



# Fresenius Medical Care

**The World's Leading Renal Therapy Company**



**Analyst Meeting, February 24, 2005**

# Agenda

## I. Business Update & Outlook 2005

- Q4 / FY 2004 performance
- Key highlights
- Dialysis Services
- Dialysis Products
- Outlook

## II. Financials Q4 / FY 2004



# An excellent year 2004

- Exceeded full year guidance
- Very good revenue growth worldwide
- Excellent growth in net income with an improved EBIT-margin <sup>1)</sup>
- Very strong Cash Flow performance continued
- Achieved targeted leverage ratio (Debt/EBITDA) ahead of schedule that gives opportunity to increase investments in 2005 for future growth



**Strong outlook for 2005**

<sup>1)</sup> On a comparable basis excluding FIN 46R accounting change

# Key highlights

## North America

### Region

- Strong organic revenue growth in dialysis services of 7%
- Improved overall operating margin by 40 basis points <sup>1)</sup>

### Services

- Revenue per treatment of \$290 vs. \$280 in Q4 2003
- Increased clinic utilization with Ultra Care
  - 4% in-center patient growth vs. 2% clinic growth

### Products

- Strong growth in key products (unit growth)
  - Dialyzers + 8%
  - Machines + 10%

<sup>1)</sup> on a comparable basis excluding FIN 46R

# Key highlights

## Europe

### Region

- **Continued above market growth of + 11% cc**
  - Germany showed above market growth of + 8% cc
  - Eastern Europe grew by + 25% cc

### Services

- **Largest service provider in Europe**
  - 2003: 18,700 patients → 2004: 20,250 patients (+8%)
- **Service in % of revenue increased from 31% to 33%**

### Products

- **Business initiatives: e.g. acute dialysis, home therapy**
- **Increased demand for equipment and dialyzers** (unit growth)
  - Dialyzers + 22%
  - Machines + 17%

cc = constant currency

# Key highlights

## Latin America / Asia Pacific

### Latin America

- Concentration on service strategy successful
- Organic revenue growth of + 13%
- EBIT growth of + 175%
- Positive Free Cash Flow YTD

### Asia <sup>1)</sup>

- Continued HD leadership position throughout the region
- Strong revenue growth (+20% / +14% cc)
- Strong PD growth (+24% PD patients)

YTD = Year to date

<sup>1)</sup> outside Japan

# Excellent year – Q4 / FY 2004



**Q4**

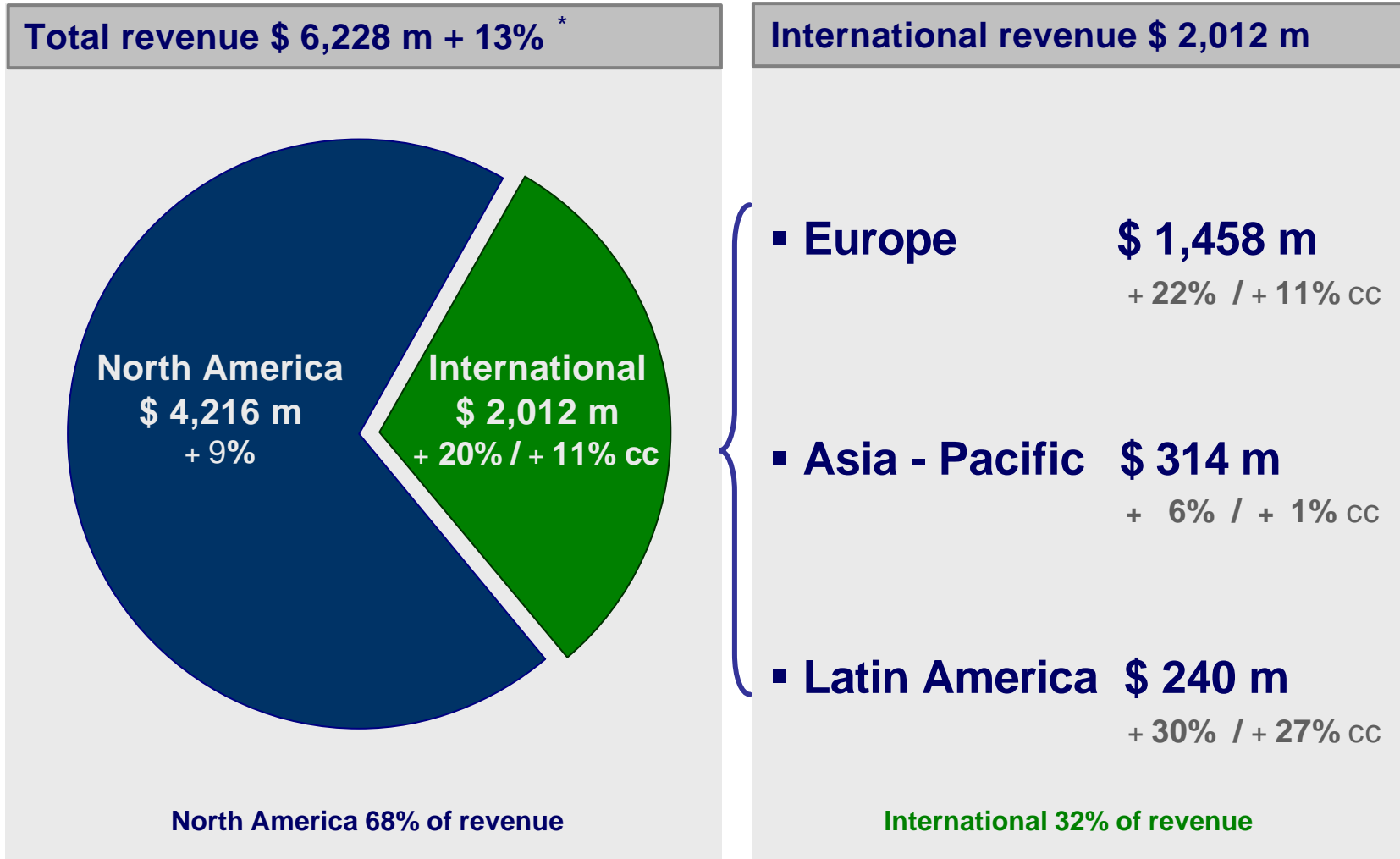
▪ Net revenue	\$ 1,640 m		+ 13%
			10% cc
▪ Operating income (EBIT)	\$ 227 m		+ 10%
▪ Net income	\$ 108 m		+ 14%

**FY**

▪ Net revenue	\$ 6,228 m		+ 13%
			10% cc
▪ Operating income (EBIT)	\$ 852 m		+ 13%
▪ Net income	\$ 402 m		+ 21%

cc = constant currency

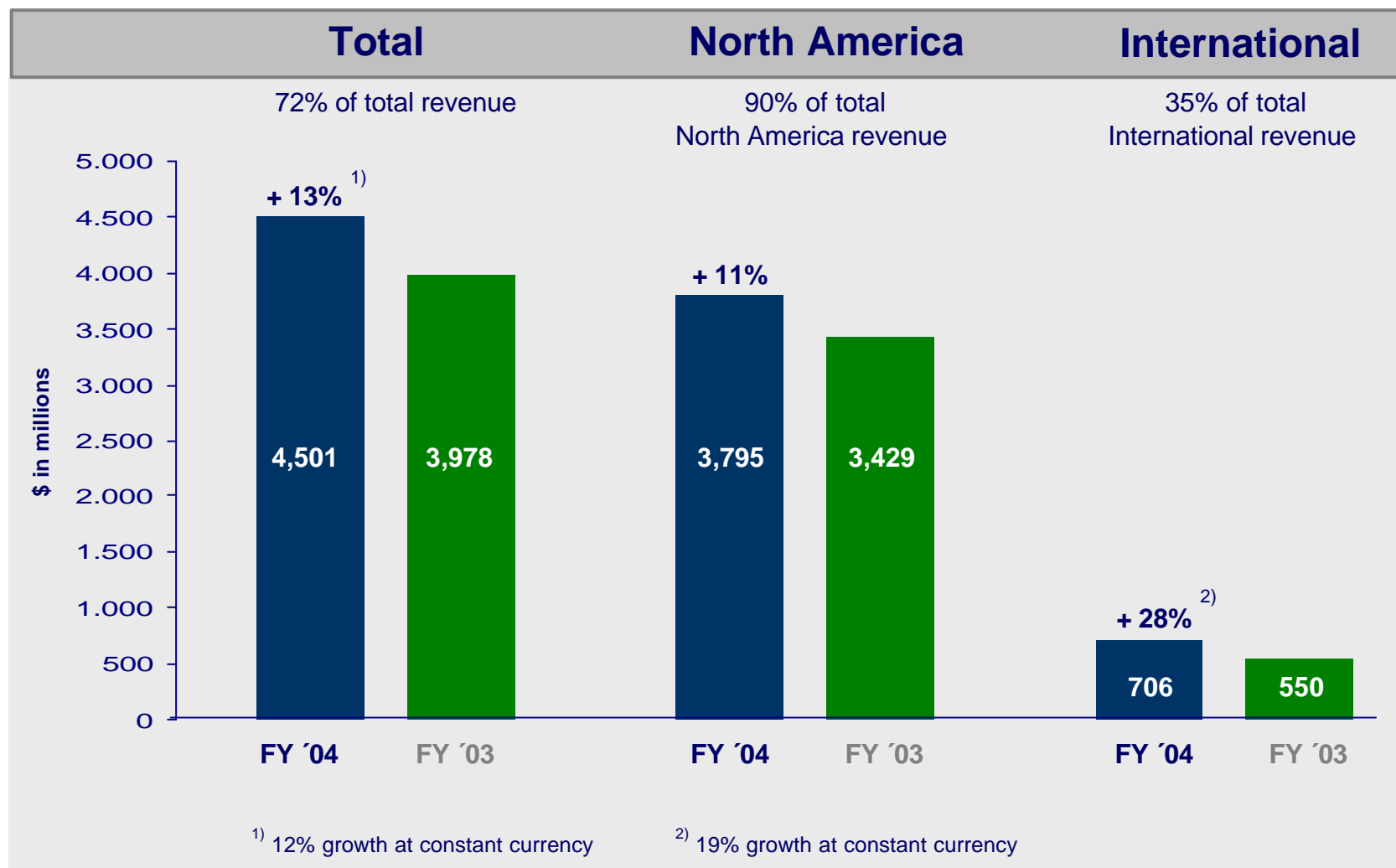
# Strong revenue growth in FY 2004



\* 10% growth at constant currency (cc)



# Dialysis Services FY 2004



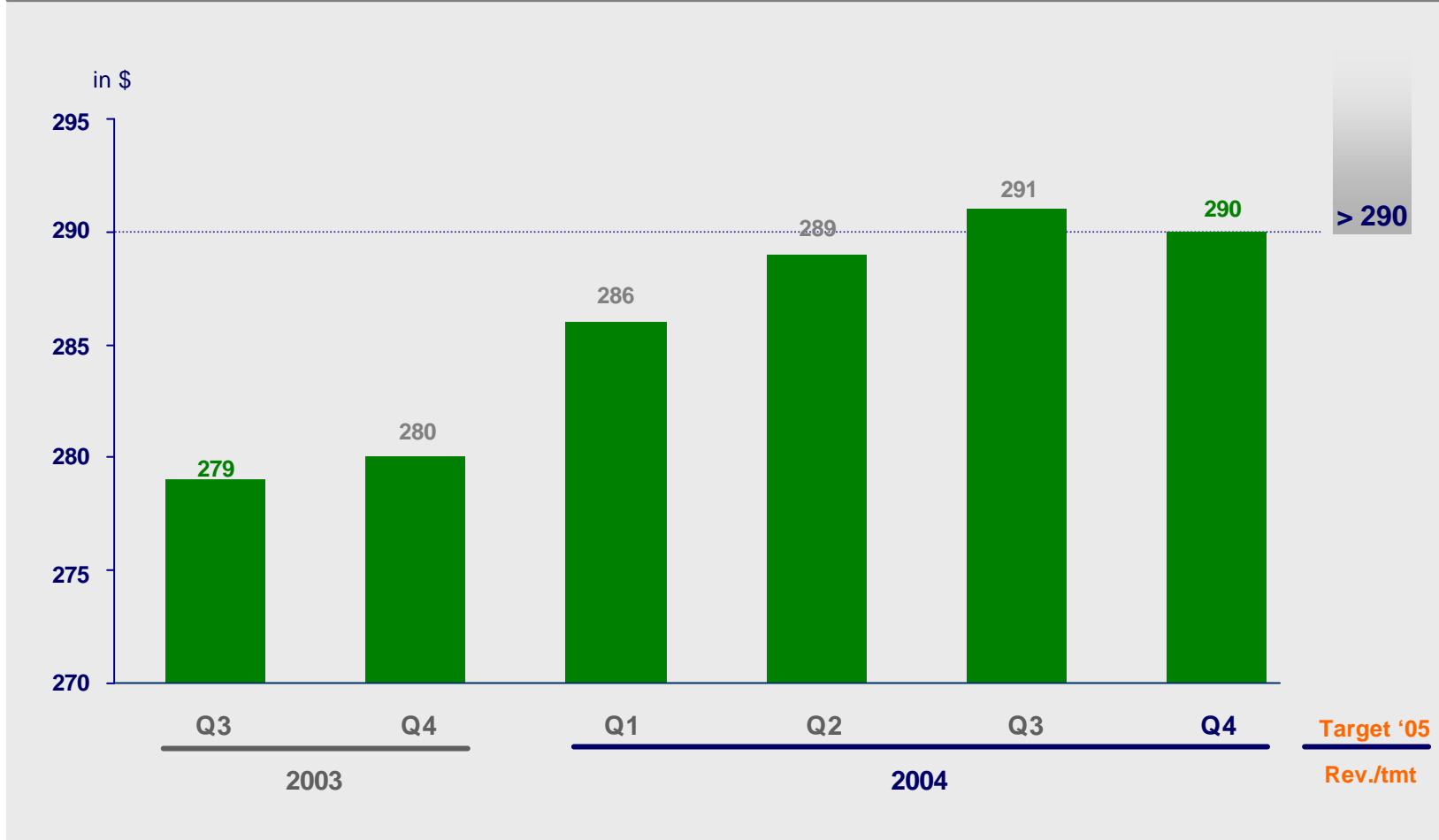
# Dialysis Services FY 2004

Focus on organic growth and revenue per treatment			
	Total	North America	International
Organic revenue growth	+ 6.9%	+ 7.1%	+ 5.6%
Same store treatment growth	+ 3.6%	+ 3.1% <sup>1)</sup>	+ 4.6%
Revenue per treatment	\$ 240	\$ 289	\$ 120
Treatments (in million)	18.8	12.9	5.9
Growth	+ 5.5%	+ 4.4%	+ 7.9%

<sup>1)</sup> In-center growth of ~ 3.8%.

# Dialysis Services – North America

## Revenue per treatment ahead of target

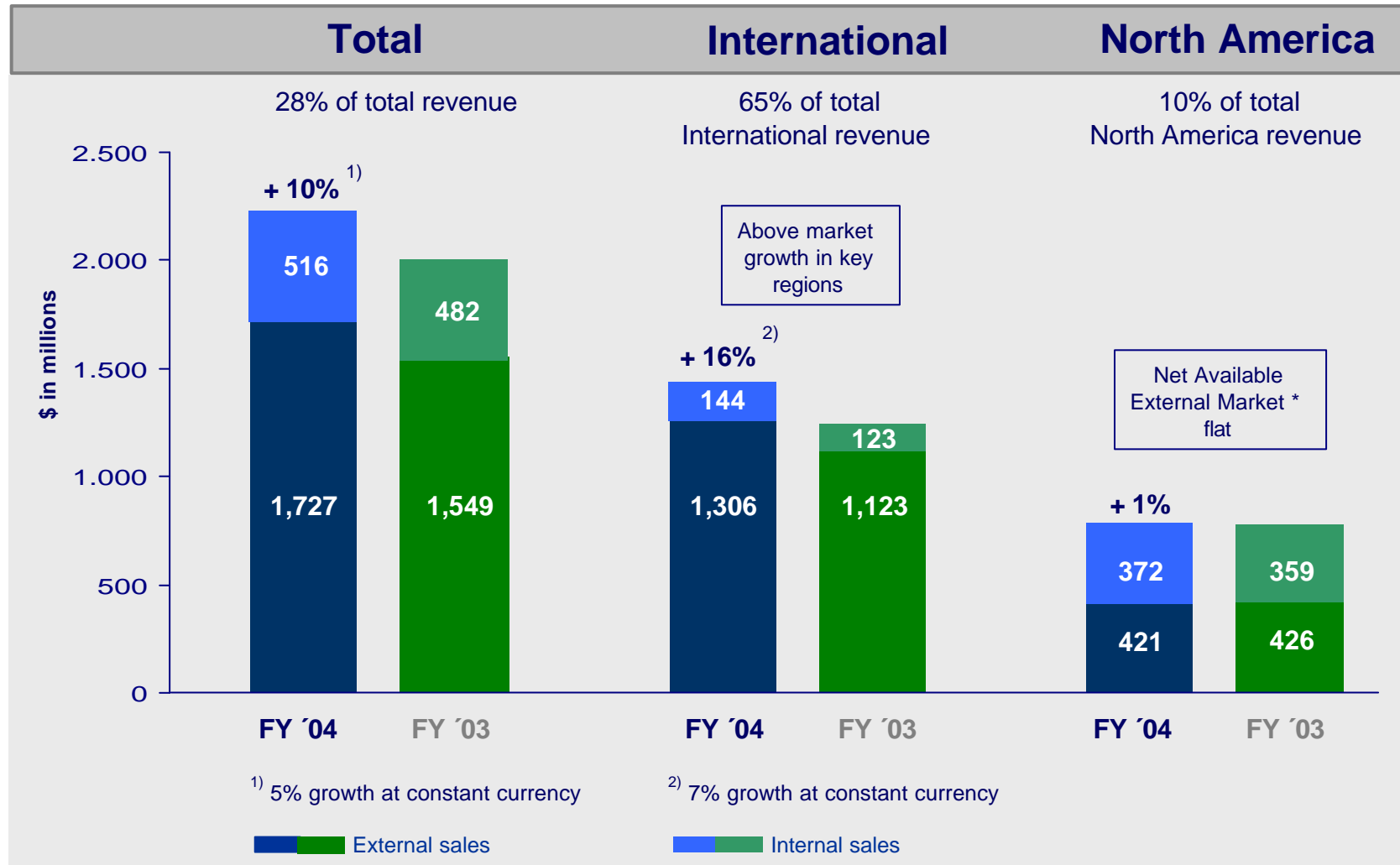


# UltraCare™ Status

- All 1,130 clinics certified as of 12/31/2004
- Marketing at regional and local levels
- Increasing acceptance of single-use by independent providers
  - 2003: 37% → 2004: 50%
- Gross mortality decreased by 110 basis points since 2002
- In-center patients growth of 3.8%
  - estimated market growth: 3 – 3.5%
- Expect to further outpace industry as number of de novos will increase



# Dialysis Products FY 2004



\* A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.

# Growth strategy – continued momentum

## Strategy

### North America focus on:

- Above market patient growth and quality outcomes
- Acquisitions
- Integrated care
- Expand single-use and introduce 3<sup>rd</sup> generation of HD/PD products

### Europe focus on:

- Expand vertical integrated business model in Europe
- Acquisitions
- Keep high profitability
- Innovation

## Revenue

**6 - 9% p.a. expected** (at constant currency)

## Earnings

**Sustainable double digit growth p.a. expected**

## Cash Flow

**Strong and stable**



# Agenda

## I. Business Update

## II. Financials Q4 / FY 2004

- Profit & Loss
- Margin development
- Days Sales Outstanding (DSO)
- Cash Flow
- Financial ratios
- Dividend
- Accounting rules (IFRS / US-GAAP)
- Outlook



## Strong top and bottom line growth continued

\$ in millions	Q4 2004	Q4 2003	%
<b>Net revenue</b>	<b>1,640</b>	1,452	+ <b>13</b> <sup>1)</sup>
<b>Operating income (EBIT)</b>	<b>227</b>	208	+ <b>10</b>
EBIT-margin in %	13.9 <sup>2)</sup>	14.3	
<b>Net income</b>	<b>108</b>	94	+ <b>14</b>
<b>EPS per ordinary shares (\$)</b>	<b>1.12</b>	0.98	+ <b>14</b>

<sup>1)</sup> 10% growth at constant currency

<sup>2)</sup> On a like for like basis excluding FIN 46R the EBIT margin would have been 14.1%



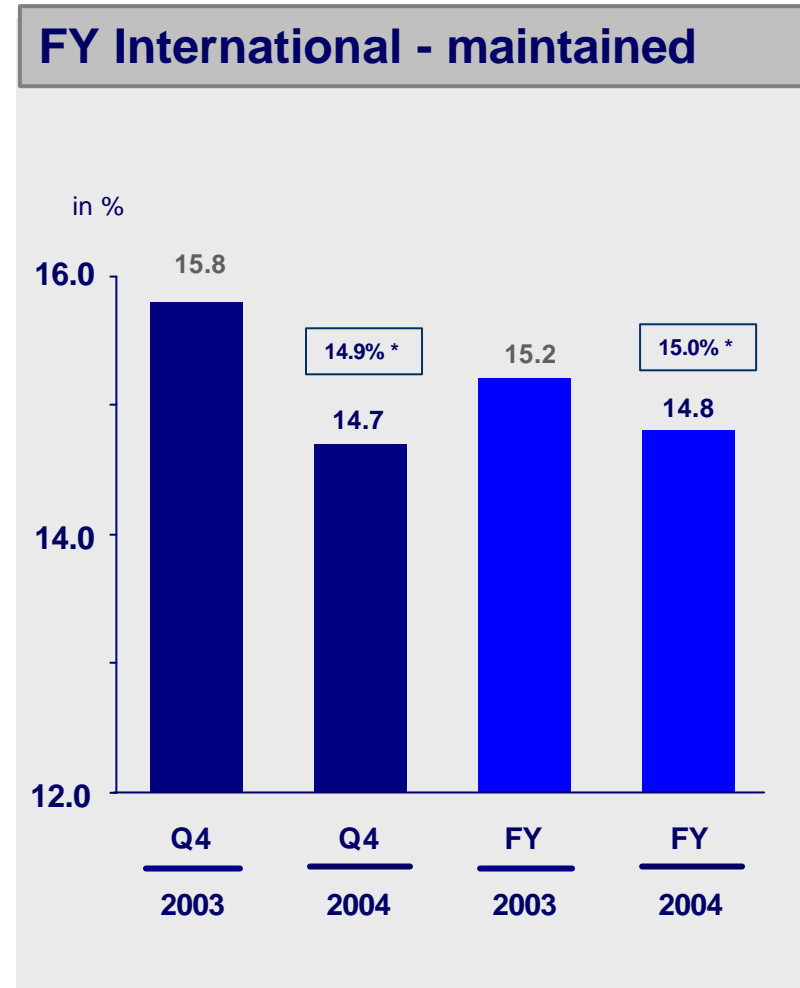
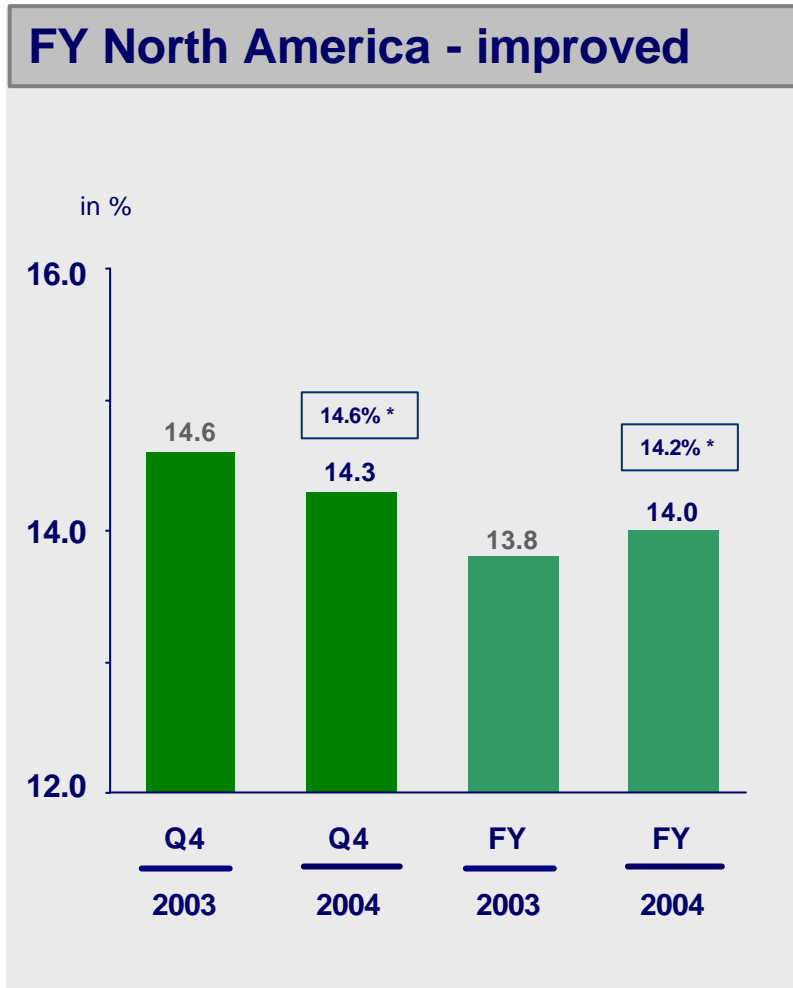
## Record earnings in 2004

\$ in millions	FY 2004	FY 2003	%
<b>Net revenue</b>	<b>6,228</b>	5,528	+ <b>13</b> <sup>1)</sup>
<b>Operating income (EBIT)</b>	<b>852</b>	757	+ <b>13</b>
EBIT-margin in %	13.7 <sup>2)</sup>	13.7	
<b>Net income</b>	<b>402</b>	331	+ <b>21</b>
<b>EPS per ordinary shares (\$)</b>	<b>4.16</b>	3.42	+ <b>21</b>

<sup>1)</sup> 10% growth at constant currency

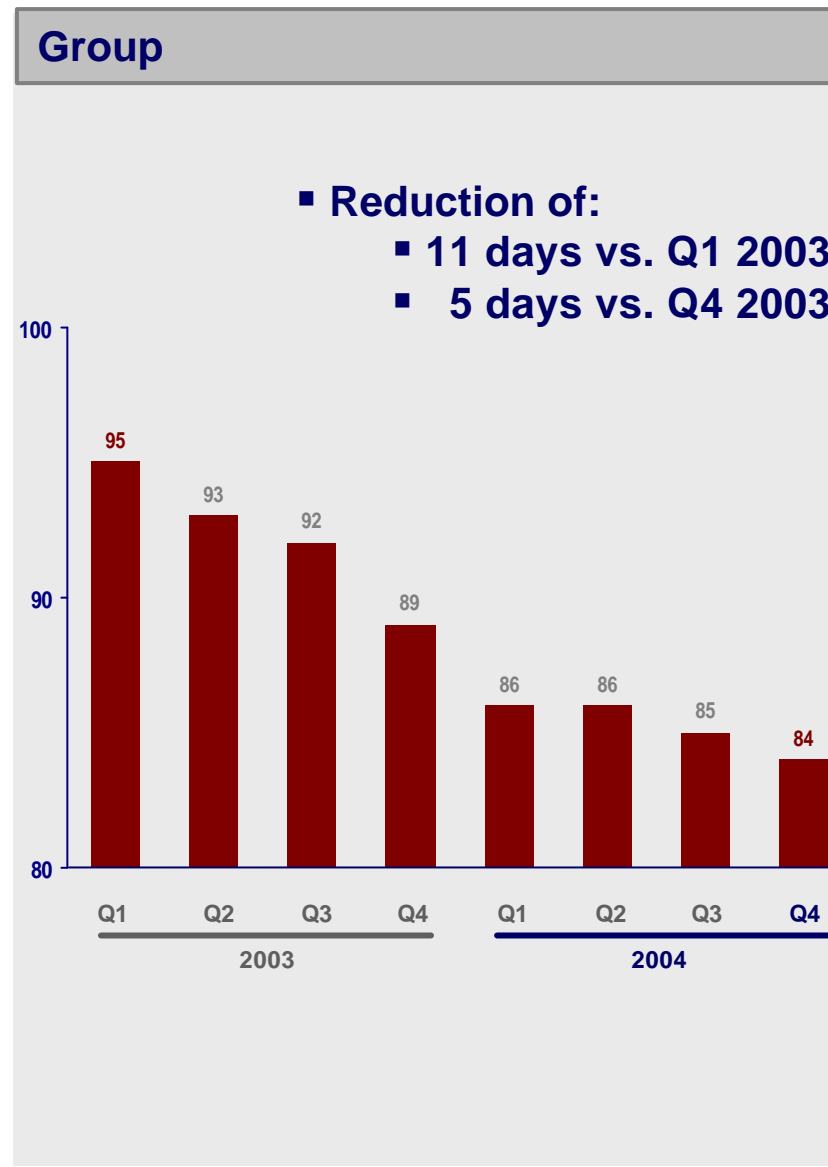
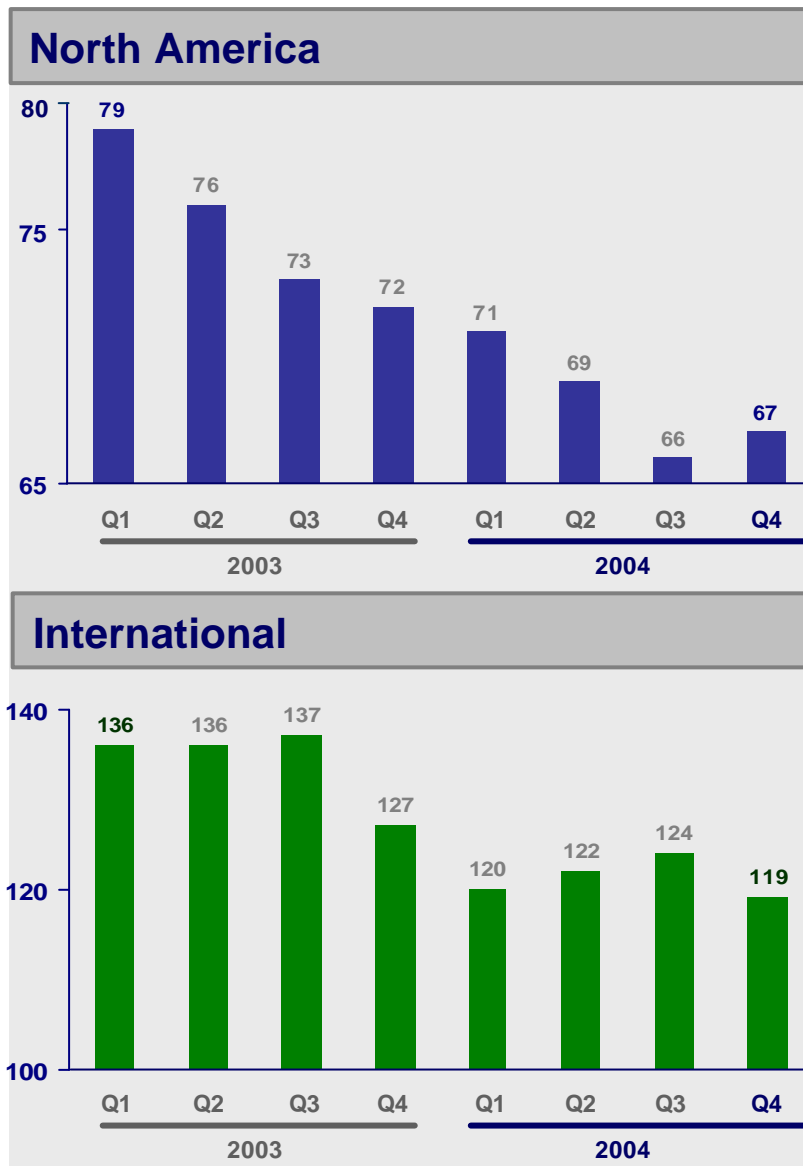
<sup>2)</sup> On a comparable basis excluding FIN 46R the EBIT margin would be 13.85%

# EBIT - margin development



\*) Comparable EBIT-margins excluding FIN 46R

# Days Sales Outstanding (DSO) – impressive development






## Cash Flow – extremely strong performance

\$ in millions	Q4 2004	Q4 2003	%
Net cash provided by operating activities	 268	251	+ 7
Capital expenditures (net) <sup>1)</sup>	(117)	(147)	
<b>Free Cash Flow</b>	<b>151</b>	104	+ 45
Acquisitions	(31)	(13)	
<b>Free Cash Flow after acquisitions</b>	<b>120</b>	91	+ 33

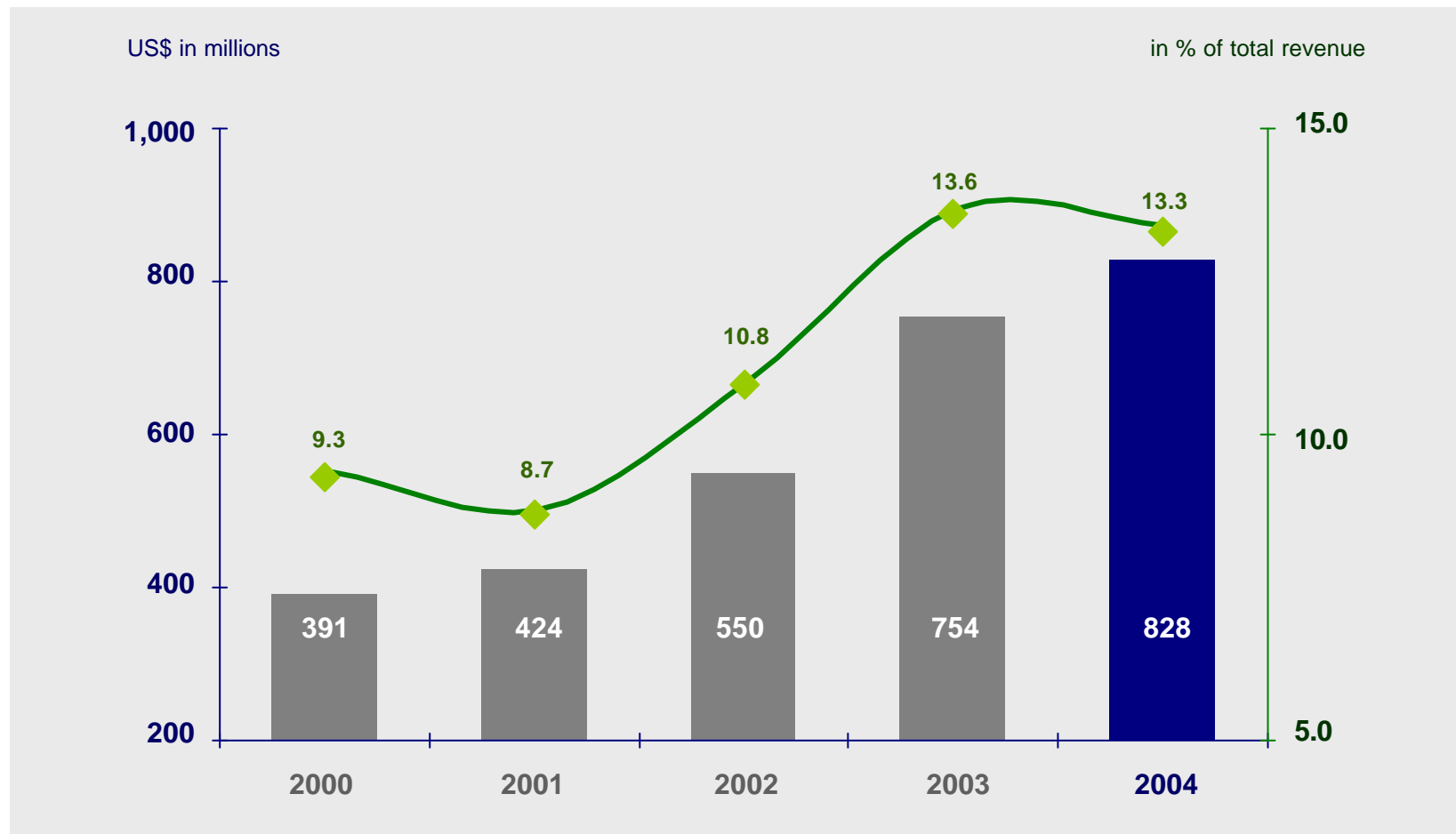
<sup>1)</sup> A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.

## Cash Flow – extremely strong performance

\$ in millions	FY 2004	FY 2003	%
Net cash provided by operating activities	 828	754	+ 10
Capital expenditures (net) <sup>1)</sup>	(261)	(276)	
<b>Free Cash Flow</b>	 <b>567</b>	478	+ 19
Acquisitions	(104)	(92)	
<b>Free Cash Flow after acquisitions</b>	 <b>463</b>	386	+ 20

<sup>1)</sup> A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.

# Operating Cash Flow development 2000-2004

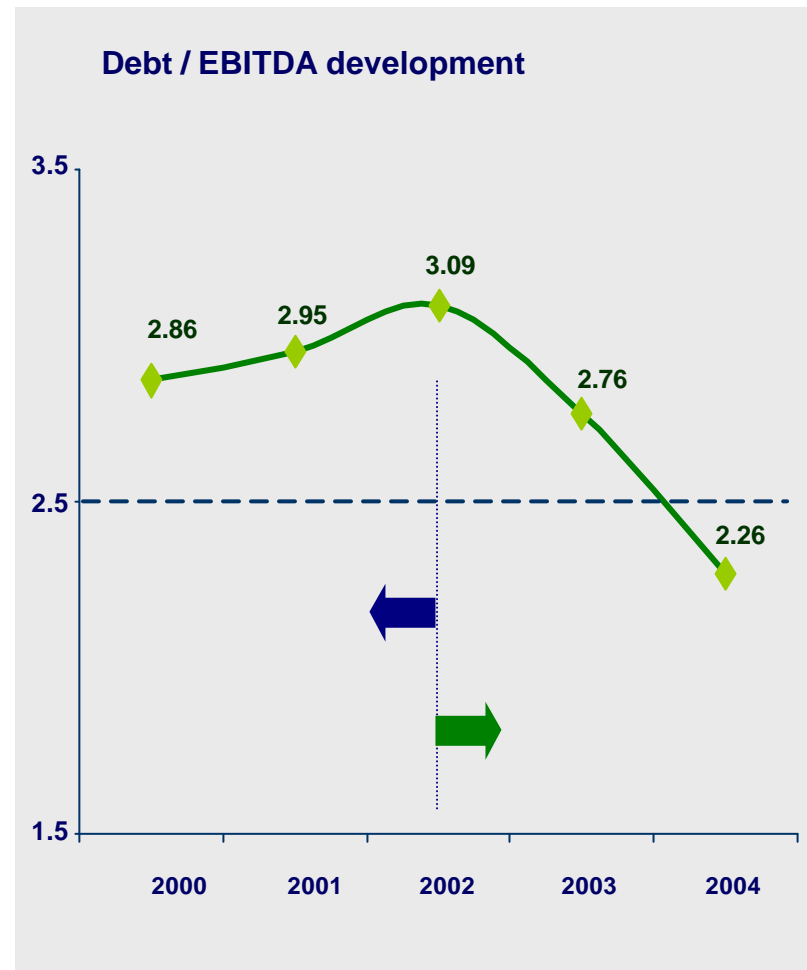
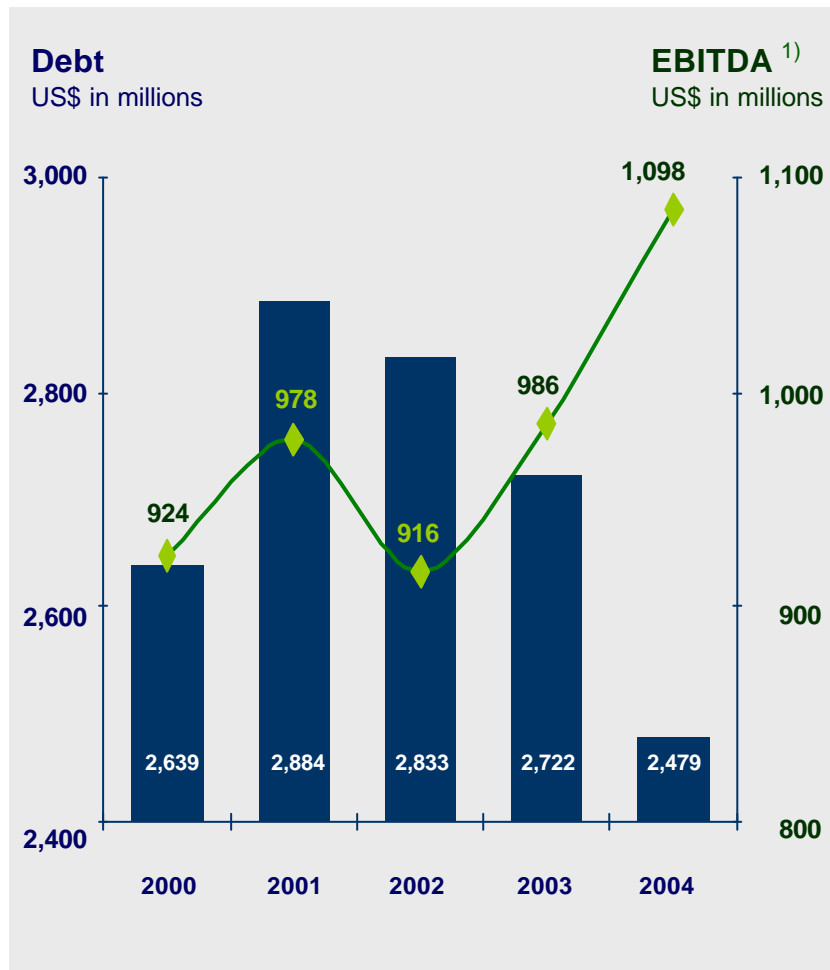


## Financial ratio – very strong improvement

\$ in millions	December 31, 2004	December 31, 2003
EBITDA	1,098	986
Dec. 31, 2003 Debt <sup>1)</sup>	2,722	
+ CapEx <sup>1)</sup>	261	
+ Acquisitions	104	
+ Dividend	122	
+ Others	29	
+ FX-debt translation effects	69	
- Cash from operating activities	828	
December 31, 2004 Debt <sup>1)</sup>	2,479	2,722
Total debt / EBITDA	2.26	2.76

<sup>1)</sup> A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.

# Debt / EBITDA development 2000-2004



<sup>1)</sup> including non-cash charges



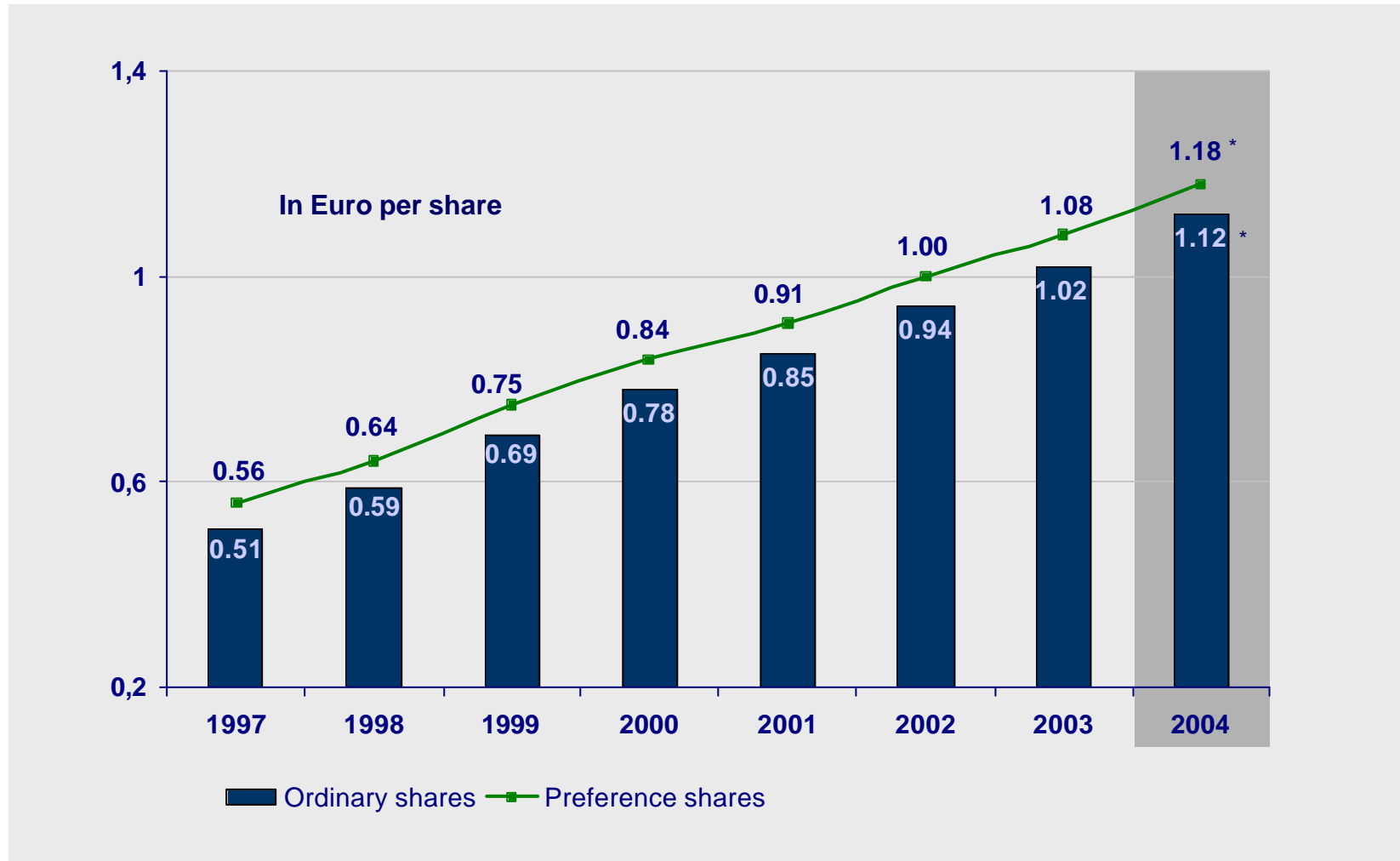
## Guidance FY 2004 - exceeded with record earnings

	2004 Results	Last guidance
<b>Net revenue growth</b> (at constant currency)	+ 10%	high single digit
<b>Net income growth</b>	+ 21%	High teens

<b>Capital expenditure</b>	\$ 261 m	~ \$ 250 m
<b>Acquisition budget</b>	\$ 104 m	~ \$ 100 m



## 2004: 8<sup>th</sup> consecutive dividend increase proposed



\* To be approved by shareholders at the Annual General Meeting on May 24, 2005

# IFRS-Accounting

- **We have prepared IFRS financial statements (audited) for 2004**
- **US-GAAP will remain primary external and internal reporting standard**

## Key differences:

- Capitalization of some development expenses
- Mark-to-market treatment of hedges for forecasted foreign currency inter-company transactions
- Immediate recognition of margins on sale and lease-back transactions

**No material impact on 2004 Financial Statements**



# Changes in US-GAAP accounting

- New US-GAAP rule FAS 123R – expensing of stock options based on grant date fair value – becomes effective in Q3/2005.
- In the past, Fresenius Medical Care AG (FME) disclosed fair value stock option expense in footnotes to the financial statements.

## Estimated impact in H2/2005:

\$ in millions

<b>EBIT</b>	<b>- 4</b>
<b>Net income (EAT)</b>	<b>- 4</b>

## Guidance FY 2005 - growth continues

<b>Net revenue growth</b> (at constant currency)	<b>6 - 9%</b>
<b>Net income growth</b>	<b>low double digit</b>

<b>Capital expenditure</b>	<b>\$ 350 - 400 m</b>
<b>Acquisition budget</b>	<b>\$ 200 - 250 m</b>



## Safe harbor statement

This presentation includes certain forward-looking statements. Actual results could differ materially from those included in the forward-looking statements due to various risk factors and uncertainties, including changes in business, economic 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 the Company's reports filed with the Securities and Exchange Commission and the German Exchange Commission „Deutsche Börse“.





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# Attachment I

## Reconciliation of non US-GAAP financial measures to the most directly comparable US-GAAP financial measure

All numbers are in \$ millions

<b>Capital expenditure (net)</b>	<b>FY 2004</b>	<b>FY 2003</b>	<b>Q4 2004</b>	<b>Q4 2003</b>
Purchase of property, plant and equipment	279	291	122	149
- Proceeds from sale of property, plant and equipment	(18)	(15)	(5)	(2)
<b>= Capital expenditure (net)</b>	<b>261</b>	<b>276</b>	<b>117</b>	<b>147</b>

<b>Debt</b>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>FY 2001</b>	<b>FY 2000</b>
Short term borrowings (incl. A/R program) <sup>1)</sup>	419	90	125	93	193
+ Short term borrowings from related parties	6	30	6	15	219
+ Current portion of long-term debt and capital lease obligations	230	90	22	165	168
+ Long-term debt and capital lease obligations, less current portion	545	1,112	1,089	736	658
+ Trust Preferred Securities	1,279	1,242	1,145	1,429	953
+ Accounts receivable securitization program	0	158	445	446	449
<b>Total debt</b>	<b>2,479</b>	<b>2,722</b>	<b>2,833</b>	<b>2,884</b>	<b>2,639</b>

<b>EBITDA</b>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>FY 2001</b>	<b>FY 2000</b>
Last twelve months operating income (EBIT)	852	757	695	765	621
+ Last twelve months depreciation and amortization	233	216	211	203	293
+ Non-cash charges	13	13	10	10	10
<b>= EBITDA (annualized)</b>	<b>1,098</b>	<b>986</b>	<b>916</b>	<b>978</b>	<b>924</b>

<sup>1)</sup> A/R securitization program off-balance sheet in 2003 and included in short term borrowings in 2004



# Attachment II

## Reconciliation of non US-GAAP financial measures to the most directly comparable US-GAAP financial measure

All numbers are in \$ millions

<b>External Revenue</b>	<b>FY 2004</b>	<b>FY 2003</b>	<b>growth</b>	<b>constant currency</b>
International product revenue	1,450	1,246	+16%	+ 7%
- Internal revenue	(144)	(123)	+ 17%	+ 7%
<b>= External revenue</b>	<b>1,306</b>	<b>1,123</b>	<b>+16%</b>	<b>+ 7%</b>
North America product revenue	793	785	+ 1%	
- Internal revenue	(372)	(359)	+ 4%	
<b>= External revenue</b>	<b>421</b>	<b>426</b>	<b>- 1%</b>	

<b>Net available external market (NAEM) – North America</b>	<b>FY 2004</b>	<b>FY 2003</b>
External dialysis product revenue	421	426
Sales to other vertically integrated dialysis providers and to leasing companies	(28)	(34)
Adsorber business revenue	(5)	(3)
<b>Dialysis product sales to net available external market</b>	<b>388</b>	<b>389</b>





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