



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

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Fresenius announces half year results 2002

- Sales: + 7 % to € 3.75 billion
- EBIT: + 11 % to € 420 million
- Net income: + 34 % to € 55 million

The Fresenius health care group increased sales by a 7 % growth rate to € 3.75 billion in the first six months of 2002. The development of earnings was positively influenced by the change in accounting methods to change US GAAP. In accordance with these rules, goodwill is no longer amortized.

Sales

In the first half of 2002, Fresenius increased consolidated sales to € 3,749 million. Of the 7 % increase, 6 percentage points derived from organic growth and 3 percentage points from acquisitions. The change in exchange rates diminished the growth rate by 2 percentage points. The negative exchange rate effect is mainly due to the devaluation of the peso in Argentina. In the period under report, the current weakness of the US dollar compared to the euro has not had any impact. Accordingly, sales growth would have amounted to 9 % at overall constant exchange rates.

The Fresenius Group will prepare its accounts as of January 1, 2002 in accordance with US GAAP. The figures for the previous year therefore correspond to the US GAAP accounting rules in force 2001, i.e. the figures for 2001 include amortization of goodwill.

In North America, Fresenius increased sales by 3 %. In Europe, the Group achieved a 19 % sales growth. Sales in the Asia-Pacific region developed very positively, with a plus of 22 %. The decline in sales of 28 % in Latin America was largely due to the devaluation of the Argentinean peso over the dollar. At constant exchange rates, a 5 % sales growth would have been achieved in Latin America.

The contributions of the business segments to total sales compared to the previous year shifted in favour of the business segment Fresenius ProServe as a result of the acquisition of Wittgensteiner Kliniken AG:

	H1/2001	H1/2002
Fresenius Medical Care	75%	72%
Fresenius Kabi	18%	17%
Fresenius ProServe	4%	8%
Fresenius HemoCare	3%	3%

Earnings

Consolidated earnings before interest, taxes, depreciation and amortization (**EBITDA**) amounted to € 592 million and was thus 3 % lower than the previous year's figure of € 613 million. **EBIT** rose by 11 % to € 420 million (1st six months 2001: € 377 million). The **EBIT** ratio amounted to 11.2 % (previous year: 10.8 %). The accounting change concerning the amortization of goodwill in accordance with US GAAP financial accounting standards rule 142 had an impact of € 77 million. Without this effect, EBIT would have been 7 % lower than in the previous year (see table on page 9 with adjusted figures for the previous year) due to the development of Fresenius Medical Care.

The fact that goodwill is no longer amortized puts an end to companies being discriminated if they make acquisitions in order to expand their market positions.

The interest expense of the Group amounted to € -143 million (first six months 2001: € -38 million). The increase is mainly a result of the expansion of business through acquisitions.

The tax ratio dropped from 46.0 % in the first half of 2001 to 38.3 % in the year under report, largely due to goodwill no longer being written off. Profits allocated to minority interest holders increased to € 111 million, after € 87 million in the first half of 2001.

Net income before extraordinary items increased by 43 % to € 60 million (1st half 2001: € 42 million). In the first quarter of 2002 Fresenius Medical Care redeemed trust preferred securities which were originally due in 2006. This redemption resulted in extraordinary expenses in the Fresenius Group of € 5 million after taxes so that **net income** for the first six months amounted to € 55 million (1st half 2001: € 41 million).

The change in exchange rates, especially due to the effects of Latin American currencies, had a negative impact on consolidated earnings. At constant exchange rates, i.e. calculated at the exchange rates of the previous year, EBIT growth amounted to 13 % and net income to 37 %.

Earnings per share amounted to € 1.34 (same period previous year: € 1.03).

Investments

Total investments, € 257 million, dropped significantly in the first half of 2002 compared to the € 866 million invested in the previous year. This decline is due to the one-off effect of the acquisition of Everest Healthcare Corp. in the first half of the previous year, and the acquisition of Wittgensteiner Kliniken AG. 72 % of the total amount was invested in intangible and tangible assets and 28 % was allocated to acquisitions.

Investments in fixed assets mainly concerned the equipping of dialysis clinics, the expansion of production capacities and the optimisation of production processes.

Cash flow

The **operating cash flow** of the Fresenius Group amounted to € 296 million in the first half of 2002 (previous year: € 128 million). Operating cash flow totally covered the financing requirements before acquisitions (€ 142 million). The **free**

cash flow before acquisitions and dividends totalled € 154 million, considerably higher than the previous year's figure of € -33 million. The financing requirements from the change in **working capital** amounted to € -34 million compared to € -235 million in the same period of the previous year.

Asset and equity structure

The **balance sheet total** dropped to € 9,175 million compared to the 31.12.2001 (€ 9,867 million; -7 %). This decrease is mainly due to the exchange rate effects. The **equity ratio including minority interests**, 36 %, was slightly below the ratio of 37 % as of end 2001. **Bank loans, Eurobonds, commercial papers and trust preferred securities** amounted to € 3,537 million (31.12.2001: € 3,737 million). The drop compared to the end of 2001 results from the conversion into euros of the financial liabilities reported in US dollars. Net debt amounted to € 3,372 million on 30.6.2002 (as of 31.12.2001: € 3,556 million).

The business segments

Fresenius Medical Care

Fresenius Medical Care, the world's largest provider of dialysis products and dialysis care, further strengthened its international market position. Altogether around 108,600 dialysis patients were cared for in 1,430 clinics on 30.6.2002.

Sales increased by 3 % to US\$ 2,441 million (1st half 2001: US\$ 2,361 million) (currency-adjusted: 6 %).

73 % of Fresenius Medical Care's sales, or US\$ 1,793 million, (1st six months 2001: US\$ 1,733 million) were generated by dialysis care; this division grew by 4 % in the period under report. The growth resulted from the increased number of dialysis treatments performed. In the first half of 2002 Fresenius Medical Care carried out 7.9 million dialysis treatments, 7 % more than in the same period of the previous year. In North America the number of dialysis treatments performed increased by 4 % to 5.7 million. Outside North America 2.3 million treatments were carried out, an increase of 18 % compared to the same period of the previous year. Sales of dialysis products, including product sales to the

company's own clinics, rose by 4 % (currency-adjusted: 6 %) in the period under report to US\$ 835 million.

In North America, Fresenius Medical Care increased sales by 3 % to US\$ 1,821 million (1st half 2001: US\$ 1,769 million). The international business achieved sales of US\$ 620 million (1st half 2001: US\$ 592 million). When adjusted for currency effects, growth amounted to 13.5 %.

Fresenius Medical Care increased EBIT by 6 % from US\$ 326 million in the first half of 2001 to US\$ 344 million. Net income before extraordinary items rose by 27 % from US\$ 118 million in the first six months of 2001 to US\$ 149 million in the first half of 2002. Earnings development was influenced among others by the delay in the introduction of single-use dialysers in the United States.

The business prospects of Fresenius Medical Care continue to be positive. Additional opportunities to increase sales and earnings are expected especially in North America. Outside North America, the growth rates of Fresenius Medical Care are substantially higher than overall market growth.

Despite this positive environment, Fresenius Medical Care reduces its forecast for 2002. This is largely due to the delay in switching from re-use dialysers to single-use dialysers. The strategic decision to change to treatment with single-use dialysers will help to ensure the future growth of Fresenius Medical Care in the North American market.

Fresenius Medical Care expects a sales growth of six percent on the basis of constant exchange rates. The target for earnings after tax is revised from US\$ 350 million to approximately US\$ 300 million.

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

Fresenius Kabi

Sales of Fresenius Kabi, Europe's leading provider of infusion and nutrition therapies, amounted to € 627 million in the first half of 2002, the same level as the previous year (1st half 2001: € 628 million).

The breakdown of sales is as follows: Sales of the hospital business amounted to € 478 million (1st half 2001: € 475 million). This figure was influenced by the decrease in sales from the contract manufacturing business. In the ambulatory care business Fresenius Kabi achieved sales amounting to € 149 million (1st half 2001: € 153 million). The drop in sales is largely a result of adjustments in product portfolio of the subsidiary ProReha. If these effects are not taken into account, Fresenius Kabi achieved an organic growth of 7 %. Currency conversion had a negative influence of 1 percentage point on the sales development of Fresenius Kabi.

EBIT of Fresenius Kabi amounted to € 35 million in the first half of 2002 compared to € 19 million in the comparable period of the previous year. This corresponds to a growth of 84 %. This result was influenced by measures to increase profitability in the Uppsala facility, including a special charge in connection with the reduction of personnel, ongoing measures to optimise production and the focus on production in this location.

Fresenius ProServe

Fresenius ProServe, the engineering and management specialist which operates in the global hospital market, achieved sales of € 321 million in the first half of 2002, thus considerably exceeding the previous year's figure of € 160 million.

Sales of the healthcare business almost doubled to € 256 million compared to the same period of the previous year. Of this figure, 72 % of sales were generated by services and 28 % by projects. The increase in sales of services to € 184 million was significantly influenced by the acquisition of Wittgensteiner Kliniken AG (same period previous year: € 73 million). Sales of the project

business developed well in the first half of the year and amounted to € 72 million, 29 % higher than sales of the first six months of 2001, € 56 million.

Sales of the pharma industry business, € 65 million, also registered a positive development in the first six months of 2002 (1st half 2001: € 31 million).

EBIT of Fresenius ProServe increased from € 3 million in the first half of 2001 to € 8 million in the first six months of 2002.

Orders received and orders on hand of the project business registered a substantial increase over the previous year:

€m	H1/2001	H1/2002	Change
orders received	128	149	16%
orders on hand	366	387	6%

Fresenius HemoCare

The Fresenius Group business segment Fresenius HemoCare, which specializes in blood preparation and treatment and in immune therapy, increased its sales by 8 % in the first half of 2002 to € 114 million (1st half 2001: € 106 million). This increase was achieved both as a result of organic growth as well as through the consolidation for the first time of the acquisitions carried out in 2001.

EBIT of Fresenius HemoCare amounting to € 4 million in the first half of 2002 was the same as the previous year. Ongoing expenses for building up distribution organizations as well as a continuous high level of research and development expenses had an impact on earnings development.

Group outlook on 2002

Based on the revised business outlook of Fresenius Medical Care, the Fresenius Group anticipates a high single-digit growth rate in sales at the end of 2002, assuming constant exchange rates. Earnings are expected to grow more strongly than sales. This growth is due to the fact that goodwill is no longer

amortized as a result of the changed US GAAP accounting rules which have been in force since the beginning of the 2002 financial year; these new rules have most impact on Fresenius Medical Care.

The implementation of strategic decisions such as the introduction of single-use dialysers in the United States, and the measures taken by Fresenius Kabi, temporarily affects the development of our business. Fresenius is convinced that these decisions will further strengthen the leading market position of Fresenius Medical Care in dialysis and of Fresenius Kabi in infusion and nutrition therapy, and will result in increased profitability of the companies in the future.

The Fresenius Group, with its four business segments, is in an excellent global strategic position. Demand for our life-saving products and services continues to be strong despite sustained pressure to save costs especially in the health care markets of the West. The markets of the Asia-Pacific region in particular offer very good growth prospects for Fresenius.

Statement of Earnings Fresenius Group

	H1/2001 million € US GAAP	H1/2002 million € US GAAP (FAS 142)	Change
Fresenius Group			
Sales			
Fresenius Medical Care	2.628	2.718	3%
Fresenius Kabi	628	627	0%
Fresenius ProServe	160	321	101%
Fresenius HemoCare	106	114	8%
Inter-divisional sales	-28	-31	-11%
Consolidated sales	3.494	3.749	7%
Cost of goods sold	2.274	2.544	12%
Gross profit	1.220	1.205	-1%
Selling, general and administrative expenses	843	785	-7%
EBIT			
Fresenius Medical Care*	363	383	6%
Fresenius Kabi	19	35	84%
Fresenius ProServe	3	8	167%
Fresenius HemoCare	4	4	0%
Corporate costs / other costs	-12	-10	23%
Consolidated EBIT	377	420	11%
Interest (income) expense, net	-138	-143	-4%
Earnings before income taxes and minority interests	239	277	16%
Income and profit tax	110	106	-4%
Minority interests	87	111	28%
Net income before extraordinary items	42	60	43%
Special charge/ extraordinary items, net of taxes	2	13	
thereof minority interests	-1	-8	
Net income	41	55	34%
Earnings per ordinary share (in euros)	1,02	1,33	30%
Earnings per preference share (in euros)	1,04	1,35	30%
EBITDA	613	592	-3%
Depreciation and amortization	236	172	-27%
Investments in tangible and intangible assets	188	185	-2%
Acquisitions	678	72	-89%
Employees**	60.667	61.528	1%

* before special charge of 4 €m

**previous year: 31.12.2001

Key figures of the Balance Sheet

	31.12.2001 US GAAP	30.6.2002 US GAAP	Change
in million €			
Assets			
Current assets	3.030	2.867	-5%
of which trade accounts receivable	1.415	1.302	-8%
of which inventories	674	678	1%
of which cash and cash equivalents	181	165	-9%
Non-current assets	6.837	6.308	-8%
of which tangible assets	1.895	1.799	-5%
of which intangible assets	4.570	4.119	-10%
Total assets	9.867	9.175	-7%
Liabilities and shareholders' equity			
Liabilities	6.174	5.831	-6%
of which trade accounts payable	348	330	-5%
of which provisions and other short-term liabilities	1.612	1.525	-5%
of which debt	3.737	3.537	-5%
Minority interests	1.928	1.752	-9%
Shareholders' equity	1.765	1.592	-10%
Total liabilities and shareholders' equity	9.867	9.175	-7%

Cash flow Statement

	H1/2001 million € US GAAP	H1/2002 million € US GAAP (FAS 142)	Change
in million €			
Net income	41	55	34%
Minority interests	86	103	20%
Depreciation and amortization	236	172	-27%
Cash flow	363	330	-9%
Change in working capital	-235	-34	86%
Operating cash flow	128	296	131%
Capital expenditure (net)	-161	-142	12%
Free cash flow (before acquisitions and dividends)	-33	154	567%
Cash used for acquisitions (net)	-198	-63	68%
Cash provided from/used for financing activities	254	-93	-137%
Change in liquid assets due to exchange rates	6	-14	-333%
Change in liquid assets	29	-16	-155%

Key figures - Previous year adjusted for goodwill

	H1/2001 US GAAP	H1/2002 US GAAP	Change
in million €	Goodwill adjusted		
Sales	3.494	3.749	7%
EBITDA	613	592	-3%
EBIT	454	420	-7%
Net income before extrac	71	60	-15%
Net income	70	55	-21%
Earnings per ordinary sh	1,74	1,33	-24%
Earnings per preference	1,76	1,35	-23%
Percentage of sales			
EBITDA	17,5%	15,8%	
EBIT	13,0%	11,2%	