



# Fresenius Medical Care

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



**Analyst Meeting, February 25, 2004**

# Agenda

## I. Business Update

- FY 2003 performance and achievements
- Dialysis services
- Dialysis products
- Strategy

## II. Financials Q4/FY 2003

## III. Financial Outlook



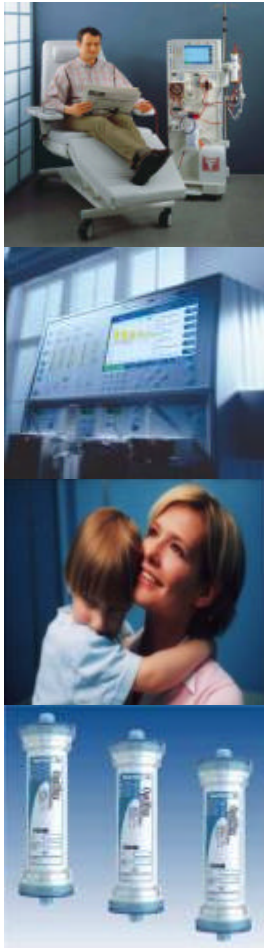
## Achieved all targets for 2003

	Target	Actual
<b>Net revenues</b> (at constant currency)	mid-single digit	+5%
<b>CapEx</b> <sup>1)</sup>	~ \$ 220 m	\$ 210 m
<b>Acquisitions</b>	~ \$ 100 m	\$ 92 m
<b>Net income</b>		+14%
<b>Net income</b> (before extraord. loss prior SFAS No. 145)	<u>High-single</u> / low-double digit	+10%
<b>Free Cash Flow</b> (9% of total sales)		+37%

<sup>1)</sup> Before one-time item of lease buy-out re-financing of \$ 66 m. A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.



# Strong performance – Q4 2003



▪ **Net revenues** **+ 7%**

▪ **Operating income (EBIT)** **+ 13%**

Margin 14.3%

▪ **Net income** **+ 15%**

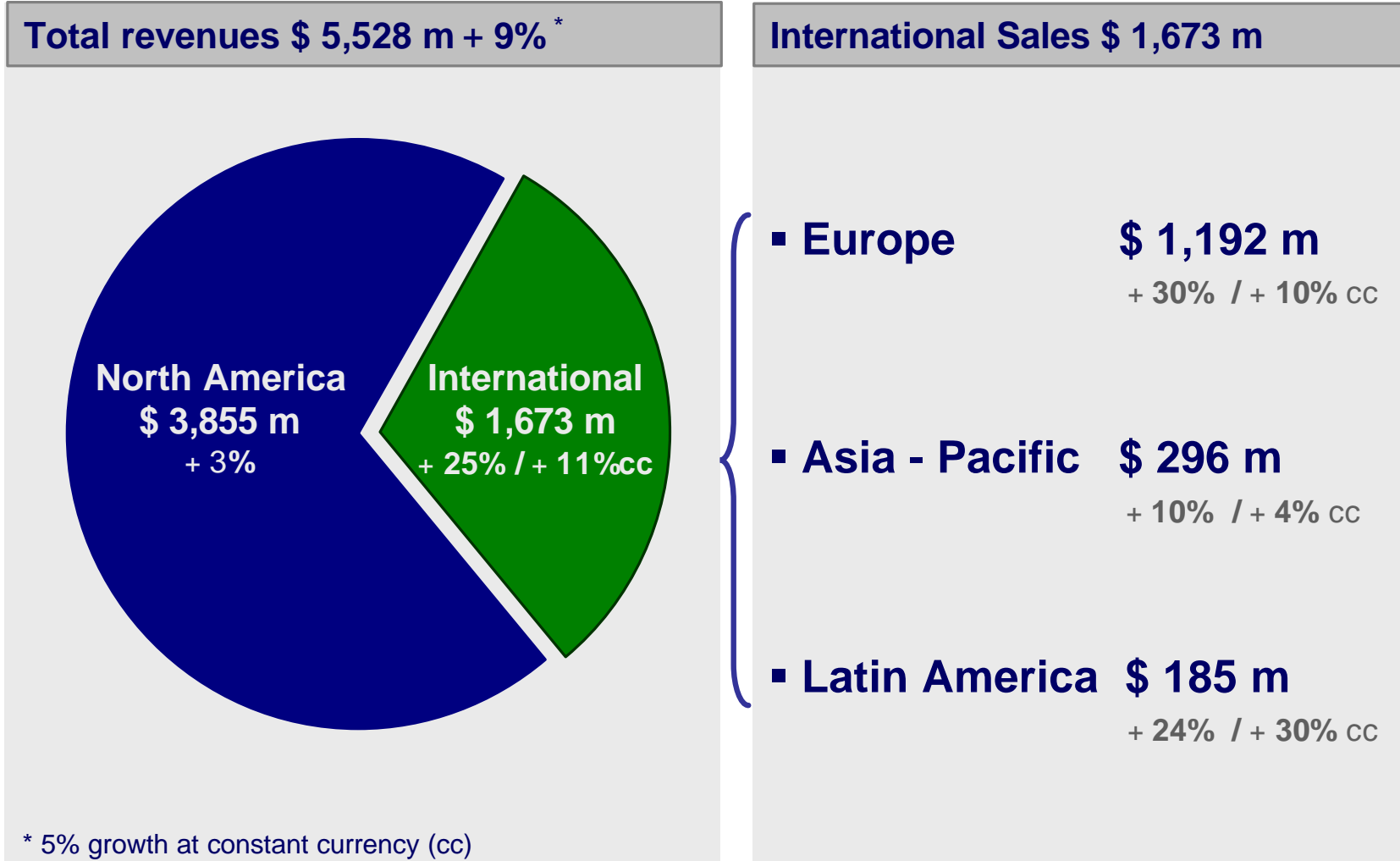
Margin 6.5%

▪ **Free Cash Flow** **\$ 104 m**

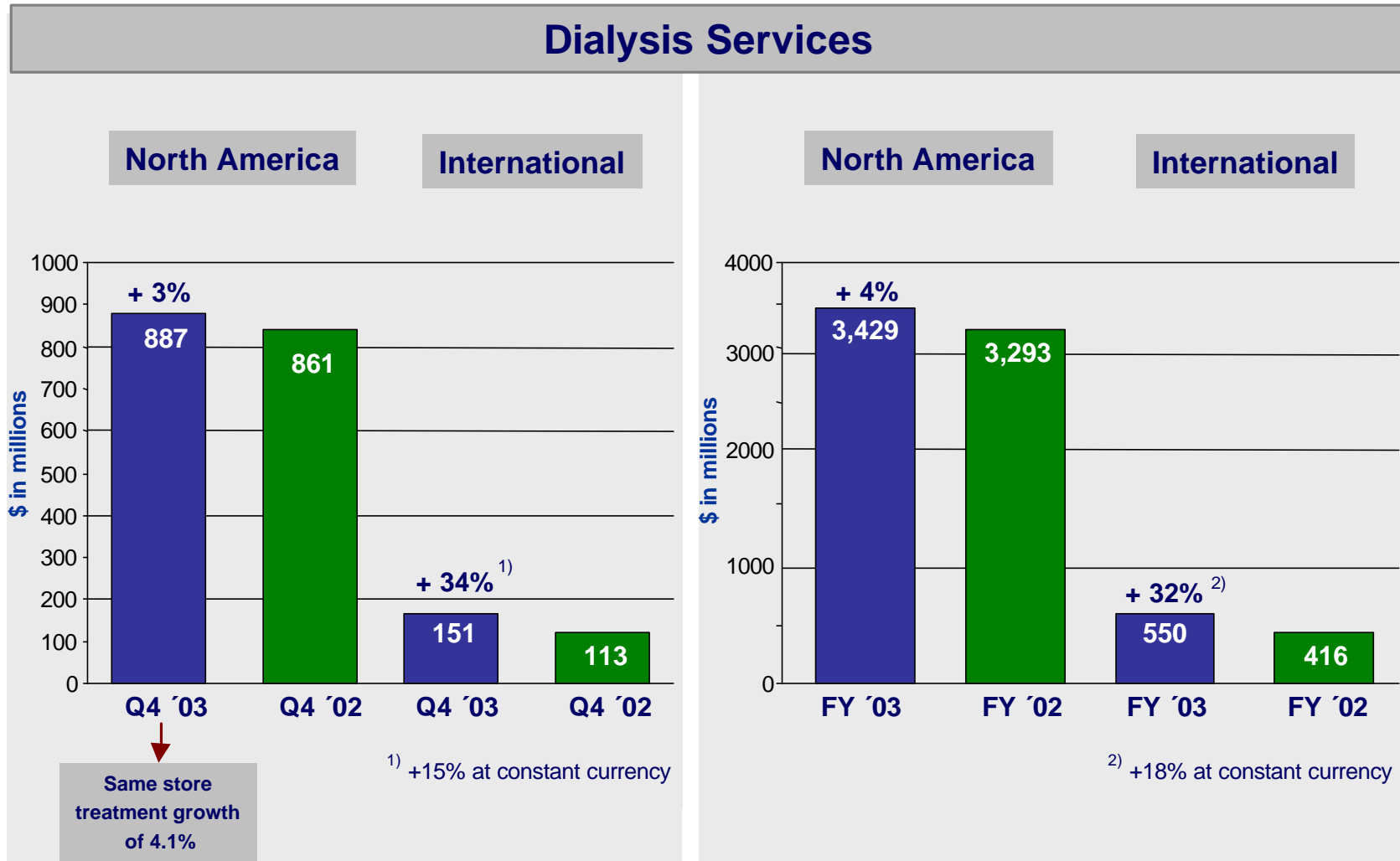
In % of total sales 7%



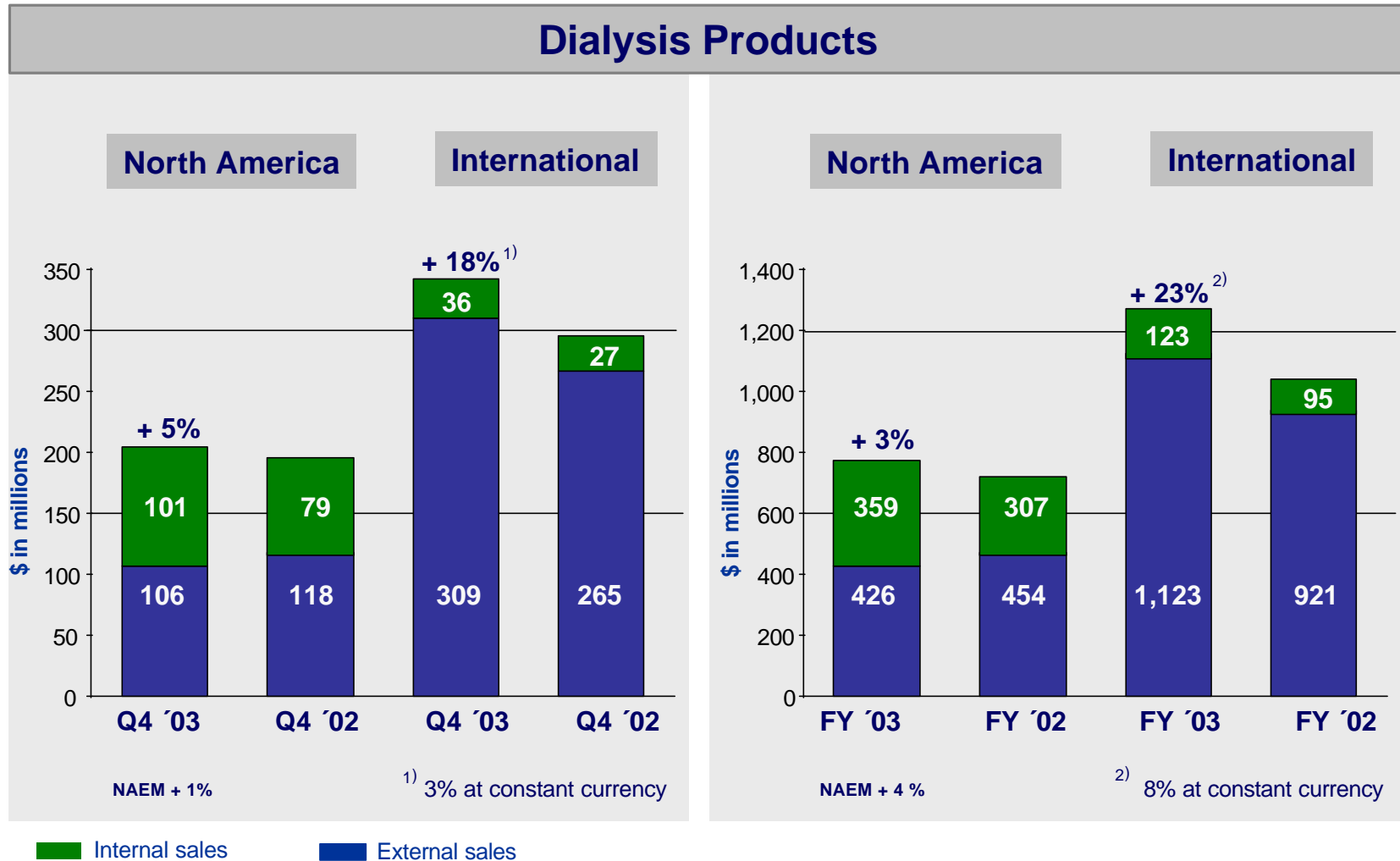
# Revenue growth by segment FY 2003



# Revenue by Business Segment Q4/FY 2003



# Revenue by Business Segment Q4/FY 2003



NAEM + 1%

<sup>1)</sup> 3% at constant currency

NAEM + 4%

<sup>2)</sup> 8% at constant currency

NAEM = Net available external market. A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.

# Strong fundamentals in service business

## Achieved further performance improvement in Q4 2003

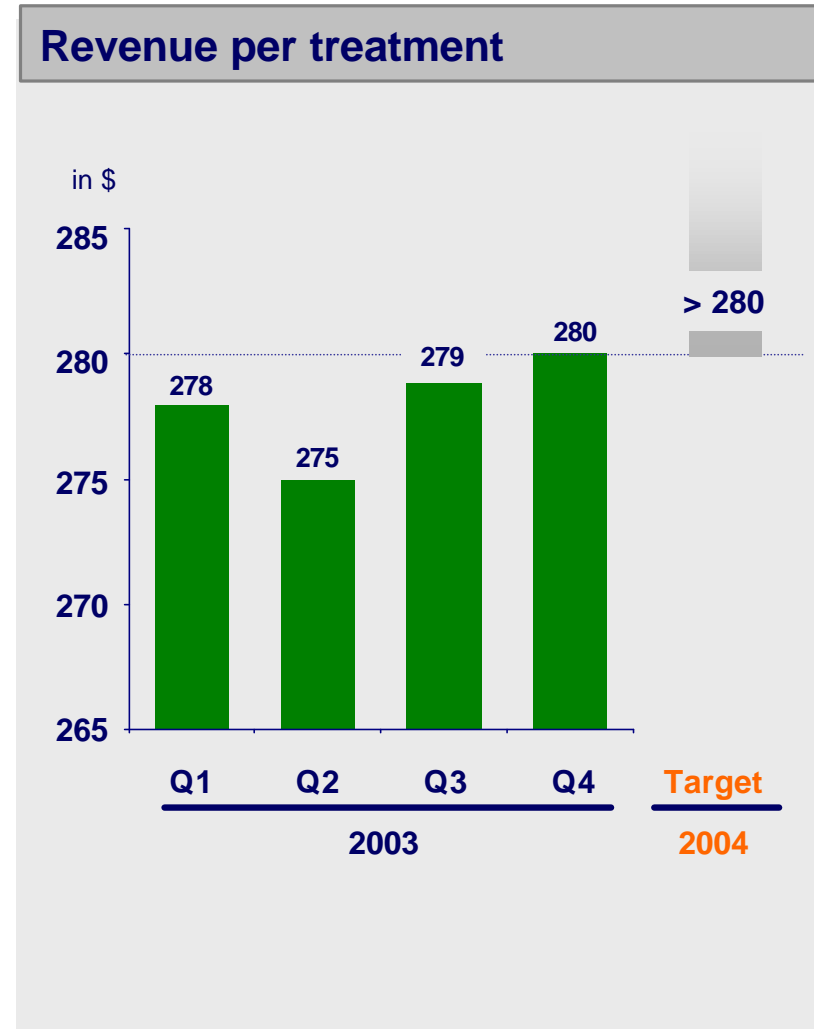
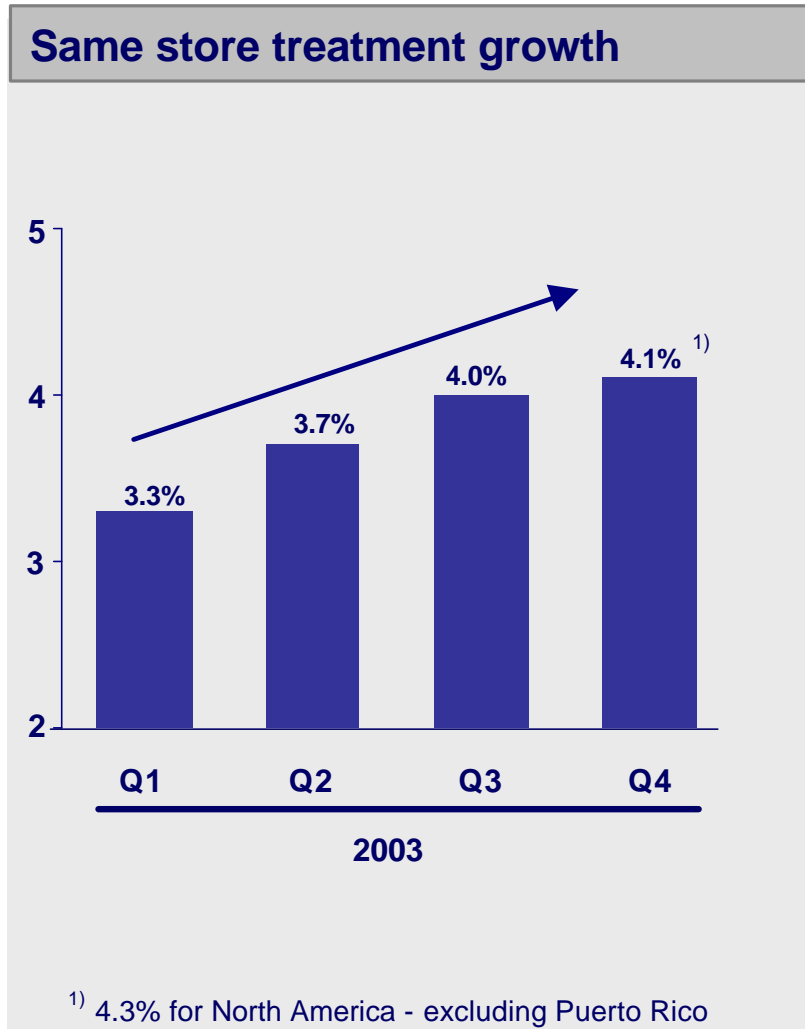
- **Same store treatment growth in North America of 4.3%\***
  - above market and within targeted range
- **Revenue per treatment sequentially up to \$ 280**
- **Personnel costs flat year over year**
- **EPO contract renewed for another 2 years**

<sup>\*)</sup> excluding Puerto Rico



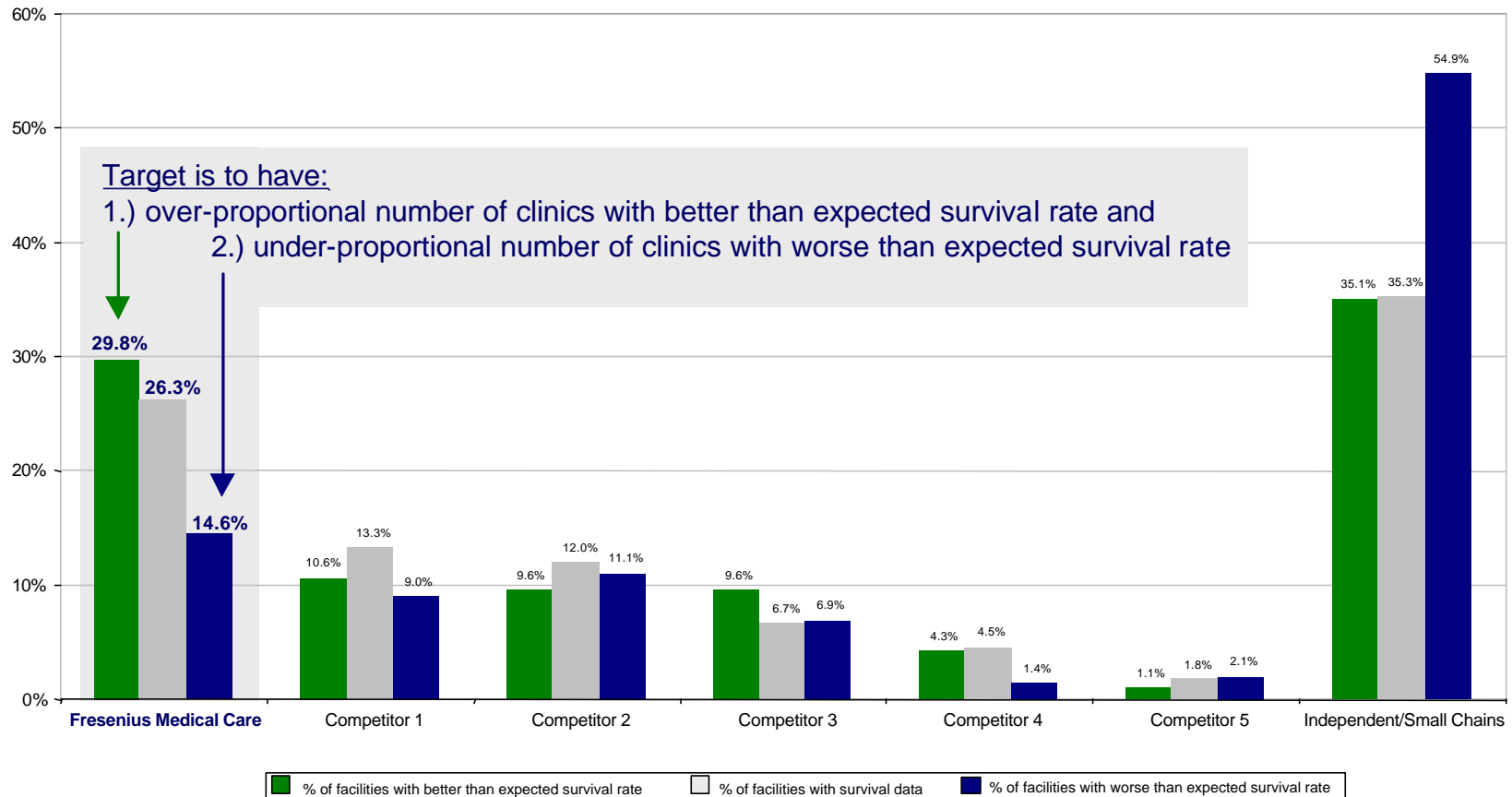


# Better than market and good outlook



# Continued quality leadership proven by official data

## Distribution of facilities within SMR\* Categories



Source: Medicare most recent available data (1999-2002), last updated Jan. 8, 2004

\* Standardized mortality rate (SMR)

# Stable/positive reimbursement environment

## Medicare / Commercial

- **Reimbursement stable in 2004**
- **Medicare Modernization Act 2003 (MMA)**
  - Composite rate increase of 1.6% in 2005
  - Pharma profit for dialysis companies shifted to composite rate in 2005:
    - Reduce dependence on pharma intensity
    - 2004 major year for development
    - Another bundling demo project to start in 2006 with economic incentives
- **Demonstration projects 2003**
  - Discussion proceeds
  - Timing of implementation slower because of CMS work load after MMA



# Dialysis Products – Strong global Production Network

In 2003 the total synthetic dialyzer production surpassed 55 million units



Source: FME, major production plants

# Strong acceptance of new product technology

## Continued market leadership position in 2003

### ■ Above market growth in hemodialysis products

(Net available external market = NAEM)

- **Optiflux® dialyzers growth of + 87%** (Single-use)
  - **100% Single-use in FMC-AG clinic network in North America**
  - **Independent providers 43%** ↑
- **HD-2008 machines** → **70% of new sales in NAEM**

### ■ 2004 new product introductions

- **Staysafe PD product line**
- **K @ home hemodialysis machine**
- **Optiflux® HP and HPX single use dialyzers**



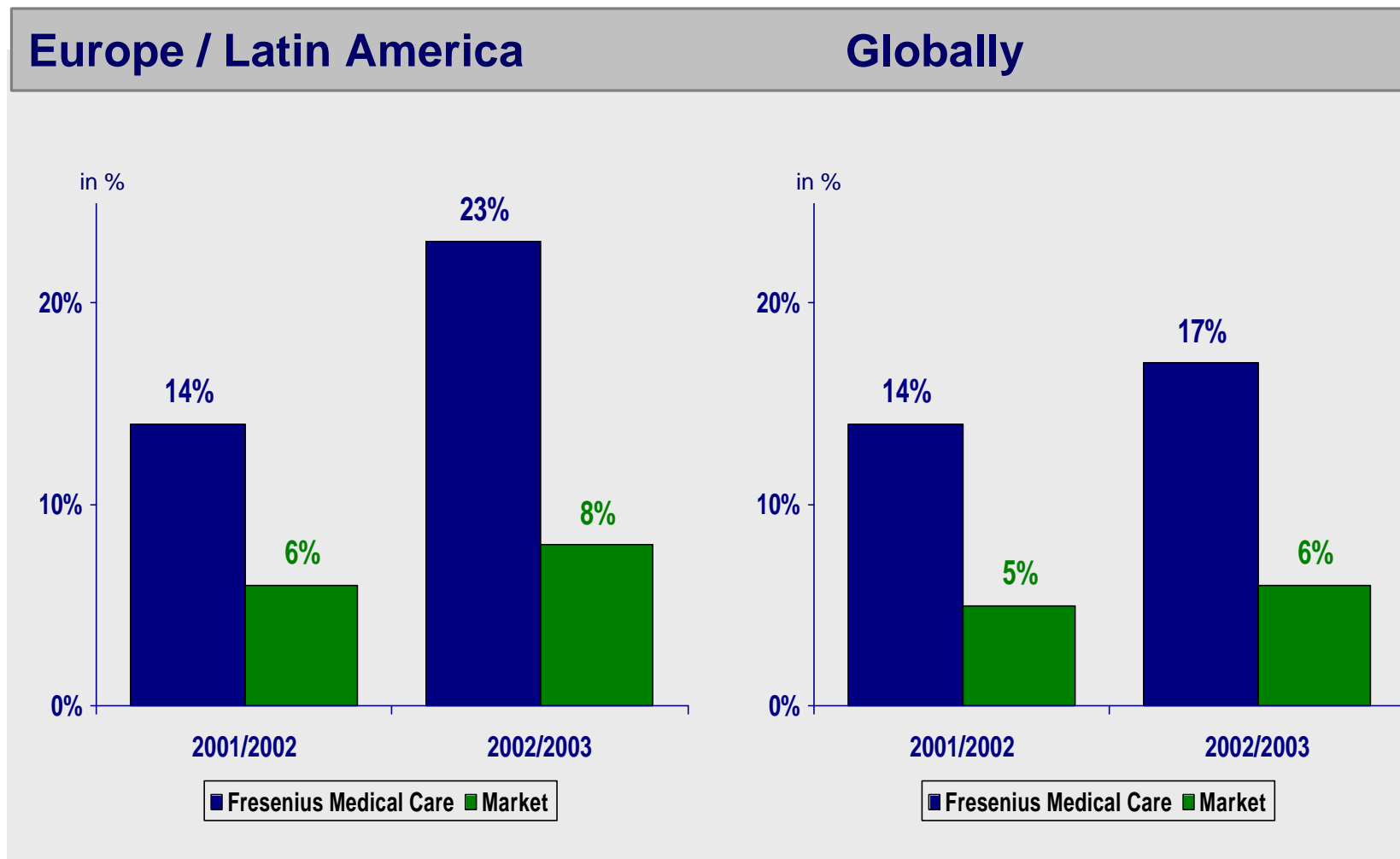
# Regional orientation is a key success driver

## Europe

- **Successful adaptation of production, logistics and sales costs to reimbursement change**
- **Quality based reimbursement increases in Portugal and Italy**
- **Successful development of PD business**
- **Stabilization of business in Middle East**
- **Strategy based on local needs**
- **Profitable service business is a local growth driver**



# Growth of PD Patients utilizing Fresenius Medical Care products



## Leading dialysis service provider in Europe / Latin America

Dialysis Care Provider	Total No. of Patients	Europe	Latin America
<b>Fresenius Medical Care</b>	<b>33,900</b>	<b>18,700</b>	<b>15,200</b>
Kuratorium für Dialyse	16,200	16,200	
Gambro	8,800	6,500	2,300
Others	11,200	7,700	3,500

Source: Company estimates

- **Leading international service provider presence**
- **Active in 19 countries in Europe and Latin America**
- **Positive financial development with vertical integration and HD & PD product mix**





# Regional orientation is a key success driver

## Latin America

### Regional

- Recovery in Argentina
- Encouraging start of PD business in Mexico
- New subsidiary in Chile with interesting pre-dialysis program

### General

- No impairments of assets
- Focus on Accounts/Receivable collection and Cash Flow
- Days Sales Outstanding (DSO) reduced by 12% in 2003



# Regional orientation is a key success driver

## Asia/Pacific

- **Continue building our own Hemodialysis sales & marketing organization in Japan, Taiwan & Central China**
- **Strengthening our position for key Hemodialysis products throughout the region**
- **Record sales of HD-machines**
- **> 20% growth in PD Patients compared with Q4 2002**



# Right strategy for future growth

- **Focused and successful management team with more than 120 years of combined renal experience**
- **Our strategy provides exceptional position**
- **Global production strategy in place**
- **Strong Cash Flow development**
- **Integrated care (Disease Management) creates upside opportunities**



# Agenda

## I. Business Update

## II. Financials Q4/FY 2003

- Profit & Loss
- Margin development
- Days Sales Outstanding (DSO)
- Cash Flow
- Financial ratios
- Dividend

## III. Financial Outlook



## Q4: strong margin and net income improvement

\$ m	Q4 2003	Q4 2002	%
<b>Net revenues</b>	<b>1,452</b>	1,358	+ 7 <sup>*</sup>
<b>Operating income (EBIT)</b>	<b>208</b>	184	+ 13
<b>EBIT margin in %</b>	<b>14.3</b>	13.6	
<b>Net income</b>	<b>94</b>	82	+ 15
<b>EPS per ordinary shares (\$)</b>	<b>0.98</b>	0.85	+ 15

\* 2% growth at constant currency

## FY 2003: strong momentum

\$ m	FY 2003	FY 2002	%
<b>Net revenues</b>	<b>5,528</b>	5,084	+ <b>9</b> <sup>*</sup>
<b>Operating income (EBIT)</b>	<b>757</b>	695	+ <b>9</b>
<b>Net income</b>	<b>331</b>	290	+ <b>14</b>
<b>EPS per ordinary shares (\$)</b>	<b>3.42</b>	3.00	+ <b>14</b>
Net income before extraord. loss prior SFAS No. 145	<b>331</b>	302	+ <b>10</b>

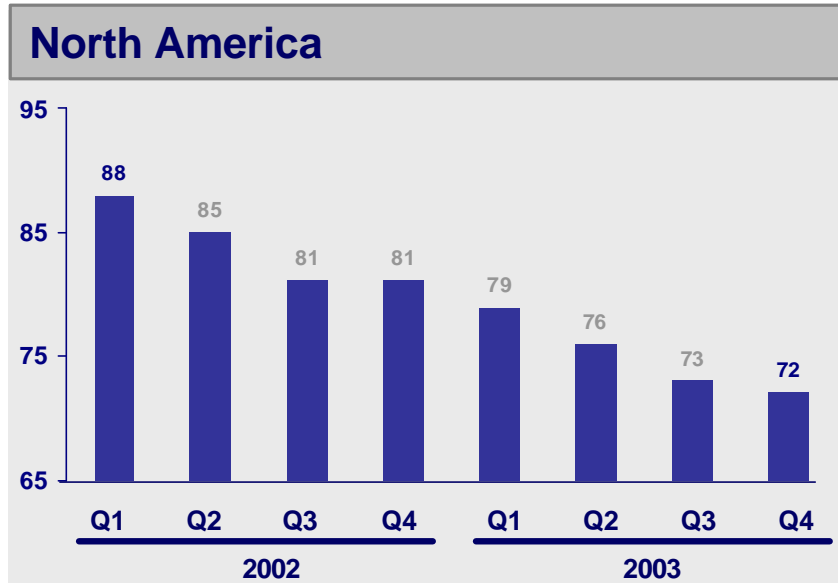
\* 5% growth at constant currency



# Continuing EBIT- margin improvement



# Days Sales Outstanding (DSO) – impressive development





## Cash Flow Q4 2003

\$ m	Q4 2003	Q4 2002	%
<b>Net cash provided by operating activities</b> <sup>1)</sup>	<b>251</b>	155	<b>+ 62</b>
<b>Capital expenditures (net)</b> <sup>2)</sup>	<b>(81)</b>	(45)	
+ early lease buyout refinancing	(66)	-	
<b>Free Cash Flow</b>	<b>104</b>	110	<b>- 5</b>
<b>Acquisitions</b>	<b>(13)</b>	(7)	
<b>Free Cash Flow after acquisitions</b>	<b>91</b>	103	<b>- 12</b>

<sup>1)</sup> Operating Cash Flow excluding benefit from the roll-over of certain hedged inter-company financing transactions was up 13% to \$ 147 million in 2003 vs. \$ 130 million in 2002

<sup>2)</sup> A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.



## 2003: Operating and Free Cash Flow at all time highs

\$ m	FY 2003	FY 2002	%
<b>Net cash provided by operating activities</b> <sup>1)</sup>	<b>754</b>	550	<b>+ 37</b>
<b>Capital expenditures (net)</b> <sup>2)</sup>	<b>(210)</b>	(201)	
+ early lease buyout refinancing	(66)	-	
<b>Free Cash Flow</b>	<b>478</b>	349	<b>+ 37</b>
<b>Acquisitions</b>	<b>(92)</b>	(80)	
<b>Free Cash Flow after acquisitions</b>	<b>386</b>	269	<b>+ 43</b>

<sup>1)</sup> Operating Cash Flow excluding benefit from the roll-over of certain hedged inter-company financing transactions was up 18% to \$ 622 million in 2003 vs. \$ 525 million in 2002

<sup>2)</sup> A reconciliation to the most directly comparable US-GAAP financial measure is provided in the attachment.



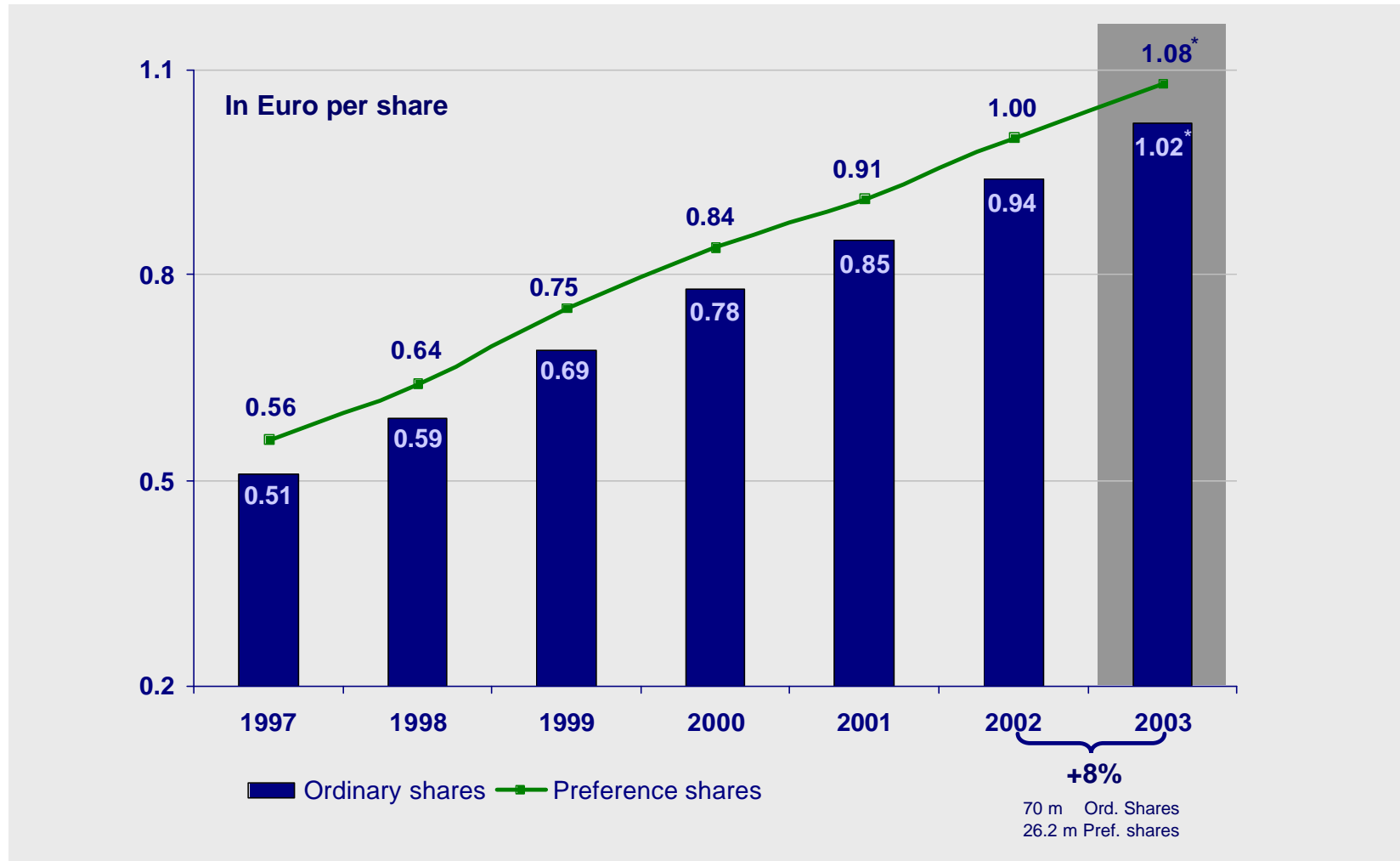
## Financial ratio FY 2003 – on track for investment grade

\$ m	December 31, 2003	December 31, 2002
EBITDA <sup>1)</sup>	986	916
Dec. 31, 2002 Debt <sup>1)</sup>	2,833	
+ CapEx <sup>1)</sup>	276	
+ Acquisitions	92	
+ FX-debt translation effects	153	
+ Redemption costs Class D	9	
+ Refinancing credit agreement	19	
+ Dividends	108	
- Others	14	
- Cash from operating activities	754	
December 31, 2003 Debt <sup>1)</sup>	2,722	2,833
Total debt / EBITDA	2.76	3.09

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



# 2003: 7<sup>th</sup> consecutive dividend increase proposed



\* To be approved by shareholders at the Annual General Meeting on May 27, 2004



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I. Business Update

II. Financials Q4/FY 2003

**III. Financial Outlook**



# Outlook 2004 shows confidence in strong company

Revenue growth at constant currency	Mid-single digit
Capital expenditure	~ \$ 250 m
Acquisitions	~ \$ 100 m
Net income growth	High-single / low-double digit



# 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 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>EBITDA</b>	<b>Q4 2003</b>	
Last twelve months operating income (EBIT)	757	
+ Last twelve months depreciation and amortization	217	
+ Non-cash charges	12	
<b>= EBITDA (annualized)</b>	<b>986</b>	
<b>Net available external market (NAEM)</b>	<b>Q4 2003</b>	<b>Q4 2002</b>
External dialysis product sales	106	118
Sales to other vertically integrated dialysis providers and <b>to leasing companies</b>	(3)	(10)
<b>Method II and others</b>	-	(7)
<b>Adsorber business sales</b>	<b>(1)</b>	-
<b>Dialysis product sales to net available external market</b>	<b>102</b>	<b>101</b>
<b>Net available external market (NAEM)</b>	<b>YTD 2003</b>	<b>YTD 2002</b>
External dialysis product sales	426	454
Sales to other vertically integrated dialysis providers and <b>to leasing companies</b>	(34)	(42)
<b>Method II and others</b>	-	(37)
<b>Adsorber business sales</b>	<b>(3)</b>	-
<b>Dialysis product sales to net available external market</b>	<b>389</b>	<b>375</b>



# Attachment II

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

All numbers are in \$ millions

<b>Debt</b>	<b>Dec. 31, 2003</b>	<b>Dec. 31, 2002</b>
Short term borrowings	90	125
+ Short term borrowings from related parties	30	6
+ Current portion of long-term debt and capital lease obligations	90	23
+ Long-term debt and capital lease obligations, less current portion	1,112	1,089
+ Trust Preferred Securities	1,242	1,145
+ Accounts receivable securitization program	158	445
<b>Total debt</b>	<b>2,722</b>	<b>2,833</b>

<b>Capital expenditure (net)</b>	<b>Q4 2003</b>	<b>Q4 2002</b>	<b>FY 2003</b>	<b>FY 2002</b>
Purchase of property, plant and equipment	149	53	291	239
- Proceeds from sale of property, plant and equipment	(2)	(8)	(15)	(38)
<b>= Capital expenditure (net) incl. one-time item</b>	<b>147</b>	<b>45</b>	<b>276</b>	<b>201</b>
Lease buy-out re-financing	(66)		(66)	
<b>= Capital expenditure (net) excl. one-time item</b>	<b>81</b>	<b>45</b>	<b>210</b>	<b>201</b>



# Attachment III

## 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>Q4 2003</b>	<b>Q4 2002</b>	<b>growth</b>	<b>constant currency</b>
<b>International</b> product revenue	345	292	+18%	+3%
- Internal revenue	(36)	(27)	+37%	+17%
<b>= External revenue</b>	<b>309</b>	<b>265</b>	<b>+16%</b>	<b>+1%</b>

<b>External Revenue</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>growth</b>	<b>constant currency</b>
<b>International</b> product revenue	1,246	1,016	+23%	+8%
- Internal revenue	(123)	(95)	+30%	+15%
<b>= External revenue</b>	<b>1,123</b>	<b>921</b>	<b>+22%</b>	<b>+7%</b>





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