



Fresenius Medical Care

P R E S S R E L E A S E

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Fresenius Medical Care reports Second Quarter and Six Months Results 2004

Summary Second Quarter 2004:

Company raises guidance on following strong first half performance.

Net Revenue	\$ 1,552 million	+ 14%
Operating income (EBIT)	\$ 213 million	+ 16%
Net income	\$ 101 million	+ 27%
Operating Cash Flow	\$ 180 million	+ 3%
Free Cash Flow	\$ 126 million	- 9%

Bad Homburg, Germany – August 04, 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 second quarter and the first six months of 2004.

Second Quarter 2004

Revenue

Total revenue for the second quarter 2004 increased 14% (12% at constant currency) to \$ 1,552 million. The consolidation of the Cardio Vascular Resources and certain dialysis clinics in accordance with a new accounting regulation (FIN 46R) contributed approx. 2.6% to the growth rate. Dialysis Care revenue grew by 15% to \$ 1,127 million (14% at constant currency) in the second quarter of 2004. Same store treatment growth worldwide was 4%. Dialysis Product revenue (including internal sales) increased 11% to \$ 557 million (7% at constant currency) in the same period. The internal sales increased to \$ 132 million after \$ 116 million in the second quarter of 2003.

North America revenue increased 10% to \$ 1,052 million, compared to \$ 955 million in the same period last year. Dialysis Care revenue increased by 12% to \$ 948 million. The average revenue per treatment increased to \$ 289 in the second quarter 2004 (Q2 2003: \$ 275). Dialysis Product revenue, including sales to company-owned clinics, was up 2% at \$ 199 million. Product sales to the available external market was flat as expected.

International revenue was \$ 500 million, up 21% from the second quarter of 2003, an increase of 15% adjusted for currency. Dialysis Care revenue reached \$ 179 million, an increase of 35% (28% at constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 16% to \$ 358 million (9% at constant currency).

Earnings

Operating income (EBIT) increased 16% to \$ 213 million resulting in an operating margin of 13.7% (Q2 2003: 13.5%). The increase of 20 basis points was mainly due to increased treatments and efficiency improvements in North America. Compared to the second quarter 2003 the margin in North America increased by 50 basis points to 14.0%. In our International segment the operating margin remained at 15.0% comparable to the second quarter in the previous year. This reflects a stable

European business and improvements in Latin America which were offset mainly by price pressure in Japan as a result of bi-annual reimbursement rate reductions.

Group net interest expenses decreased by 14% to \$ 45 million, compared to \$ 53 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 \$ 67 million versus \$ 51 million in the second quarter 2003, reflecting an effective **tax rate** of 39.8% compared to 39.0% in the second quarter of last year.

Net income in the second quarter 2004 was \$ 101 million, an increase of 27% and a quarterly record for the company.

Earnings per share (EPS) in the second quarter 2004 rose 27% to \$ 1.04 per ordinary share (\$ 0.35 per ADS), compared to \$ 0.82 (\$ 0.27 per ADS) in the second quarter of 2003. The weighted average number of shares outstanding during the second quarter of 2004 was approximately 96.2 million.

Cash Flow

In the second quarter of 2004, the Company generated \$ 180 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 \$ 54 million (net of disposals) was spent for **capital expenditures**. This resulted in a **Free Cash Flow** before acquisitions of \$ 126 million compared to the second quarter of 2003 with \$ 138 million. This high level of Free Cash Flow was primarily supported by the increase in net income. The days sales outstanding (DSO) remained unchanged at 86 days in the second quarter compared to the first quarter 2004. Compared with the second quarter of the previous year DSO are reduced by 7 days. North America as well as the International region contributed to this development.

A total of \$ 10 million in cash was spent for **acquisitions**. The **Free Cash Flow after acquisitions** increased therefore by 7% to \$ 116 million compared to \$ 109 million last year.

First Half Year 2004:

Earnings and Revenue

In the first half of 2004, **net income** was \$ 192 million, up 28% from the first half of 2003. **Net revenue** was \$ 3,011 million, up 13% from the first half of 2003. Currency adjusted, net revenue rose 10% in the first half of 2004. **Operating income (EBIT)** increased 16% to \$ 411 million resulting in an operating margin of 13.6%.

Group net interest expenses for the first six months 2004 decreased by 14% to \$ 92 million, compared to \$ 107 million last year. Income tax expense was \$ 126 million in the first half of 2004 versus \$ 96 million in the same period in 2003. This reflects an effective **tax rate** of 39.6% compared to 38.9% in the first half of last year.

In the first half of 2004, **earnings per ordinary share** rose 28% to \$ 1.98. Earnings per ordinary ADS for the first half of 2004 were \$ 0.66.

Cash Flow

Cash from operations during the first six months of 2004 was up 17% to \$ 351 million compared to \$ 300 million in the first six months of 2003. A total of \$ 95 million was spent for capital expenditures (net of disposals). This resulted in a Free Cash Flow for the first half of 2004 of \$ 256 million compared to \$ 222 million in the first half of 2003. Net cash used for acquisitions was \$ 52 million.

Patients - Clinics - Treatments

At the end of the second quarter 2004, Fresenius Medical Care served about 122,700 patients worldwide which represents an increase of 6%. North America provided dialysis treatments for ~84,700 patients (+5%) and the International segment for ~38,000 patients (+9%).

As of June 30, 2004, the Company operated a total of 1,590 clinics worldwide (1,125 clinics/+3% in North America and 465 clinics/+12% International).

Fresenius Medical Care AG performed approximately 9.2 million treatments in the first half 2004, which represents an increase of 7% year over year. North America accounted for 6.4 million treatments (+5%) and the International segment for 2.9 million (+11%).

Outlook 2004

Based on the strong performance in the first half of 2004 the company lifts its guidance for the full year 2004. After expecting a net revenue growth at constant currencies in the mid-single digit range the Company now expects the top-line to grow in the high single digits. After expecting a net income growth for 2004 in the low double digit range the Company now expects net income growth to be in the mid teens.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: "Our operating fundamentals and our financial focus continues to translate into strong top line revenue growth and bottom line earnings after tax growth. We are particularly pleased with the results of Europe, North America and Latin America. In addition, we saw continued good performance in free cash flow for the first half of 2004. We also believe that our first half-year 2004 results and our global position in this exciting market, result in a solid foundation to look optimistically toward the full-year of 2004 and beyond".

Please note:

An analyst meeting will take place today at 3.15 pm CET. This meeting will be broadcasted live over the Internet in a listen only mode at www.fmc-ag.com.

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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 1,590 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 122,700 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 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
Statement of Earnings

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

	Six Months June 30,		% Change
	2004	2003	
Net revenue			
Dialysis Care	2,185,148	1,922,619	13.7%
Dialysis Products	826,210	743,016	11.2%
Total net revenue	3,011,358	2,665,635	13.0%
Cost of revenue	2,004,258	1,805,932	11.0%
Gross profit	1,007,100	859,703	17.1%
Selling, general and administrative	569,832	482,541	18.1%
Research and development	26,402	24,478	7.9%
Operating income (EBIT)	410,866	352,684	16.5%
Interest expense, net	92,022	106,726	-13.8%
Earnings before income taxes and minority interest	318,844	245,958	29.6%
Income tax expense	126,262	95,566	32.1%
Minority interest	906	1,030	-12.1%
Net income	191,676	149,362	28.3%
Operating income (EBIT)	410,866	352,684	16.5%
Depreciation and amortization	113,828	104,987	8.4%
EBITDA	524,694	457,671	14.6%
Earnings per Ordinary share	\$1.98	\$1.54	28.4%
Earnings per Ordinary ADS	\$0.66	\$0.51	28.4%
Earnings per Preference share	\$2.02	\$1.58	28.0%
Earnings per Preference ADS	\$0.67	\$0.53	28.0%
Average weighted number of shares			
Ordinary shares	70,000,000	70,000,000	
Preference shares	26,223,134	26,188,575	
Employees			
Full-time equivalents (June 30 compared to Dec. 31)	43,923	41,097	