



Fresenius Medical Care

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

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Fresenius Medical Care AG reports Third Quarter and Nine Months Results 2002; Exceeded already full-year Free Cash Flow target

The results in the year 2002 are based on the new accounting standards on Goodwill and Other Intangible Assets (FAS 142) which came into effect January 1, 2002. In order to facilitate a year-over-year comparison, goodwill adjusted key figures for the first nine months and the third quarter 2001 are provided in the appendix.

Bad Homburg, Germany -- October 29, 2002 -- Fresenius Medical Care AG ("FMC") (Frankfurt Stock Exchange: FME, FME3) (NYSE: FMS, FMS_p), the world's largest provider of Dialysis Products and Services, today announced the results for the third quarter and the first nine months of 2002.

OPERATIONS

Third Quarter 2002:

Fresenius Medical Care AG reports a 6% increase in **net income** after minorities to \$ 70 million for the third quarter 2002.

Total revenue for the third quarter 2002 increased 5% (6% at constant currency) to \$ 1,285 million. Same store revenue growth at constant

exchange rates was 3.4%. Dialysis Care revenue grew by 4% to \$ 942 million (+7% at constant currency) in the third quarter of 2002. External Dialysis Product revenue increased by 7% to \$ 344 million (+3% at constant currency) in the same period.

North American revenue rose 3% to \$ 947 million, compared to \$ 915 million in the same period last year. Dialysis Care revenue in the US increased by 5% to \$ 834 million. Same store treatment growth was 4%. North American Dialysis Product revenue, including sales to company-owned clinics, increased 1% to \$ 192 million. Product sales to the available external market grew by 4%.

International revenue was \$ 338 million, up 11 % adjusted for currency. Dialysis Care revenue reached \$ 108 million in the third quarter 2002 (+18% currency adjusted). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 13% to \$ 252 million (8% currency adjusted).

Earnings before interest and taxes (EBIT) increased to \$ 167 million resulting in an operating margin of 13.0%. The operating margin remained within the targeted range for the second half of 2002 as the Company completes its 2002 rollout of the UltraCare™ dialysis treatment concept, including single-use dialyzers, in North America.

Earnings per share (EPS) in the third quarter 2002 rose 5% to \$ 0.72 per ordinary share (\$ 0.24 per ADS), compared to \$ 0.69 (\$ 0.23 per ADS) in the third quarter of 2001. The weighted average number of shares outstanding during the third quarter of 2002 was approximately 96.2 million, compared to 96.1 million in the same period of 2001.

In the third quarter of 2002, the Company generated \$ 151 million in **cash from operations**, an increase of 34% from the third quarter of

2001. A total of \$ 67 million (net of disposals) was spent for **capital expenditures**, resulting in **Free Cash Flow** before acquisitions for the third quarter 2002 of \$ 84 million. A total of \$ 33 million in cash was spent for **acquisitions**. **Free Cash Flow after acquisitions** was \$ 51 million. In the third quarter of 2001, Free Cash Flow after acquisitions was \$ 33 million.

First Nine Months 2002:

For a complete overview of the first nine months 2002 please refer to the appendix.

In the first nine months of 2002, **income** before extraordinary item was \$ 219 million, up 19% from the same period in 2001. **Net revenue** was \$ 3.73 billion, up 4% from the nine months of 2001. Adjusted for currency, net revenue rose 6% from January to September of 2002 compared to 2001. **Earnings before interest and taxes (EBIT)** increased 4% to \$ 511 million resulting in an operating margin of 13.7%. In the nine months of 2002, **earnings per ordinary share** before extraordinary item rose 19% to \$ 2.27. Earnings per ordinary ADS for the first nine months of 2002 were \$ 0.76.

Fresenius Medical Care generated \$ 395 million in **cash from operations** during the first nine months of 2002, an increase of 53% from the first nine months of 2001. Net cash used for acquisitions was \$ 73 million and **capital expenditures** (net of disposals) were \$ 157 million. **Free Cash Flow** for the first nine months of 2002 was \$ 238 million compared to \$ 90 million in the first nine months of 2001. Free Cash Flow for the first nine months already exceeded the full year target set by the Company. This exceptional performance is primarily driven by strong improvements in working capital management, in particular accounts receivable collection, and by moderate capital expenditure.

As of September 30, 2002, the Company operated a total of 1,450 **clinics** worldwide [1,070 clinics (+5%) in North America and 380 clinics (+7%) International]. Fresenius Medical Care AG performed approximately 12.1 million **treatments**, which represents an increase of 8% year over year. North America accounted for 8.6 million treatments (+4%) and the International segment for 3.5 million (+17%). At the end of the third quarter 2002, Fresenius Medical Care served about 110,100 **patients** worldwide which represents an increase of 6%. North America accounted for ~78,700 patients (+3%) and the International segment for ~31,400 patients (+14%).

UltraCare™ Medical Outcomes Update

The Company has completed a one-year preliminary analysis of medical outcomes related to its UltraCare™ dialysis treatment concept, including the Optiflux-dialyzer for single-use. Comparing 4,810 UltraCare™ patients from the initial program implementation with 27,568 patients using standard therapy the company-internal data indicates significantly better medical outcomes for UltraCare™ patients.

On a fully lab and case mix adjusted basis, relative risk of mortality was reduced to 75% of the standard therapy population. This very encouraging preliminary data is in line with the Company's experience outside of the USA. The Company plans further studies and publications on the benefits of its UltraCare™ concept based on its comprehensive North American treatment database.

LEGAL UPDATE

Developments during the third quarter in the 1996 merger-related legal issues have not changed the Company's expectation and the Company continues to consider the charge taken in the fourth quarter of 2001 to be adequate. The Company's legal position on fraudulent conveyance claims relating to the 1996 merger with National Medical Care remains unchanged and the Company continues to believe its position is strong. The Company continues to look forward to an expeditious resolution of the case. The case remains stayed, however, as the court determines the proper plaintiffs to bring the legal action in light of a September appellate court ruling in an unrelated case.

OUTLOOK 2002 / 2003

The Company expects to operate within the targeted operating margin range of 13-14% for the remainder of 2002 and expects the income before extraordinary item to be close to its 2002 target of \$300 million. Having completed the 2002 UltraCare™ concept rollout in North America, the Company will continue to focus on cost improvements and same-store treatment growth in its North American dialysis care business. For the year 2003, the Company expects constant currency revenue growth before acquisitions in the mid single digits and net income growth in the high single digit to low double digits range.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: "We are pleased with the record Free Cash Flow for the first nine months. We are pleased that we do not face an impairment of our Latin America goodwill at this time. With respect to North America our strategy is to develop and implement a unique dialysis therapy based on Fresenius Medical Care's technology. Financial success with this strategy is expected with the demonstrated better medical outcomes and our clear path to cost neutrality. With the United States net patient growth rate currently in the range of 4-5%, this strategy provides for

growth opportunities above market and new opportunities for future margin expansion. We are also positioned to succeed in a reimbursement environment that allows the provider to share in the healthcare savings achieved.”

Fresenius Medical Care AG is the world’s largest, integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 1,100,000 individuals worldwide. Through its network of approximately 1,450 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 110,100 patients around the globe. Fresenius Medical Care is also the world’s leading provider of Dialysis Products such as hemodialysis machines, dialyzers and related disposable products. For more information about Fresenius Medical Care, visit the Company’s website at <http://www.fmc-ag.com>.

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 Medical Care AG

Statements of Earnings at current exchange rate

(in US-\$ thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30, 2002 as reported	Three Months Ended September 30, 2001 as reported ²⁾	% Change	Nine Months Ended September 30, 2002 as reported	Nine Months Ended September 30, 2001 as reported ²⁾	% Change
Net revenue						
Dialysis Care	941,866	906,004	4.0%	2,734,807	2,638,547	3.6%
Dialysis Products	343,550	322,151	6.6%	991,393	950,378	4.3%
	1,285,416	1,228,155	4.7%	3,726,200	3,588,925	3.8%
Cost of revenue	865,855	812,109	6.6%	2,521,881	2,372,998	6.3%
Gross profit	419,561	416,046	0.8%	1,204,319	1,215,927	-1.0%
Selling, general and administrative	240,987	241,799	-0.3%	661,537	699,308	-5.4%
Research and development	12,019	8,156	47.4%	31,912	24,492	30.3%
Operating income (EBIT)	166,555	166,091	0.3%	510,870	492,127	3.8%
Interest expense, net	52,280	55,150	-5.2%	156,832	164,667	-4.8%
Income before income taxes and minority interest	114,275	110,941	3.0%	354,038	327,460	8.1%
Income tax expense	43,473	44,557	-2.4%	132,154	142,297	-7.1%
Minority interest	1,078	338	218.9%	2,699	1,136	137.6%
Income before extraordinary item	\$69,724	\$66,046	5.6%	\$219,185	\$184,027	19.1%
Extraordinary loss, net of taxes	0	0		11,777	0	
Net income after extraordinary item	\$69,724	\$66,046	5.6%	\$207,408	\$184,027	12.7%
Earnings per ordinary share 1)	\$0.72	\$0.69	5.4%	\$2.27	\$1.91	19.0%
Earnings per ordinary ADS 1)	\$0.24	\$0.23	5.4%	\$0.76	\$0.64	19.0%
Earnings per preference share 1)	\$0.74	\$0.70	5.5%	\$2.31	\$1.95	18.6%
Earnings per preference ADS 1)	\$0.25	\$0.23	5.5%	\$0.77	\$0.65	18.6%

¹⁾ before extraordinary item

²⁾ Excluding special charge related expenses of \$ 3 million in Q2 2001 (\$ 2 million net of taxes) and of \$ 4 million in Q3 2001 (\$ 2 million net of taxes)

Average weighted number of shares

Ordinary shares	70,000,000	70,000,000		70,000,000	70,000,000	
Preference shares	26,188,956	26,075,914		26,184,290	26,000,785	

Key figures Goodwill adjusted
(in US-\$ millions, except per share data)

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	% Change	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001	% Change
	Goodwill adjusted	Goodwill adjusted		Goodwill adjusted	Goodwill adjusted	
Net revenues	1,285	1,228	4.7%	3,726	3,589	3.8%
EBITDA ²⁾	221	248	-10.8%	671	735	-8.8%
EBIT - Operating income ²⁾	167	197	-15.6%	511	586	-12.8%
Income before extraordinary item ²⁾	70	92	-24.4%	219	263	-16.5%
Earnings per ordinary share ^{1) 2)}	\$0.72	\$0.95	-24.5%	\$2.27	\$2.72	-16.8%
Earnings per ordinary ADS ^{1) 2)}	\$0.24	\$0.32	-24.5%	\$0.76	\$0.91	-16.8%

¹⁾ before extraordinary item

²⁾ Excluding special charge related expenses of \$ 3 million in Q2 2001 (\$ 2 million net of taxes) and of \$ 4 million in Q3 2001 (\$ 2 million net of taxes)

Percentages of revenue

EBITDA ²⁾	17.2%	20.2%	18.0%	20.5%
EBIT - Operating income ²⁾	13.0%	16.1%	13.7%	16.3%
Income before extraordinary item ²⁾	5.4%	7.5%	5.9%	7.3%