



## Health Care Worldwide



**Analysts' Meeting, February 24, 2005**

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# Agenda

## **I. Business Update**

- Fresenius Group
- Dividend Proposal
- Fresenius Kabi
- Fresenius ProServe
- Fresenius Biotech

## **II. Financial Year 2004**

## **III. Outlook 2005**

# Fresenius Group: Entering 2005 with Strong Momentum

- Fresenius Medical Care achieved excellent top-line growth in the US and enhanced international position, e.g. in Eastern Europe
- Continued top-line and operating margin expansion at Fresenius Kabi; significant progress on geographic and product expansion strategy
- Operating improvements at Fresenius ProServe
- Strong financial results

# Fresenius Group: Outstanding 2004 Financial Results

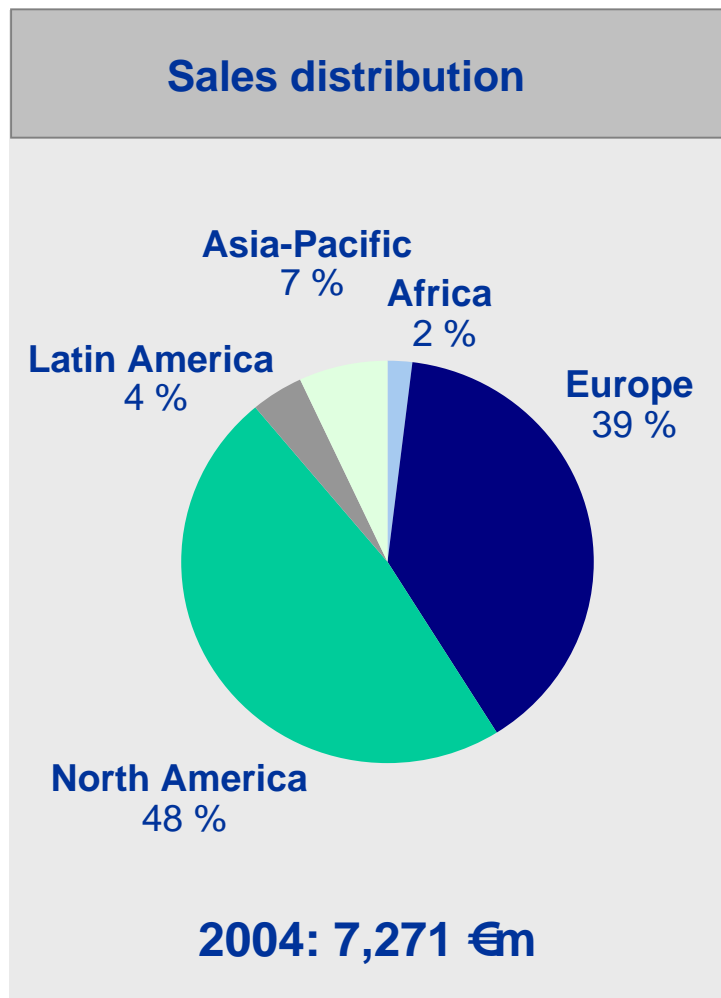
	<b>Sales</b> 7,271 €m	<b>EBIT</b> 845 €m	<b>EAT</b> 168 €m
Growth at constant currency rates	+ 8 %	+ 15 %	+ 55 %
Growth at actual currency rates	+ 3 %	+ 8 %	+ 46 %

# Business Segments: Key Issues 2004

	Fresenius Medical Care	Fresenius Kabi	Fresenius ProServe
Sales Growth	6,228 \$m + 13 %	1,491 €m + 2 %	813 €m + 10 %
EBIT Growth	852 \$m + 13 %	176 €m + 20 %	9 €m 17 €m before one-time expenses

- Fresenius Medical Care
  - Excellent top-line and net income growth
  - Strong performance in the US and Europe
- Fresenius Kabi
  - Strong revenue growth in international markets
  - Substantial increase in operating margin
- Fresenius ProServe
  - Operating performance improved
  - Organizational structure and business operations streamlined

# Fresenius Group: Strong Sales Growth in All Geographic Areas

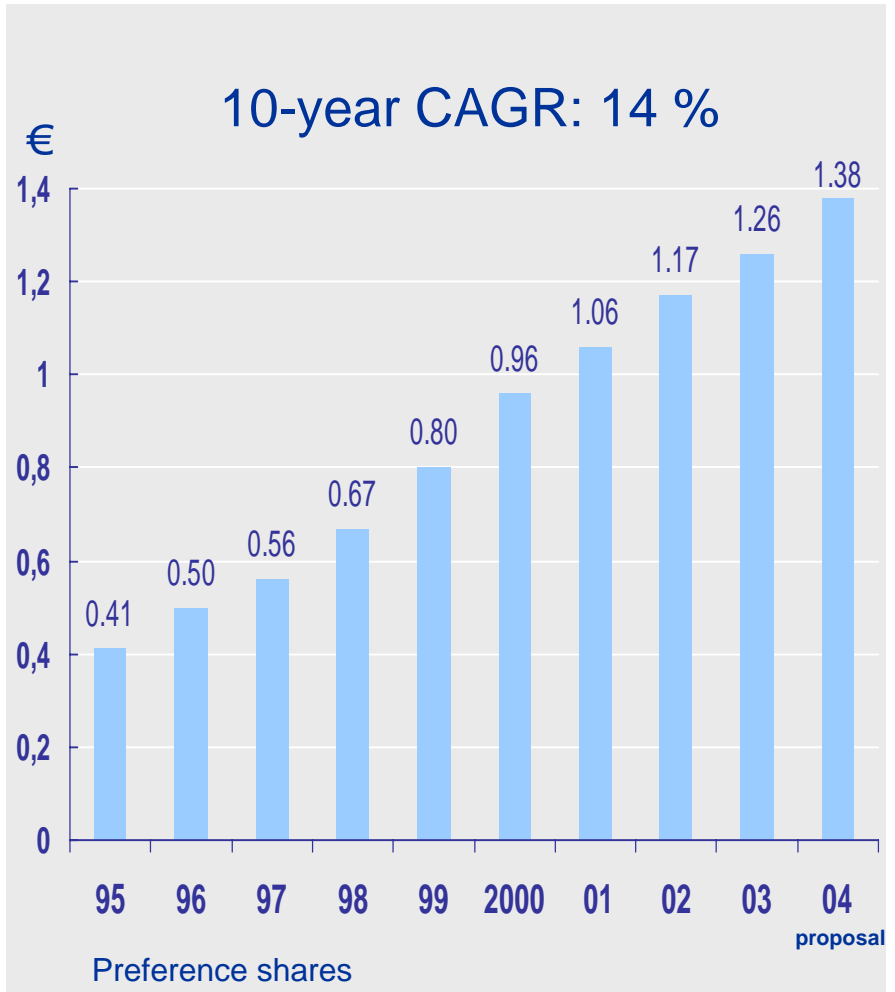


	2004 €m	2003 €m	Growth at constant currency
Europe	2,802	2,692	4 %
North America	3,478	3,496	9 %
Asia-Pacific	547	509	12 %
Latin America	272	246	19 %
Africa	172	121	38 %

- European growth affected by German health care reform
- Favorable growth in our largest market North America
- Double-digit growth in Asia-Pacific, Latin America and Africa

# Fresenius AG: 12<sup>th</sup> Consecutive Dividend Increase Proposed

- Proposed dividend:  
€ 1.35 per ordinary share  
€ 1.38 per preference share
- 10 % increase per share
- Total distribution: 55.9 €m



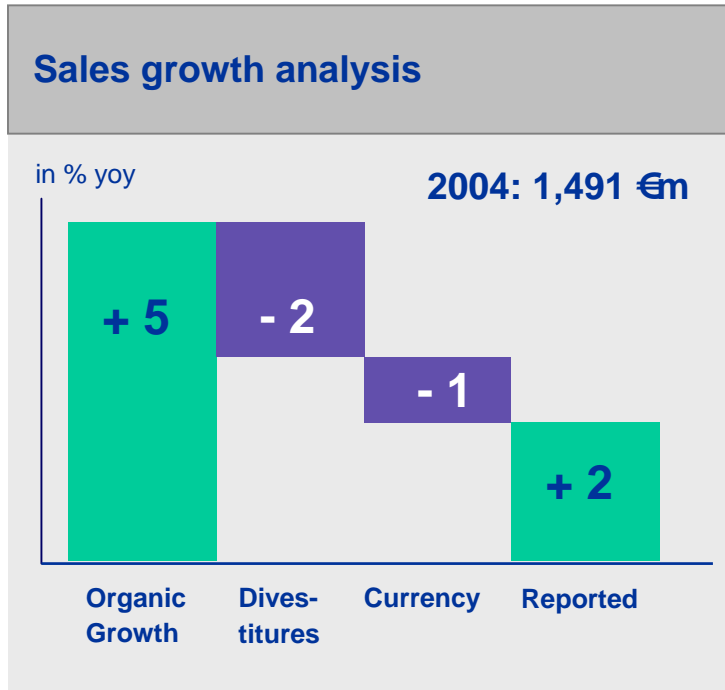




# Fresenius Kabi: Sales Development

€m	2004	2003	Organic Growth
Total Sales	1,491	1,463	5 %
<u>By Product Segment:</u>			
Infusion Therapy	759	745	6 %
Clinical Nutrition	624	620	2 %
Transfusion Technology	108	98	11 %

# Fresenius Kabi: Excellent Revenue Growth in International Markets



Sales Distribution	2004 €m	2003 €m	Organic Growth
Germany	401	427	- 6 %
Rest of Europe	712	695	+ 6 %
Asia-Pacific	157	138	+ 22 %
Latin America	79	80	+ 11 %
RoW	142	123	+ 12 %

- German sales influenced by health care reform and changes in product portfolio
- Strong development in remaining European markets – exceeding market growth
- Continued double-digit growth in overseas markets

# Fresenius Kabi: EBIT Development

€m	2004	2003	Change
EBIT	176	147	+ 20 %
EBIT margin	11.8 %	10.0 %	
<u>EBIT by Region:</u>			
Europe	172	157	+ 10 %
EBIT margin	15.5 %	14.0 %	
International	55	36	+ 53 %
EBIT margin	14.6 %	10.6 %	
Corporate / Corporate R&D	-51	-46	- 11 %

# Fresenius Kabi: Key Activities 2005

- Exploit growth opportunities in Europe through roll out of products / medical devices and customer-adapted container strategy
- Focus on I.V Drug business – prepare European product launch of Labesfal portfolio
- Capture double-digit organic growth opportunities outside of Europe
- Enhancing solid organic top-line growth through selected acquisitions
- Continued profitability improvements

# Fresenius Kabi: 2005 Financial Outlook

Revenue growth  
at constant currency  
(incl. Labesfal)

~ 10 %

EBIT margin  
(incl. Labesfal)

≥ 13 %



fresenius  proServe

# Fresenius ProServe: Management and Technical Services in Health Care

## Hospital Management

### Wittgensteiner Kliniken

- 13 acute clinics  
1,910 beds
- 19 post acute clinics  
4,205 beds
  
- Focus: Germany,  
Czech Republic

## Hospital Engineering + Services

### VAMED

- Hospital / health facility  
planning and  
engineering
- Planning of medical-  
technical equipment  
and packages
- Technical  
management
  
- Focus: Europe; Asia-  
Pacific, Africa, Latin  
America

## Pharmaceutical Engineering + Services

### Pharmaplan

- Engineering and  
plant design for  
pharmaceutical and  
medical-technical  
production
- Services for  
pharmaceutical  
production
  
- Focus: Europe, selected  
overseas markets

# Fresenius ProServe: Key Figures

€m	2004	2003	Change
<b>Sales</b>	<b>813</b>	<b>742</b>	<b>+ 10 %</b>
- Hospital Management (WKA)	343	348	-1 %
- Hospital Engineering + Services (VAMED)	352	270	+ 30 %
- Pharmaceutical Engineering + Services (Pharmaplan)	79	90	- 12 %
- Others* (sold/closed in 2004)	39	34	+ 15 %
<b>EBIT before one-time expenses</b>	<b>17</b>	<b>15</b>	<b>13 %</b>
EBIT margin	2.1 %	2.0 %	
<b>EBIT after one-time expenses</b>	<b>9</b>	<b>-19</b>	

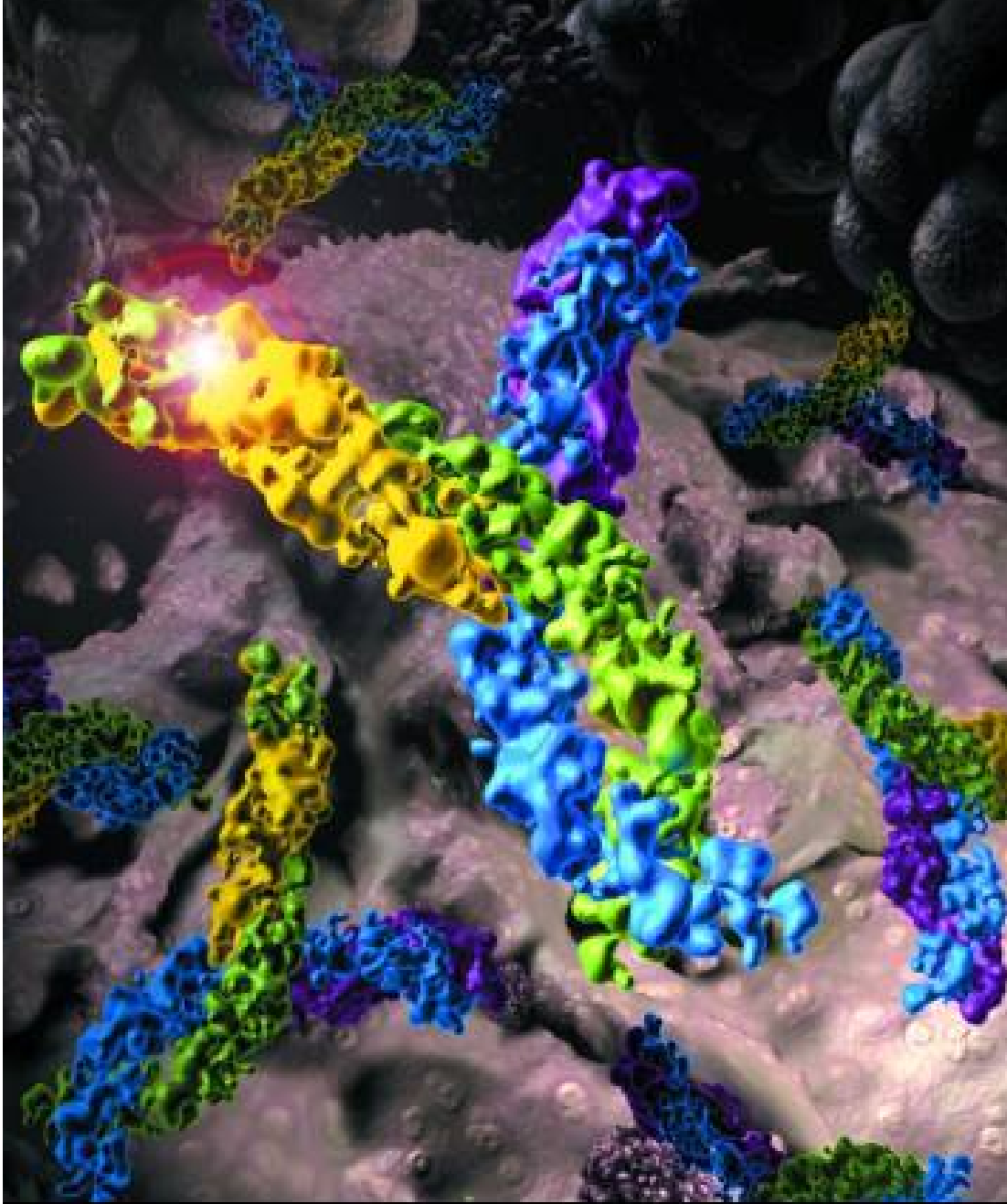
\* hospitalia care; hospitalia activHealth



# Fresenius ProServe: 2005 Financial Outlook

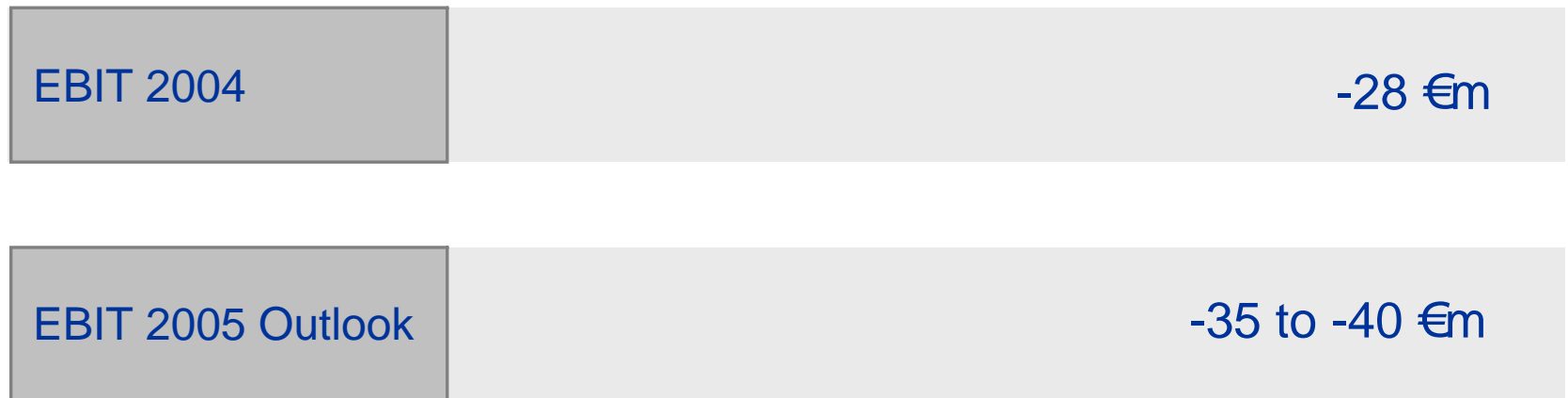
Organic revenue growth	5 - 8 %*
EBIT	20 - 25 €m

\* based on adjusted 2004 sales of 774 €m



**Fresenius**  
Biotech

# Fresenius Biotech: 2004 / 2005 Spending Levels



# Fresenius Biotech – Project Update

## Antibody projects

- Phase I studies on metastatic breast cancer and peritoneal carcinomatosis finalized
- Final reports to be announced at ASCO in May 2005
- Very encouraging results; phase II studies planned

## HIV project

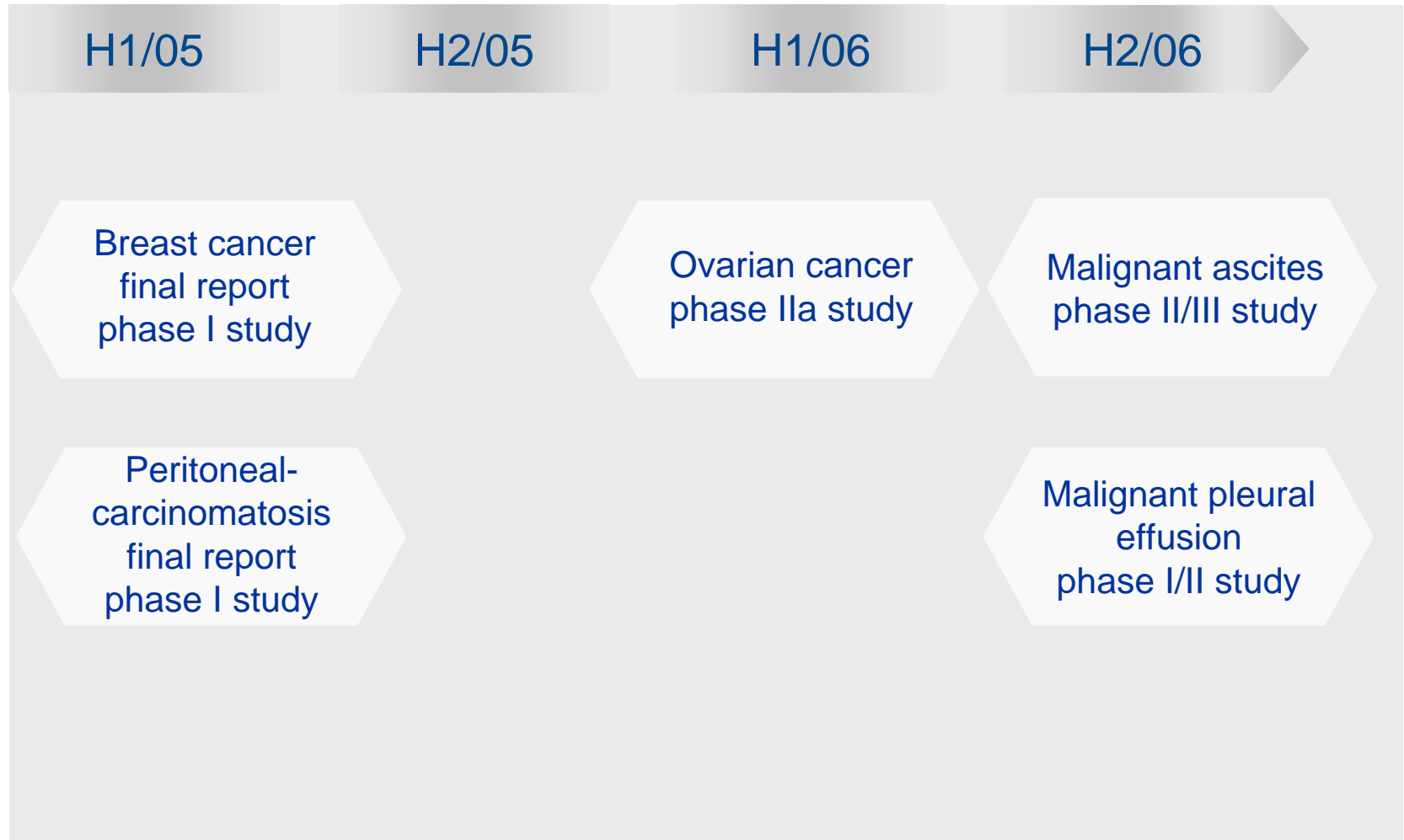
- Phase I study finalized – 10/10 patients treated (follow-up period 5 to 11 months)
- Interim report indicates that gene-modified cells are safe and tolerable
- Limited follow-up study to be initiated to gain deeper insight into efficacy

# Project Portfolio: Progress since January 2004



 Progress since January 2004

# Fresenius Biotech: Anticipated 2005/06 Newsflow



# Fresenius Group: 2005 Perspectives for Profitable Growth

- Strong organic growth and increasing investment activity at Fresenius Medical Care and Fresenius Kabi
- Improving earnings momentum at Fresenius ProServe
- Continuing clinical study progress at Fresenius Biotech

Consolidated cash flow statement

January 1 to December 31, in million €

Cash provided by/used for operating activities

Net income

Accounting interests

Adjustments to reconcile net income to cash and cash equivalents provided by operating activities

Cash income from hedging

Depreciation and amortization

Gain/loss from sale of investments

Gain/loss from sale of fixed assets

Change in deferred taxes

Change in assets and liabilities, net of amounts from businesses acquired or disposed of

Change in trade receivables (receivable from)

Change in inventories

Change in prepaid expenses and other current and non-current assets

Change in accounts receivable from/payable to related parties

Change in trade accounts payable, accruals and other short-term and long-term liabilities

Change in accruals for income taxes

Cash provided by/used for investing activities

Cash provided by/used for financing activities

Purchases of tangible assets

Proceeds from the sale of tangible assets

Purchase of shares in related companies and investments

Proceeds from sale of shares in related companies

Cash used for investing activities

Consolidated statement of income

January 1 to December 31, in million €

	2004	2003
Sales	2,271	2,164
Cost of goods sold	(4,095)	(4,798)
Gross profit	1,376	1,216
Selling, general and administrative expenses	(1,399)	(1,374)
Expenditure on research and development	(113)	(121)
Operating income (EBIT)	26	84
Interest income	23	115
Earnings before income taxes and minority interests	16	199
Income taxes	(17)	(4,507)
Minority interests	(17)	(4,511)
Net income	17	4,50
Basic earnings per ordinary share in €		
Fully diluted earnings per ordinary share in €		
Basic earnings per preference share in €		
Fully diluted earnings per preference share in €		

The following notes are an integral part of the Consolidated Financial Statements.

Consolidated balance sheet

as at December 31, in million €

ASSETS	Note	2004	2003
Cash and cash equivalents	4	140	125
Trade accounts receivable less allowances for doubtful accounts	5	1,528	642
Accounts receivable from related parties	6	619	357
Inventories	7	283	182
Prepaid expenses and other current assets	23	168	2,744
Defered taxes (current)		2,755	1,721
I. Total current assets	8	1,696	2,977
Tangible assets	9	2,905	504
Goodwill	9	480	303
Other intangible assets	9	234	98
Other non-current assets	7	118	5,603
Defered taxes (non-current)	23	5,433	8,347
II. Total non-current assets		8,188	
Total assets			

LIABILITIES AND SHAREHOLDERS' EQUITY

in million €

Trade accounts payable	
Accounts payable to related parties	
Accruals and other current liabilities	
Short-term borrowings	
Short-term liabilities and loans from related parties	
Current portion of long-term debt and other financial liabilities	
Accruals for income taxes	
Defered taxes (short-term)	
A. Total short-term liabilities	
Long-term debt and liabilities from related parties less current portion	
Long-term liabilities and loans from related parties	
Other long-term liabilities	
Pensions and similar obligations	
Defered taxes (long-term)	
Trust preferred securities	
Total long-term liabilities	
Total liabilities	
Minority interests	
Subscribed capital	
Capital reserves	
Other reserves	
Accumulated other comprehensive income	
Total shareholders' equity	
Total liabilities and shareholders' equity	

The following notes are an integral part of the Consolidated Financial Statements.

# Group Financials FY 2004



# Fresenius Group: 2004 Targets Achieved

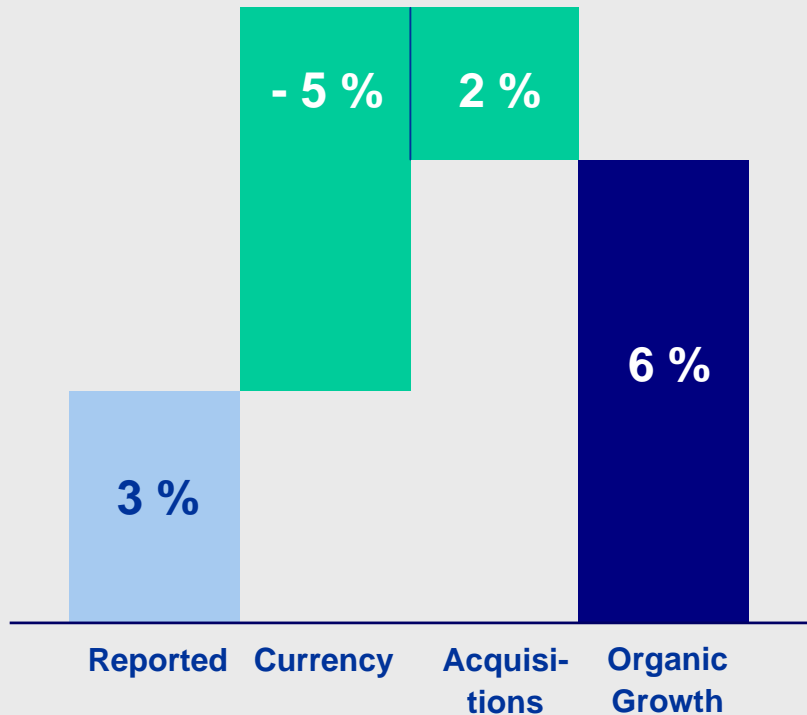
	Target	Result	
Revenue growth at constant currency	High-single digit	8 %	<input checked="" type="checkbox"/>
Net income growth rate at constant currency	~ 35 %	55 %	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Capital expenditure	~ 300 €m	308 €m	<input checked="" type="checkbox"/>
Acquisitions	~ 120 €m	113 €m	<input checked="" type="checkbox"/>
Net Debt / EBITDA	2.5 by 2005	2.2	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

# Fresenius Group: Profit and Loss Statement

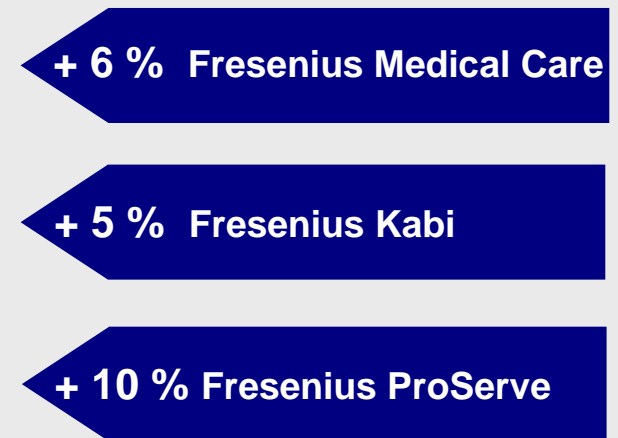
in €m	2004	2003	Change actual rates	Change constant rates
Sales	<b>7,271</b>	7,064	+ 3 %	+ 8 %
EBITDA	<b>1,160</b>	1,106	+ 5 %	+ 11 %
EBIT	<b>845</b>	781	+ 8 %	+ 15 %
Interest result	- <b>209</b>	- 249	+ 16 %	+ 12 %
Taxes	- <b>253</b>	- 223	- 13 %	- 20 %
Minority interests	- <b>215</b>	- 194	- 11 %	- 20 %
Net income	<b>168</b>	115	+ 46 %	+ 55 %
EPS (prefs) (€)	<b>4.11</b>	2.82	+ 46 %	+ 55 %

# Fresenius Group: Sales Growth Analysis FY 2004

Solid organic growth across all business segments



Organic Growth:



# Fresenius Group: Profit and Loss Statement

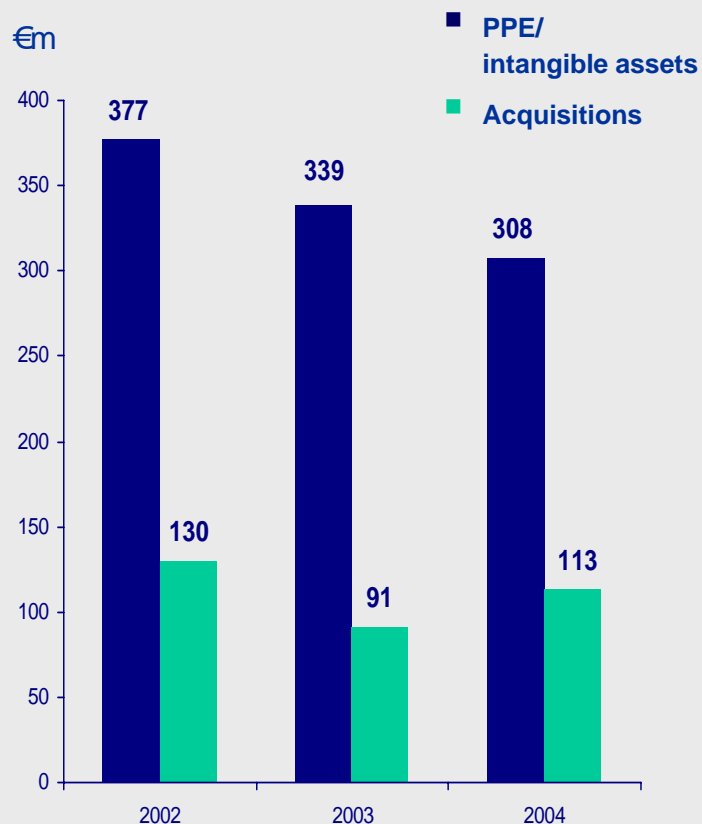
€m	2004	2003	Change actual rates	Change constant rates	
Sales	<b>7,271</b>	7,064	+ 3 %	+ 8 %	solid organic growth
EBITDA	<b>1,160</b>	1,106	+ 5 %	+ 11 %	gross profit up
EBIT	<b>845</b>	781	+ 8 %	+ 15 %	margin increase to 11.6 %
Interest result	<b>- 209</b>	- 249	+ 16 %	+ 12 %	lower debt levels <u>and</u> interest rates
Taxes	<b>- 253</b>	- 223	- 13 %	- 20 %	constant tax rate before ProServe one-time expenses
Minority interests	<b>- 215</b>	- 194	- 11 %	- 20 %	reflects Fresenius Medical Care 21 % EAT growth
Net income	<b>168</b>	115	+ 46 %	+ 55 %	adjusted for ProServe one-time expenses: 25 % cc
EPS (prefs) (€)	<b>4.11</b>	2.82	+ 46 %	+ 55 %	

# Fresenius Group: Record Cash Flow

€m	2004	2003	Change	
Cash flow	<b>718</b>	627	15 %	
Change in Working capital	<b>133</b>	149		DSO + SOI down
Operating Cash flow	<b>851</b>	776	10 %	11.7 % cash flow margin
Capex (net)	<b>-286</b>	-322	-11 %	
Free Cash flow (before acquisitions and dividends)	<b>565</b>	454	24 %	
Acquisitions	<b>-90</b>	-71	27 %	
Dividends	<b>-122</b>	-114	7 %	
Free cash flow (after acquisitions and dividends)	<b>353</b>	269	31 %	

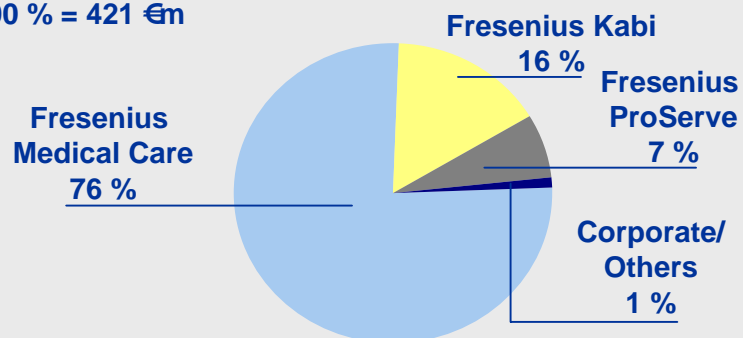
# Fresenius Group: Capex and Acquisitions

## Capex and Acquisitions



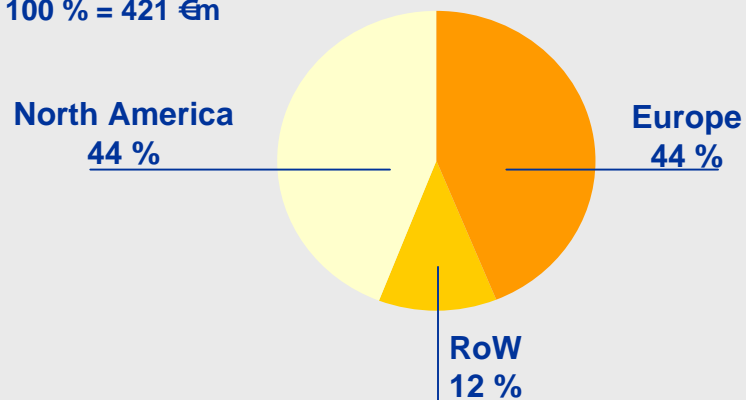
## Distribution by Business Segment

100 % = 421 €m



## Distribution by Region

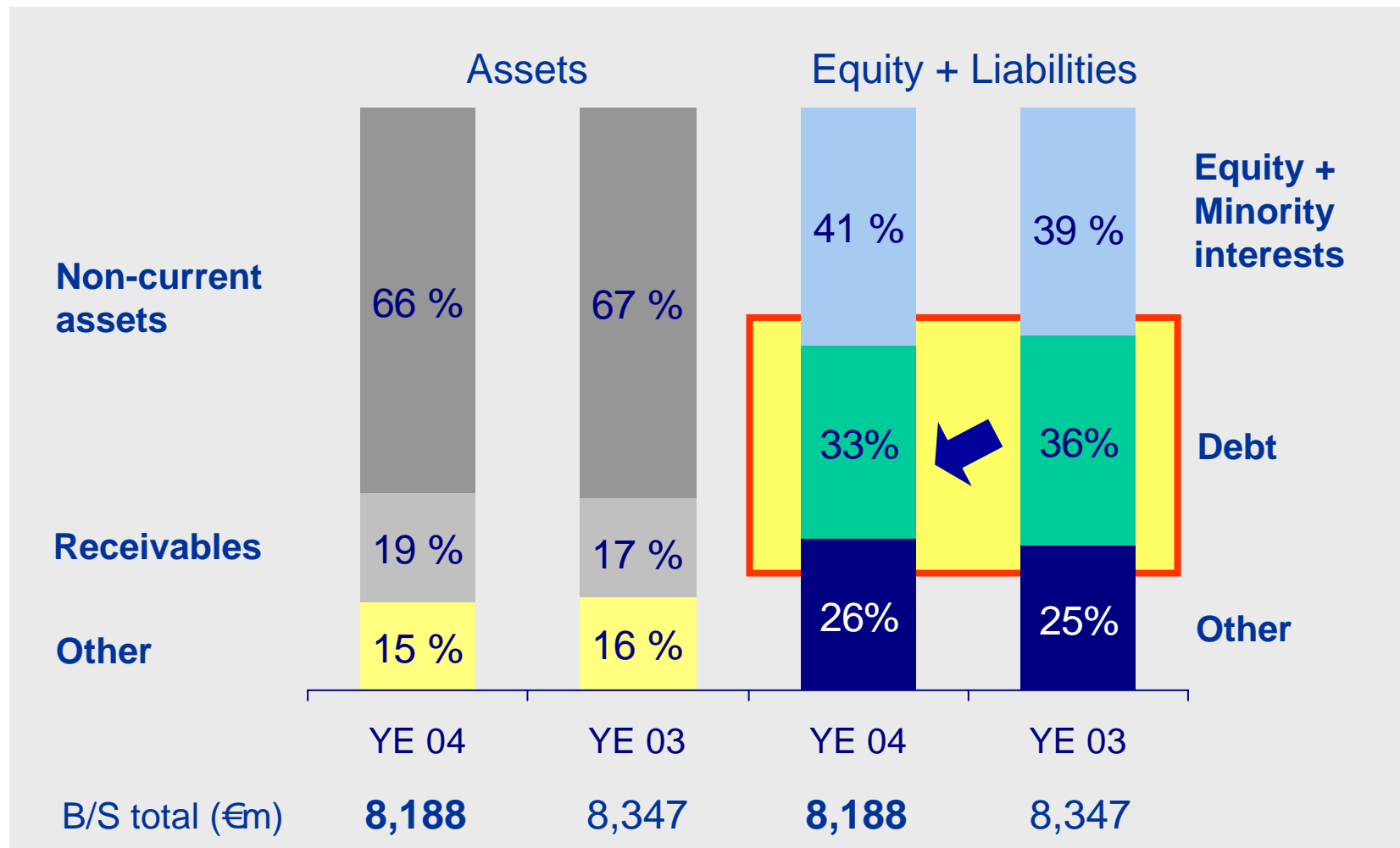
100 % = 421 €m



# Fresenius Group: Record Cash Flow

€m	2004	2003	Change	
Cash flow	718	627	15 %	
Change in Working capital	133	149		DSO + SOI down
Operating Cash flow	<b>851</b>	776	10 %	11.7 % cash flow margin
Capex (net)	-286	-322	-11 %	} focused capital management
Free Cash flow (before acquisitions and dividends)	<b>565</b>	454	24 %	
Acquisitions	-90	-71	27 %	
Dividends	-122	-114	7 %	
Free cash flow (after acquisitions and dividends)	<b>353</b>	269	31 %	used to strengthen balance sheet

# Fresenius Group: Improved Balance Sheet Structure





# Fresenius Group: Debt and Interest Ratios

	YE 2004	YE 2003	YE 2002
Debt (€m)	<b>2,735</b>	3,148	3,707
Net debt (€m)	<b>2,595</b>	3,023	3,544
Net debt/EBITDA	<b>2.2</b>	2.7	3.0
EBITDA/Interest	<b>5.6</b>	4.4	4.4



# US-GAAP Accounting Change – Stock Options

## Current

- APB 25
- based on "measurement date intrinsic value"
- pro forma calculation of SFAS 123

## From Q3/2005

- SFAS 123R
- "grant date fair value"

## Estimated impact on H2/2005

	€m
Fresenius Medical Care option plans	-3
<u>Fresenius AG option plans</u>	<u>-3</u>
EBIT	-6
Net income	-4

# IFRS Accounting to be Implemented by 2005

## Fresenius Group reporting

- Fresenius Group will continue to report under US-GAAP
- US-GAAP will remain leading accounting principle for external and internal reporting
- Fresenius Group will provide mandatory IFRS information

# IFRS Accounting to be Implemented by 2005

## No material impact on Fresenius Group's 2004 Financial Statements

€m	FY 2004 US-GAAP	FY 2004 IFRS	Difference
Sales	7,271	7,299	+ 28
EBIT	845	843	- 2
Net income	168	165	- 3
Balance Sheet Total	8,188	8,189	+ 1

# Fresenius Group: 2005 Financial Outlook

	<b>Target</b>
Revenue growth at constant currency	<b>6 - 9 %</b>
Net income growth at constant currency	<b>15 - 20 %</b>
Capital expenditure	<b>400 - 450 €m</b>
Acquisitions	<b>~ 400 €m</b>

Consolidated cash flow statement

January 1 to December 31, in million €

Cash provided by/used for operating activities
Net income
Minority interests
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities
Cash inflow from financing
Depreciation and amortization
Gains from sale of investments
Change in deferred taxes
Gains from sale of fixed assets
Change in assets and liabilities, net of non-current
From businesses acquired or disposed of
Change in trade accounts receivable/inventories
Change in inventories
Change in prepaid expenses and other current and non-current assets
Change in accounts receivable from/payable to related parties
Change in accounts payable
Change in trade accounts payable
Accruals and other short-term and long-term liabilities
Change in accruals for income taxes
Cash provided by/used for investing activities
Cash provided by/used for financing activities
Purchase of intangible assets
Proceeds from the sale of tangible assets
Purchase of shares in related companies and investments
Proceeds from sale of shares in related companies
Cash used for investing activities

Consolidated statement of income

January 1 to December 31, in million €

	Note	2004	2003
Sales	26	2,211	1,664
Cost of goods sold		-4,805	-4,788
Gross profit		2,376	2,276
Selling, general and administrative expenses	26	-1,395	-1,374
Expenditure on research and development	26	-113	-121
Operating income (EBIT)		868	781
Interest income	23	64	34
Interest expense	15	-15	-275
Earnings before income taxes and minority interests		917	788
Income taxes	17	-626	-279
Minority interests	17	4,011	3,881
Net income	17	430	280
Basic earnings per ordinary share in €	17		
Fully diluted earnings per ordinary share in €	17		
Basic earnings per preference share in €	17		
Fully diluted earnings per preference share in €	17		

Consolidated Financial Statements | Report Supervisory Board | Supervisory Board | Management Board | Directors | Notes

Consolidated balance sheet

as at December 31, in million €

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Cash and cash equivalents	4	140	125
Trade accounts receivable less allowances for doubtful accounts	5	1,528	23
Accounts receivable from related parties	6	17	642
Inventories	7	619	357
Prepaid expenses and other current assets	23	283	182
Deferred taxes (current)	7	168	152
I. Total current assets		2,755	2,744
Tangible assets	8	1,696	1,721
Goodwill	9	2,905	2,977
Other intangible assets	9	480	504
Other non-current assets	9	480	303
Deferred taxes (non-current)	7	-234	98
II. Total non-current assets		118	5,603
Total assets		5,433	8,347

LIABILITIES AND SHAREHOLDERS' EQUITY

in million €

Trade accounts payable
Accounts payable to related parties
Accruals and other current liabilities
Short-term borrowings
Short-term liabilities and loans from related parties
Current portion of long-term debt and other financial liabilities
Accruals for income taxes
Deferred taxes (short-term)
A. Total short-term liabilities
Long-term debt and liabilities from related parties less current portion
Long-term liabilities and loans from related parties
Other long-term liabilities
Pensions and similar obligations
Deferred taxes (long-term)
Trust preferred securities
Total long-term liabilities
Total liabilities
Minority interests
Subscribed capital
Capital reserves
Other reserves
Cumulated other comprehensive income
Total shareholders' equity
Total liabilities and shareholders' equity

# Attachments

# Fresenius Kabi: P & L

€m	2004	2003	
Sales	<b>1,491</b>	1,463	
Cost of goods sold	<b>872</b>	874	
Gross profit	<b>619</b>	589	▪ Production improvements
%	<b>41.5</b>	40.3	▪ Product mix
SG&A	<b>387</b>	393	▪ Cost discipline
%	<b>25.9</b>	26.9	▪ Leverage on existing structure
R&D expenses	<b>56</b>	49	▪ Increasing R&D initiatives
%	<b>3.8</b>	3.4	
EBIT	<b>176</b>	147	
EBIT margin %	<b>11.8</b>	10.0	
EBITDA	<b>258</b>	232	
EBITDA margin %	<b>17.3</b>	15.9	

## Fresenius Kabi: P & L (cont'd)

€m	2004	2003	
EBIT	<b>176</b>	147	
EBIT margin %	<b>11.8</b>	10.0	
Net interest	<b>46</b>	45	▪ Slightly higher interest rate due to 2003 refinancing
Earnings before taxes and minority interests	<b>130</b>	102	
Income taxes	<b>44</b>	31	▪ Positive one-time effect in Q4/03
Tax rate %	<b>33.8</b>	30.4	
Minority interests	<b>7</b>	6	▪ Joint ventures in China
Net income	<b>79</b>	65	



# Fresenius Kabi: Cash Flow

€m	2004	2003	
Net income (incl. minority interests)	<b>86</b>	71	▪ 21 % increase
Depreciation / amortization	<b>82</b>	85	
Working capital	<b>+2</b>	-23	
Cash flow from operations	<b>170</b>	133	▪ Sustainable cash generation
Margin %	<b>11.4</b>	9.1	
CAPEX, net	<b>49</b>	53	
Free cash flow before acquisitions and dividends	<b>121</b>	80	
Acquisitions, net	<b>12</b>	2	▪ Selected acquisitions
Free cash flow	<b>109</b>	78	

# Fresenius Kabi: Balance Sheet

€m	YE 2004	YE 2003	
Accounts receivable	<b>354</b>	340	▪ DSO (Dec 31, 04): 87
Inventories	<b>243</b>	230	▪ SOI (Dec 31, 04): 113
PPE + goodwill	<b>707</b>	726	▪ Goodwill (Dec 31, 04): 245 €m
All other assets	<b>214</b>	214	
<b>Total assets</b>	<b>1,518</b>	1,510	
Debt	<b>709</b>	739	
Other liabilities	<b>464</b>	448	
Equity (incl. minority interests)	<b>345</b>	323	▪ Equity ratio: 23 %
<b>Total liabilities and shareholders' equity</b>	<b>1,518</b>	1,510	

# Fresenius ProServe: 2004 Sales According to Former Reporting Structure

€m	2004	2003	Change
Sales	813	742	+ 10 %
Healthcare Business	734	652	+ 13 %
- Service	493	492	+ 0 %
- Projects	241	160	+ 50 %
Pharma Industry Business	79	90	- 12 %

# Fresenius

This presentation contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of clinical trials, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. Fresenius does not undertake any responsibility to update the forward-looking statements contained in this presentation.