



Fresenius Medical Care

## P R E S S   R E L E A S E

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### **Fresenius Medical Care AG reports Fourth Quarter and Full Year Results 2003**

#### **Summary Full Year 2003:**

**Company met or exceeded financial targets for 2003 and will propose 7<sup>th</sup> consecutive dividend increase**

• Net Revenues	\$ 5,528 million	+ 9%
• Operating income (EBIT)	\$ 757 million	+ 9%
• Net income	\$ 331 million	+ 14%
• Operating Cash Flow	\$ 754 million	+ 37%
• Free Cash Flow	\$ 478 million	+ 37%
• Dividend Proposal (Ordinary Share)	€ 1.02	+ 8%
(Preference Share)	€ 1.08	+ 8%

**Bad Homburg, Germany – February 25, 2004** -- Fresenius Medical Care AG (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 fourth quarter and the full year of 2003.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: "We have accomplished or even slightly exceeded our targets for 2003. Our results for the year 2003 improved in key financial metrics and showed a strong performance of our operations. We achieved another record operating and free cash flow for 2003 and we are confident that our global strategy is on the right track. We ended the year with a strong momentum, which we believe is a good foundation to look optimistically toward 2004 and beyond."

## **OPERATIONS**

### **Fourth Quarter 2003:**

Fresenius Medical Care AG reports a 15% increase in **net income** to \$ 94.5 million for the fourth quarter 2003

**Total revenue** for the fourth quarter 2003 increased 7% (+2% at constant currency) to \$ 1,452 million. Dialysis Care revenue grew by 7% to \$ 1,038 million (+4% at constant currency) in the fourth quarter of 2003. Dialysis Product revenue (including internal sales) increased by 13% to \$ 551 million (+3% at constant currency) in the same period. The internal sales increased to \$ 136 million after \$ 105 million in the fourth quarter of 2002.

### **North America:**

Revenue rose 1% to \$ 993 million, compared to \$ 979 million in the same period last year. Dialysis Care revenue in the US increased by 3% to \$ 887 million. Same store treatment growth improved again in the fourth quarter to 4.1%. Excluding Puerto Rico the North American same store treatment growth was 4.3% in the fourth quarter of 2003. The average revenue per treatment was at \$ 280 in the fourth quarter of 2003

(Q3 2003: \$ 279). North American Dialysis Product revenue, including sales to company-owned clinics, increased 5% to \$ 207 million.

International:

Revenue was \$ 459 million, up 21% (+5% at constant currency). Dialysis Care revenue reached \$ 151 million in the fourth quarter 2003, up 34% (+15% at constant currency). Same store treatment growth in the fourth quarter was very strong at 7%. Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 18% to \$ 345 million (3% at constant currency).

**Operating Income (EBIT)** increased 13% to \$ 208 million resulting in an operating margin of 14.3% (Q4 2002: 13.6%). The increase of 70 basis points was mainly due to increased treatments and efficiency improvements in North America and reimbursement increases in Italy, Portugal and Venezuela but partially offset by the impacts from the changes in the distribution network in Asia-Pacific and increased cost of revenue due to the strengthening of the Euro. Sequentially, in the fourth quarter the margin in North America increased by 60 basis points to 14.6%. In our International segment it increased by 30 basis points to 15.8% compared to the prior quarter.

**Earnings per share (EPS)** in the fourth quarter 2003 rose 15% to \$ 0.98 per ordinary share (\$ 0.33 per ADS), compared to \$ 0.85 (\$ 0.28 per ADS) in the fourth quarter of 2002. The weighted average number of shares outstanding during the fourth quarter of 2003 was approximately 96.2 million.

In the fourth quarter of 2003, the Company generated \$ 251 million in **cash from operations**. The company benefited from the roll-over of certain hedged inter-company financing transactions in the amount of \$ 104 million in the fourth quarter of 2003. A total of \$ 147 million (net of disposals) was spent for **capital expenditures**. The capital expenditures were higher in the fourth quarter since the company used the high operating cash flow as an opportunity for an early lease buyout refinancing of \$ 66 million for the Ogden production plant in North America. Including this refinancing transaction the **Free Cash Flow** before acquisitions for the fourth quarter 2003 was \$ 104 million compared to fourth quarter of 2002 with \$ 110 million. A total

of \$ 13 million in cash was spent for **acquisitions**. **Free Cash Flow after acquisitions** was \$ 91 million compared to \$ 103 million in the fourth quarter of 2002.

### **Full Year 2003:**

For a complete overview of the full year 2003 please refer to the appendix.

For the full year 2003, **net income** was \$ 331 million, up 14% from the same period in 2002.

In accordance with the 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 loss to interest expense and income tax expense. Excluding the redemption loss, net income for the full year of 2002 was \$ 302 million. **Net revenue** was \$ 5,528 million, up 9% from the full year 2002. Currency adjusted, net revenue rose 5% in 2003 compared to 2002. **Operating Income (EBIT)** increased 9% to \$ 757 million resulting in an operating margin of 13.7%. For the full year 2003, **earnings per ordinary share** rose 14% to \$ 3.42. Earnings per ordinary ADS for the full year 2003 were \$ 1.14.

**Cash from operations** during the full year 2003 was up 37% or \$ 754 million compared to \$ 550 million in the year 2002. A total of \$ 276 million was spent for **capital expenditures** (net of disposals) resulting in a **Free Cash Flow** before acquisitions for the full year 2003 of \$ 478 million, an increase of 37% compared to \$ 349 million for the full year 2002. This exceptional Cash Flow performance was driven by strong improvements in working capital management. The company reduced the days sales outstanding (DSO) by 7 days to 89 days in 2003, with strong contributions from North America as well as the International region. In addition, cash flow for the fiscal year 2003 benefited from the roll-over of certain hedged inter-company financing transactions in the amount of \$ 132 million. Net cash used for **acquisitions** was \$ 92 million. **Free Cash Flow after acquisitions** increased therefore 43% to \$ 386 million.

As of December 31, 2003, the Company operated a total of 1,560 **clinics** worldwide (1,110 clinics/+3% in North America and 450 clinics/+13% International).

Fresenius Medical Care AG performed approximately 17.8 million **treatments**, which represents an increase of 9% year over year. North America accounted for 12.4 million treatments (+6%) and the International segment for 5.5 million (+15%).

At the end of the fourth quarter 2003, Fresenius Medical Care served about 119,250 **patients** worldwide which represents an increase of 6%. North America cared for ~82,400 patients (+3%) and the International segment for ~36,850 patients (+13%).

### **Dividends**

The Company will continue to follow an earnings-driven dividend policy. For the seventh consecutive year, shareholders can expect an **increased dividend** for the fiscal year 2003. At the Annual General Meeting on May 27, 2004 shareholders will be asked to approve a dividend of € 1.02 per ordinary share (2002: € 0.94) and € 1.08 per preference share (2002: € 1.00). This is an increase of 8% compared to 2002.

### **Management Board**

Ben Lipps was reconfirmed as Chairman of the Management Board and Chief Executive Officer of Fresenius Medical Care AG.

Rainer Runte, who joined the Management Board in 2002 as a deputy member, has been appointed to be a full member of the Management Board responsible for Law and Compliance worldwide. In addition, Rice Powell and Mats Wahlstrom have been appointed as new board members of the Company's Management Board. Both will be responsible for North America. All appointments are effective as of January 1<sup>st</sup>, 2004.

Rice Powell, age 48, has more than 25 years of experience in the healthcare industry. Since 1997 Rice Powell has been the President of Renal Products division of Fresenius Medical Care in North America including the Extracorporeal Therapy and Laboratory Services.

Mats Wahlstrom, age 49, also has nearly 20 years of experience in the renal field. Since November 2002 Mats Wahlstrom has been the President of Fresenius Medical Care's Medical Services division in North America.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: "I am pleased with the breadth and experience of our management board with more than 120 years of combined renal experience. Mats and Rice also bring significant renal experience and a history of accomplishments and I whole heartedly welcome them to the Management Board. Clearly we intend to achieve our strategic initiatives and objectives to ensure stakeholder value".

#### **OUTLOOK 2004**

For the year 2004, the Company expects revenue growth at constant currencies in the mid-single digit and net income growth in the high-single digit to low-double digit range. In 2004 the company expects capital expenditures of about \$ 250 million and spending on acquisitions of about \$ 100 million.

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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 1,300,000 individuals worldwide. Through its network of approximately 1,560 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 119,250 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>.

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)	Twelve Months Ended December 31,		% Change
	2003	2002 <sup>1)</sup>	
<b>Net revenue</b>			
Dialysis Care	3.978.344	3.708.903	7,3%
Dialysis Products	1.549.165	1.375.194	12,7%
<b>Total net revenue</b>	<b>5.527.509</b>	<b>5.084.097</b>	<b>8,7%</b>
Cost of revenue	3.698.606	3.428.077	7,9%
Gross profit	1.828.903	1.656.020	10,4%
Selling, general and administrative	1.021.781	913.620	11,8%
Research and development	49.687	47.433	4,8%
<b>Operating income (EBIT)</b>	<b>757.435</b>	<b>694.967</b>	<b>9,0%</b>
Interest income	(19.089)	(18.053)	5,7%
Interest expense	230.848	244.570	-5,6%
<b>Interest expense, net</b>	<b>211.759</b>	<b>226.517</b>	<b>-6,5%</b>
<b>Earnings before income taxes and minority interest</b>	<b>545.676</b>	<b>468.450</b>	<b>16,5%</b>
Income tax expense	212.714	175.074	21,5%
Minority interest	1.782	3.586	-50,3%
<b>Net income</b>	<b>\$331.180</b>	<b>\$289.790</b>	<b>14,3%</b>
<b>Operating income (EBIT)</b>	<b>757.435</b>	<b>694.967</b>	<b>9,0%</b>
Depreciation and amortization	216.378	210.555	2,8%
<b>EBITDA</b>	<b>973.813</b>	<b>905.522</b>	<b>7,5%</b>
<b>Earnings per ordinary share</b>	<b>\$3,42</b>	<b>\$3,00</b>	<b>14,0%</b>
<b>Earnings per ordinary ADS</b>	<b>\$1,14</b>	<b>\$1,00</b>	<b>14,0%</b>
<b>Earnings per preference share</b>	<b>\$3,49</b>	<b>\$3,06</b>	<b>14,1%</b>
<b>Earnings per preference ADS</b>	<b>\$1,16</b>	<b>\$1,02</b>	<b>14,1%</b>
<b>Average weighted number of shares</b>			
Ordinary shares	70.000.000	70.000.000	
Preference shares	26.191.011	26.185.178	
<b>Percentages of revenue</b>			
Cost of revenue	66,9%	67,4%	
Gross profit	33,1%	32,6%	
Selling, general and administrative	18,5%	18,0%	
Research and development	0,9%	0,9%	
<b>Operating income (EBIT)</b>	<b>13,7%</b>	<b>13,7%</b>	
Interest expense, net	3,8%	4,5%	
<b>Earnings before income taxes and minority interest</b>	<b>9,9%</b>	<b>9,2%</b>	
Income tax expense	3,8%	3,4%	
Minority interest	0,0%	0,1%	
<b>Net income</b>	<b>6,0%</b>	<b>5,7%</b>	
<b>EBITDA</b>	<b>17,6%</b>	<b>17,8%</b>	

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