



## P R E S S   R E L E A S E

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### Fresenius announces First Quarter Results 2004:

- Sales: € 1.72 billion  
+ 8% in constant currency, - 1% at actual exchange rates
- EBIT: € 197 million  
+ 12% in constant currency, + 2% at actual exchange rates
- Net income: € 39 million  
+ 17% in constant currency, + 8% at actual exchange rates

#### **Excellent start into fiscal year 2004**

Fresenius Group's business development in the first quarter 2004 was very positive but significantly impacted by exchange rate fluctuations: Sales rose 8% in constant currency and decreased 1% at actual exchange rates. EBIT rose 12% in constant currency and 2% at actual exchange rates. Net income increased 17% in constant currency and 8% at actual exchange rates. The Group's two largest business segments Fresenius Medical Care and Fresenius Kabi contributed strongly to this positive business development. Fresenius ProServe continued its profit improvement program at Wittgensteiner Kliniken (WKA) in the first quarter 2004.

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

The very strong first quarter results and the positive business development at Fresenius Medical Care and Fresenius Kabi reinforce our full-year outlook for the Group: Fresenius expects a mid single-digit percent increase in 2004 sales in constant currency. Net income is expected to grow in the range of 25 to 30%

in constant currency. We expect sales and earnings to increase in all business segments.

## Sales

In the first quarter 2004, Group sales increased 8% in constant currency. Organic growth contributed 6% and acquisitions 2%. Currency translation effects had a 9% negative impact on sales. At actual exchange rates sales were € 1.72 billion, down 1% on last year's figure of € 1.73 billion.

Sales in North America accounted for 48% and Europe for 40% of total sales, followed by Asia-Pacific with 7%. Sales in Latin America and other regions contributed with 5% to total sales. The highest regional growth rates were achieved in Asia-Pacific and Latin America. We expect that Asia-Pacific and Latin America will continue to offer above-average growth potential for Fresenius in the future.

in €m	Q1 2004	Q1 2003	Change	Organic growth	Currency translation effects	Acquisitions/ Divestitures	% of total sales
Europe	687	651	6%	6%	0%	0%	40%
North America	819	886	-8%	4%	-15%	3%	48%
Asia-Pacific	129	112	15%	23%	-8%	0%	7%
Latin America	59	57	4%	12%	-7%	-1%	3%
Africa	26	23	13%	9%	3%	1%	2%
Total	1,720	1,729	-1%	6%	-9%	2%	100%

Sales contribution of the three business segments:

	Q1 2004	Q1 2003
Fresenius Medical Care	68%	70%
Fresenius Kabi	21%	20%
Fresenius ProServe	11%	10%

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

## Earnings

Currency translation effects also impacted Group earnings: In constant currency earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 8% compared to the first quarter of 2003. At actual rates EBITDA decreased 1% to € 269 million (Q1 2003: € 271 million). Group EBIT increased

12% in constant currency and 2% at actual exchange rates to € 197 million (Q1 2003: € 194 million).

Group net interest expense improved by 19% to € -52 million compared to € -64 million last year. This positive development was attributable to a lower debt level, and the fact that Fresenius Medical Care converted a portion of its debt from fixed to variable interest rates. In addition, currency translation had a positive effect.

The effective tax rate for the first quarter 2004 was 40.0% (Q1 2003: 39.2%).

Minority interests increased to € 48 million (Q1 2003: € 43 million). 96% of minority interests relate to Fresenius Medical Care.

At actual exchange rates Group net income was € 39 million, up 8% from the first quarter 2003. In constant currency Group net income would have increased 17%.

Earnings per ordinary share were € 0.94, an increase of 8% from € 0.87 in the first quarter 2003. Earnings per preference share were € 0.95 (Q1 2003: € 0.88), an increase of 8%.

### **Capital expenditure and acquisitions**

Fresenius spent € 89 million in the first quarter 2004 on capital expenditure and acquisitions (Q1 2003: € 88 million). Of this amount € 48 million was spent on capital expenditure (Q1 2003: € 56 million) and € 41 million on acquisitions (Q1 2003: € 32 million).

Capital expenditure was mainly used to expand and modernize existing dialysis clinics at Fresenius Medical Care. We also invested in further expanding and optimizing production plants at Fresenius Kabi, and in modernizing and supplying medical technical equipment to Fresenius ProServe clinics.

Acquisitions related mainly to the purchase of dialysis clinics by Fresenius Medical Care. Fresenius Medical Care spent € 38 million on acquisitions in the first quarter 2004.

Europe accounted for 51% of Group investments, North America for 43% and other regions for 6%.

### **Cash flow**

Group operating cash flow and free cash flow again showed a strong performance. Operating cash flow increased 33% to € 182 million (Q1 2003: € 137 million). This was mainly due to the positive change in working capital. Free cash flow before acquisitions and dividends increased 64% to € 136 million (Q1 2003: € 83 million). This increase resulted from the strong operating cash flow, while net investments were down 15% to € 46 million. Free cash flow after acquisitions and dividends was € 98 million, a significant increase of 72% (Q1 2003: € 57 million).

### **Asset and capital structure**

Total assets increased 5% to € 8,757 million (December 31, 2003: € 8,347 million). In constant currency total assets would have increased 3%. Total current assets were up 10% to € 3,008 million (December 31, 2003: € 2,744 million). This resulted mainly from an increase in trade accounts receivable, since receivables from the Fresenius Medical Care receivable securitization program are stated in the balance sheet following an amendment of the program. In addition, business expansion had an impact.

This led to an increase in debt to € 3,155 million at actual rates and € 3,095 million in constant currency as of March 31, 2004 (December 31, 2003: € 3,023 million; debt including liabilities from the receivables securitization program of Fresenius Medical Care as at December 31, 2003: € 3,148 million).

The key ratio of net debt/EBITDA was 2.7 on March 31, 2004, the same as at the end of 2003.

Shareholders' equity (including minority interests) was € 3,360 million, up 5% from € 3,214 million as at December 31, 2003. The equity ratio including minority interests slightly decreased from 38.5% as at December 31, 2003 to 38.4% at the end of the first quarter 2004.

**Employees**

As at March 31, 2004, Fresenius had 67,189 employees worldwide, an increase in headcount of 1% compared to 66,264 employees as at December 31, 2003.

**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, Fresenius Biotech has successfully marketed ATG Fresenius S for many years. This product is an immune suppressive agent used to prevent rejections following organ transplantations.

Fresenius Biotech continued its projects according to plan. In the field of trifunctional antibodies for cancer treatment, a phase IIa study for the treatment of ovarian cancer is starting up. The primary objective of this study is to determine an optimized dosage as well as to further examine its efficacy on refractory cancer patients. Some weeks ago Fresenius received Orphan Drug Designation from the European Commission for the trifunctional antibody removab<sup>®</sup> to treat patients with ovarian cancer.

## 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 March 31, 2004, Fresenius Medical Care treated around 120,700 patients in 1,575 dialysis clinics, corresponding to a 6% increase year over year.

in US\$ million	Q1 2004	Q1 2003	Change
Sales	1,459	1,299	12%
EBITDA	255	222	15%
EBIT	198	169	17%
Net income	91	70	30%
Employees	44,396 (March 31, 2004)	43,445 (Dec 31, 2003)	2%

Fresenius Medical Care's first quarter 2004 sales increased by 12% to US\$ 1,459 million (Q1 2003: US\$ 1,299 million). In constant currency the increase was 8%.

Sales in its largest market North America (68% of total sales) showed a very good 7% growth in the first quarter 2004. Sales in the international business rose by 25% at actual rates and by 10% in constant currency.

Sales of dialysis products increased 13% to US\$ 401 million. Sales of dialysis services increased 12% to US\$ 1,058 million. Growth in dialysis services is mainly driven by the number of treatments, which increased 8% in the first quarter 2004. Fresenius Medical Care carried out 4.6 million dialysis treatments in the first quarter 2004, thereof 3.2 million in North America (+ 6%) and 1.4 million (+ 12%) in the international business.

Fresenius Medical Care increased EBIT by 17% to US\$ 198 million (Q1 2003: US\$ 169 million). This increase is based on the very positive development of Fresenius Medical Care's US operations as well as the strong performance of its international business. Net income increased 30% to US\$ 91 million in the first quarter 2004.

For the year 2004, Fresenius Medical Care confirms its outlook for the top-line and expects sales growth in constant currency in the mid-single digit range. Net income growth is now expected to be at the high end of Fresenius Medical Care's original guidance – which is in the low double digit range.

For further information, please see Fresenius Medical Care's website: [www.fmc-ag.com](http://www.fmc-ag.com).

## Fresenius Kabi

Fresenius Kabi focuses on nutrition and infusion therapy for critically and chronically ill patients, in both the hospital and ambulatory care environment, and on infusion and trans-fusion technology.

in € million	Q1 2004	Q1 2003	Change
Sales	362	355	2%
EBITDA	58	54	7%
EBIT	41	35	17%
Net income	18	15	20%
Employees	11,644 (March 31, 2004)	11,470 (Dec 31, 2003)	2%

Fresenius Kabi's sales were € 362 million in the first quarter 2004, up 2% from previous year's sales of € 355 million. Fresenius Kabi had a very good organic growth of 6%. Latin America and Asia-Pacific achieved growth rates of 18% each. Europe contributed with a growth of 2%, despite -5% in Germany. Besides increasing cost savings in health care and price pressure, the German market was marked by uncertainties about the new reimbursement regulations for the ambulatory area. Currency translation reduced sales by 2% and disinvestments had an impact of -2%. In the first quarter 2004, Fresenius Kabi sold the medical-technical equipment rental activities of a French subsidiary through a management buy-out.

Fresenius Kabi achieved a 5% increase in hospital business sales, to € 298 million (Q1 2003: € 284 million). Ambulatory Care sales were € 64 million, down 10% (Q1 2003: € 71 million). This was mainly caused by the disinvestment mentioned above.

Fresenius Kabi's EBIT rose 17% in the first quarter 2004 to € 41 million, a significant improvement on previous year's figure of € 35 million. The EBIT margin increased to 11.3%, continuing the positive earnings trend (Q1 2003: 9.9%).

For the full year 2004, Fresenius Kabi sales are expected to increase by mid single-digit growth rates in constant currency. The EBIT margin is expected to increase to about 11% (2003: 10%).

## Fresenius ProServe

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

in € million	Q1 2004	Q1 2003	Change
Sales	199	166	20%
EBITDA	8	12	-33%
EBIT	1	6	-83%
Net income	-4	1	-
Employees	10,615 (March 31, 2004)	10,815 (Dec 31, 2003)	-2%

Fresenius ProServe increased sales in the first quarter 2004 by 20% to € 199 million (Q1 2003: € 166 million). This sales increase is entirely based on organic growth. The strong increase in sales is mainly due to the positive development in the Health care Project business.

Order intake at Fresenius ProServe increased 6% to € 70 million in the first quarter 2004 (Q1 2003: € 66 million). This increase was mainly driven by the Health care Project business. Order backlog slightly decreased to € 431 million compared to € 435 million at December 31, 2003.

Fresenius ProServe achieved an EBIT of € 1 million in the first quarter 2004 (Q1 2003: € 6 million). This figure includes € 1 million before tax of one-time expenses for measures to cut costs and improve profitability at Wittgensteiner Kliniken AG (WKA). By reducing staffing levels and optimizing processes and costs, Fresenius ProServe is adjusting its fixed cost structure to better reflect



market conditions. The current bed utilization rate in WKA's German hospitals decreased in the first quarter 2004 to 78% compared to the previous year's level of 79%.

Fresenius ProServe expects 2004 sales to grow by around 10%. Based on the weak first quarter earnings performance, it will be a challenge to achieve the full-year EBIT projection of € 25 million before the anticipated 2004 WKA one-time expenses of € 8 million.

**Please note:**

An Analysts' Conference call in English will take place today at 02:00 pm (German time). This Conference call will be broadcasted live over the Internet in a listen only mode at [www.fresenius-ag.com](http://www.fresenius-ag.com).

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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

January 1 to March 31, in million €	2004	2003
Sales	1,720	1,729
Cost of goods sold	-1,167	-1,164
<b>Gross profit</b>	<b>553</b>	<b>565</b>
Selling, general and administrative expenses	-325	-344
Expenditure on research and development	-31	-27
<b>Operating income (EBIT)</b>	<b>197</b>	<b>194</b>
Net interest	-52	-64
<b>Earnings before income taxes and minority interests</b>	<b>145</b>	<b>130</b>
Income taxes	-58	-51
Minority interests	-48	-43
<b>Net income</b>	<b>39</b>	<b>36</b>
<b>Basic earnings per ordinary share (in €)</b>	<b>0.94</b>	<b>0.87</b>
<b>Fully diluted earnings per ordinary share (in €)</b>	<b>0.94</b>	<b>0.87</b>
<b>Basic earnings per preference share (in €)</b>	<b>0.95</b>	<b>0.88</b>
<b>Fully diluted earnings per preference share (in €)</b>	<b>0.95</b>	<b>0.88</b>

<b>Average number of shares</b>		
Ordinary shares	20,484,842	20,484,842
Preference shares	20,484,842	20,484,842
<b>EBIT (in million €)</b>	<b>197</b>	<b>194</b>
Depreciation and amortization (in million €)	72	77
<b>EBITDA (in million €)</b>	<b>269</b>	<b>271</b>
<b>EBIT margin</b>	<b>11.5%</b>	<b>11.2%</b>
<b>EBITDA margin</b>	<b>15.6%</b>	<b>15.7%</b>