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Fresenius Investor News

Financial Year 2002:

- Sales: + 3 % to € 7.5 billion
currency-adjusted: + 9 %
- EBIT: + 10 %* to € 837 million
- Net income: + 44 %* to € 134 million
- Dividend: + 10 % to
€ 1.14 per ordinary share and
€ 1.17 per preference share

The Fresenius health care group increased sales in the 2002 financial year by a plus of 3 % to € 7,507 million. Calculated at the exchange rates of the previous year the sales increase amounted to 9 %. Net income of the Fresenius Group increased by 44 % to € 134 million. This increase resulted from goodwill no longer being amortized in accordance with the changes in the US GAAP accounting rules effective since January 1, 2002.

Dividend

The Managing Board will propose to the Supervisory Board that the dividend be increased. This also reflects our strong belief in the future earnings development. A dividend of € 1.14 (2001: € 1.03) per ordinary share entitled to dividend, and of € 1.17 (2001: € 1.06) per preference share entitled to dividend is to be paid. This corresponds to an increase of 11 % per ordinary share and 10 % per preference share, and a total payment of € 47.3 million.

Accounting at the Fresenius Group has been in accordance with US GAAP since January 1, 2002. The figures for the previous year therefore correspond to the US GAAP accounting rules in force during 2001, i.e. the figures for 2001 include amortization of goodwill.

* Comparable figure without special charge for US legal issues

Group outlook on year-end 2003

The Fresenius Group is in an excellent strategic position worldwide. Thanks to its leading market positions in many of its fields of activity, Fresenius has a solid basis for growth in the future, supported by new products and therapies. Despite the difficult economic development and sustained pressure to save costs in the health systems, especially in the western health care markets, the Group expects a positive development in the 2003 financial year. At the exchange rates in force during 2002, a high single-digit sales growth rate is expected for the 2003 financial year. This is an ambitious target in view of the absolute sales figure of €7.5 billion achieved in 2002, and since Fresenius has to exceed market growth. Earnings are also expected to further increase at constant exchange rates: The growth rate in net income will be higher than that of sales.

Sales

In the 2002 financial year, Fresenius increased consolidated sales to €7,507 million (+ 3%). A continued strong organic growth of 6 % again confirms the good position of Fresenius in the markets. Acquisitions increased growth by 3 percentage points. The changes in exchange rates had an effect of –6 percentage points. The devaluation of the Argentinean peso, and in particular the weaker US dollar compared to the euro (- 5.6 % on average over the year) negatively affected sales in the currency conversion.

The strongest regions of the Group from a sales point of view continue to be North America with 54 % and Europe with 34 % of total sales, followed by the region Asia-Pacific with 8 % and Latin America and other regions with 4 %. Fresenius achieved sales increases in all regions of the world on a currency-adjusted basis: High growth rates were achieved particularly in the region Asia-Pacific. Despite the difficult economic situation in Argentina and Brazil, sales in Latin America rose by 11 % currency-adjusted.

in million €	2001	2002	Change	Change currency-adjusted
Europe	2,241	2,539	13%	13%
North America	4,113	4,061	-1%	4%
Asia-Pacific	479	563	18%	23%
Latin America	368	239	-35%	11%
Africa	106	105	-1%	8%
Total	7,307	7,507	3%	9%

The breakdown of sales by business segment compared to the previous year changed in the favour of Fresenius ProServe, since Wittgensteiner Kliniken AG which was acquired effective June 1, 2001 was consolidated for a whole year for the first time in 2002.

	2001	2002
Fresenius Medical Care	74%	71%
Fresenius Kabi	17%	17%
Fresenius ProServe	6%	9%
Fresenius HemoCare	3%	3%

Earnings

In the 2001 financial year Fresenius Medical Care had taken a special charge for expenses in connection with legal disputes in the United States relating to the National Medical Care transaction in 1996. In order to make it easier to compare the development of the Group, the following report includes comments on the previous year's figures without this special charge.

Earnings of the Fresenius Group were influenced in the 2002 financial year by two main factors: On the one hand, goodwill was no longer amortized as a result of the change in US GAAP accounting rules as of January 1, 2002, which had a positive effect on earnings. On the other hand, there were negative impacts on earnings through expenses in the production facilities and in the services field in connection with the conversion of dialysis treatment from re-use to single-use dialysers by Fresenius Medical Care in the United States.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to € 1,178 million and were 6 % (1 % at constant exchange rates) lower than the previous year's figure. The EBIT growth rate, 10 % to € 837 million, resulted from goodwill no longer being amortized. If EBIT of the year 2001 before special charge does not include goodwill amortization, EBIT of 2002 would have been 8 % (currency-adjusted: 4 %) lower. The goodwill in the Fresenius Group's balance sheet has substance.

Net interest of the Group amounted to € -270 million and improved in the 2002 financial year by 6 % (2001: € -286 million). The conversion of interest expenses from US dollars to euros had a positive effect, since a large portion of bank loans were granted in the United States. Furthermore, the redemption of the high-interest trust preferred securities due in 2006 of Fresenius Medical Care reduced the interest expense.

The tax ratio dropped from 42.6 % in 2001 to 37.0 % in the year under report, largely caused by goodwill no longer being amortized.

The share of earnings allocated to minority interests increased to € 218 million, after € 180 million in the 2001 financial year. Of this amount, 94 % of minority interests concern Fresenius Medical Care.

Net income increased to € 134 million compared to € 93 million in 2001.

Earnings per share amounted to € 3.27 after € 2.29 in the previous year, based on a total of 40,969,684 ordinary and preference shares.

The changes in currency exchange rates negatively influenced the earnings situation of the Group through translation effects: At constant exchange rates, i.e. calculated at the 2001 exchange rates, EBIT would have increased by 15 % and net income by 53 %.

Capital expenditure

Fresenius invested €507 million in the year under report. This is 7 % of total consolidated sales. In the previous year the investment was €1,233 million (17% of sales), strongly marked by acquisitions. With the number of acquisitions in the recent years Fresenius was able to achieve leading positions in its markets. These considerable efforts have been carried out to secure future growth.

While investments in tangible and intangible assets decreased by €52 million to €377 million, funds provided for acquisitions dropped substantially to €130 million from €804 million in 2001. Of the total amount invested in the year under report, 74 % was allocated to tangible and intangible assets and 26 % to acquisitions.

Acquisitions mainly concerned the purchase of dialysis clinics by Fresenius Medical Care. Major investment projects in the field of tangible assets were the founding and equipping of dialysis clinics, mainly in the United States, as well as the extension and modernisation of existing clinics, the building of a joint production facility in Mexico for infusion solutions of Fresenius Kabi and peritoneal dialysis products of Fresenius Medical Care. In addition, Fresenius Kabi's European production plants for infusion solutions continued to be build up and optimised.

Split into business segments, Fresenius Medical Care invested 68 % of the total amount, followed by Fresenius Kabi with 15 %. By region, 49 % of investments were made in Europe, followed by North America with 35 % and the regions Asia-Pacific and Latin America with 8 % each.

Cash flow

The cash flow statement of the Group developed extremely well. The operating cash flow and free cash flow showed high growth rates.

The operating cash flow amounted to €697 million in the year under report (€509 million in 2001). This corresponds to an increase of 37 %. It fully covers the financing requirements from investment activities before acquisitions: Funds provided for investments of the Group amounted to €377 million and proceeds from disposals of fixed assets amounted to €62 million. The free cash flow before acquisitions and dividends amounted to €382 million and was three times higher than the figure for the previous year due to the significantly lower capital expenditure and improved working capital management. All acquisitions and the dividends for 2002 were able to be financed from the free cash flow. The free cash flow after acquisitions and dividends was positive and amounted to €163 million.

Asset and equity structure

The balance sheet total of the Group dropped by €952 million (10 %) compared to 31.12.2001 to €8,915 million. This decrease is solely a result of currency effects. At constant exchange rates the balance sheet total increased only slightly, by 1 % over the previous year. This reflects the reduced acquisition activity of the Group and improvements in current assets.

The liabilities side of the balance sheet shows a decrease in equity including minority interests of 9 % to €3,369 million (2001: €3,689 million). This is largely due to the

change in exchange rates; currency-adjusted the increase would have been 4 %. The equity ratio including minority interests increased marginally from 37.4 % as of 31.12.2001 to 37.8 % at the end of the year under report.

The liabilities of the Group from bank loans, Eurobonds, commercial papers and trust preferred securities totalled €3,283 million on 31.12.2002; this corresponds to a drop of €454 million compared to the previous year's figure of €3,737 million. The decrease resulted to a large extent from the changed exchange rates in the translation into euros of the US dollar loans. €175 million financial liabilities were repaid in the year under report.

The Business Segments

Fresenius Medical Care

In 2002, Fresenius Medical Care further expanded its market position in dialysis. As of 31.12.2002 Fresenius Medical Care treated around 112,200 patients in 1,480 dialysis clinics, 6 % more than in the previous year. In Europe, Latin America and the region Asia-Pacific growth rates were registered that were substantially higher than those of the market. As a result of the introduction of single-use dialysers the growth rates in North America were lower than anticipated. The switch from single-use dialysers however represents a major strategic step and the basis for future growth.

In 2002 Fresenius Medical Care increased sales by 5 % (currency-adjusted: 6 %) to US\$ 5,084 million (2001: US\$ 4,859 million). 74 % of sales were achieved in the United States, 18 % in Europe and 8 % in the other regions of the world.

The main growth driver was dialysis care, sales of which rose by 4 % to US\$ 3,709 million (2001: US\$ 3,557 million). The main reason for this growth was the increased number of dialysis treatments: Altogether Fresenius Medical Care performed 16.4 million dialysis treatments in the year under report, 7 % more than in the previous year. Sales of dialysis products amounted to 27 % of total sales of Fresenius Medical Care and rose by 6% to US\$ 1,375 million (2001: US\$ 1,302 million). If sales of products to company-owned dialysis clinics are included, sales reached US\$ 1,776 million, which likewise corresponds to a 6 % increase.

Fresenius Medical Care increased EBIT by 8 % to US\$ 695 million from US\$ 644 million before special charge in the previous year (2001: goodwill-adjusted: US\$ 765 million). The result was influenced by costs in connection with the switch from re-use to single-use dialysers in the United States.

For further information – see Investor News Fresenius Medical Care (www.fmc-ag.com).

In the currency conversion into euros, the weakness of the dollar meant that sales of Fresenius Medical Care totalling €5,378 million were 1 % lower than the previous year's figure of €5,426 million. As far as EBIT is concerned, currency conversion resulted in an increase of 2 % to €735 million (previous year: €719 million before special charge).

Fresenius Kabi

Fresenius Kabi achieved sales of € 1,262 million, 1 % lower than the previous year's figure of € 1,277 million. The sales development was influenced to a large extent by shrinking sales of the company ProReha and its sale in August 2002 as well as lower sales in the manufacturing contract business. If these effects are not taken into account, Fresenius Kabi achieved an organic growth of 7 %, growing faster than the market. Acquisitions contributed 1 percentage point, currency effects reduced growth by 3 percentage points. The hospital business achieved a 76 % share of sales, namely € 959 million (2001: € 954 million). The Ambulatory Care Business, € 303 million, corresponded to 24 % of total sales (2001: € 323 million).

Fresenius Kabi achieved an EBIT amounting to € 91 million in the 2002 financial year compared to € 53 million in 2001 (goodwill-adjusted: € 63 million). The development of earnings was negatively affected in the 2002 financial year by measures to increase profitability at the factory in Uppsala, Sweden. Furthermore, losses made by the company ProReha, and its sale effective August 1, 2002, affected earnings. These expenses totalled € 27 million. The measures carried out in the year under report will make a substantial contribution towards the future development of earnings of Fresenius Kabi.

Fresenius ProServe

Fresenius ProServe was able to present a 55 % sales upswing: Sales amounted to € 701 million (2001: € 451 million). The healthcare business generated 80 % (€ 559 million) of total sales, and the pharma industry business € 142 million, or 20 %. Of the € 250 million increase in sales about € 100 million were generated organically and € 145 million were generated by acquisitions, mainly Wittgensteiner Kliniken AG which in 2001 only contributed seven months towards the total sales of Fresenius ProServe.

Orders received and orders on hand even exceeded the high level of the previous year: Orders received in the project business of Fresenius ProServe rose to € 327 million (2001: € 266 million); orders on hand reached € 424 million (2001: € 266 million). This corresponds to a plus of 23 % and 16 % respectively. Important orders were received by the healthcare business in the 2002 financial year. Fresenius ProServe was awarded engineering orders and turnkey projects for hospitals.

Fresenius ProServe achieved an EBIT of € 24 million in the year under report (2001: € 6 million; goodwill-adjusted: € 11 million). This significant increase is largely a result of the development in the healthcare business, particularly of the consolidation for the whole year of Wittgensteiner Kliniken AG.

Fresenius HemoCare

Fresenius HemoCare achieved sales of € 229 million in 2002 (2001: € 215 million). The 7 % increase is due to acquisition activities and organic growth. Currency conversion effects had an impact of -2 % on the sales development of Fresenius HemoCare.

EBIT of Fresenius HemoCare amounting to € 10 million was 25 % higher than the previous year's figure of € 8 million (goodwill-adjusted: € 10 million). Sustained high

expenditure on research and development and the building up of the sales organisations had negative effects on earnings.

As from the 2003 financial year, the activities of the business segment Fresenius HemoCare were re-allocated within the Fresenius Group.

Fresenius Group in Figures

	2001	2001 before special charge for US legal issues	2002	Change 2002 vs. 2001 before special charge
Statement of Earnings in million €				
Sales				
Fresenius Medical Care	5,426	5,426	5,378	-1%
Fresenius Kabi	1,277	1,277	1,262	-1%
Fresenius ProServe	451	451	701	55%
Fresenius HemoCare	215	215	229	7%
Innenumsatz	-62	-62	-63	-2%
Consolidated sales	7,307	7,307	7,507	3%
Cost of goods sold	-4,861	-4,861	-5,071	-4%
Gross profit	2,446	2,446	2,436	0%
Selling, general and administrative expenses	-1,980	-1,684	-1,599	5%
EBIT				
Fresenius Medical Care	423	719	735	2%
Fresenius Kabi	53	53	91	72%
Fresenius ProServe	6	6	24	300%
Fresenius HemoCare	8	8	10	25%
Corporate costs / other costs	-24	-24	-23	4%
EBIT	466	762	837	10%
Interest (income) expense, net	-286	-286	-270	6%
Income taxes	-109	-203	-210	-3%
Minority interests	-53	-180	-218	-21%
Net income before extraordinary expenses	18	93	139	49%
Extraordinary expenses*	0	0	-13	
thereof minority interests	0	0	8	
Net income	18	93	134	44%
Earnings per share (in euros)	0.44	2.29	3.27	43%
EBITDA				
Depreciation and amortization	494	494	341	-31%
EBITDA margin	13.1%	17.2%	15.7%	
EBIT margin	6.4%	10.4%	11.1%	
Employees (31.12.)	60,667	60,667	63,638	5%

* Fresenius Medical Care redeemed trust preferred securities which were due in 2006. As a result of this redemption, the Fresenius Group statement is influenced by a one-off charge of € 13 million after taxes.

Key figures - Previous year adjusted for goodwill in million €	2001 before special charge for US legal issues	2002	Change
Sales	7,307	7,507	3%
EBIT	914	837	-8%
Net income	152	134	-12%
Earnings per share (in euros)	3.75	3.27	-13%
EBIT margin	12.5%	11.1%	

Cash flow Statement in million €	2001	2001 before special charge for US legal issues	2002
Net income before minority interests	71	273	344
Depreciation and amortization	494	494	341
Change in pension provision	11	11	-2
Cash flow	576	778	683
Change in working capital	-67	-269	14
Operating cash flow	509	509	697
Capital expenditure (net)	-382	-382	-315
Free cash flow before acquisitions and dividends	127	127	382
Cash used for acquisitions (net)	-326	-326	-118
Dividends	-98	-98	-101
Free cash flow after acquisitions and dividends	-297	-297	163
Cash provided from/used for other financing activities	197	197	-161
Change in liquid assets due to exchange rates	0	0	-20
Change in liquid assets	-2	-2	-18

Key figures of the Balance Sheet

in million €	31.12.2001 US GAAP	31.12.2002 US GAAP (FAS 142)	Change
Assets			
Current assets	3,030	2,743	-9%
of which trade accounts receivable	1,415	1,299	-8%
of which inventories	674	659	-2%
of which cash and cash equivalents	181	163	-10%
Non-current assets	6,837	6,172	-10%
of which tangible assets	1,893	1,797	-5%
of which goodwill and intangible assets	4,572	3,986	-13%
Total assets	9,867	8,915	-10%
Liabilities and shareholder's equity			
Liabilities	6,178	5,546	-10%
of which trade accounts payable	348	300	-14%
of which provisions and other short-term liabilities	1,617	1,559	-4%
of which debt	3,737	3,283	-12%
Minority interests	1,928	1,762	-9%
Shareholder's equity	1,761	1,607	-9%
Total assets	9,867	8,915	-10%

Segment Reporting

	2001 Mio € US GAAP	2002 Mio € US GAAP (FAS 142)	Change
Fresenius Kabi			
Sales	1,277	1,262	-1%
EBITDA	137	163	19%
EBITDA margin	10.7%	12.9%	
D + A	84	72	-14%
EBIT	53	91	72%
EBIT margin	4.2%	7.2%	
Interest (income) expense, net	-27	-35	-30%
Net income	6	29	383%
Capex (incl. acquisitions)	88	76	-14%
	31/12/2001	31/12/2002	Change
Balance sheet total	1,383	1,314	-5%
Debt	714	690	-3%

	2001 Mio € US GAAP	2002 Mio € US GAAP (FAS 142)	Change
Fresenius ProServe			
Sales	451	701	55%
EBITDA	30	48	60%
EBITDA margin	6.7%	6.8%	
D + A	24	24	0%
EBIT	6	24	300%
EBIT margin	1.3%	3.4%	
Interest (income) expense, net	-4	-9	-125%
Net income	-4	1	125%
Capex (incl. acquisitions)	262	45	-83%
	31/12/2001	31/12/2002	Change
Balance sheet total	681	759	11%
Debt	169	241	43%

	2001 Mio € US GAAP	2002 Mio € US GAAP (FAS 142)	Change
Fresenius HemoCare			
Sales	215	229	7%
EBITDA	25	25	0%
EBITDA margin	11.6%	10.9%	
D + A	17	15	-12%
EBIT	8	10	25%
EBIT margin	3.7%	4.4%	
Interest (income) expense, net	-5	-5	0%
Net income	0	2	
Capex (incl. acquisitions)	64	32	-50%
	31/12/2001	31/12/2002	Change
Balance sheet total	294	303	3%
Debt	110	142	29%