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## Fresenius Investor News

**Excellent business performance in 2004;  
12<sup>th</sup> consecutive dividend increase proposed;  
Positive outlook for 2005: 15-20 % net income growth  
projected**

- Sales € 7.27 billion  
+ 8 % constant currency, + 3 % at actual exchange rates
  - EBIT € 845 million  
+ 15 % constant currency, + 8 % at actual exchange rates
  - Net Income € 168 million  
+ 55 % constant currency, + 46 % at actual exchange rates
- 
- Strong sales and earnings growth at Fresenius Medical Care
  - Excellent business development and significantly improved EBIT margin at Fresenius Kabi
  - Fresenius ProServe within expectations
  - Strong sales and earnings growth expected for 2005

### **Dividend increase proposed**

2004 was a very successful year for Fresenius. Based on the Group's excellent financial results, the Management Board will propose to the Supervisory Board a 10 % dividend increase to € 1.35 per ordinary share (2003: € 1.23) and € 1.38 per preference share (2003: € 1.26). This will mark the 12<sup>th</sup> consecutive year of a dividend increase. The total dividend distribution will be € 55.9 million (2003: € 51.0 million).

## Positive Group outlook for 2005

For 2005, Fresenius expects a constant currency sales increase of 6 to 9 %. Net income is projected to grow by 15 to 20 % in constant currency. All business segments are expected to contribute to this increase.

Fresenius is planning to invest in growth in 2005: Investments in property, plant and equipment and intangible assets are projected to increase to approximately € 400 - 450 million; acquisition spending is planned to grow to about € 400 million.

## Strong organic sales growth

In 2004, Group sales increased 8 % in constant currency. Organic growth was 6 %, while acquisitions contributed 2 % to the increase in sales. Currency translation effects had an impact of -5 %. At actual exchange rates, sales were € 7,271 million, 3 % above last year's figure of € 7,064 million.

In Europe, sales increased 4 % despite cost cutting measures in the health care sector and price pressure in Germany. North America performed strongly with sales growing 9 % in constant currency. Asia-Pacific, Latin America and Africa achieved double-digit constant currency growth rates.

in € million	2004	2003	Change	Change at constant rates	Organic growth	Currency translation effects	Acquisitions/Divestitures	% of total sales
Europe	2,802	2,692	4%	4%	4%	0%	0%	39%
North America	3,478	3,496	-1%	9%	6%	-10%	3%	48%
Asia-Pacific	547	509	7%	12%	11%	-5%	1%	7%
Latin America	272	246	11%	19%	11%	-8%	8%	4%
Africa	172	121	42%	38%	32%	4%	6%	2%
Total	7,271	7,064	3%	8%	6%	-5%	2%	100%

## Excellent earnings growth

Fresenius achieved excellent earnings growth rates: EBITDA rose 11 % in constant currency and 5 % at actual exchange rates to € 1,160 million (2003: € 1,106 million). EBIT rose 15 % in constant currency and 8 % at actual exchange rates to € 845 million (2003: € 781 million). The EBIT margin improved from 11.1 % in 2003 to 11.6 % in 2004.

Net interest expense continued to improve to € -209 million, € 40 million below last year's € -249 million due to a lower debt level as well as enhanced terms. Currency translation effects also had a favorable impact of € 11 million.

In 2004, the tax rate decreased to 39.8 %. The tax rate of 41.9 % in 2003 was mainly due to one-time expenses at Fresenius ProServe.

Minority interests rose to € 215 million (2003: € 194 million). Minority shareholders in Fresenius Medical Care account for 95 % of minority interests.

Net income rose 55 % in constant currency and 46 % at actual exchange rates to € 168 million (2003: € 115 million). Operating income growth at Fresenius Medical Care and Fresenius Kabi was the key driver of this increase. In addition, lower one-

time expenses at Fresenius ProServe as well as lower Group interest expenses had a positive impact. Excluding the one-time expenses at Fresenius ProServe in 2003 and 2004 Group net income increased 25 % in constant currency and 18 % at actual exchange rates.

Earnings per ordinary share were € 4.08 from € 2.79 in 2003. Earnings per preference share were € 4.11 (2003: € 2.82). This is an increase of 46 %.

### **Investments on target**

In 2004, Fresenius invested € 421 million (2003: € 430 million). Investments for property, plant and equipment and intangible assets decreased to € 308 million (2003: € 339 million) and acquisitions increased to € 113 million (2003: € 91 million).

44 % of the total investments were made both in Europe and North America, 7 % in the Asia-Pacific region and 5 % in Latin America and Africa.

### **Record Cash flow**

Operating and free cash flow reached new records in 2004: Operating cash flow rose 10 % to € 851 million (2003: € 776 million), mainly due to Group net income growth and improved working capital management. The operating cash flow margin rose to 11.7 % of sales up from 11.0 % in 2003, an increase of 70 basis points. Free cash flow before acquisitions and dividends increased 24 % to € 565 million (2003: € 454 million). After acquisitions and dividends free cash flow rose 31 % to € 353 million (2003: € 269 million) despite increased spending on acquisitions (€ -90 million, net) and dividends (€ -122 million).

### **Solid balance sheet**

Total assets decreased 2 % to € 8,188 million (December 31, 2003: € 8,347 million). In constant currency, assets grew by 2 %. Current assets were € 2,755 million (December 31, 2003: € 2,744 million). In constant currency, current assets rose 3 %, primarily driven by the induction of Fresenius Medical Care's receivables securitization program.

Group debt decreased € 413 million to € 2,735 million as of December 31, 2004 (€ 2,824 million in constant currency) compared to € 3,148 million as of December 31, 2003. These figures include liabilities related to the receivables securitization program.

The key ratio net debt/EBITDA improved significantly to 2.2 on December 31, 2004, as a consequence of both EBITDA growth and debt reduction on the back of the excellent cash flow development (December 31, 2003: 2.7).

Shareholders' equity including minority interests rose 4 % to € 3,347 million compared to € 3,214 million on December 31, 2003 (constant currency: +9 %). The equity ratio including minority interests improved to 40.9 % (December 31, 2003: 38.5 %).

## **Number of employees slightly increased**

As of December 31, 2004, Fresenius had 68,494 employees worldwide, an increase of 3 % (December 31, 2003: 66,264).

## **Fresenius Biotech**

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer as well as cell therapies for the treatment of the immune system. In the field of polyclonal antibodies, Fresenius Biotech has successfully marketed ATG-Fresenius S for many years. ATG-Fresenius S is an immunosuppressive agent used to suppress graft rejection following an organ transplantation.

In cancer therapy, final results are available of a phase I study to determine dosage, safety and tolerability of the antibody removab<sup>®</sup> in peritoneal carcinomatosis as well as from a phase I study for the treatment of breast cancer using the antibody rexomun<sup>®</sup>. The clinical results of the final reports will be published at the 41<sup>st</sup> ASCO (American Society of Clinical Oncology) Annual Meeting in May 2005. Based on the encouraging results Fresenius Biotech is planning a phase II study for the treatment of breast cancer and a phase II study for the treatment of gastric cancer.

Preliminary results are available for a phase I/II cell therapy study that investigated the treatment of patients with end-stage HIV infection. The results show that the therapy is well tolerated and safe. The clinical development program is planned to continue in the current year.

In 2004, Fresenius Biotech's EBIT was € -28 million (2003: € -19 million). The EBIT development was within our expectations and is a result of the increased research and development spending. For 2005, Fresenius Biotech's EBIT is expected to be in the range of € -35 million to € -40 million, largely due to the expanded clinical study program.

## The business segments

### Fresenius Medical Care

Fresenius Medical Care is the world's largest provider of products and services for patients with chronic kidney failure. As of December 31, 2004, Fresenius Medical Care treated about 124,400 patients (+4 %) in 1,610 dialysis clinics (+3 %), the number of treatments rose by 5 % to about 18.8 million.

in US\$ million	2004	2003	Change
Sales	6,228	5,528	13%
EBITDA	1,085	974	11%
EBIT	852	757	13%
Net income	402	331	21%
Employees	46,949 (Dec 31, 2004)	43,445 (Dec 31, 2003)	8%

- Strong growth in sales and earnings
- Excellent sales development in dialysis care in North America and in dialysis products and dialysis care in the international segment
- Outlook for 2005: significant growth in sales and earnings

Fresenius Medical Care achieved excellent sales growth in 2004 of 13 % to \$ 6,228 million (2003: \$ 5.528 million). In constant currency, sales rose 10 %. Organic sales growth was 6 %.

In North America, the company's biggest market, Fresenius Medical Care posted exceptionally good performance as sales rose 9 % to \$ 4,216 million (2003: \$ 3,855 million). Dialysis care sales grew 11 % to \$ 3,795 million. Fresenius Medical Care performed about 12.9 million dialysis treatments in 2004, 4 % more than in the previous year. Sales of dialysis products (including sales to our own dialysis clinics) increased 1 % to \$ 793 million.

Sales outside North America (the "International" segment) rose 20 % (constant currency: 11 %) to \$ 2,012 million (2003: \$ 1,673 million). Sales of dialysis products (including sales to our own dialysis clinics) increased 16 % to \$ 1,450 million. Dialysis care sales grew 28 % to \$ 706 million. In the international segment, Fresenius Medical Care operates 480 dialysis clinics. The Company performed 5.9 million dialysis treatments (+8 %).

Fresenius Medical Care significantly improved earnings in 2004. EBIT increased 13 % to \$ 852 million (2003: \$ 757 million), the operating margin was 13.7 %. On a comparable basis (excl. the new accounting regulation FIN 46R) the operating margin would have been 13.8 % (2003: 13.7 %). Net income increased 21 % to \$ 402 million.

For the year 2005, Fresenius Medical Care expects currency-adjusted sales growth between 6 and 9 % and net income growth in the low double-digit range.

For further information please see Fresenius Medical Care's Investor News at [www.fmc-ag.de](http://www.fmc-ag.de).

## Fresenius Kabi

Fresenius Kabi offers infusion therapies and clinical nutrition for seriously and chronically ill patients in the hospital and out-patient environment. The company is also a leading provider of transfusion technology products.

in € million	2004	2003	Change
Sales	1,491	1,463	2%
EBITDA	258	232	11%
EBIT	176	147	20%
Net income	79	65	22%
Employees	11,577 (Dec 31, 2004)	11,470 (Dec 31, 2003)	1%

- Profitability significantly increased; EBIT margin of 11.8 % achieved in 2004
- Good organic growth of 5 %; continued double-digit growth in developing markets
- Outlook for 2005: significant growth in earnings expected

Sales at Fresenius Kabi rose 2 % to € 1,491 million in 2004 (2003: € 1,463 million). The company achieved a good organic sales increase of 5 %. Currency translation reduced sales by 1 %, divestments by 2 %. Sales in Europe were impacted by a 6 % decrease in Germany due to cost cuts and price pressure in the health care sector. Outside of Germany, Fresenius Kabi showed an excellent performance in Europe with organic growth of 6 %. Outstanding sales growth was achieved in the Asia-Pacific and Latin America regions posting organic increases of 22 % and 11 %, respectively.

In 2004, Fresenius Kabi reached new records in earnings. EBIT rose 20 % to € 176 million (2003: € 147 million). Besides the good progress made in international markets, cost optimization and efficiency increases, especially in production, had a positive effect. The EBIT margin was 11.8 %, an increase of 180 basis points over 10.0 % of the previous year.

Fresenius Kabi foresees continued momentum for 2005. Sales are expected to increase by about 10 % in constant currency including the Labesfal acquisition. The Asia-Pacific and Latin America regions are projected to continue their growth pattern. In parallel, Fresenius Kabi expects further optimize its cost base. As a consequence of both developments, the company is confident to post yet another significant earnings growth in 2005. The EBIT margin including the Labesfal acquisition is projected to increase to  $\geq 13$  %.

## Fresenius ProServe

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

in € million	2004	2003	Change
Sales	813	742	10%
EBITDA	39	14	179%
EBIT	9	-19	147%
Net income	-10	-34	71%
Employees	9,398 (Dec 31, 2004)	10,815 (Dec 31, 2003)	-13%

- Earnings within expectations
- Organic sales growth of 10 % achieved
- Strategic reorientation and clear focus on core activities
- Outlook for 2005: continued improvement in earnings

Fresenius ProServe simplified its organizational structure in 2004 and focused on three core activities: hospital management in Germany (Wittgensteiner Kliniken), hospital engineering and services (VAMED) and engineering and services for the pharmaceutical industry (Pharmaplan). The Company divested its nursing home activities and closed its international hospital management activities. Efforts to improve earnings at Wittgensteiner Kliniken were continued according to plan.

Fresenius ProServe increased sales in 2004 to € 813 million (2003: € 742 million). The increase in sales was solely achieved through organic growth and resulted from the positive development of the hospital engineering and services business.

EBIT at Fresenius ProServe was € 9 million (2003: € -19 million), including one-time expenses of € 8 million before taxes (2003: € 34 million). Excluding one-time expenses, Fresenius ProServe achieved an EBIT of € 17 million (2003: € 15 million).

Order intake at the project businesses of VAMED and Pharmaplan was € 244 million in 2004 (2003: € 278 million). This decrease is mainly due to delayed closing of contracts as well as a continued investment caution in the pharmaceutical industry.

Fresenius ProServe expects continued earnings improvement in 2005. Projected EBIT will be between € 20 million and € 25 million. Organic sales growth is expected to be in the range of 5 to 8 % resulting mainly from the hospital engineering and services business.

**Video Webcast**

As part of the publication of our 2004 results, an analyst conference will be held on February 24, 2005 at 1:30 p.m. CET. We sincerely invite all investors to follow the live video broadcast of the conference over the Internet at [www.fresenius-ag.com](http://www.fresenius-ag.com) /Investor Relations / Presentations. Following the conference, a recording of the conference will be available as video-on-demand.

**Annual report**

The 2004 Annual Report will be available at the end of March 2005 on the Internet at [www.fresenius-ag.com](http://www.fresenius-ag.com) / Investor Relations / Publications.

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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 Group in Figures

### Consolidated statement of income

in million €	2004	2003
Sales	7,271	7,064
Cost of goods sold	-4,895	-4,788
<b>Gross profit</b>	<b>2,376</b>	<b>2,276</b>
Selling, general and administrative expenses	-1,398	-1,374
Expenditure on research and development	-133	-121
<b>Operating income (EBIT)</b>	<b>845</b>	<b>781</b>
Net interest expense	-209	-249
<b>Earnings before income taxes and minority interests</b>	<b>636</b>	<b>532</b>
Income taxes	-253	-223
Minority interests	-215	-194
<b>Net income</b>	<b>168</b>	<b>115</b>
<b>Basic earnings per ordinary share (in €)</b>	<b>4,08</b>	<b>2,79</b>
<b>Fully diluted earnings per ordinary share (in €)</b>	<b>4,07</b>	<b>2,79</b>
<b>Basic earnings per preference share (in €)</b>	<b>4,11</b>	<b>2,82</b>
<b>Fully diluted earnings per preference share (in €)</b>	<b>4,10</b>	<b>2,82</b>

<b>Average number of shares</b>		
Ordinary shares	20,484,955	20,484,842
Preference shares	20,484,955	20,484,842
<b>EBIT (in million €)</b>	<b>845</b>	<b>781</b>
<b>Depreciation and amortization (in million €)</b>	<b>315</b>	<b>325</b>
<b>EBITDA (in million €)</b>	<b>1,160</b>	<b>1,106</b>
<b>EBIT margin</b>	<b>11.6%</b>	<b>11.1%</b>
<b>EBITDA margin</b>	<b>16.0%</b>	<b>15.7%</b>

## Key figures of the balance sheet

in million €	Dec 31, 2004	Dec 31, 2003	Change
<b>Assets</b>			
<b>Current assets</b>	<b>2,755</b>	<b>2,744</b>	-
thereof trade accounts receivable	1,528	1,415	8%
thereof inventories	619	642	-4%
thereof cash and cash equivalents	140	125	12%
<b>Non-current assets</b>	<b>5,433</b>	<b>5,603</b>	-3%
thereof tangible assets	1,696	1,721	-1%
thereof goodwill and other intangible assets	3,385	3,481	-3%
<b>Total assets</b>	<b>8,188</b>	<b>8,347</b>	-2%
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>	<b>4,841</b>	<b>5,133</b>	-6%
thereof trade accounts payable	273	265	3%
thereof accruals and other short-term liabilities	1,427	1,447	-1%
thereof debt	2,735	3,023	-10%
<b>Minority interests</b>	<b>1,744</b>	<b>1,678</b>	4%
<b>Shareholders' equity</b>	<b>1,603</b>	<b>1,536</b>	4%
<b>Total assets</b>	<b>8,188</b>	<b>8,347</b>	-2%

## Cash flow statement

in million €	2004	2003	Change
Net income before minority interests	383	309	24%
Depreciation and amortization	315	325	-3%
Change in accruals for pensions	20	-7	386%
<b>Cash flow</b>	<b>718</b>	<b>627</b>	<b>15%</b>
Change in working capital	133	149	-11%
<b>Operating cash flow</b>	<b>851</b>	<b>776</b>	<b>10%</b>
Capital expenditure (net)	-286	-322	11%
<b>Free cash flow before acquisitions and dividends</b>	<b>565</b>	<b>454</b>	<b>24%</b>
Cash used for acquisitions (net)	-90	-71	-27%
Dividends	-122	-114	-7%
<b>Free cash flow after acquisitions and dividends</b>	<b>353</b>	<b>269</b>	<b>31%</b>
Cash used for financing activities	-336	-297	-13%
Effect of exchange rates on change in cash and cash equivalents	-2	-10	80%
<b>Net increase / decrease in cash and cash equivalents</b>	<b>15</b>	<b>-38</b>	<b>139%</b>

## Segment reporting

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Total		
	2004 €m	2003 €m	Change	2004 €m	2003 €m	Change	2004 €m	2003 €m	Change	2004 €m	2003 €m	Change	2004 €m	2003 €m	Change
<b>Sales</b>	5,007	4,886	2%	1,491	1,463	2%	813	742	10%	-40	-27	-48%	7,271	7,064	3%
of which contributing to consolidated sales	4,979	4,862	2%	1,465	1,442	2%	811	738	10%	16	22	-27%	7,271	7,064	3%
of which intercompany sales	28	24	17%	26	21	24%	2	4	-50%	-56	-49	-14%	0	0	
contribution to consolidated sales	69%	69%		20%	20%		11%	11%		0%	0%		100%	100%	
<b>EBITDA</b>	872	861	1%	258	232	11%	39	14	179%	-9	-1	--	1,160	1,106	5%
<b>Depreciation and amortization</b>	187	191	-2%	82	85	-4%	30	33	-9%	16	16	0%	315	325	-3%
<b>EBIT</b>	685	670	2%	176	147	20%	9	-19	147%	-25	-17	-47%	845	781	8%
<b>Net interest expense</b>	-147	-187	21%	-46	-45	-2%	-11	-10	-10%	-5	-7	29%	-209	-249	16%
<b>Net income</b>	323	293	10%	79	65	22%	-10	-34	71%	-224	-209	-7%	168	115	46%
<b>Operating cash flow</b>	665	667	0%	170	133	28%	23	-3	--	-7	-21	67%	851	776	10%
<b>Free cash flow before acquisitions and dividends</b>	456	422	8%	121	80	51%	-1	-23	96%	-11	-25	56%	565	454	24%
<b>Debt</b>	1,820	2,030	-10%	709	739	-4%	222	275	-19%	-16	-21	24%	2,735	3,023	-10%
<b>Total assets</b>	5,845	5,941	-2%	1,518	1,510	1%	742	794	-7%	83	102	-19%	8,188	8,347	-2%
<b>Capital expenditure</b>	224	258	-13%	55	57	-4%	25	21	19%	4	3	33%	308	339	-9%
<b>Acquisitions</b>	96	89	8%	13	2	--	4	14	-71%	0	-14	100%	113	91	24%
<b>Research and development expenses</b>	41	44	-7%	56	49	14%	--	1	-100%	36	27	33%	133	121	10%
<b>Employees (per capita on balance sheet date)</b>	46,949	43,445	8%	11,577	11,470	1%	9,398	10,815	-13%	570	534	7%	68,494	66,264	3%
<b>Key figures</b>															
EBITDA margin	17.4%	17.6%		17.3%	15.9%		4.8%	1.9%					16.0%	15.7%	
EBIT margin	13.7%	13.7%		11.8%	10.0%		1.1%	-2.6%					11.6%	11.1%	
ROOA	11.8%	11.4%		13.4%	11.1%		1.5%	-3.2%					11.1%	9.8%	
Depreciation and amortization as % of sales	3.7%	3.9%		5.5%	5.8%		3.7%	4.4%					4.3%	4.6%	