



Fresenius Medical Care

## P R E S S   R E L E A S E

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### **Fresenius Medical Care reports First Quarter 2004 results; First quarter ahead of expectations**

#### **Summary First Quarter 2004:**

Net Revenue	\$ 1,459 million	+ 12%
Operating income (EBIT)	\$ 198 million	+ 17%
Net income	\$ 91 million	+ 30%
Operating Cash Flow	\$ 171 million	+ 37%
Free Cash Flow	\$ 130 million	+ 55%

**Bad Homburg, Germany – May 06, 2004** -- Fresenius Medical Care AG (“the Company”) (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 first quarter 2004.

## Revenue

**Total revenue** for the first quarter 2004 increased 12% (8% at constant currency) to \$ 1,459 million. Dialysis Care revenue grew by 12% to \$ 1,058 million (10% at constant currency) in the first quarter of 2004. Dialysis Product revenue (including internal sales) increased 13% to \$ 527 million (4% at constant currency) in the same period. The internal sales increased to \$ 126 million after \$ 110 million in the first quarter of 2003.

**North America revenue** increased 7% to \$ 996 million, compared to \$ 929 million in the same period last year. Dialysis Care revenue increased by 9% to \$ 898 million. The average revenue per treatment increased to \$ 286 in the first quarter 2004 (Q1 2003: \$ 278). Dialysis Product revenue, including sales to company-owned clinics, was flat at \$ 191 million.

**International revenue** was \$ 463 million, up 25% from the first quarter of 2003, an increase of 10% adjusted for currency. Dialysis Care revenue reached \$ 160 million, an increase of 33% (17% at constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 22% to \$ 336 million (7% at constant currency).

## Earnings

**Operating income (EBIT)** increased 17% to \$ 198 million resulting in an operating margin of 13.6% (Q1 2003: 13.0%). The increase of 60 basis points was mainly due to increased treatments and efficiency improvements in North America and an overall improved situation in Latin America. Compared to the first quarter 2003 the margin in North America increased by 40 basis points to 13.6%. In our International segment it increased by 100 basis points to 15.3% compared to the first quarter in the previous year.

**Group net interest expenses** decreased by 13% to \$ 47 million, compared to \$ 54 million last year. This positive development was mainly attributable to a lower debt level and the conversion of a portion of debt from fixed into variable interest rates.

Income tax expense was \$ 60 million versus \$ 45 million in the first quarter 2003, reflecting an effective **tax rate** of 39.4% compared to 38.7% in the first quarter of last year.

**Net income** in the first quarter 2004 was \$ 91 million, an increase of 30%.

**Earnings per share (EPS)** in the first quarter 2004 rose 30% to \$ 0.94 per ordinary share (\$ 0.31 per ADS), compared to \$ 0.72 (\$ 0.24 per ADS) in the first quarter of 2003. The weighted average number of shares outstanding during the first quarter of 2004 was approximately 96.2 million.

## **Cash Flow**

In the first quarter of 2004, the Company generated \$ 171 million in **net cash from operations**. This performance was ahead of expectations and the net cash from operations represented nearly 12% of total revenue.

A total of \$ 41 million (net of disposals) was spent for **capital expenditures**, resulting in a **Free Cash Flow** before acquisitions of \$ 130 million compared to the first quarter of 2003 with \$ 84 million. This repeated exceptional performance was again driven by further improvements in working capital management. The company reduced the days sales outstanding (DSO) again by another 3 days to 86 days in the first quarter. North America as well as the International region contributed to this very good development.

A total of \$ 42 million in cash was spent for **acquisitions**. The **Free Cash Flow after acquisitions** increased therefore by 57% to \$ 88 million compared to \$ 56 million last year.

## **Patients – Clinics - Treatments**

At the end of the first quarter 2004, Fresenius Medical Care served about 120,700 **patients** worldwide which represents an increase of 6%. North America cared for ~83,200 patients (+4%) and the International segment for ~37,500 patients (+10%).

As of March 31, 2004, the Company operated a total of 1,575 **clinics** worldwide (1,115 clinics/+2% in North America and 460 clinics/+12% International).

Fresenius Medical Care AG performed approximately 4.6 million **treatments**, which represents an increase of 8% year over year. North America accounted for 3.2 million treatments (+6%) and the International segment for 1.4 million (+12%).

## **Outlook 2004**

For the year 2004, the Company reconfirms its outlook for the top-line and expects revenue growth at constant currencies in the mid-single digit range.

Net income growth is now expected to be at the high end of our original guidance – which is in the low double digit range.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: “We clearly saw a strong operational performance the first quarter of 2004. Specifically, we were able to improve the profitability of our service and products business on a worldwide basis with focused initiatives based on our overall strategic plan. In addition, we achieved another outstanding performance in free cash flow during the first quarter of 2004. This was a good start into the year, which we believe is a good foundation to look optimistically at 2004 and beyond”.

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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 1,575 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 120,700 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>.

**Please note:**

**An Analysts' Conference call in English will take place today at 03:00 pm (German time). This Conference call will be broadcasted live over the Internet in a listen only mode at [www.fmc-ag.com](http://www.fmc-ag.com).**

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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

### Statement of Earnings

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

Three Months Ended

March 31,

2004

2003

% Change

#### Net revenue

Dialysis Care	1,057,750	944,287	12.0%
Dialysis Products	401,306	355,148	13.0%
<b>Total net revenue</b>	<b>1,459,056</b>	<b>1,299,435</b>	<b>12.3%</b>

Cost of revenue	977,098	882,487	10.7%
Gross profit	481,958	416,948	15.6%
Selling, general and administrative	271,469	237,175	14.5%
Research and development	12,301	10,943	12.4%
<b>Operating income (EBIT)</b>	<b>198,188</b>	<b>168,830</b>	<b>17.4%</b>

Interest expense, net	46,703	53,746	-13.1%
Earnings before income taxes and minority interest	151,485	115,084	31.6%
Income tax expense	59,697	44,537	34.0%
Minority interest	679	537	26.5%
<b>Net income</b>	<b>91,109</b>	<b>70,010</b>	<b>30.1%</b>

<b>Operating income (EBIT)</b>	<b>198,188</b>	<b>168,830</b>	<b>17.4%</b>
Depreciation and amortization	56,842	52,846	7.6%
<b>EBITDA</b>	<b>255,030</b>	<b>221,676</b>	<b>15.0%</b>

<b>Earnings per Ordinary share</b>	<b>\$0.94</b>	<b>\$0.72</b>	<b>30.2%</b>
<b>Earnings per Ordinary ADS</b>	<b>\$0.31</b>	<b>\$0.24</b>	<b>30.2%</b>
<b>Earnings per Preference share</b>	<b>\$0.96</b>	<b>\$0.74</b>	<b>29.9%</b>
<b>Earnings per Preference ADS</b>	<b>\$0.32</b>	<b>\$0.25</b>	<b>29.9%</b>

#### Average weighted number of shares

Ordinary shares	70,000,000	70,000,000
Preference shares	26,215,699	26,188,575

#### Employees

Full-time equivalents (March 31 compared to Dec. 31)	41,912	41,097
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