



Fresenius Medical Care

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

November 2, 2004
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Fresenius Medical Care reports Third Quarter and Nine Months Results 2004

Summary Third Quarter 2004:

The Company upgrades net income guidance for 2004.

Net Revenue	\$ 1,577 million	+ 12%
Operating Income (EBIT)	\$ 214 million	+ 9%
Net Income	\$ 102 million	+ 17%
Operating Cash Flow	\$ 209 million	+ 3%
Free Cash Flow	\$ 161 million	+ 6%

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 third quarter and the first nine months of 2004.

Third Quarter 2004

Revenue

Total revenue for the third quarter 2004 increased 12% (10% at constant currency) to \$ 1,577 million. The consolidation of the Cardio Vascular Resources business and certain dialysis clinics in accordance with a new accounting regulation (FIN 46R) contributed approx. 2% to the growth rate. Dialysis Care revenue grew by 13% to \$ 1,149 million (12% at constant currency) in the third quarter of 2004. Organic revenue growth worldwide was 7%. Dialysis Product revenue (including internal sales) increased 9% to \$ 555 million (4% at constant currency) in the same period. The internal sales increased to \$ 128 million after \$ 119 million in the third quarter of 2003.

North America revenue increased 10% to \$ 1,078 million, compared to \$ 978 million in the same period last year. Dialysis Care revenue increased by 11% to \$ 971 million. The average revenue per treatment increased to \$ 291 in the third quarter 2004 (Q3 2003: \$ 279). Dialysis Product revenue, including sales to company-owned clinics, was up 3% at \$ 199 million. Product sales to the available external market was flat.

International revenue was \$ 499 million, up 15% from the third quarter of 2003, an increase of 8% adjusted for currency. Dialysis Care revenue reached \$ 177 million, an increase of 22% (14% at constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 13% to \$ 357 million (5% at constant currency).

Earnings

Operating income (EBIT) increased 9% to \$ 214 million resulting in an operating margin of 13.6% (Q3 2003: 14.0%). The decrease of 40 basis points was mainly due to price pressure in Japan as a result of bi-annual reimbursement rate reductions partially offset by operating improvements in Latin America. Compared to the third quarter 2003 the margin in North America remained stable at 14.0%. On a

comparable basis excluding the new accounting regulation FIN 46R, the margin in North America would have been 14.2% which represents an increase of 20 basis points compared to the third quarter 2003. In our International segment the operating margin decreased by 120 basis points to 14.3% compared to the third quarter in the previous year. In the International segment the comparable margin would have been 14.5% in the third quarter of 2004.

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 \$ 56 million in the third quarter 2003, reflecting an effective **tax rate** of 39.8% compared to 39.1% in the third quarter of last year.

Net income in the third quarter 2004 was \$ 102 million, an increase of 17%.

Earnings per share (EPS) in the third quarter 2004 rose 17% to \$ 1.06 per ordinary share (\$ 0.35 per ADS), compared to \$ 0.90 (\$ 0.30 per ADS) in the third quarter of 2003. The weighted average number of shares outstanding during the third quarter of 2004 was approximately 96.2 million.

Cash Flow

In the third quarter of 2004, the Company generated \$ 209 million in **net cash from operations**. This performance was ahead of expectations and the net cash from operations represented about 13% of total revenue.

A total of \$ 48 million (net of disposals) was spent for **capital expenditures**. This resulted in a **Free Cash Flow before acquisitions** of \$ 161 million compared to the third quarter of 2003 with \$ 152 million. This was another quarterly record for Free Cash Flow. The high level of Free Cash Flow was primarily supported by the

increase in net income. In addition, the days sales outstanding (DSO) were reduced by one day to 85 days in the third quarter compared to the second quarter 2004. Compared with the third quarter of the previous year DSO are reduced by 7 days.

A total of \$ 22 million in cash was spent for **acquisitions**. The **Free Cash Flow after acquisitions** increased therefore by 7% to \$ 139 million compared to \$ 130 million last year.

First Nine Months 2004:

Earnings and Revenue

In the first nine months of 2004, **net income** was \$ 294 million, up 24% from the first nine months of 2003. **Net revenue** was \$ 4,588 million, up 13% from the first nine months of 2003. Currency adjusted, net revenue rose 10% in the same period. **Operating income (EBIT)** increased 14% to \$ 625 million resulting in an operating margin of 13.6%. On a comparable basis (excl. the new accounting regulation FIN 46R) the operating margin would have been 13.8% vs. 13.5% for the first nine months 2003.

Group net interest expenses for the first nine months 2004 decreased by 14% to \$ 137 million, compared to \$ 159 million last year. Income tax expense was \$ 193 million in the first nine months of 2004 versus \$ 152 million in the same period in 2003. This reflects an effective **tax rate** of 39.7% compared to 39.0% in the first nine months of last year.

In the first nine months of 2004, **earnings per ordinary share** rose 24% to \$ 3.04. Earnings per ordinary ADS for the same period were \$ 1.01.

Cash Flow

Cash from operations during the first nine months of 2004 was up 11% to \$ 560 million compared to \$ 503 million in the first nine months of 2003. A total of \$ 143 million was spent for capital expenditures (net of disposals). This resulted in a record **Free Cash Flow before acquisitions** for the first nine months of 2004 of

\$ 417 million compared to \$ 374 million for the same period in 2003. Net cash used for acquisitions was \$ 74 million. The **Free Cash Flow after acquisitions** increased by 16% to \$ 343 million compared to \$ 295 million last year.

Patients - Clinics - Treatments

At the end of the third quarter 2004, Fresenius Medical Care served about 123,000 patients worldwide which represents an increase of 5%. North America provided dialysis treatments for ~84,600 patients (+4%) and the International segment for ~38,400 patients (+7%).

As of September 30, 2004, the Company operated a total of 1,595 clinics worldwide (1,125 clinics/+2% in North America and 470 clinics/+7% International).

Fresenius Medical Care AG performed approximately 14.0 million treatments in the first nine months of 2004, which represents an increase of 6% year over year. North America accounted for 9.6 million treatments (+5%) and the International segment for 4.4 million (+9%).

Outlook 2004

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

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 net income growth. We are particularly pleased with the results of Europe, North America and Latin America. Due to this good performance we upgrade our net income guidance for the full year 2004. In addition,

we saw continued good performance in Free Cash Flow for the first nine months 2004 reaching our desired leverage ratio of debt to EBITDA at least one year early. This accomplishment provides an opportunity for increased investments in our business going forward”.

Video Webcast

Fresenius Medical Care will hold a press conference at its headquarters in Bad Homburg, Germany, to discuss the results of the third quarter and first nine months of 2004 on November 02, 2004 at 10 a. m. The company invites you to listen to the live video webcast of the meeting at the Company's website www.fresenius-ag.com. A replay will be available shortly after the meeting.

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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 1,595 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 123,000 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)

	Nine Months September 30,		% Change
	2004	2003	
Net revenue			
Dialysis Care	3,334,011	2,940,711	13.4%
Dialysis Products	1,253,965	1,134,364	10.5%
Total net revenue	4,587,976	4,075,075	12.6%
Cost of revenue	3,063,759	2,751,937	11.3%
Gross profit	1,524,217	1,323,138	15.2%
Selling, general and administrative	861,126	736,133	17.0%
Research and development	38,169	37,258	2.4%
Operating income (EBIT)	624,922	549,747	13.7%
Interest expense, net	137,359	159,414	-13.8%
Earnings before income taxes and minority interest	487,563	390,333	24.9%
Income tax expense	193,388	152,059	27.2%
Minority interest	367	1,593	-77.0%
Net income	293,808	236,681	24.1%
Operating income (EBIT)	624,922	549,747	13.7%
Depreciation and amortization	171,367	158,983	7.8%
EBITDA	796,289	708,730	12.4%
Earnings per Ordinary share	\$3.04	\$2.44	24.2%
Earnings per Ordinary ADS	\$1.01	\$0.81	24.2%
Earnings per Preference share	\$3.09	\$2.50	23.9%
Earnings per Preference ADS	\$1.03	\$0.83	23.9%
Average weighted number of shares			
Ordinary shares	70,000,000	70,000,000	
Preference shares	26,231,287	26,188,575	
Employees			
Full-time equivalents (Sep. 30 compared to Dec. 31)	44,262	41,097	