



Fresenius Medical Care

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

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Fresenius Medical Care reports Second Quarter and Six Months Results 2002; Finalizes Settlement with Aetna Life Insurance

Bad Homburg, Germany -- July 30, 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 second quarter and the first six months of 2002.

OPERATIONS

Second Quarter 2002:

Fresenius Medical Care AG reports a 17% increase in **earnings after tax (EAT)** after minorities to \$ 74 million for the second quarter 2002.

Total revenue for the second quarter 2002 increased 4.4% (6% at constant currency) to \$ 1,254 million. As in the first quarter of 2002 this growth was mainly driven by organic growth in both business segments. Same store revenue growth at constant exchange rates was 4.5%. Dialysis Care revenues grew by 3.3% to \$ 912 million (+6% at constant currency) in the second quarter of 2002. External Dialysis Product revenues increased by 7.5% to \$ 343 million (+6% at constant currency) in the same period.

North American revenue rose 3% to \$ 928 million, compared to \$ 902 million in the same period last year. Dialysis Care revenue in the US increased by 4% to \$ 814 million. Same store treatment growth and same store revenue growth for the second quarter of 2002 were 4%. North American Dialysis Product revenue, including sales to company-owned clinics, increased 1% to \$ 190 million. Product sales to the available external market grew by 3%.

International revenue was \$ 326 million, up 15% adjusted for currency. Dialysis Care revenues reached \$ 98 million in the second quarter 2002 (+17% at constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 13% to \$ 245 million (12% currency adjusted).

Earnings before interest and taxes (EBIT) increased 1% to \$ 170 million resulting in an operating margin of 13.6%. In the first quarter of 2002, the Company achieved an operating margin, adjusted for non-recurring items, of 14.2%. The reduction by around 60 basis points in the second quarter was mainly due to the move to single-use dialyzers in North America, higher bad debt expenses and currency effects. The operating margin did benefit slightly from lower staffing costs in the company's North American single-use dialysis clinics.

Earnings per share (EPS) in the second quarter 2002 rose 17% to \$ 0.77 per ordinary share (\$ 0.26 per ADS), compared to \$ 0.66 (\$ 0.22 per ADS) in the second quarter of 2001. The weighted average number of shares outstanding during the second quarter of 2002 was approximately 96.2 million, compared to 96 million in the same period of 2001.

In the second quarter of 2002, the Company generated \$ 173 million in **cash from operations**. This is an all-time record for any single historical quarter and was mainly driven by improved accounts receivable collections in North America. A total of \$ 39 million (net of disposals) was spent for **capital expenditures**, resulting in a **Free Cash Flow** for the second quarter 2002 of \$ 134 million. Capital expenditures were \$ 17 million lower than in Q2 2001. A total of \$ 31 million in cash was spent for **acquisitions**. **Free Cash Flow after acquisitions** was \$ 103 million. In the second quarter of 2001 the Free Cash Flow after acquisitions was \$ minus 25 million.

First Half Year 2002:

For a complete overview of the first half year of 2002 please refer to the appendix.

In the first half of 2002, **net income** before extraordinary items was \$ 149 million, up 27% from the first half year of 2001. Adjusted for currency, net income growth was 28%. **Net revenue** was \$ 2.44 billion, up 3.4% from the first half of 2001. Currency adjusted, net revenue rose 6% in the first half of 2002. **Earnings before interest and taxes (EBIT)** increased 6% to \$ 344 million resulting in an operating margin of 14.1%. In the first half of 2002, **earnings per ordinary share** before extraordinary items rose 27% to \$ 1.55. Earnings per ordinary ADS for the first half of 2002 were \$ 0.52.

Fresenius Medical Care generated \$ 244 million **cash from operations** during the first six months of 2002 (\$ 146 million in H1 2001). Net cash used for acquisitions was \$ 40 million and **capital expenditures** (net of disposals) were \$ 90 million. **Free Cash Flow** for the first half of 2002 was \$ 154 million compared to \$ 28 million in the first half of 2001.

As of June 30, 2002, the Company operated a total of 1,430 **clinics** worldwide (1,050 clinics/+4% in North America and 380 clinics/+7% International). Fresenius Medical Care AG performed approximately 7.9 million **treatments**, which represents an increase of 7% year over year. North America accounted for 5.7 million treatments (+4%) and the International segment for 2.3 million (+18%). At the end of the second quarter 2002 Fresenius Medical Care AG provided treatment to around 108,600 **patients** worldwide which represents an increase of 6%. North America accounted for ~78,000 patients (+3%) and the International segment for ~30,600 patients (+16%).

LEGAL UPDATE

Commercial Disputes (1996 Merger related)

Fresenius Medical Care AG finalized a settlement resolving the pending litigation with Aetna Life Insurance Company and its affiliates (Aetna), one of the leading US commercial insurance companies. Separately, Fresenius Medical Care has entered into a multi-year agreement with Aetna to offer provide disease state management (DSM) services for Aetna healthplan members served in FMC facilities.

All other 1996 merger-related legal issues are developing within the company's expectation and the company considers the charge taken in the fourth quarter 2001 to be adequate.

OUTLOOK 2002 / 2003

While the margin development is impacted temporarily by the North American single-use dialyzer initiatives and by currency issues in the International segment, the fundamentals of the Company remain strong. In North America additional revenue and profit opportunities are expected in the future following the implementation of the company's single-use and Disease State Management programs. Cash collection and cash flow were extremely strong in the second quarter in North America and the Company will continue to focus on cash generation going forward. The International business continues to grow significantly above the market, achieving 13.5% revenue growth (constant currency) in the first half year of 2002.

Despite the strong fundamentals, the Company feels that it is prudent to **revise its guidance**. For the full year 2002 the company now expects a revenue growth of 6% at constant currency exchange rates.

The target for the earnings after tax is revised to around \$ 300 million after previously \$ 350 million. All other targets (e.g. Capital Expenditure ~\$ 220 million and Free Cash Flow >\$ 200 million) remain unchanged. The **three main reasons** for this adjustment are a delay in the targeted single-use cost reduction, a temporary reduction in the projected revenue growth in North America while the single-use

program is implemented and the currency devaluation and economic downturn in Latin America.

For the Year 2003, the Company expects revenue growth before acquisitions in the mid single digits (constant currency) and earnings after tax growth in the high single digit to low double digits range.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: "We are pleased to have finalized the settlement and developed a good working relationship with Aetna. Europe and Japan continue their strong financial performance. We are pleased with the record Free Cash Flow for the second quarter and we will continue to focus on accounts receivable collection and strong Free Cash Flow. However, I am personally disappointed with the recent operating margin developments and the projected delay in achieving our single use financial targets in North America. Therefore we must revise our guidance to ensure a conservative approach to financial planning. The Company has identified all necessary steps that have to be taken to finalize the successful implementation of the North American single-use dialyzer strategy."

Fresenius Medical Care AG is the world's largest, integrated provider of products and services for individuals with chronic kidney failure, a condition that affects more than 1,000,000 individuals worldwide. Through its network of approximately 1,430 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 108,600 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

Statement of Earnings at current exchange rate

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

	Three Months	Three Months	% Change	Six Months	Six Months	% Change
	Ended June 30, 2002 as reported	Ended June 30, 2001 as reported ²⁾		Ended June 30, 2002 as reported	Ended June 30, 2001 as reported ²⁾	
Net revenue						
Dialysis Care	911,765	882,559	3.3%	1,792,941	1,732,543	3.5%
Dialysis Products	342,515	318,721	7.5%	647,843	628,227	3.1%
	1,254,280	1,201,280	4.4%	2,440,784	2,360,770	3.4%
Cost of revenue	846,844	791,179	7.0%	1,656,026	1,560,889	6.1%
Gross profit	407,436	410,101	-0.6%	784,758	799,881	-1.9%
Selling, general and administrative	226,433	233,011	-2.8%	420,551	457,509	-8.1%
Research and development	10,584	8,369	26.5%	19,893	16,336	21.8%
Operating income (EBIT)	170,419	168,721	1.0%	344,314	326,036	5.6%
Interest (income) expense, net	51,313	56,728	-9.5%	104,551	109,517	-4.5%
Earnings before income taxes and minority interest	119,106	111,993	6.4%	239,763	216,519	10.7%
Income tax expense	44,093	48,048	-8.2%	88,681	97,740	-9.3%
Minority interest	761	471	61.6%	1,621	798	103.1%
Income before extraordinary item	\$74,252	\$63,474	17.0%	\$149,461	\$117,981	26.7%
Extraordinary loss, net of taxes	0	0		11,777	0	
Net income after extraordinary item	\$74,252	\$63,474	17.0%	\$137,684	\$117,981	16.7%
Earnings per ordinary share ¹⁾	\$0.77	\$0.66	16.8%	\$1.55	\$1.22	26.5%
Earnings per ordinary ADS ¹⁾	\$0.26	\$0.22	16.8%	\$0.52	\$0.41	26.5%
Earnings per preference share ¹⁾	\$0.78	\$0.67	16.6%	\$1.57	\$1.25	26.0%
Earnings per preference ADS ¹⁾	\$0.26	\$0.22	16.6%	\$0.52	\$0.42	26.0%
¹⁾ before extraordinary item						
²⁾ 2001 excluding special charge related expenses of \$ 3 million (\$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	26,187,173	26,029,878		26,181,918	25,962,598	

Percentages of revenue

Cost of revenue	67.5%	65.9%	67.8%	66.1%
Gross profit	32.5%	34.1%	32.2%	33.9%
Selling, general and administrative	18.1%	19.4%	17.2%	19.4%
Research and development	0.8%	0.7%	0.8%	0.7%
Operating income (EBIT)	13.6%	14.0%	14.1%	13.8%
Interest (income) expense, net	4.1%	4.7%	4.3%	4.6%
Earnings before income taxes and minority interest	9.5%	9.3%	9.8%	9.2%
Income tax expense	3.5%	4.0%	3.6%	4.1%
Minority interest	0.1%	0.0%	0.1%	0.0%
Income before extraordinary item	5.9%	5.3%	6.1%	5.0%
EBITDA	17.9%	20.9%	18.4%	20.6%

Segment and other Information(in US-\$ million)
(unaudited)**Net revenue**

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	% Change	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	% Change
North America	928	902	2.9%	1,821	1,769	2.9%
International	326	299	9.0%	620	592	4.7%
Total revenue	1,254	1,201	4.4%	2,441	2,361	3.4%

EBIT

North America	122	124	-1.6%	248	233	6.5%
International	54	50	8.5%	105	101	4.0%
Corporate	(6)	(5)	12.2%	(9)	(8)	11.1%
EBIT before special charge related expenses	170	169	1.0%	344	326	5.6%
Special charge related expenses ³⁾	0	3		0	3	
EBIT after special charge related expenses	170	166	2.9%	344	323	6.6%

³⁾ 2001 Special charge related expenses of \$ 3 million

Depreciation / Amortization	54	82	105	161
Bad debt expenses	29	21	52	40

Employees (June, 30 compared to Dec., 31)

Full-time equivalents	37,584	37,331
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	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	% Change	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	% Change
	Goodwill adjusted	Goodwill adjusted		Goodwill adjusted	Goodwill adjusted	
Key figures Goodwill adjusted (in US-\$ millions, except per share data)						
Net revenues	1,254	1,201	4.4%	2,441	2,361	3.4%
EBITDA ²⁾	224	251	-10.5%	449	487	-7.8%
EBIT - Operating income ²⁾	170	198	-13.9%	344	388	-11.4%
Income before extraordinary item ²⁾	74	88	-16.1%	149	170	-12.3%
Earnings per ordinary share ¹⁾²⁾	\$0.77	\$0.92	-16.3%	\$1.55	\$1.77	-12.5%
Earnings per ordinary ADS ¹⁾²⁾	\$0.26	\$0.31	-16.3%	\$0.52	\$0.59	-12.5%

¹⁾ before extraordinary item

²⁾ 2001 excluding special charge related expenses of \$ 3 million (\$2 million net of taxes)

Percentages of revenue

EBITDA ²⁾	17.9%	20.9%		18.4%	20.6%	
EBIT - Operating income ²⁾	13.6%	16.5%		14.1%	16.5%	
Income before extraordinary item ²⁾	5.9%	7.4%		6.1%	7.2%	