

# Fresenius Medical Care

*The World's Leading Renal Therapy Company*

# Agenda

- *Business Update*
- *Financial Highlights  
Q4 / FY 2002*
- *Outlook*



## ***2002 – Key Accomplishments***

- Introduced UltraCare™ Concept in our North American clinics
- Continued above-market growth in worldwide product business
- Achieved major breakthroughs in 1996 merger-related legal issues including Fraudulent Conveyance (FC)
- Adjusted to Latin American currency environment to continue profitable growth
- Generated Outstanding Free Cash Flow



# *Operations Update*

- Improving Operating Margin in North America
- Positive UltraCare™ Outcome Data
- Stable reimbursement environment in North America
- Significant Global Growth Opportunities in Peritoneal Dialysis



# Improving Operating Margin North America

2002

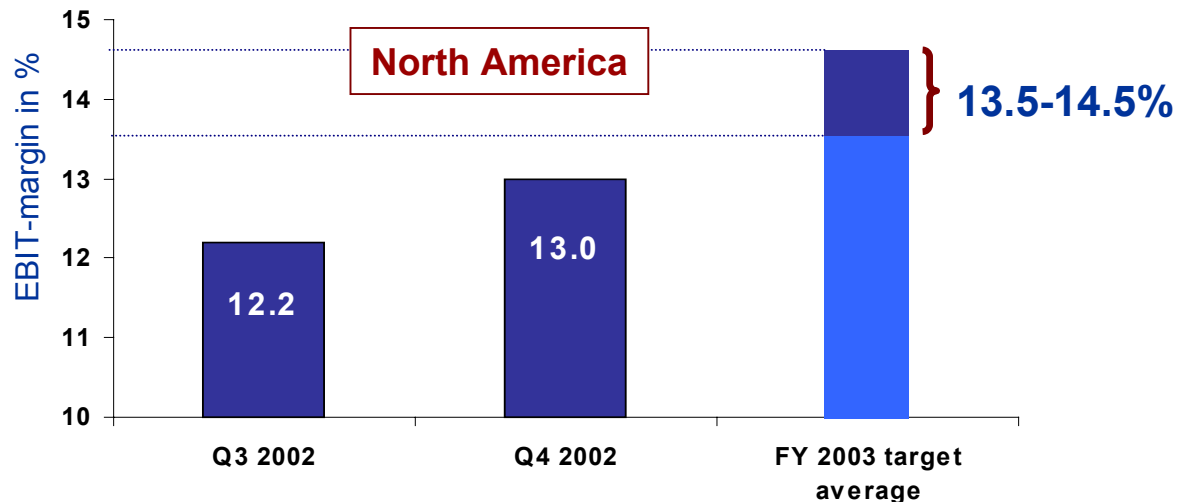
## Achieving single-use cost neutrality

- New staffing model delivers efficiencies
- Medical supply costs differential < \$1/treatment

2003

## Upgrading North American operating performance

- New management structure
- Streamlining of less efficient clinics
- Manufacturing / Logistics cost reduction program

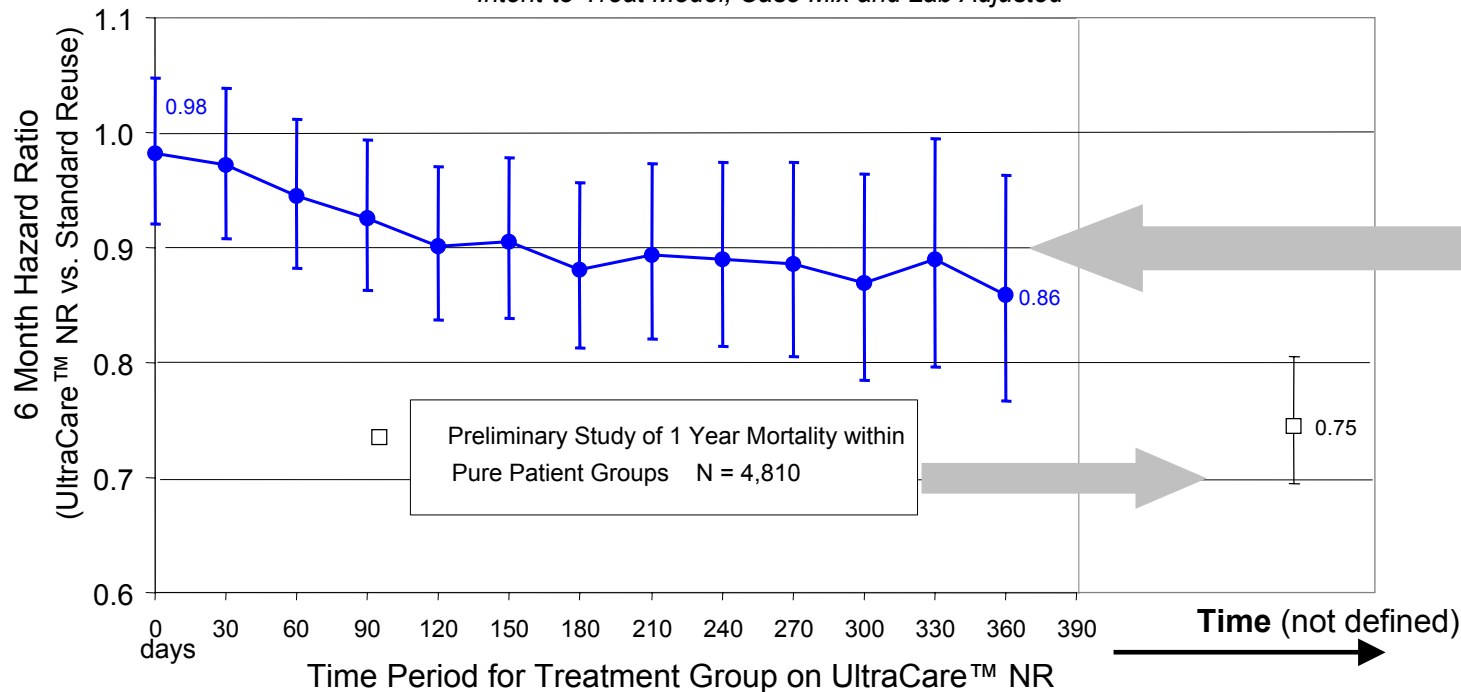


# Positive UltraCare™ NR Outcome Data

**Significantly better medical outcomes which improve with time on UltraCare™ NR**

## Mortality Risk vs. Time in Treatment Group

*Intent-to-Treat Model, Case Mix and Lab Adjusted*



**UltraCare™ NR**  
N = 12,000  
**Standard Reuse**  
N = 36,000

I 95% confidence interval

Case Mix: age, gender, race, diabetes, years on dialysis

Lab: e.g. albumin, bicarbonate, blood Ph, body surface area, calcium, creatinine, iron, KT, phosphorus, ferritin etc.

Source: Preliminary retrospective analysis of Company data generated from roll-out of UltraCare™ NR program.



# ***Stable Reimbursement environment in North America***

## **Near term: stable to positive**

- No Medicare increase in 2003 as expected
- MedPac<sup>1</sup> proposed 1.6% composite rate increase for 2004

## **Strategic: opportunity for new renal services**

- CMS<sup>2</sup> Open Door Forum – Disease Management (DM) Demonstration project
-  Opportunity to establish DM in Medicare environment

<sup>1</sup> Medicare Payment Advisory Commission (MedPac), advises the U.S. Congress on issues affecting the Medicare program ([www.medpac.gov](http://www.medpac.gov))

<sup>2</sup> Centers for Medicare&Medicaid Services (CMS) is a federal agency within the U.S. Department of Health and Human Services. CMS was formerly known as the Health Care Financing Administration (HCFA) ([www.cms.gov](http://www.cms.gov))



# ***Significant Global Growth Opportunities in Peritoneal Dialysis (PD)***

## **Peritoneal Dialysis (PD)**

- Treatment Modality for ~11% of global patients
- Dominant treatment in selected regional markets and patient situations

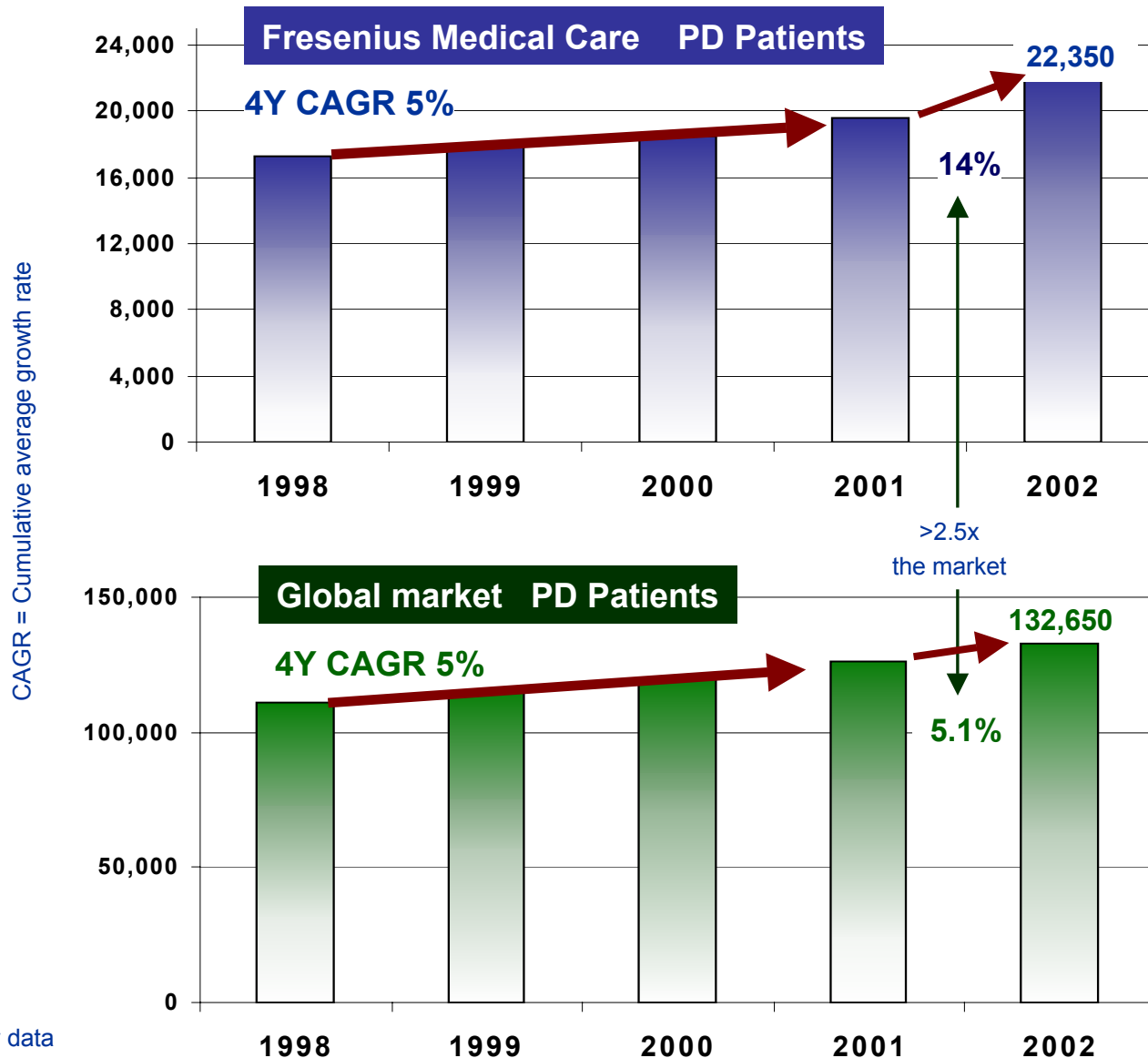
## **Our market position**

- No. 2 worldwide supplier
- Complete product range and global manufacturing presence
- Growing clearly above market





# FY 2002: above-market growth in PD

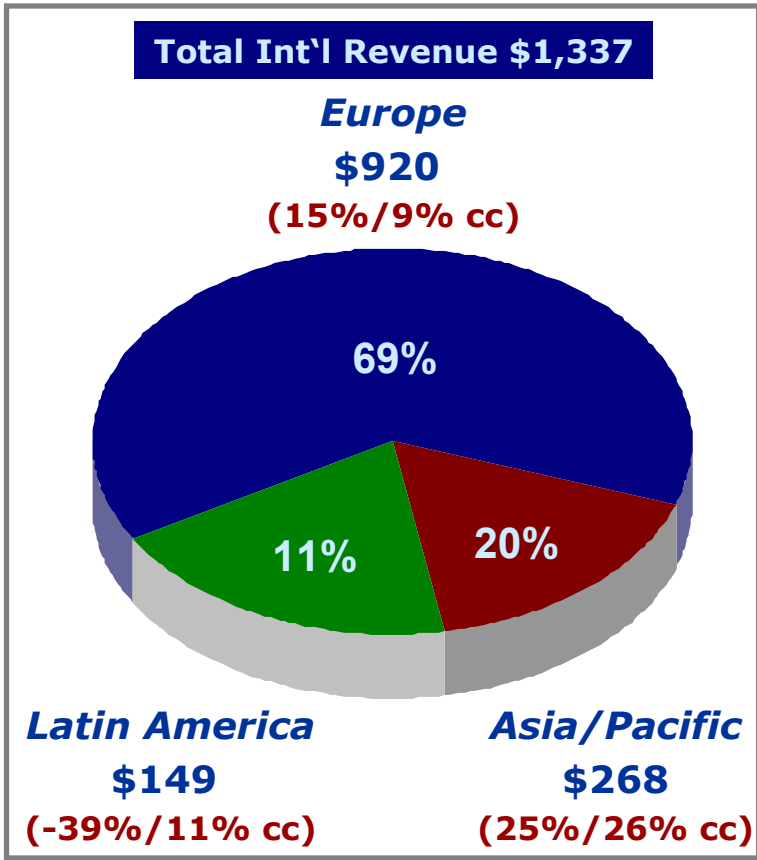
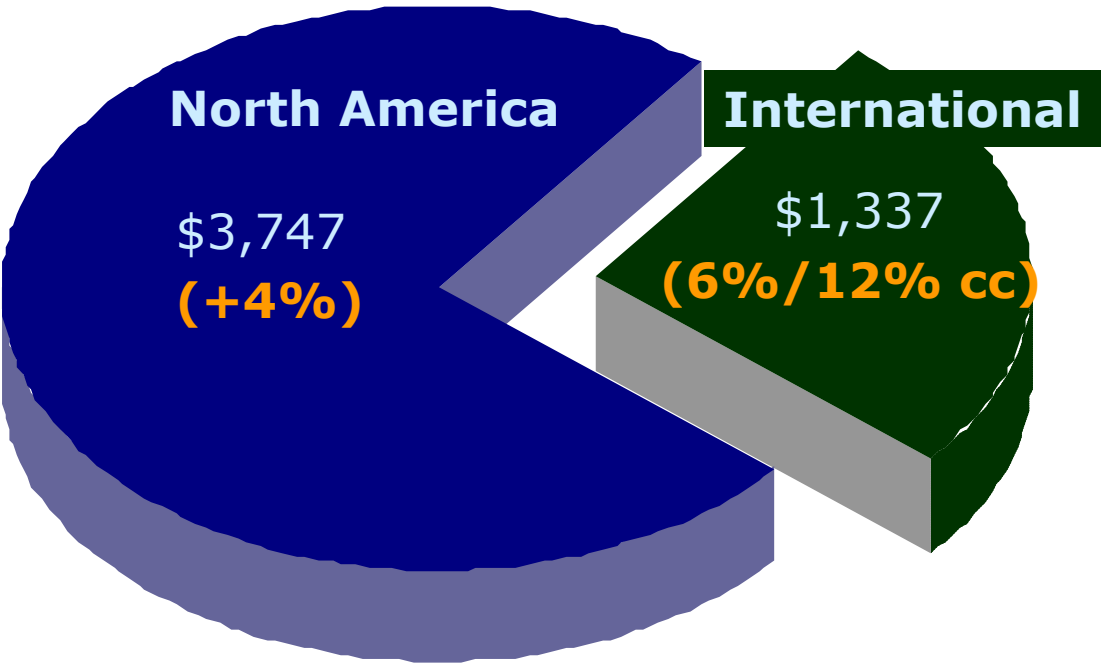


Source: Company data



# 2002 Revenue Growth by Segment

Total revenues \$5,084 million +5% (6% constant currency=cc)

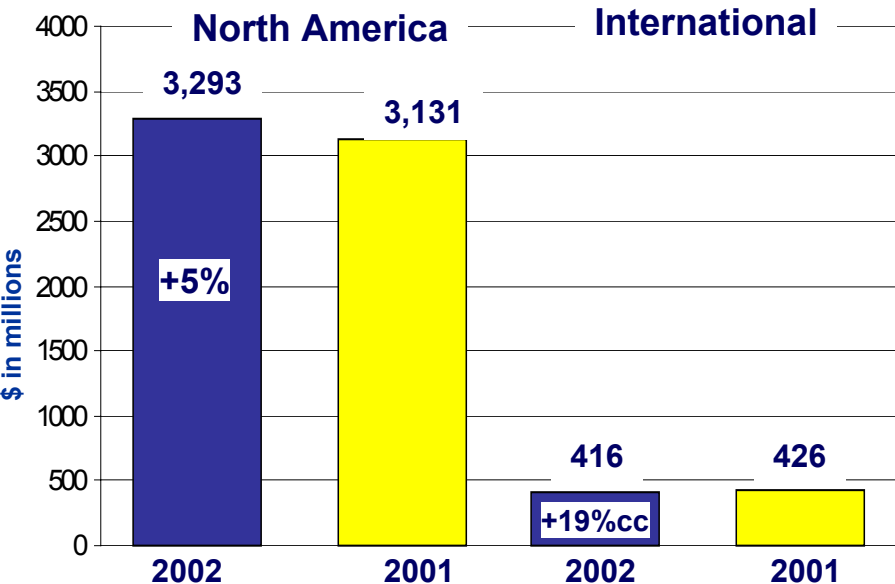


In millions

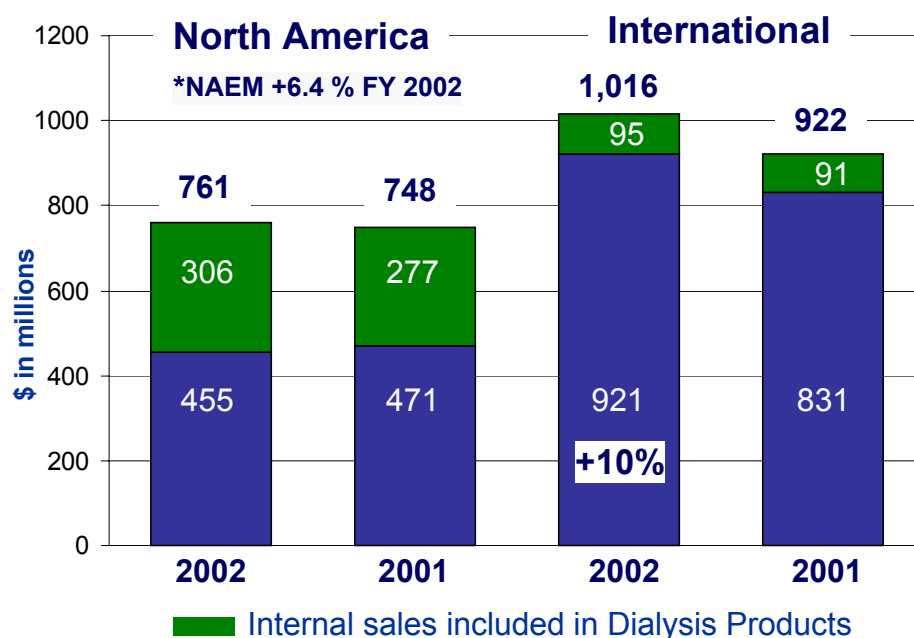


# Revenue by Business Unit FY 2002 and Q4

## Dialysis Services



## Dialysis Products



**Q4**

## Dialysis Services



**Q4**

## Dialysis Products



cc = constant currency \* NAEM = Net available external market



# ***Legal Update – Fraudulent Conveyance (FC) & W.R. Grace Bankruptcy***

**Outstanding success by achieving definitive agreement  
and confirming adequacy of accrued reserve**

upon court approval and plan confirmation

- Released from FC claims and potential future W.R. Grace related exposure
- Indemnified against all W.R. Grace taxes
- Released from responsibility to handle W.R. Grace tax issues
- No admission of liability has been or will be made



# Legal Update – Fraudulent Conveyance (FC) & W.R. Grace Bankruptcy

## Agreement in principle

Responsibility of resolving  
W.R. Grace tax issues  
(expected >\$100m)

+

\$ 15 million

=

≥ \$ 115 million

vs.

## Definitive agreement

upon court approval and plan confirmation

No Responsibility

+

\$ 115 million

=

\$ 115 million

# ***Fresenius Medical Care Global Position:***

Achieved distinct market differentiation in both product and services

## **Vertical Integration**

### Products

- Expanded network of plants and manufacturing capacity for both HD and PD in Europe, Asia, Latin America and North America
- Introduced innovative new product technologies for machines and dialyzers

### Patient Services

- Expanded network of clinics worldwide
- Introduced and rolled out UltraCare™NR in North American clinics
- Participate in North America new reimbursement paradigm



# Agenda

## ● *Financials 2002*

- *Key figures Q4 and FY 2002*
- *Update: Financing Activities*
- *Financial Outlook*



# Financial Highlights FY 2002

<i>\$ millions</i>	<i>As reported</i>	<i>As reported</i> <sup>1</sup>	% Growth	% Growth constant currency
	FY '02	FY '01		
<b>Net revenues</b>	<b>5,084</b>	4,859	5	6
<b>EBIT</b>	<b>695</b>	644	8	7
<i>Goodwill adjusted</i>		765		
<b>EAT</b>	<b>302</b>	245	23	
<i>Goodwill adjusted</i>		347		
<b>EPS per Ord. (\$)</b>	<b>3.12</b>	2.53	23	
<i>Goodwill adjusted</i>		3.60		

<sup>1</sup> Excluding special charge of \$258m (\$177m net of taxes) and related expenses of \$7m in 2001 (\$4m, net of taxes)



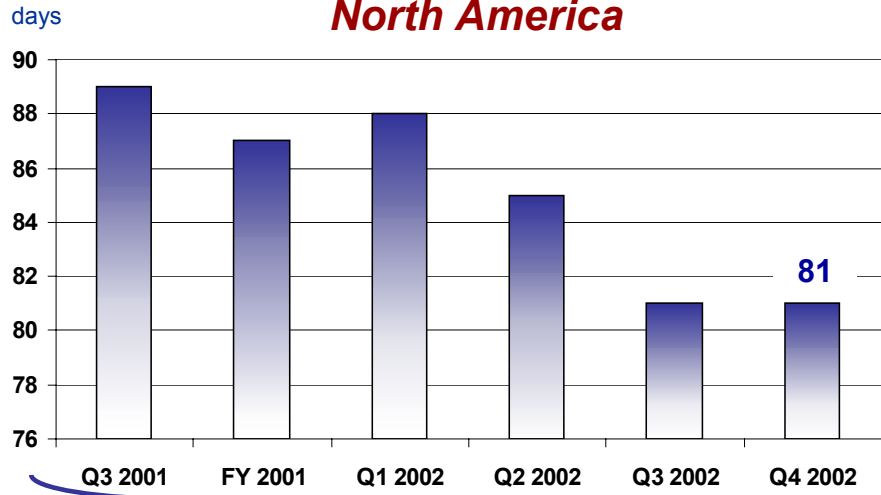
# Financial Highlights Q4 2002

<i>\$ millions</i>	<i>As reported</i> Q4 '02	<i>As reported</i> <sup>1</sup> Q4 '01	% Growth	% Growth constant currency
<b>Net revenues</b>	<b>1,358</b>	1,270	7	8
<b>EBIT</b>	<b>184</b>	152	21	18
<i>Goodwill adjusted</i>		179		
<b>EAT</b>	<b>82</b>	60	36	
<i>Goodwill adjusted</i>		85		
<b>EPS per Ord. (\$)</b>	<b>0.85</b>	0.62	36	
<i>Goodwill adjusted</i>		0.88		

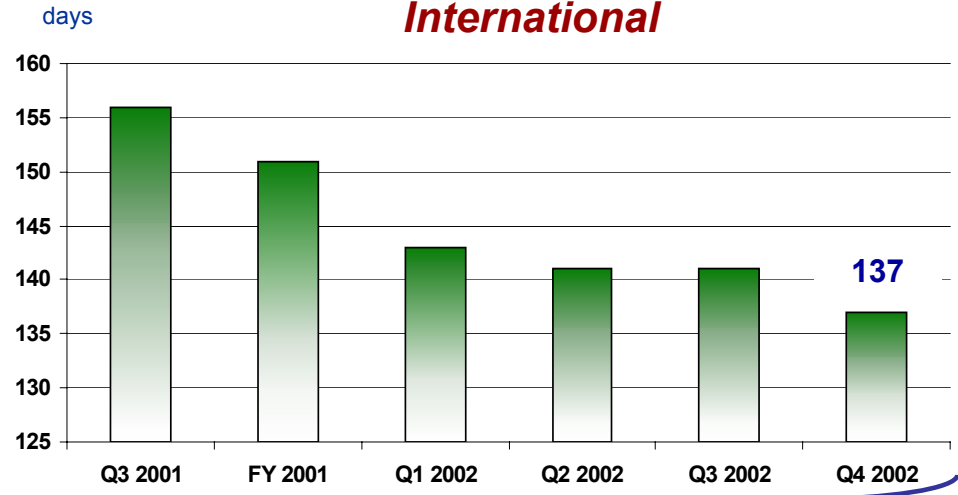
<sup>1</sup> Excluding special charge of \$258 million in 2001 (\$177 million, net of taxes)

# Days Sales Outstanding (DSO)

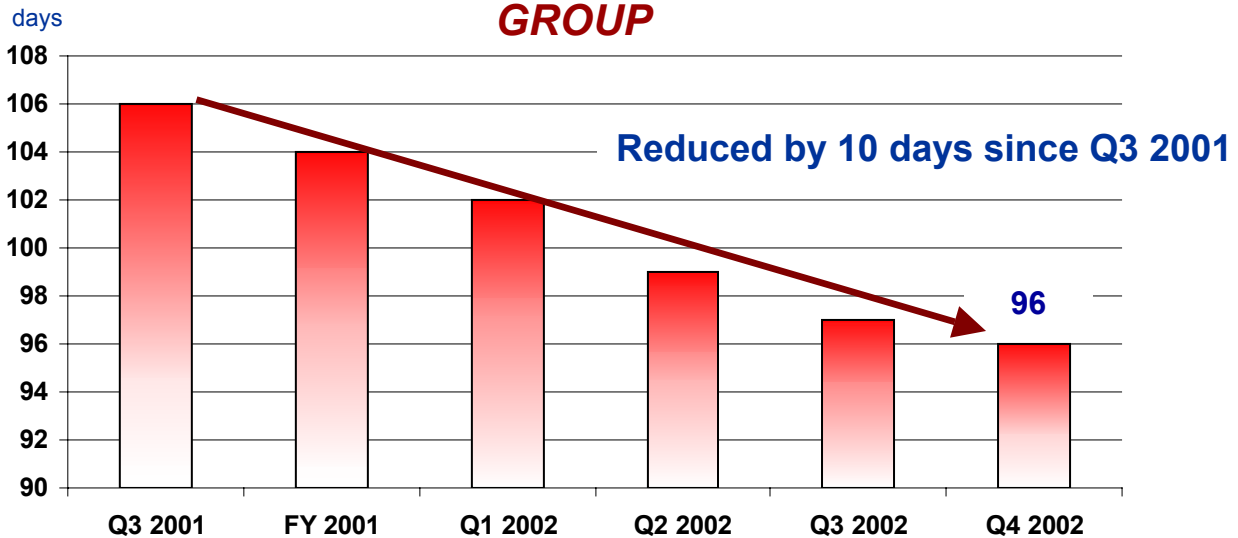
## North America



## International






## GROUP



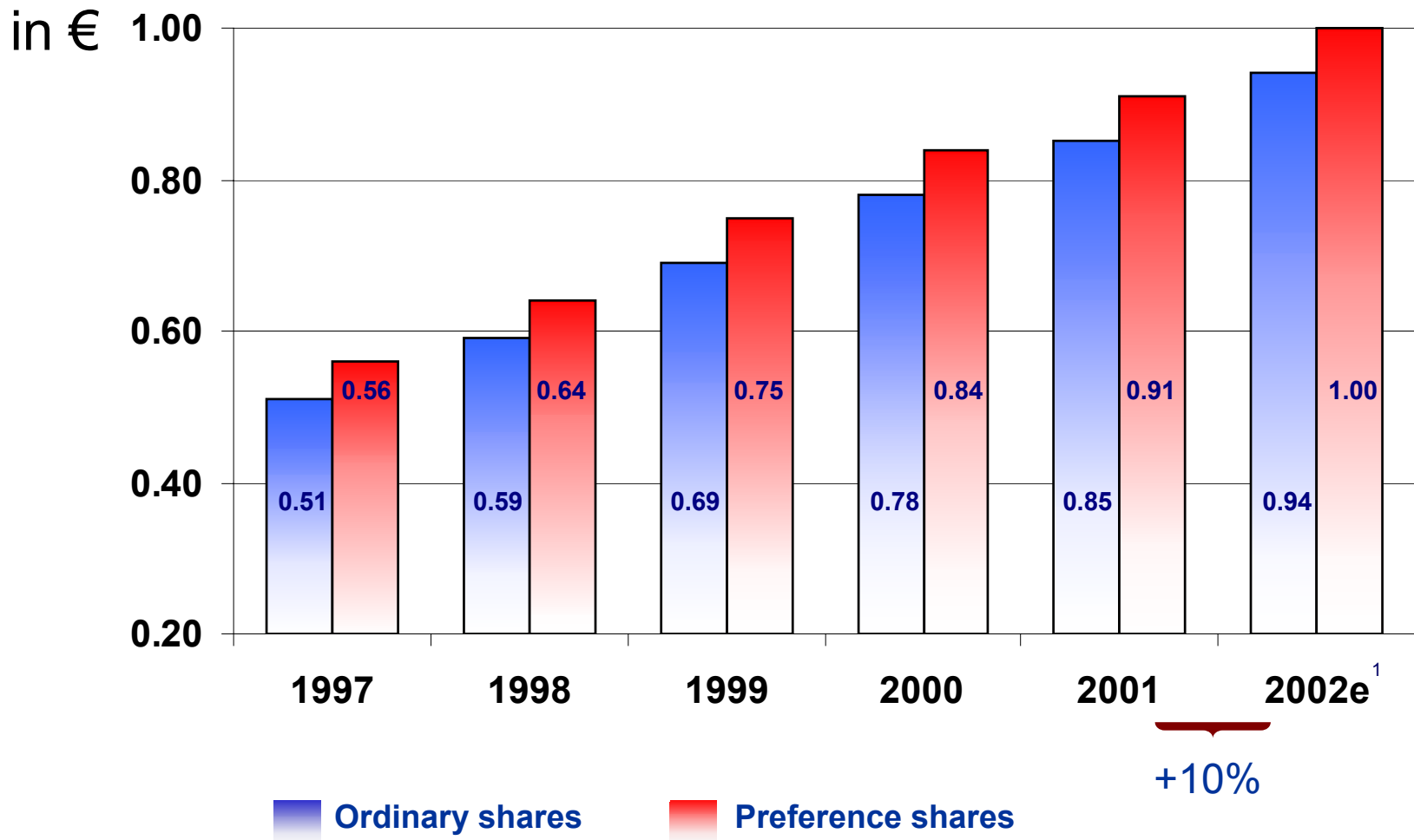
## Cash Flow FY 2002

<i>in \$ millions</i>	<b>FY '02</b>	<b>FY '01</b>
<b><i>Net cash provided by operating activities</i></b>	550	424
<b><i>Capital expenditure (net)</i></b>	(201)	(251)
<b><i>Free Cash Flow</i></b>	<b>349</b>	<b>173</b>
<b><i>Acquisitions</i></b>	<b>(80)</b>	<b>(217)</b>
<b><i>Free Cash Flow after acquisitions</i></b>	<b>269</b>	<b>(43)</b>

# FY 2002 Cash Generation

<i>in % of total revenue</i>	<b>2001</b>	<b>2002</b>	
<b>Cash from operations</b>	<b>8.7%</b>	<b>10.8%</b>	
<b>Capital expenditure <sup>1</sup> (net)</b>	<b>5.2%</b>	<b>3.9%</b>	
<b>Free Cash Flow</b>	<b>3.5%</b>	<b>6.9%</b>	
<b>Acquisitions</b>		<b>\$ 80 m</b>	
<b>Dividend</b>		<b>\$ 77 m</b>	
<b>Free CF available for debt reduction</b>		<b>\$ 192 m</b>	

## Dividend Proposal: 6<sup>th</sup> consecutive increase



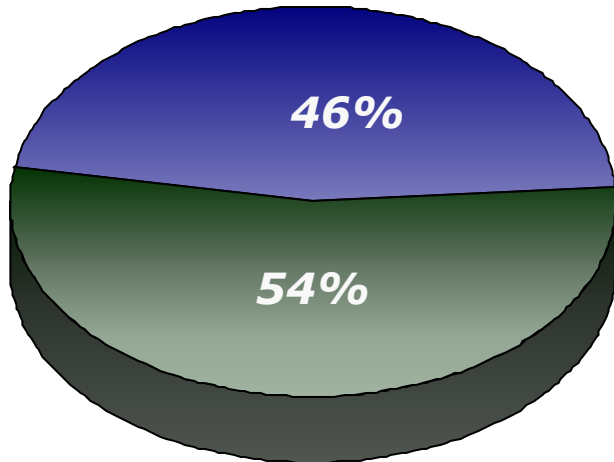
<sup>1</sup> Proposal of the Managing Board to the Supervisory Board for shareholder approval at the AGM on May 22, 2003

# Capital Expenditure split 2002

Total Capital Expenditure \$ 201 million

## Investment by business segment

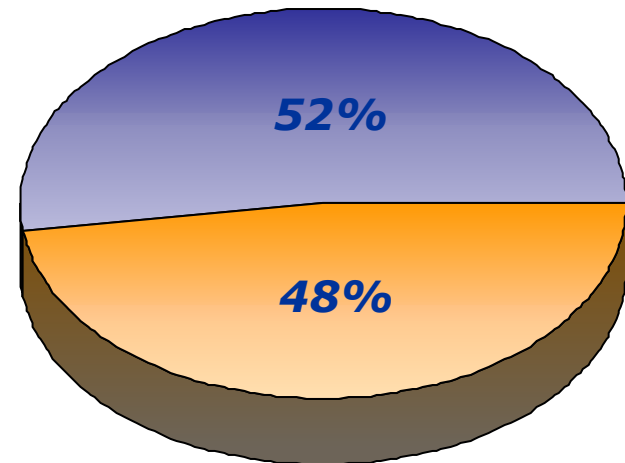
**Products**  
**\$ 92 m**



**Services**  
**\$ 109 m**

## Investment in Growth

**Expansion**  
**\$ 105 m**

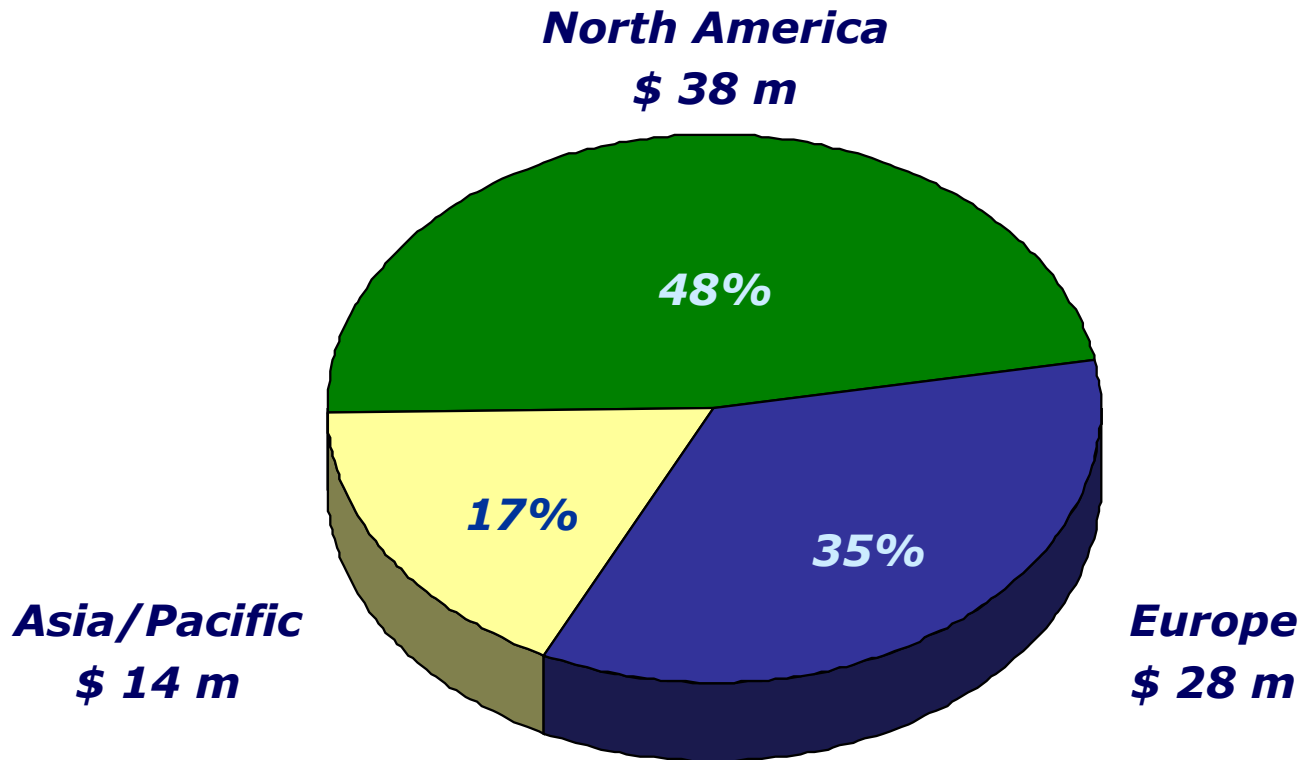


**Maintenance**  
**\$ 96 m**



# Acquisition Expenditure 2002

Total \$ 80 million



# Financial Ratio

<i>in \$ millions</i>		<b>Dec. 31, 02</b>
<b>EBITDA</b>		<b>916</b>
<b>Debt</b>	<b><u>Sept. 30, 2002:</u></b>	
	<b>2,906</b>	
+ CapEx	45	
+ Acquisitions	7	
+ Fx-effects	43	
- Others	13	
- Cash from Operations	155	<b>2,833</b>
<b>Total debt / EBITDA</b>		<b>3.09</b>



# Senior Credit Agreement

- **Closed:** *February 21, 2003*
- **Tranches:** *\$ 500 million revolving credit facility ;*  
*+ \$ 500 million term loan A ;*  
*+ \$ 500 million term loan B for inst. Investors*
- **Maturity:** *October 31, 2007 for the revolving credit facility and term loan A ;*  
*7 years for term loan B*
- **Amortization:** *\$ 25 million per quarter for term loan A beginning in Q3 2004 ;*  
*1% per year for term loan B*

# Fiscal Year 2002

	2002 Target announced in July, 2002	FY 2002
Revenue growth (constant currency)	~ 6%	6%
Earnings after tax <sup>1</sup>	~ \$ 300 m	\$ 302 m
CapEx	~ \$ 220 m	\$ 201 m
Free Cash Flow	> \$ 200 m	\$ 349 m
Acquisition spending	~ \$ 100 m	\$ 80 m
Free Cash Flow after acquisitions	> \$ 100 m	\$ 269 m

<sup>1</sup> before extraordinary charge of \$ 12 m after taxes for the early redemption of Trust Pref. Securities



# Confirmed Financial Outlook 2003

Revenue growth (constant currency)

Mid single digit

Earnings after tax <sup>1</sup> growth

High single /  
low double digits

Capital Expenditure

~ \$220 m

Acquisition spending

< \$100 m

<sup>1</sup> based on 2002 EAT before extraordinary item



# Mid-term Financial Targets



- Revenue CAGR 13%
- EBIT CAGR 14%<sup>1</sup>
- Debt/EBITDA (end of period) ~3.0x



- Revenue Growth **mid single digit**
- EBIT margin (end of period) > 15%
- Debt/EBITDA (end of period) <=2.5x

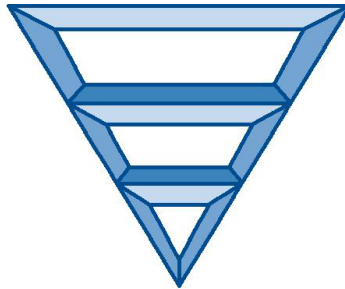
<sup>1</sup> Excluding special charge of \$258m and related expenses of \$7m in 2001



# ***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 Securities and Exchange Commission.





# Fresenius Medical Care

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