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Fresenius Investor News

1st Quarter 2003:

- Sales: € 1.7 billion
+ 7 % currency-adjusted, - 7 % at current exchange rates
- EBIT: € 194 million
+ 2 % currency-adjusted, - 11 % at current exchange rates
- Net income: € 36 million
+ 46 % currency-adjusted, + 29 % at current exchange rates

The development of the Fresenius Group in the 1st quarter 2003 was substantially affected by the changes in the exchange rates in the currency translation. On the basis of constant exchange rates, Fresenius increased sales by 7 % in the 1st quarter 2003. However, due to exchange rate effects, especially of the US dollar/euro, sales in the 1st quarter 2003 amounting to € 1,729 million at current exchange rates were 7 % lower than the figure for the previous year. The Fresenius Group achieved an operating profit (EBIT) of 2 % at constant exchange rates. At current exchange rates, EBIT was 11 % lower than in the same period of the previous year. Net income of the Fresenius Group rose by 46 % currency-adjusted (at current exchange rates: 29 %).

Group outlook on year-end 2003

The Group confirms its forecast made in February for the year as a whole and anticipates an altogether positive development for the 2003 financial year. At 2002 exchange rates, a high single-digit sales increase rate is expected. In view of the weak economic development and the increasing cost pressure in the health systems, this is an ambitious target. Earnings are also expected to further increase at constant exchange rates: the growth rate in net income is expected to be higher than that of sales.

Sales

As a result of the exchange rates, consolidated sales of the Fresenius Group decreased by 7 % in the first quarter to € 1,729 million (Q1/2002: € 1,854 million). Organic growth amounted to 4 %. Acquisitions contributed 3 % to this growth. The changes in exchange rates had a negative impact of 14 % on sales development. Especially the 22.4 % weaker US dollar compared to the previous year's quarter and the weakening of the Argentinian peso compared to the euro had negative effects on sales in the currency translation.

The regions with the strongest sales of the Group are still North America with 51 % and Europe with 38 % of total sales, followed by Asia-Pacific with 7 % and Latin America and other regions with a total of 4 %. In all Fresenius' important markets, the Group succeeded in increasing sales at constant exchange rates. We should like to emphasize that despite the continuing difficult economic situation in Argentina and Brazil sales in Latin America increased by 30 % at constant exchange rates.

in million €	Q1/2002	Q1/2003	Change	Change currency-adjusted
Europe	598	651	9%	10%
North America	1,040	886	-15%	4%
Asia-Pacific	117	112	-4%	7%
Latin America	73	57	-22%	30%
Africa	26	23	-12%	-16%
Total	1,854	1,729	-7%	7%

The breakdown of sales by business segment has shifted to the advantage of Fresenius Kabi and Fresenius ProServe compared to the previous year's quarter. Due to the currency translation effect of the US dollar to the euro the sales contribution of Fresenius Medical Care in the first quarter 2003 was 70 %.

	Q1/2002	Q1/2003
Fresenius Medical Care	73%	70%
Fresenius Kabi	19%	20%
Fresenius ProServe	8%	10%

Earnings

The exchange rate effects were also reflected in the earnings of the Fresenius Group: Calculated at constant exchange rates, consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) increased by 2 % compared to the figure for the previous year. At current exchange rates EBITDA amounted to € 271 million in the 1st quarter 2003, 11 % below previous year's figure of € 303 million. Consolidated EBIT also increased by 2 % at constant exchange rates. On the basis of current exchange rates consolidated EBIT in the 1st quarter 2003, € 194 million, was also 11 % below the previous year's figure of € 217 million. Earnings development in the 1st quarter 2003 was marked by the lower EBIT contribution of Fresenius Medical Care, which was - 3 % compared to the same period of the previous year on a US dollar basis.

The particularly strong increase in EBIT of Fresenius Kabi (84 % compared to the previous year) had a positive impact. The EBIT contribution of Fresenius Kabi is the result of the successful implementation of the restructuring measures in 2001 and

2002. Fresenius ProServe increased its operating profit by 50 % over the previous year.

Balance of interest decreased to € - 64 million in the 1st quarter 2003 compared to the same period of the previous year and was positively influenced by currency effects from the conversion of the US dollar to the euro, since a high proportion of bank loans is in the United States.

As the following table shows, balance of interest and following figures of the statement of income of the previous year have been adjusted, since US GAAP rule SFAS No. 145 stipulates that as of 1.1.2003, the majority of earnings and losses from the early redemption of financial liabilities is no longer classified as extraordinary. This rule also concerns the expenses amounting to €22 million before taxes (€ 13 million after taxes and related minority interests amounting to € 8 million) for the early redemption in 2002 of trust preferred securities of Fresenius Medical Care due in 2006. Accordingly, the following table shows the development of the previous year's statement of income:

	Q1/2002 as reported in million €	Q1/2002 adjusted according to SFAS No.145 in million €	Q1/2003 in million €	Change Q1/2003 vs. Q1/2002 as reported	Change Q1/2003 vs. Q1/2002 SFAS No.145
EBIT	217	217	194	-11%	-11%
Balance of interest	-71	-93	-64	10%	31%
Earnings before income taxes	146	124	130	-11%	5%
Taxes on income and profit	-56	-47	-51	9%	-9%
Minority interests	-57	-49	-43	25%	12%
Net income (before extraordinary expenses)	33	28	36	9%	29%
Extraordinary expenses after taxes and minority interests	-5	0	0	-100%	-
Net income	28	28	36	29%	29%
Earnings per preference share	0.80	0.68	0.88	10%	29%

The tax ratio amounted to 39.2 % in the period under report (Q1/2002: 37.9 %).

Minority interests fell to € 43 million, following € 49 million in the 1st quarter 2002. This drop is also a result of the strong exchange rate effects. 95 % of minority interests concern Fresenius Medical Care.

Fresenius increased consolidated net income by 29 % from € 28 million in the 1st quarter 2002 to € 36 million in the 1st quarter 2003. At constant exchange rates, the increase would have amounted to 46 %. Without adjustment of the previous year's figures to take into account the extraordinary expenses, net income would have increased by 9 % (currency-adjusted: 24 %).

Earnings per ordinary share amounted to € 0.87 following € 0.67 in the same period of the previous year, and earnings per preference share amounted to € 0.88 following € 0.68 in the previous year; an increase of 29 % (currency-adjusted: 46 %). Without adjusting the previous year's figures for the extraordinary expenses, earnings per ordinary share for the previous year was € 0.79 and earnings per preference share

€ 0.80; this corresponds to a plus of 10 % in the 1st quarter 2003 (currency-adjusted: 26 %).

Capital expenditure

Fresenius invested € 88 million in the 1st quarter 2003. This is € 12 million less than in the same period of the previous year when the investment volume was € 100 million.

Of the total capital expenditure of the period under report, 64 % was invested in tangible and intangible assets and 36 % in acquisitions. Investments in tangible and intangible assets dropped by 32 % to € 56 million compared to the same period of the previous year. Cash used for acquisitions increased from € 18 million in the 1st quarter 2002 to € 32 million in the period under report. This increase is solely due to the comparatively low investment volume in the same period of the previous year.

Acquisitions in the 1st quarter 2003 mainly concerned the acquisition of dialysis clinics by Fresenius Medical Care. Investments in tangible assets were chiefly in the founding and equipping of dialysis clinics, especially in the United States, in expanding and modernising existing clinics and in the further expansion and optimisation of production plants.

Looking at the breakdown by business sector, Fresenius Medical Care spent 83 % of the total investment volume, followed by Fresenius Kabi with 10 %. By region, 42 % of the total amount was invested in Europe, 49 % in North America and with a total of 9 % in the regions Asia-Pacific and Latin America.

Cash flow

The consolidated cash flow statement again showed a good development. The operating cash flow and the free cash flow showed high growth rates. The operating cash flow amounted to € 137 million in the period under report (Q1/2002: € 80 million). This corresponds to an increase of 71 % and is largely due to the further improvement in receivables management. The operating cash flow fully covered the financing requirements resulting from investment activities before acquisitions. The free cash flow before acquisitions and dividends also improved significantly and rose from € 3 million in the same period of the previous year to € 83 million in the 1st quarter 2003. This resulted from the considerably lower investment volume; cash used for investments in the Group amounted to € 56 million and cash received from the disposal of tangible assets amounted to € 2 million. The free cash flow after acquisitions and dividends, € 57 million, was positive.

Asset and equity structure

Balance sheet total of the Group changed only slightly compared to 31.12.2002, by 1 % to € 8,964 million (31.12.2002: € 8,915 million). This is largely due to the US\$ 133 million reduction in the receivable securitization programme of Fresenius Medical Care to US\$ 312 million, which is reflected in a corresponding increase in accounts receivable.

The liabilities side of the balance sheet shows an almost unchanged shareholders' equity including minority interests of – 1 % to € 3,348 million (31.12.2002: € 3,369 million). This drop resulted from the change in exchange rates; at constant exchange rates, an increase of 2 % would have resulted. Equity ratio including minority interests fell slightly from 37.8 % as at 31.12.2002 to 37.3 % at the end of the reporting period.

The liabilities of the Group from bank loans, Eurobonds, commercial papers and trust preferred securities amounted to € 3,337 million on 31.3.2003 (31.12.2002: € 3,283 million). The increase resulted from Fresenius Medical Care utilising credit lines in order to reduce the receivable securitization programme. An opposite effect had the changed exchange rates in the translation of the US dollar loans into euros.

Debt of the Group including liabilities from the receivable securitization programme of Fresenius Medical Care were reduced from € 3,707 million as at 31.12.2002 to € 3,624 million on 31.3.2003.

The key ratio net debt/EBITDA remained unchanged at 3.0 on 31.3.2003 compared to the end of the 2002 financial year.

Employees

On 31.3.2003, the Fresenius Group had 64,806 employees all over the world. This was around 2 % or 1,168 people more than at the end of 2002.

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.

in US\$ million	Q1/2002	Q1/2003	Change in %
Sales	1,187	1,299	10
EBITDA	225	222	- 1
EBIT	174	169	- 3
Net income	63	70	10
Employees	41,766 (31.12.2002)	42,515 (31.3.2003)	2

In the 1st quarter 2003, Fresenius Medical Care increased sales by 10 % to US\$ 1,299 million (previous year: US\$ 1,187 million). 72 % of these sales were achieved in North America and 28 % outside North America.

The dialysis care business generated 73 % of sales, and dialysis products 27 %. Sales of dialysis products increased by 16 % to US\$ 355 million (Q1/2002: US\$ 305 million). The dialysis care business grew by 7 % to US\$ 944 million (Q1/2002: US\$ 881 million). The main reason for this growth was the increased number of dialysis treatments: Altogether, Fresenius Medical Care performed 4.2 million treatments in the reporting period, 9 % more than in the same period of the previous year. As at 31.3.2003, Fresenius Medical Care treated around 114,300 patients in 1,500 dialysis clinics, 7 % more than in the same period of the previous year.

Operating profit (EBIT) of Fresenius Medical Care in the 1st quarter 2003 was US\$ 169 million. EBIT of the same period of the previous year amounted to US\$ 174 million including a one-time benefit of US\$ 6.3 million. Before this one-time item, EBIT of the 1st quarter 2002 was 168 US\$. Earnings of the 1st quarter 2003 were affected particularly by the Middle East crisis, the difficult economic conditions in various countries of Latin America and the continued price pressure in Central Europe.

Net income of Fresenius Medical Care increased by 10 % to US\$ 70 million. Without adjusting the previous year's figures by the extraordinary expenses caused by the early redemption of trust preferred securities, net income would have decreased by 7 %.

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

The weakness of the dollar means that sales of Fresenius Medical Care amounting to US\$ 1,299 million after conversion into euros were 11 % lower than the figure for the previous year. Currency translation caused EBIT to decrease by 21 % to € 157 million (previous year: € 198 million).

Fresenius Kabi

The portfolio of Fresenius Kabi focuses on the nutrition and infusion therapy of patients in the hospital, many of whom are seriously ill, and in ambulatory care, as well as on infusion and transfusion technology.

in € million	Q1/2002*	Q1/2003	Change in %
Sales	354	355	0
EBITDA	39	54	38
EBIT	19	35	84
Net income	4	15	275
Employees	11,311 (31.12.2002)	11,294 (31.3.2003)	0

In the 1st quarter 2003, Fresenius Kabi recorded sales of € 355 million, the same as in the previous year (€ 354 million). This is almost solely the result of currency translation effects. The organic growth of Fresenius Kabi was 7 % in the reporting period and thus within the framework of our defined target of 6 to 7 % for 2003 as a whole. The development of sales was significantly affected by currency effects (- 6 percentage points). Furthermore, disinvestments (the sale of the company ProReha effective August 1, 2002) reduced sales by – 1 percentage point.

The hospital business achieved € 284 million, 80 % of total sales (Q1/2002: € 279 million including transfusion and infusion technology), the Ambulatory Care business € 71 million (Q1/2002: € 75 million), 20 % of total sales.

Fresenius Kabi achieved an EBIT of € 35 million in the 1st quarter 2003, significantly higher than the previous year's figure of € 19 million. Thus, Fresenius Kabi achieved an EBIT margin of 9.9 % in the 1st quarter 2003, a significant increase compared to the 1st quarter 2002 (5.4 %). This also substantially exceeded the EBIT margin of the whole 2002 financial year (6.7 %).

The measures to increase efficiency which have been successfully implemented chiefly in the production facilities, particularly in the Uppsala, Sweden, facility, had a positive impact on earnings for the 1st quarter 2003. The measures implemented will continue to make a substantial contribution to the future earnings development of Fresenius Kabi.

Fresenius Kabi has an excellent position in its markets. In the growth countries of the region Asia-Pacific, Fresenius Kabi again achieved double-digit organic growth in the 1st quarter 2003. In Europe, Fresenius Kabi continued its solid growth despite the strong cost pressure in the health systems, which mainly makes itself felt in Germany.

* The previous year's figures have been adjusted to include the newly-assigned activities of the business segment Fresenius HemoCare (transfusion and infusion technology) effective January 1, 2003.

Fresenius ProServe

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

in € million	Q1/2002	Q1/2003	Change in %
Sales	149	166	11
EBITDA	10	12	20
EBIT	4	6	50
Net income	1	1	0
Employees	9,894 (31.12.2002)	10,360 (31.3.2003)	5

Fresenius ProServe succeeded in increasing sales by 11 % in the 1st quarter 2003 to € 166 million (Q1/2002: € 149 million). The company generated sales of € 140 million in the healthcare business, a plus of 18 % over the same period of the previous year (Q1/2002: € 119 million). Sales of services increased by 29 % to € 116 million (Q1/2002: € 90 million). The increase was largely driven by the consolidation for the first time of newly-acquired hospitals (mainly Klinikum Rhein-Sieg in Siegburg). Sales of the project business (€ 24 million) as well as of the pharma industry business (€ 26 million) were lower than the previous year (project business Q1/2002: € 29 million and pharma industry business Q1/2002: € 30 million) due to delays in the invoicing of projects in the 1st quarter, which is traditionally a weak period.

Orders received relating to the project business of Fresenius ProServe dropped to € 66 million (Q1/2002: € 94 million), a result of delays in the closing of projects. Orders on hand were nearly unchanged at € 422 million (31.12.2002: € 424 million).

Fresenius ProServe significantly improved EBIT in the period under report, from € 4 million in the 1st quarter 2002 to € 6 million in the 1st quarter 2003.

Note:

The full quarterly report including notes will be available in the middle of May on our website www.fresenius-ag.com under Investor Relations / Publications.

For your information, you can find figures on the subsequent quarters of 2002 on page 12 of this Investor News. These figures have been adjusted for:

- the extraordinary expenses resulting from the early redemption of trust preferred securities of Fresenius Medical Care
- the newly-assigned activities of the business segment Fresenius HemoCare, effective January 1, 2003.

Fresenius Group in Figures

Consolidated statement of income (unaudited)

1 January to 31 March; in million €	2002*	2003
Sales	1,854	1,729
Cost of goods sold	-1,263	-1,164
Gross profit	591	565
Selling, general and administrative expenses	-344	-344
Expenditure on research and development	-30	-27
Operating income (EBIT)	217	194
Balance of interest	-93	-64
Earnings before income taxes and minority interests	124	130
Income taxes	-47	-51
Minority interests	-49	-43
Net income	28	36
Basic earnings per ordinary share (in €)	0.67	0.87
Fully diluted earnings per ordinary share (in €)	0.67	0.87
Basic earnings per preference share (in €)	0.68	0.88
Fully diluted earnings per preference share (in €)	0.68	0.88

* adjusted according to US GAAP SFAS 145

	as reported	
Extraordinary expenses after income taxes and minority interests	5	0
Net income before extraordinary expenses	33	36

Average number of shares		
Ordinary shares	20,484,774	20,484,842
Preference shares	20,484,774	20,484,842
EBIT (in million €)	217	194
Depreciation and amortization (in million €)	86	77
EBITDA (in million €)	303	271
EBIT margin	11.7%	11.2%
EBITDA margin	16.3%	15.7%

Key figures of the balance sheet (unaudited)

in million €	31.12.2002	31.3.2003	Change
Assets			
Current assets	2,743	2,917	6%
thereof trade accounts receivable	1,299	1,396	7%
thereof inventories	659	696	6%
thereof cash and cash equivalents	163	178	9%
Non-current assets	6,172	6,047	-2%
thereof tangible assets	1,797	1,753	-2%
thereof goodwill and other intangible assets	3,986	3,893	-2%
Balance sheet total	8,915	8,964	1%
Liabilities and shareholders' equity			
Liabilities	5,546	5,616	1%
thereof trade accounts payable	300	290	-3%
thereof accruals and other short-term liabilities	1,559	1,583	2%
thereof debt	3,283	3,337	2%
Minority interests	1,762	1,746	-1%
Shareholders' equity	1,607	1,602	0%
Balance sheet total	8,915	8,964	1%

Cash flow statement (unaudited)

in million €	Q1/2002	Q1/2003	Change
Net income before minority interests	77	79	3%
Depreciation and amortization	86	77	-10%
Change in accruals for pensions	-5	-1	80%
Cash flow	158	155	-2%
Change in working capital	-78	-18	77%
Operating cash flow	80	137	71%
Capital expenditure (net)	-77	-54	30%
Free cash flow before acquisitions and dividends	3	83	+
Cash used for acquisitions (net)	-18	-26	-44%
Dividends	0	0	
Free cash flow after acquisitions and dividends	-15	57	480%
Cash provided by/used for financing activities	46	-39	-185%
Effect of exchange rates on change in cash and cash equivalents	3	-3	-200%
Net increase in cash and cash equivalents	34	15	-56%

Segment reporting

	Fresenius Medical Care			Fresenius Kabi*			Fresenius ProServe			Corporate/Other*			Total		
	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change
	€m	€m		€m	€m		€m	€m		€m	€m		€m	€m	
Sales	1,354	1,211	-11%	354	355	0%	149	166	11%	-3	-3	0%	1,854	1,729	-7%
of which contributing to consolidated sales	1,347	1,205	-11%	348	350	1%	149	165	11%	10	9		1,854	1,729	-7%
of which intercompany sales	7	6	-14%	6	5	-17%	0	1		-13	-12	8%	0	0	
contribution to consolidated sales	73%	70%		19%	20%		8%	10%		0%	0%		100%	100%	
EBITDA	256	207	-19%	39	54	38%	10	12	20%	-2	-2	0%	303	271	-11%
Depreciation and amortization	58	50	-14%	20	19	-5%	6	6	0%	2	2	0%	86	77	-10%
EBIT	198	157	-21%	19	35	84%	4	6	50%	-4	-4	0%	217	194	-11%
Balance of interest	-83	-50	40%	-9	-10	-11%	-2	-3	-50%	1	-1	-200%	-93	-64	31%
Net income	72	65	-10%	4	15	275%	1	1	0%	-49	-45	8%	28	36	29%
Operating cash flow	80	117	46%	-14	13	193%	24	6	-75%	-10	1	110%	80	137	71%
Free cash flow before acquisitions and dividends	22	78	255%	-25	4	116%	17	1	-94%	-11	0	100%	3	83	+
Debt**	2,277	2,325	2%	764	777	2%	241	238	-1%	1	-3	-400%	3,283	3,337	2%
Total assets**	6,465	6,474	0%	1,531	1,542	1%	759	787	4%	160	161	1%	8,915	8,964	1%
Capital expenditure	63	41	-35%	11	9	-18%	7	5	-29%	1	1	0%	82	56	-32%
Acquisitions	10	32	220%	5	0	-100%	0	0		3	0	-100%	18	32	78%
Research and development expenses	11	10	-9%	14	11	-21%	0	0		5	6	20%	30	27	-10%
Employees (per capita on balance sheet date)**	41,766	42,515	2%	11,311	11,294	0%	9,894	10,360	5%	667	637	-4%	63,638	64,806	2%
Key figures															
EBITDA margin	18.9%	17.1%		11.0%	15.2%		6.7%	7.2%					16.3%	15.7%	
EBIT margin	14.7%	13.0%		5.4%	9.9%		2.7%	3.6%					11.7%	11.2%	
Depreciation and amortization as % of sales	4.3%	4.1%		5.6%	5.4%		4.0%	3.6%					4.6%	4.5%	

* previous year adjusted for the reallocation of the business of Fresenius HemoCare since January 1, 2003; Fresenius Kabi incl. transfusion and infusion technology, Corporate/Other incl. immune therapy and adsorber technology

** previous year as of 31.12.2002

Fresenius - Profit and Loss Statement 2002 - Key Figures (adjusted)

- including new structure (reallocation of Fresenius HemoCare's businesses*)
- including reclassification of 2002 extraordinary expenses according to US GAAP SFAS 145

€m	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1-Q2 2002	Q1-Q3 2002	Q1-Q4 2002
Sales	1,854	1,895	1,803	1,955	3,749	5,552	7,507
EBIT	217	203	197	220	420	617	837
Balance of interest	-93	-72	-65	-61	-165	-230	-291
Earnings before income taxes and minority interests	124	131	132	159	255	387	546
Income taxes	-47	-50	-52	-53	-97	-149	-202
Minority interests	-49	-54	-50	-57	-103	-153	-210
Net Income	28	27	30	49	55	85	134
Earnings per ordinary share (€)	0.67	0.66	0.73	1.19	1.33	2.06	3.25
Earnings per preference share (€)	0.68	0.67	0.73	1.20	1.35	2.08	3.28
Sales							
Fresenius Medical Care	1,354	1,364	1,300	1,360	2,718	4,018	5,378
Fresenius Kabi	354	363	351	373	717	1,068	1,441
Fresenius ProServe	149	172	154	226	321	475	701
Corporate / Other	-3	-4	-2	-4	-7	-9	-13
Total	1,854	1,895	1,803	1,955	3,749	5,552	7,507
EBIT							
Fresenius Medical Care	198	185	168	184	383	551	735
Fresenius Kabi	19	19	27	32	38	65	97
Fresenius ProServe	4	4	8	8	8	16	24
Corporate Costs / Other	-4	-5	-6	-4	-9	-15	-19
Total	217	203	197	220	420	617	837

* Infusion and transfusion technology reallocated to Fresenius Kabi, immune therapy and adsorber technology to Corporate/Other