



## P R E S S   R E L E A S E

February 25, 2004  
Oliver Heieck, Corp. Communications  
Tel.: +49 - 6172 - 6082101  
Fax: +49 - 6172 - 6082294  
e-mail: pr-fre@fresenius.de  
www.fresenius-ag.com

### **Fresenius announces results of Financial Year 2003:**

- Sales: € 7.064 billion  
+ 5 % in constant currency, - 6 % at actual exchange rates
- EBIT: € 781 million  
+ 5 % in constant currency, - 7 % at actual exchange rates
- Net income: € 115 million  
- 2 % in constant currency, - 14 % at actual exchange rates  
€ 147 million before one-time expenses  
+ 22 % in constant currency, + 10 % at actual exchange rates
- Dividend: 8 % increase to € 1.23 per ordinary share and  
€ 1.26 per preference share
- Strong sales and earnings performance of Fresenius Medical Care and Fresenius Kabi
- Fresenius Group's results were impacted by € 34 million (before tax) of one-time expenses at Fresenius ProServe.
- Fresenius ProServe: Reorganization programs and operating result on track
- Operating cash flow and free cash flow at record levels

Fresenius Group business performance in 2003 was very positive, but significantly impacted by exchange rate fluctuations. Sales were up 5 % in constant currency, but down 6 % at actual exchange rates. The good earnings performance in 2003 was supported by the very strong contributions of the Group's two largest business segments Fresenius Medical Care and Fresenius Kabi. The good development was burdened by one-time expenses at Fresenius ProServe. Operating income (EBIT) rose

5 % in constant currency, but fell 7 % at actual exchange rates. Net income decreased 2 % in constant currency and 14 % at actual exchange rates. Excluding one-time expenses at Fresenius ProServe, net income would have increased 22 % in constant currency and 10 % at actual exchange rates.

## **Dividend**

The Managing Board will propose an 8 % dividend increase to the Supervisory Board. For the fiscal year 2003, a dividend of € 1.23 (2002: € 1.14) for each ordinary share and € 1.26 (2002: € 1.17) for each preference share should be paid. This is the 11<sup>th</sup> consecutive year of dividend increase. The proposal reflects the excellent cash flow performance and our confidence in the future earnings development of the Group. Total dividend distribution will be € 51.0 million (2002: € 47.3 million).

## **Group outlook for the full year 2004**

Despite continued cost-saving pressure in the healthcare sector, particularly in the western markets, the Group anticipates a positive performance for the full year 2004. The Company expects a mid single-digit percent increase in 2004 sales, at constant currency. Net income is expected to grow in the range of 25 to 30 % at constant currency. Good sales performance, further improvement of the cost structures and positive effects of Fresenius ProServe's profit improvement programs will contribute to the growth in net income. We expect sales and earnings to increase in all segments. For the year 2004 Fresenius plans a total capital expenditure of about € 300 million. Expected acquisition spending will be € 120 million.

## **Sales**

In 2003 Group sales increased 5 % in constant currency. Organic growth was 3 %, while acquisitions contributed 2 % to the increase in sales. Sales were € 7,064 million, down 6 % on last year's figure of € 7,507 million. This decline is mainly due to the US dollar which weakened by almost 20 % against the euro. Currency translation effects had an 11 % negative impact on sales.

Group sales were greatest in North America with 50 % and in Europe with 38 % of total sales, followed by Asia-Pacific with 7 %. Sales in Latin America and other regions accounted for 5 %. The highest regional growth rate was in Latin America, de-

spite the difficult economic situation in many countries in this region. Due to project delays at Fresenius ProServe, Asia-Pacific sales in constant currency were on previous year's level. The outbreak of the respiratory illness SARS temporarily restrained our business activities in that region. We expect that Asia-Pacific and Latin America continue to offer above-average growth potential for Fresenius in the future.

in €m	2003	2002	Change	Change currency-adjusted
Europe	2.692	2.539	6%	7%
North America	3.496	4.061	-14%	3%
Asia-Pacific	509	563	-10%	0%
Latin America	246	239	3%	29%
Africa	121	105	15%	8%
Total	7.064	7.507	-6%	5%

Sales contribution of the three business segments:

	2003	2002
Fresenius Medical Care	69%	71%
Fresenius Kabi	20%	19%
Fresenius ProServe	11%	9%

Fresenius Medical Care's lower share of Group sales is mainly due to currency translation.

## Earnings

Currency translation effects also had an impact on Group earnings. In constant currency, earnings before interest, income taxes, depreciation and amortization (EBITDA) was up 4 % compared to 2002. At actual rates, it was down 6 % to € 1,106 million (2002: € 1,178 million). Group EBIT increased 5 % in constant currency, but decreased 7 % at actual exchange rates to € 781 million (2002: € 837 million).

Group net interest expense improved by 14 % to € 249 million, compared to € 291 million last year. The reduction was mainly attributable to positive USD/EUR currency translation effects, as a high proportion of bank liabilities are in US dollars.

The effective tax rate for the full year 2003 was 41.9%. The increase compared to previous year's rate of 37.0 % is mainly due to the one-time expenses at Fresenius ProServe that are partially not tax-deductible.

Minority interests decreased to € 194 million (2002: € 210 million), solely due to currency translation. 96 % of minority interests relate to Fresenius Medical Care.

At actual exchange rates, Group net income was € 115 million, down 14 % from € 134 million achieved in 2002. Excluding the effect of one-time expenses, Group net income would have increased 22 % in constant currency and 10 % at actual exchange rates.

Earnings per ordinary share were € 2.79, down from € 3.25 in 2002. Earnings per preference share were € 2.82 (2002: € 3.28).

### **Capital expenditure and acquisitions**

Fresenius spent € 430 million in 2003 on capital expenditure and acquisitions (2002: € 507 million). This reduction was in line with Company planning.

Investments for capital expenditure decreased € 38 million to € 339 million and acquisitions fell to € 91 million (2002: € 130 million). Capital expenditure accounted for 79 % of investments in 2003, and acquisitions for 21 %.

Acquisitions related mainly to the purchase of dialysis clinics by Fresenius Medical Care. Capital expenditure was mainly used to expand and modernize existing dialysis clinics. We also invested to further expand and optimize production plants at Fresenius Kabi, and in the modernization and in medical technical equipment in clinics managed by Fresenius ProServe.

47 % of the Group investments were made in Europe, 44 % in North America and 9 % in other regions.

### **Cash flow**

Group cash flow was at record levels: operating cash flow and free cash flow exceeded even previous year's record figures. Operating cash flow increased 11 % to € 776 million (2002: € 697 million), mainly due to improved receivables management and cash inflows derived from hedged inter-company financing. Free cash flow before acquisitions and dividends increased 19 % to € 454 million (2002: € 382 million).

This increase was due to our strong operating cash flow, while net investment remained almost unchanged. Free cash flow after acquisitions and dividends was € 269 million, a significant increase of 65 % over the previous year's € 163 million.

## **Asset and Capital Structure**

Total assets were down 6 % from 31 December 2002 to € 8,347 million (31.12.2002: 8,915 million). This decline is entirely due to currency translation. In constant currency, total assets would have increased 4 %.

Shareholders' equity (including minority interests) was € 3,214 million, down 5 % from € 3,369 million as of 31 December 2002. The reduction was due to currency translation; in constant currency, there would have been an 8 % increase. The equity ratio including minority interests rose from 37.8 % as of 31 December 2002 to 38.5 % at the end of 2003.

Bank loans, Eurobonds, Commercial Paper and trust preferred securities were € 3,023 million as of 31 December 2003 (31.12.2002: € 3,283 million). Total debt, including liabilities from the receivables securitization program of Fresenius Medical Care was reduced from € 3,707 million (31.12.2002) to € 3,148 million as of 31 December 2003, mainly due to currency translation. The strong free cash flow led to a reduction in debt of € 283 million.

The key ratio of net debt/EBITDA improved significantly to 2.7 as of 31 December 2003 (31.12.2002: 3.0). The Group is well on track to achieve its target of 2.5 in 2005.

## **Employees**

As of 31 December 2003, Fresenius had 66,264 employees worldwide, an increase in headcount of 2,626, or 4 %, compared to 31 December 2002.

## **Fresenius Biotech**

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer and cell therapies used to treat end-stage HIV infection. In the field of polyclonal antibodies, since many years Fresenius Biotech successfully ap-

plies the immune suppressive agent ATG Fresenius S, used for suppression following organ transplantations.

The results of the following studies are expected during 2004:

- Phase I study using removab<sup>®</sup> in non-small cell lung cancer
- Phase I study using removab<sup>®</sup> in peritoneal cancer
- Phase I study using rexomun in breast cancer
- A first study to clarify if treatment with genetically modified T-helper cells generally works in treating HIV. Approval for production of these cells has been obtained.

In the year 2003 EBIT of Fresenius Biotech was € -19 million. Fresenius Biotech expects 2004 an EBIT at around € -29 million; this will depend largely on the planned expenses for clinical trials. A lower EBIT loss can be expected if milestones of clinical studies are not achieved and projects are no longer pursued.

## 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 31 December 2003, Fresenius Medical Care treated around 119,250 patients in 1,560 dialysis clinics, corresponding to an 6 % increase year over year.

in US\$ million	2003	2002	Change
Sales	5.528	5.084	9%
EBITDA	974	906	8%
EBIT	757	695	9%
Net income	331	290	14%
Employees	43.445 (31.12.2003)	41.766 (31.12.2002)	4%

Fresenius Medical Care's 2003 sales increased by 9 % to US\$ 5,528 million (2002: US\$ 5,084 million). In constant currency, the increase was 5 %.

Fresenius Medical Care made around 70 % of its sales in North America and roughly 30 % in the international business, which showed particularly good growth rates in

2003 despite the crisis in Iraq and the difficult economic climate in Latin America. Major growth drivers were the strong development in European and Latin American operations.

Sales of dialysis products increased 13 % to US\$ 1,549 million. Sales of dialysis services were up 7 % to US\$ 3,978 million. Sales of dialysis services are driven by the number of treatments, which increased 9 % in 2003. Fresenius Medical Care carried out 17.8 million dialysis treatments in 2003.

Fresenius Medical Care improved EBIT by 9 % to US\$ 757 million (2002: US\$ 695 million). This increase is mainly due to the extremely positive development of our US operations. Net income increased 14 % to US\$ 331 million.

Fresenius Medical Care forecasts currency-adjusted mid single-digit growth in sales and high single-digit to low double-digit growth in net income for 2004. The company expects for 2004 capital expenditure of around 250 Mio US\$ and an acquisition spending of around 100 Mio US\$.

For further information, please see Press Release Fresenius Medical Care.

## Fresenius Kabi

Fresenius Kabi focuses on nutrition and infusion therapy for seriously ill patients, in both hospital and ambulatory care environments, and on infusion and transfusion technology.

in € million	2003	2002*	Change
Sales	1.463	1.441	2%
EBITDA	232	181	28%
EBIT	147	97	52%
Net income	65	30	117%
Employees	11.470 (31.12.2003)	11.311 (31.12.2002)	1%

\*The previous year's figures were adjusted for Fresenius HemoCare (transfusion and infusion technology) whose activities have been re-assigned to Fresenius Kabi since 1 January 2003.

Fresenius Kabi's sales were € 1,463 million, up 2 % from previous year's sales of € 1,441 million. Fresenius Kabi achieved very good organic growth of 7 %. In addition to the solid growth in Europe, double-digit growth rates in Latin America and Asia-Pacific contributed to this success. Currency translation reduced sales by 4 % and disinvestments by 1 %.

Fresenius Kabi achieved a 3 % increase in hospital business sales, to € 1,171 million (2002: € 1,137 million). Ambulatory Care had sales of € 292 million; down 4 % on the previous year (2002: € 304 million). All regions achieved good organic growth in sales. Despite the respiratory illness SARS, which limited business operations in Asia-Pacific in the first half of the year, Fresenius Kabi had a growth of 12 % in that region. Internal growth in Latin America was 27 %. Although the European healthcare markets show increasing pressure on cost savings, the Company achieved good organic growth here of 4 %.

Fresenius Kabi's EBIT rose 52 % in 2003 to € 147 million, a significant improvement on previous year's figure of € 97 million. In addition to good developments in its operating business, the cost reduction measures showed positive effects.

Fresenius Kabi expects further sales and earnings increases for 2004: while mid single-digit growth rates are projected for sales, the EBIT margin is expected to rise from 10 % to about 11 %. For the regions Asia-Pacific and Latin America Fresenius Kabi sees above-average perspectives for future growth.

### **Fresenius ProServe**

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

in € million	2003	2002	Change
Sales	742	701	6%
EBITDA	14	48	-71%
EBIT	-19	24	-179%
Net income	-34	1	--
Employees	10.815 (31.12.2003)	9.894 (31.12.2002)	9%

Fresenius ProServe increased sales by 6 % to € 742 million (2002: € 701 million). The consolidation of acquired hospitals (including the Klinikum Rhein-Sieg in Siegburg, Germany) accounted for an 11 % increase, while the project business showed a 5 % decrease. Orders on hand for Fresenius ProServe's project business increased slightly, to € 435 million (31.12.2002: € 424 million), whereas order entry was



down 15 %, to € 278 million (2002: € 327 million), mainly due to the general investment caution in the pharma industry.

As expected, Fresenius ProServe reported a € 19 million EBIT loss for 2003 (2002: € 24 million profit). This figure includes € 34 million before tax of one-time expenses for measures to cut costs and improve profitability at Wittgensteiner Kliniken AG (WKA) as well as reorganization measures in the Healthcare Project and Pharma Industry businesses. By reducing staffing levels, optimizing processes and costs, and closing locations, Fresenius ProServe is adjusting its fixed cost structure to better reflect market conditions. The current bed utilization rate in the year 2003 of 79 % in German hospitals was clearly below the previous year's level of 85 %.

Fresenius ProServe's primary mid-term goal is to increase efficiency at WKA and to improve operating margins. It also plans to more closely link acute hospitals and post-acute clinics and, at the same time, to make individual hospitals more competitive through specialization. Outside of Germany the focus will be on strengthening the hospital project business.

Fresenius ProServe expects 2004 sales to grow by around 10 %. EBIT in 2004 is expected to be around € 25 million, before the announced 2004 one-time expenses of € 8 million at WKA.

This release contains forward-looking statements that are subject to certain risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to various factors, e.g., changes in the business, economic and competitive environment, 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

in million €	2003	2002*	Change
Sales	7,064	7,507	-6%
Cost of goods sold	-4,788	-5,071	6%
<b>Gross profit</b>	<b>2,276</b>	<b>2,436</b>	-7%
Selling, general and administrative expenses	-1,374	-1,461	6%
Expenditure on research and development	-121	-138	12%
<b>Operating income (EBIT)</b>	<b>781</b>	<b>837</b>	-7%
Net interest	-249	-291	14%
<b>Earnings before income taxes and minority interests</b>	<b>532</b>	<b>546</b>	-3%
Income taxes	-223	-202	-10%
Minority interests	-194	-210	8%
<b>Net income</b>	<b>115</b>	<b>134</b>	-14%
<b>Basic earnings per ordinary share (in €)</b>	<b>2.79</b>	<b>3.25</b>	-14%
<b>Fully diluted earnings per ordinary share (in €)</b>	<b>2.79</b>	<b>3.25</b>	-14%
<b>Basic earnings per preference share (in €)</b>	<b>2.82</b>	<b>3.28</b>	-14%
<b>Fully diluted earnings per preference share (in €)</b>	<b>2.82</b>	<b>3.28</b>	-14%

\* adjusted according to US GAAP SFAS 145

		as reported	
Extraordinary expenses after income taxes and minority interests		-5	--
<b>Net income before extraordinary expenses</b>	<b>115</b>	<b>139</b>	<b>-17%</b>

<b>Average number of shares</b>			
<b>Ordinary shares</b>	<b>20,484,842</b>	<b>20,484,842</b>	
<b>Preference shares</b>	<b>20,484,842</b>	<b>20,484,842</b>	
<b>EBIT (in million €)</b>	<b>781</b>	<b>837</b>	<b>-7%</b>
<b>Depreciation and amortization (in million €)</b>	<b>325</b>	<b>341</b>	<b>-5%</b>
<b>EBITDA (in million €)</b>	<b>1,106</b>	<b>1,178</b>	<b>-6%</b>
<b>EBIT margin</b>	<b>11,1%</b>	<b>11,1%</b>	
<b>EBITDA margin</b>	<b>15,7%</b>	<b>15,7%</b>	