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Fresenius Investor News

First Half of 2003:

- Sales: € 3.46 billion
+ 5 % at constant currency, - 8 % at current exchange rates
- EBIT: € 390 million
+ 7 % at constant currency, - 7 % at current exchange rates
- Net income: € 70 million
+ 45 % at constant currency, + 27 % at current exchange rates
- Exchange rates affect sales and earnings
- Operating cash flow and free cash flow at record level
- Continued margin improvements at Fresenius Medical Care
- Operating improvement at Fresenius Kabi
- Program initiated to reduce costs and increase profitability at Fresenius ProServe

In the first half of 2003 the Fresenius Health Care Group was substantially impacted by exchange rate fluctuations in the currency translation. At constant currency, sales increased 5 % in the first half of 2003. At current rates sales decreased 8 % to € 3,456 million mainly due to the strengthening of the euro against the dollar. Operating income (EBIT) increased 7 % at constant currency. At current rates, EBIT was 7 % lower than in the same period of 2002. Net income of the Fresenius Group grew 27 %, 45 % at constant currency.

Group outlook on year-end 2003

In the first half of 2003, health care systems were affected by cost-cutting, delayed investments and price pressure. The Fresenius Group showed positive results despite this difficult environment. With 5 % sales growth in the first half of 2003, the Group now anticipates a mid single-digit revenue growth rate at constant currency for the full year 2003.

The Fresenius ProServe business segment initiated a program at Wittgensteiner Kliniken AG to reduce costs and increase profitability. With these measures Fresenius ProServe is overcoming at an early stage challenges in the German health care system, and is supporting its strong position in the German hospital market. The expected one-time expenses of this program are €25 million (see also page 8).

Before these one-time expenses, the Managing Board maintains its forecast that at constant currency, net income will increase at a double-digit rate. This increase will be mainly driven by the good performance of Fresenius Medical Care and Fresenius Kabi. After these one-time expenses, net income at constant currency will remain at previous year's level.

Sales

Sales of the Fresenius Group decreased by 8 % in the first half of 2003 to €3,456 million (first half 2002: €3,749 million) due to exchange rate fluctuations. Organic growth was 3 %. Acquisitions contributed 2 % to this growth. Exchange rates had a 13 % negative impact on sales development. On average the 23 % weaker US dollar and 33 % weaker Argentinian peso had a negative impact on sales due to currency translation.

The region with the strongest sales was North America with 51 %, followed by Europe with 38 %. Asia-Pacific had 7 % and Latin America and other regions a total of 4 %. In almost all the regions the Group increased sales at constant currency. Even with the continuing difficult economic climate in Latin America, sales increased by 29 % at constant currency.

in million €	H1/2002	H1/2003	Change	Change currency-adjusted
Europe	1,230	1,310	7%	8%
North America	2,078	1,748	-16 %	3%
Asia-Pacific	258	235	-9 %	3%
Latin America	134	116	-14 %	29%
Africa	49	47	-4 %	-8%
Total	3,749	3,456	-8 %	5%

Fresenius Kabi and Fresenius ProServe increased their sales contribution compared to the first half of 2002. Due to the weaker US dollar the sales contribution of Fresenius Medical Care in the first half of 2003 was 70 %.

	H1/2002	H1/2003
Fresenius Medical Care	72 %	70 %
Fresenius Kabi	19 %	20 %
Fresenius ProServe	9 %	10 %

Earnings

The stronger euro was also reflected in the earnings of the Fresenius Group. At constant currency, earnings before interest, income taxes, depreciation and amortization (EBITDA) increased by 5 % compared to the previous year. At current rates EBITDA was € 543 million in the first half of 2003, 8 % below previous year's € 592 million. EBIT increased 7 % at constant currency. At current rates, EBIT of € 390 million in the first half of 2003 was 7 % below previous year's € 420 million.

The 87 % increase in EBIT of Fresenius Kabi had a positive impact on group earnings. This increase is the result of the successful implementation of restructuring measures in 2001 and 2002 and the strong operating performance.

Net interest decreased to € -125 million in the first half of 2003 from € -165 million in the first half of 2002.

In the following table the previous year's income statement has been adjusted according to Statement of Financial Accounting Standards No. 145 which stipulates that as of January 1, 2003 the gains and losses from the early redemption of financial instruments are no longer classified as extraordinary. This rule requires the reclassification of € 22 million of expenses before taxes (€ 13 million after taxes and related minority interests of € 8 million) for the early redemption of Fresenius Medical Care's trust preferred securities which were to come due in 2006.

	H1/2002 as reported in million €	H1/2002 adjusted according to SFAS No.145 in million €	H1/2003 in million €	Change H1/2003 vs. H1/2002 as reported	Change H1/2003 vs. H1/2002 SFAS No.145
EBIT	420	420	390	-7%	-7%
Net interest	-143	-165	-125	13%	24%
Earnings before income taxes	277	255	265	-4%	4%
Taxes on income and profit	-106	-97	-104	2%	-7%
Minority interests	-111	-103	-91	18%	12%
Net income (before extraordinary expenses)	60	55	70	17%	27%
Extraordinary expenses after taxes and minority interests	-5	0	0		
Net income	55	55	70	27%	27%

The decrease of net interest is mainly due to changes in US GAAP. Further, net interest was positively influenced by the translation of US dollar to the euro, since a large portion of Fresenius Medical Care's bank loans are in US dollars.

The tax ratio was 39.2 % in the first half of 2003 compared to 38.0 % in the first half of 2002.

Minority interests decreased to € 91 million from € 103 million in the first half of 2002. This is a result of exchange rate effects. 93 % of minority interests involve Fresenius Medical Care.

Fresenius increased net income considerably. It grew 27 % from € 55 million in the first half of 2002 to € 70 million in the first half of 2003. At constant currency the increase was 45 %.

Earnings per ordinary share were € 1.70, up from € 1.33 in the same period of 2002. Earnings per preference share were € 1.72, up from € 1.35 in 2002. This was an increase of 28 % and 27 %, respectively (at constant currency: 46 % and 45 %).

Capital expenditure and acquisitions

Fresenius spent € 157 million in the first half of 2003 for capital expenditure and acquisitions. This is a reduction of 39 % compared to € 257 million in the first half of 2002 and was in line with Company planning. In 2001 and 2002 Fresenius made significant investments in increased capacity of production plants and further market expansion.

Of the total investments, 72 % was for capital expenditure, 28 % was for acquisitions. Capital expenditure was € 113 million, 39 % below the first half of 2002. Acquisitions were € 44 million in the first half of 2003 compared to € 72 million in the first half of 2002.

Acquisitions in the first half of 2003 were mainly dialysis clinics purchased by Fresenius Medical Care. Capital expenditure was mainly used for opening and equipping new dialysis clinics, especially in the United States, for expanding and modernising existing clinics and for the further expansion and optimization of production plants.

49 % of capital expenditure was made in Europe, 41 % in North America and 10 % elsewhere.

Cash flow

The Fresenius Group's operating cash flow and free cash flow were at record levels. Operating cash flow was € 311 million in the first half of 2003 (first half 2002: € 296 million). This 5 % increase is mainly due to continued improvement in receivables management. The free cash flow before acquisitions and dividends also improved and rose by 35 % to a record figure of € 208 million (first half 2002: € 154 million). This increase resulted from a lower investment volume of € 103 million (first half 2002: € 142 million). After net cash used for acquisitions of € 38 million and dividends of € 107 million Fresenius achieved an excellent free cash flow of € 63 million (first half 2002: € -6 million).

Asset and equity structure

Balance sheet total of the Group was € 8,867 million, a decrease of € 48 million (1 %) compared to December 31, 2002 (€ 8,915 million). This is solely due to currency effects. At constant currency balance sheet total increased 4 % over the previous year. This was mainly due to the reduction in the receivables securitization program of Fresenius Medical Care from US\$ 445 million to US\$ 249 million which led to a corresponding increase in accounts receivable.

Shareholders' equity including minority interests was € 3,217 million at June 30, 2003 compared to € 3,369 million as at December 31, 2002. This was a result of exchange rate fluctuations; at constant currency there was an increase of 2 %. Equity ratio including minority interests was 36.3 % at June 30, 2003 compared to 37.8 % as at December 31, 2002.

Liabilities from bank loans, Eurobonds, commercial paper and trust preferred securities were € 3,339 million on June 30, 2003. (December 31, 2002: € 3,283 million). This increase was the result of Fresenius Medical Care using existing credit lines to reduce the receivables securitization program. US dollar exchange rate fluctuations had an opposite effect.

Debt, including liabilities from the receivables securitization program of Fresenius Medical Care decreased from €3,707 million as at December 31, 2002 to €3,557 million on June 30, 2003.

The key ratio net debt/EBITDA was unchanged at 3.0 on June 30, 2003, the same as at the end of 2002.

Employees

On 30.6.2003, the Fresenius Group had 65,626 employees worldwide. This was around 3 % or 1,988 people more than at the end of 2002.

Fresenius Biotechnology

In biotechnology, Fresenius is active in the field of immune and cell therapies. Various clinical trials for the immunotherapeutical treatment of cancer are currently being carried out. The results of a phase I/II study for treatment of ovarian cancer patients with symptomatic ascites are to be presented at the European Cancer Conference (ECCO) in September.

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	H1/2002	H1/2003	Change in %
Sales	2,441	2,666	9
EBITDA	449	458	2
EBIT	344	353	2
Net income	138	149	8
Employees	41,766 (31.12.2002)	43,101 (30.6.2003)	3

In the first half of 2003, Fresenius Medical Care increased sales 9 % to US\$ 2,666 million (previous year: US\$ 2,441 million). 71 % of sales were achieved in North America, 29 % elsewhere. At constant currency, Fresenius Medical Care increased sales 5 % in the first half of 2003.

Dialysis care business contributed 72 % to sales and dialysis products 28 %. Sales of dialysis products increased 15 % to US\$ 743 million (first half 2002: US\$ 648 million). The dialysis care business grew 7 % to US\$ 1,922 million (first half 2002: US\$ 1,793 million). The main source of growth was the increased number of dialysis treatments. Fresenius Medical Care performed approximately 8.7 million treatments in the first half of 2003, an increase of 9 % year over year. As at June 30, 2003, Fresenius Medical Care provided treatment to around 115,800 patients in 1,510 dialysis clinics, 7 % more than in the first half of 2002.

EBIT of Fresenius Medical Care in the first half of 2003 increased 2 % to US\$ 353 million. Net income increased 8 % to US\$ 149 million.

For the year 2003, Fresenius Medical Care reconfirms its outlook and expects mid single digit revenue growth (in constant currency) and net income growth in the high single digit to low double digits range. As mentioned in the first quarter of 2003 Fresenius Medical Care expects to achieve net income growth for the full year 2003 near the lower end within the predicted range due to the increased risks and unpredictability.

Fresenius Medical Care's US dollar sales of US\$ 2,666 million were € 2,413 million after conversion into euros. This is a decrease of 11 % compared to previous year's € 2,718 million. EBIT decreased 17 % to € 319 million (first half 2002: € 383 million) due to currency translation.

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

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	H1/2002*	H1/2003	Change in %
Sales	717	718	0
EBITDA	78	108	38
EBIT	38	71	87
Net income	7	30	329
Employees	11,311 (31.12.2002)	11,418 (30.6.2003)	1

In the first half of 2003, Fresenius Kabi's sales were €718 million, substantially the same as in the previous year (€717 million). This is the result of currency translation effects of -6%. The organic growth of Fresenius Kabi increased 7%. This is fully in line with our expected growth of 6 to 7% for 2003 as a whole. Furthermore, divestments (the sale of the company ProReha effective August 1, 2002) reduced sales by 1 percentage point.

The hospital business had €574 million in sales, which was 80% of total sales (first half 2002: €568 million). The Ambulatory Care business had sales of €145 million (first half 2002: €149 million), which was 20% of total sales.

Fresenius Kabi achieved an EBIT of €71 million in the first half of 2003 compared to the previous year's figure of €38 million. Fresenius Kabi achieved an EBIT margin of 9.9% in the first half 2003 compared to 5.3% in the first half of 2002. This also exceeds the EBIT margin for 2002 as a whole (6.7%).

Our restructuring of production facilities, particularly in Uppsala, Sweden, and the good operating performance had a positive impact on earnings in the first half of 2003. These measures will continue to contribute to the future earnings growth of Fresenius Kabi.

In the important European market, the Company achieved a single-digit growth rate. In all other regions, Fresenius Kabi achieved double-digit organic growth in the first half of 2003.

For the full year 2003, Fresenius Kabi expects to achieve an organic growth of 6 to 7%. EBIT of the second half of 2003 is expected to be in the range of the first half of the year.

* 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	H1/2002	H1/2003	Change in %
Sales	321	336	5
EBITDA	19	22	16
EBIT	8	10	25
Net income	1	1	0
Employees	9,894 (31.12.2002)	10,599 (30.6.2003)	7
Order entry	149	128	-14

Fresenius ProServe increased sales 5 % to € 336 million in the first half of 2003 (first half 2002: € 321 million). 85 % of sales were from the Healthcare business, 15 % from the Pharma Industry business. Sales were € 287 million in the Healthcare business, an increase of 12 % (first half 2002: € 256 million). Sales were € 49 million in the Pharma Industry business compared to € 65 million in the previous year due to a general investment caution of the pharma industry and delays in project handling.

In the Healthcare business, sales generated by services increased 31 % to € 239 million (first half 2002: € 183 million). This was driven by the consolidation of newly-acquired hospitals (mainly Klinikum Rhein-Sieg in Siegburg). Project sales in the healthcare business were € 48 million compared to € 73 million in the first half of 2002 due to delays in project handling.

Fresenius ProServe's EBIT in the first half of 2003 was € 10 million compared to € 8 million in 2002. However, Fresenius ProServe did not achieve its earnings target for the second quarter. This is mainly due to the hospital management business in Germany. The bed utilization rate declined to 81 % compared to 85 % for the same period of the previous year. In addition, delays in the project business had an impact on earnings.

A major study of Wittgensteiner Kliniken AG, which is part of Fresenius ProServe, was completed in July 2003. This study shows that in addition to the measures carried out in the past one and a half years, there is additional potential to reduce costs and increase efficiency. Fresenius ProServe expects to fully utilize this potential and create a solid basis for Wittgensteiner Kliniken to achieve sustainable growth. The implementation of the measures, including further staff reductions, will result in one-time expenses of € 25 million before tax. It is expected that Wittgensteiner Kliniken will achieve annual cost savings of € 20 - 25 million which will become fully effective in the 2005 financial year.

Assuming a reserve is created for the one-time expenses in 2003, Fresenius ProServe expects, that it will have a single-digit negative EBIT for the full year 2003. Sales for 2003 are expected to increase to approximately € 800 million.

These measures will significantly strengthen the position of Wittgensteiner Kliniken in the German hospital market.

Fresenius Group in Figures

Consolidated statement of income (unaudited)

1 January to 30 June; in million €	2002*	2003
Sales	3,749	3,456
Cost of goods sold	-2,544	-2,330
Gross profit	1,205	1,126
Selling, general and administrative expenses	-723	-680
Expenditure on research and development	-62	-56
Operating income (EBIT)	420	390
Net interest	-165	-125
Earnings before income taxes and minority interests	255	265
Income taxes	-97	-104
Minority interests	-103	-91
Net income	55	70
Basic earnings per ordinary share (in €)	1.33	1.70
Fully diluted earnings per ordinary share (in €)	1.33	1.70
Basic earnings per preference share (in €)	1.35	1.72
Fully diluted earnings per preference share (in €)	1.35	1.72

* adjusted according to US GAAP SFAS 145

	as reported	
Extraordinary expenses after income taxes and minority interests	5	0
Net income before extraordinary expenses	60	70

Average number of shares		
Ordinary shares	20,484,785	20,484,842
Preference shares	20,484,785	20,484,842
EBIT (in million €)	420	390
Depreciation and amortization (in million €)	172	153
EBITDA (in million €)	592	543
EBIT margin	11.2%	11.3%
EBITDA margin	15.8%	15.7%

Key figures of the balance sheet (unaudited)

in million €	31.12.2002	30.6.2003	Change
Assets			
Current assets	2,743	2,962	8%
thereof trade accounts receivable	1,299	1,419	9%
thereof inventories	659	706	7%
thereof cash and cash equivalents	163	194	19%
Non-current assets	6,172	5,905	-4%
thereof tangible assets	1,797	1,712	-5%
thereof goodwill and other intangible assets	3,986	3,743	-6%
Balance sheet total	8,915	8,867	-1%
Liabilities and shareholders' equity			
Liabilities	5,546	5,650	2%
thereof trade accounts payable	300	231	-23%
thereof accruals and other short-term liabilities	1,559	1,633	5%
thereof debt	3,283	3,339	2%
Minority interests	1,762	1,670	-5%
Shareholders' equity	1,607	1,547	-4%
Balance sheet total	8,915	8,867	-1%

Cash flow statement (unaudited)

in million €	H1/2002	H1/2003	Change
Net income before minority interests	158	161	2%
Depreciation and amortization	172	153	-11%
Change in accruals for pensions	-5	6	220%
Cash flow	325	320	-2%
Change in working capital	-29	-9	69%
Operating cash flow	296	311	5%
Capital expenditure (net)	-142	-103	27%
Free cash flow before acquisitions and dividends	154	208	35%
Cash used for acquisitions (net)	-63	-38	40%
Dividends	-97	-107	-10%
Free cash flow after acquisitions and dividends	-6	63	1150%
Cash provided by/used for financing activities	4	-25	-725%
Effect of exchange rates on change in cash and cash equivalents	-14	-7	50%
Net increase in cash and cash equivalents	-16	31	294%

Segment reporting

	Fresenius Medical Care			Fresenius Kabi*			Fresenius ProServe			Corporate/Other*			Total		
	H1/2002	H1/2003	Change	H1/2002	H1/2003	Change	H1/2002	H1/2003	Change	H1/2002	H1/2003	Change	H1/2002	H1/2003	Change
	€m	€m		€m	€m		€m	€m		€m	€m		€m	€m	
Sales	2,718	2,413	-11%	717	718	0%	321	336	5%	-7	-11	-57%	3,749	3,456	-8%
of which contributing to consolidated sales	2,705	2,400	-11%	704	708	1%	319	334	5%	21	14		3,749	3,456	-8%
of which intercompany sales	13	13	0%	13	10	-23%	2	2		-28	-25	11%	0	0	
contribution to consolidated sales	72%	70%		19%	20%		9%	10%		0%	0%		100%	100%	
EBITDA	500	414	-17%	78	108	38%	19	22	16%	-5	-1	80%	592	543	-8%
Depreciation and amortization	117	95	-19%	40	37	-8%	11	12	9%	4	9	125%	172	153	-11%
EBIT	383	319	-17%	38	71	87%	8	10	25%	-9	-10	-11%	420	390	-7%
Balance of interest	-138	-97	30%	-19	-21	-11%	-5	-5	0%	-3	-2	33%	-165	-125	24%
Net income	153	135	-12%	7	30	329%	1	1	0%	-106	-96	9%	55	70	27%
Operating cash flow	272	271	0%	2	47	2250%	6	12	100%	16	-19	-219%	296	311	5%
Free cash flow before acquisitions and dividends	172	201	17%	-17	26	253%	-13	2	115%	12	-21	-275%	154	208	35%
Debt**	2,277	2,300	1%	764	758	-1%	241	248	3%	1	33	3200%	3,283	3,339	2%
Total assets**	6,465	6,340	-2%	1,531	1,550	1%	759	809	7%	160	168	5%	8,915	8,867	-1%
Capital expenditure	129	78	-40%	32	23	-28%	19	10	-47%	5	2	-60%	185	113	-39%
Acquisitions	51	59	16%	17	1	-94%	0	4		4	-20	-600%	72	44	-39%
Research and development expenses	22	22	0%	28	22	-21%	0	0		12	12	0%	62	56	-10%
Employees (per capita on balance sheet date)**	41,766	43,101	3%	11,311	11,418	1%	9,894	10,599	7%	667	508	-24%	63,638	65,626	3%
Key figures															
EBITDA margin	18.4%	17.2%		10.9%	15.0%		5.9%	6.5%					15.8%	15.7%	
EBIT margin	14.1%	13.2%		5.3%	9.9%		2.5%	3.0%					11.2%	11.3%	
Depreciation and amortization as % of sales	4.3%	3.9%		5.6%	5.2%		3.4%	3.6%					4.6%	4.4%	

* 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

Note: The full quarterly and half-year report including notes will be available in the middle of August on our website www.fresenius-ag.com under Investor Relations / Publications.