi. After one-time expenses, it is expected that net income at constant currency will show a high single to low double digit rate decrease compared to previous year.

## **Sales**

In the first nine months of 2003, Fresenius Group increased sales at constant currency 6 %. Organic growth was 4 %. Acquisitions contributed 2 %. At actual rates, consolidated sales of € 5,254 million were 5 % lower than previous year's figure (Q1-3/2002: € 5,552 million). Exchange rates fluctuations had a 11 % negative impact on sales, mainly due to the 20 % weaker US dollar.

In all regions, Fresenius expanded its business successfully and increased sales at constant currency. The strongest sales were in North America with 50 % and Europe with 38 % of total sales. Asia-Pacific had 7 %, Latin America 4 % and other regions a total of 1 %. Despite the continuously difficult economic climate in Latin America, sales showed a significant growth of 31 % at constant currency.

in € million	Q1-3/2002	Q1-3/2003	Change	Change currency-adjusted
Europe	1,840	1,976	7%	8%
North America	3,059	2,638	-14%	3%
Asia-Pacific	389	372	-4%	7%
Latin America	187	183	-2%	31%
Africa	77	85	10%	5%
Total	5,552	5,254	-5%	6%

Sales contribution of the business segments:

	Q1-3/2002	Q1-3/2003
Fresenius Medical Care	72%	70%
Fresenius Kabi	19%	20%
Fresenius ProServe	8%	10%
Corporate	1%	0%

Fresenius Medical Care's reduced proportion of sales is mainly a result of currency translation effects.

## Earnings

At constant currency, earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 5 % compared to previous year. Currency translation effects also had a negative impact on Group earnings. At actual rates, EBITDA for the first nine months of 2003 was € 825 million, 6 % below previous year's € 874 million. EBIT increased 8 % at constant currency but decreased 4 % at actual rates to € 590 million (Q1-3/2002: € 617 million).

Fresenius Kabi contributed the largest share to the EBIT increase (+ € 42 million or +65 % compared to previous year). This is thanks to the successful implementation of restructuring measures in 2001 and 2002 and a strong operating performance in the regions.

Net interest expense for the first nine months of 2003 improved to € -186 million compared to € -230 million for the same period in 2002.

In the following table previous year's consolidated statement of income has been adjusted according to Statement of Financial Accounting Standards No. 145 which stipulates that, as of January 1, 2003, the gains and losses from the early redemption of financial instruments are no longer classified as extraordinary. This rule requires the reclassification of € 21 million of expenses before taxes (€ 13 million after taxes and related minority interests of € 8 million) for the early redemption of Fresenius Medical Care's trust preferred securities in February 2002 which were to come due in 2006.

	Q1-3/2002 as reported  in million €	Q1-3/2002 adjusted according to SFAS No.145 in million €	Q1-3/2003  in million €	Change Q1-3/2003 vs. Q1-3/2002 as reported	Change Q1-3/2003 vs. Q1-3/2002 SFAS No.145
EBIT	617	617	590	-4%	-4%
Net interest expense	-209	-230	-186	11%	19%
Earnings before income taxes	408	387	404	-1%	4%
Taxes on income and profit	-157	-149	-158	-1%	-6%
Minority interests	-161	-153	-141	12%	8%
Net income (before extraordinary expenses)	90	85	105	17%	24%
Extraordinary expenses after taxes and minority interests	-5	0	0		
Net income	85	85	105	24%	24%

The decrease in net interest expense is equally attributable to the change in US GAAP and to currency translation effects of US dollar into euro, since a large portion of Fresenius Medical Care's bank loans are in US dollars.

The effective tax rate for the first nine month of 2003 was 39.1 % (Q1-3/2002: 38.5 %).

Minority interests decreased to € 141 million from € 153 million for the first nine months of 2002, solely due to exchange rate effects. 96 % of minority interests relate to Fresenius Medical Care.

Net income increased 24 % to € 105 million, compared to € 85 million for the first nine months of 2002. At constant currency, the increase was with 38 % even more significant.

Earnings per ordinary share were € 2.55, up from € 2.06 in the same period of 2002. Earnings per preference share were € 2.57, up from € 2.08 in 2002. This was an increase of 24 % (at constant currency: 38 %).

## **Capital expenditure and acquisitions**

Fresenius spent € 247 million in the first nine months of 2003 on capital expenditure and acquisitions. (Q1-3/2002: € 393 million). This reduction was in line with Company planning. In 2001 and 2002 Fresenius made significant investments to increase the capacity of production plants and further market expansion.

73 % of total investments was for capital expenditure, 27 % was for acquisitions. Capital expenditure was € 180 million, 36 % less than in the same period of 2002. Acquisitions were € 67 million compared to € 110 million in the first nine month of 2002.

Acquisitions related mainly to the purchase of dialysis clinics by Fresenius Medical Care. Capital expenditure was mainly used to equip new dialysis clinics, to expand and modernize existing clinics and to expand and optimize production plants.

Fresenius invested 55 % in Europe, 36 % in North America and 9 % in other regions.

## **Cash flow**

Operating cash flow and free cash flow for the first nine months of 2003 were at record levels. Operating cash flow increased 11 % to € 565 million (Q1-3/2002: € 507 million). This excellent figure resulted from improved receivables management. Free cash flow before acquisitions and dividends increased 47 % to € 399 million (Q1-3/2002: € 272 million). This increase was also due to the significantly lower investment volume of € 166 million (Q1-

3/2002: € 235 million). Free cash flow after acquisitions (€ 61 million) and dividends (€ 114 million) tripled to € 224 million (Q1-3/2002: € 72 million). In the third quarter 2003, operating cash flow was € 254 million (Q3 2002: € 211 million) and free cash flow before acquisitions and dividends was € 191 million (Q3 2002: € 118 million), again record levels for a third quarter.

### **Asset, liability and equity structure**

Balance sheet total of the Group was € 8,817 million, a decrease of € 98 million (1 %) compared to December 31, 2002 (€ 8,915 million). This was due to currency effects. At constant currency, balance sheet total increased by 5 %.

Shareholders' equity (including minority interests) was € 3,264 million as of September 30, 2003 compared to € 3,369 million as of December 31, 2002, a decrease of 3 % or € 105 million due to currency translation effects. At constant currency there was an increase of 4 %. Equity ratio (including minority interests) was 37.0 % as of September 30, 2003 compared to 37.8 % as of December 31, 2002.

Bank loans, Eurobonds, commercial paper and trust preferred securities were € 3,181 million as of September 30, 2003 compared to € 3,283 million as of December 31, 2002. The reduction was due to currency translation effects, partially offset by reduction in Fresenius Medical Care's receivables securitization program.

Debt, including liabilities from the receivables securitization program of Fresenius Medical Care decreased from € 3,707 million as of December 31, 2002 to € 3,335 million as of September 30, 2003. The reduction was almost equally achieved from the strong free cash flow as well as currency translation effects.

The key ratio net debt/EBITDA improved substantially as of September 30, 2003 to 2.8 (December 31, 2002: 3.0). The Group is therefore well on track to achieve its target of 2.5 in 2005.

## Employees

As of September 30, 2003, Fresenius Group had 65,941 employees worldwide. This was 4 % or 2,303 people more than at the end of 2002.

## The Business Segments

### Fresenius Medical Care

Fresenius Medical Care AG is the world's leading provider of products and services for patients with chronic kidney failure. As of September 30, 2003, Fresenius Medical Care provided treatment to around 117,600 patients in 1,540 dialysis clinics, 7 % more than at the same date last year.

in US \$ million	Q1-3/2002	Q1-3/2003	Change
Sales	3,726	4,075	9%
EBITDA	671	709	6%
EBIT	511	550	8%
Net income	207	237	14%
Employees	41,766 (31.12.2002)	43,305 (30.9.2003)	4%

Fresenius Medical Care increased sales for the first nine months of 2003 by 9 % to US\$ 4,075 million (Q1-3/2002: US\$ 3,726 million). At constant currency, the increase was 6 %. Fresenius Medical Care had 70 % of sales in North America and 30 % elsewhere.

Both, dialysis products and dialysis care had increased sales. Sales of dialysis products increased 14 % to US\$ 1,134 million (Q1-3/2002: US\$ 991 million). The international business in particular showed strong growth rates. The number of dialysis treatments increased 9 % to 13.2 million, increasing sales by 8 % to US\$ 2,941 million (Q1-3/2002: US\$ 2,735 million). Dialysis care sales and dialysis products sales were 72 % and 28 % of sales respectively.

Fresenius Medical Care improved EBIT 8 % to US\$ 550 million (Q1-3/2002: US\$ 511 million). Net income increased 14 % to US\$ 237 million.

For the year 2003, Fresenius Medical Care confirms 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, Fresenius Medical Care expects to achieve net income growth for the full year 2003 near the lower end within the predicted range.

As a result of the weaker US dollar against the euro, Fresenius Medical Care's sales of US\$ 4,075 million (€ 3,665 million) were 9 % lower than the € 4,018 million recorded in the first nine months of 2002 after conversion to euros. EBIT decreased 10 % to € 494 million (Q1-3/2002: € 551 million), also due to currency translation effects.

For further information please see Fresenius Medical Care Investor News at [www.fmc-ag.com](http://www.fmc-ag.com).

## Fresenius Kabi

Fresenius Kabi focuses on nutrition and infusion therapy of patients, many of whom are seriously ill, in hospital and the ambulatory environment, as well as on infusion and transfusion technology.

in € million	Q1-3/2002*	Q1-3/2003	Change
Sales	1,068	1,082	1%
EBITDA	125	164	31%
EBIT	65	107	65%
Net income	13	44	238%
Employees	11,311 (31.12.2002)	11,448 (30.9.2003)	1%

Fresenius Kabi's sales for the first nine months of 2003 were € 1,082 million, 1 % above the level of € 1,068 million recorded in the same period last year. Currency translation had a negative impact of –5 % on sales. Fresenius Kabi achieved strong organic sales growth of 7%, in line with the full-year target. Divestments (the sale of the company ProReha effective August 1, 2002) reduced sales by –1 % percentage point.

The hospital business generated sales of € 865 million (Q1-3/2002: € 843 million; +3 %). The Ambulatory Care business had sales of € 217 million (Q1-3/2002: € 225 million).

\* The previous year's figures have been adjusted to include the newly-assigned activities of the business segment Fresenius HemoCare (transfusion and infusion technology) effective January 1, 2003.



EBIT for the first nine months of 2003 increased to € 107 million, well ahead of previous year's figure of € 65 million. The EBIT margin for the first nine months of 2003 was 9.9 %, well above the margin achieved in the same period last year (6.1 %). Next to the good development in the operating business, cost optimization measures had a positive impact on earnings. These improvements will continue to make a significant contribution to future earnings growth.

This positive development is based on the sustainable success of Fresenius Kabi's products in the European, Asian-Pacific and Latin American markets. In Europe, Fresenius Kabi was able to achieve a good 4 % organic sales growth despite cost saving measures and price pressure in the first nine months of 2003. In other, strong growing regions, Fresenius Kabi achieved double-digit organic growth rates.

For the full year 2003, Fresenius Kabi confirms its outlook of achieving organic sales growth of 6 to 7 %. EBIT for the full year 2003 is expected to be in the range of € 140 million.

## Fresenius ProServe

Fresenius ProServe offers services for the international healthcare systems. The range of services includes hospital management, the planning and construction of hospitals as well as of pharmaceutical and medical-technical production plants.

in € million	Q1-3/2002	Q1-3/2003	Change
Sales	475	526	11%
EBITDA	34	27	-21%
EBIT	16	5	-69%
Net income	3	-4	-233%
Employees	9,894 (31.12. 2002)	10,655 (30.9.2003)	8%

Fresenius ProServe increased sales 11 % to € 526 million for the first nine months of 2003 (Q1-3/2002: € 475 million). The Healthcare and Pharma Industry businesses achieved 86 % and 14 % of sales respectively.

Healthcare sales grew by 20 % to € 452 million (Q1-3/2002: € 377 million). Sales generated by services increased 30 % to € 361 million (Q1-3/2002: €

277 million). This was mainly due to the first-time consolidation of newly-acquired hospitals (mainly Klinikum Rhein-Sieg in Siegburg). Healthcare sales from project business, at € 91 million, were 10 % lower than in the same period last year (Q1-3/2002: € 100 million) due to project delays. Pharma Industry sales of € 74 million were 24 % lower than in the same period last year due to a general investment caution of the pharma industry.

Fresenius ProServe's EBIT for the first nine months of 2003 was € 5 million, after one-time expenses of € 8 million (Q1-3/2002: 16 million). The company announced in August 2003 a program at WKA to reduce costs and improve profitability. The program has been implemented in line with plan. A bed utilization rate of 80 % in the third quarter 2003, compared to one of 81% in the last quarter, shows that bed utilization in acute and post-acute hospitals has not yet seen a turnaround. In addition, delayed project business orders had a negative impact on quarterly earnings.

A primary task is to improve Fresenius ProServe's profitability. In addition to the WKA program, further reorganization measures are currently being taken for the health care project and Pharma Industry businesses and will be implemented during the current year. This includes focusing Pharma Industry business regionally on selected key markets and the related closure of business sites. In addition, the ProServe subsidiary hospitalia international, which is active in the hospital project business such as the subsidiary VAMED, will operate in future under the umbrella of VAMED. This will lead to advantages from a joint market approach and from cost savings in administration. The reorganization will lead to one-time expenses of approximately € 15 million, mainly in connection with the write-down of the carrying amount of assets. These expenses will incur in 2003.

For the full year 2003, Fresenius ProServe expects EBIT before one-time expenses to be in the range of € 15 million. After one-time expenses, Fresenius ProServe anticipates that it will report a negative EBIT of approximately € 20 million.

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**Note:** The **full quarterly report** including notes will be available from mid November on our website [www.fresenius-ag.com](http://www.fresenius-ag.com) under Investor Relations / Publications.

This release contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of clinical trials, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. Fresenius does not undertake any responsibility to update the forward-looking statements in this release.

## Fresenius Group in Figures

### Consolidated statement of income (unaudited)

1 January to 30 September; in million €	2002*	2003	Change
Sales	5,552	5,254	-5%
Cost of goods sold	-3,753	-3,564	-5%
<b>Gross profit</b>	<b>1,799</b>	<b>1,690</b>	-6%
Selling, general and administrative expenses	-1,084	-1,013	-7%
Expenditure on research and development	-98	-87	-11%
<b>Operating income (EBIT)</b>	<b>617</b>	<b>590</b>	-4%
Net interest	-230	-186	-19%
<b>Earnings before income taxes and minority interests</b>	<b>387</b>	<b>404</b>	4%
Income taxes	-149	-158	6%
Minority interests	-153	-141	-8%
<b>Net income</b>	<b>85</b>	<b>105</b>	24%
<b>Basic earnings per ordinary share (in €)</b>	<b>2.06</b>	<b>2.55</b>	24%
<b>Fully diluted earnings per ordinary share (in €)</b>	<b>2.06</b>	<b>2.55</b>	24%
<b>Basic earnings per preference share (in €)</b>	<b>2.08</b>	<b>2.57</b>	24%
<b>Fully diluted earnings per preference share (in €)</b>	<b>2.08</b>	<b>2.57</b>	24%

\* adjusted according to US GAAP SFAS 145

	as reported		
Extraordinary expenses after income taxes and minority interests	5	0	-100%
<b>Net income before extraordinary expenses</b>	<b>90</b>	<b>105</b>	<b>17%</b>

<b>Average number of shares</b>			
<b>Ordinary shares</b>	<b>20,484,804</b>	<b>20,484,842</b>	
<b>Preference shares</b>	<b>20,484,804</b>	<b>20,484,842</b>	
<b>EBIT (in million €)</b>	<b>617</b>	<b>590</b>	<b>-4%</b>
<b>Depreciation and amortization (in million €)</b>	<b>257</b>	<b>235</b>	<b>-9%</b>
<b>EBITDA (in million €)</b>	<b>874</b>	<b>825</b>	<b>-6%</b>
<b>EBIT margin</b>	<b>11.1%</b>	<b>11.2%</b>	
<b>EBITDA margin</b>	<b>15.7%</b>	<b>15.7%</b>	