Interim Report 1st Quarter 2003

Management Discussion and Analysis

1st Quarter 2003:

- Sales: € 1.7 billion
  + 7 % currency-adjusted, - 7 % at current exchange rates
- EBIT: € 194 million
  + 2 % currency-adjusted, - 11 % at current exchange rates
- Net income: € 36 million
  + 46 % currency-adjusted, + 29 % at current exchange rates

The development of the Fresenius Group in the 1st quarter 2003 was substantially affected by the changes in the exchange rates in the currency translation. On the basis of constant exchange rates, Fresenius increased sales by 7 % in the 1st quarter 2003. However, due to exchange rate effects, especially of the US dollar/euro, sales in the 1st quarter 2003 amounting to € 1,729 million at current exchange rates were 7 % lower than the figure for the previous year. The Fresenius Group achieved an operating profit (EBIT) of 2 % at constant exchange rates. At current exchange rates, EBIT was 11 % lower than in the same period of the previous year. Net income of the Fresenius Group rose by 46 % currency-adjusted (at current exchange rates: 29 %).

Sales

As a result of the exchange rates, consolidated sales of the Fresenius Group decreased by 7 % in the first quarter to € 1,729 million (Q1/2002: € 1,854 million). Organic growth amounted to 4 %. Acquisitions contributed 3 % to this growth. The changes in exchange rates had a negative impact of 14 % on sales development. Especially the 22.4 % weaker US dollar compared to the previous year's quarter and the weakening of the Argentinean peso compared to the euro had negative effects on sales in the currency translation.

The regions with the strongest sales of the Group are still North America with 51 % and Europe with 38 % of total sales, followed by Asia-Pacific with 7 % and Latin America and other regions with a total of 4 %. In all Fresenius' important markets, the Group succeeded in increasing sales at constant exchange rates. We should like to emphasize that despite the continuing difficult economic situation in Argentina and Brazil sales in Latin America increased by 30 % at constant exchange rates.

in million €	Q1/2002	Q1/2003	Change	Change currency-adjusted
Europe	598	651	9%	10%
North America	1,040	886	-15%	4%
Asia-Pacific	117	112	-4%	7%
Latin America	73	57	-22%	30%
Africa	26	23	-12%	-16%
Total	1,854	1,729	-7%	7%

The breakdown of sales by business segment has shifted to the advantage of Fresenius Kabi and Fresenius ProServe compared to the previous year's quarter. Due to the currency translation effect of the US dollar to the euro the sales contribution of Fresenius Medical Care in the first quarter 2003 was 70 %.

	Q1/2002	Q1/2003
Fresenius Medical Care	73%	70%
Fresenius Kabi	19%	20%
Fresenius ProServe	8%	10%

Earnings

The exchange rate effects were also reflected in the earnings of the Fresenius Group: Calculated at constant exchange rates, consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) increased by 2 % compared to the figure for the previous year. At current exchange rates EBITDA amounted to € 271 million in the 1st quarter 2003, 11 % below previous year's figure of € 303 million. Consolidated EBIT also increased by 2 % at constant exchange rates. On the basis of current exchange rates consolidated EBIT in the 1st quarter 2003, € 194 million, was also 11 % below the previous year's figure of € 217 million. Earnings development in the 1st quarter 2003 was marked by the lower EBIT contribution of Fresenius Medical Care, which was - 3 % compared to the same period of the previous year on a US dollar basis.

The particularly strong increase in EBIT of Fresenius Kabi (84 % compared to the previous year) had a positive impact. The EBIT contribution of Fresenius Kabi is the result of the successful implementation of the restructuring measures in 2001 and 2002. Fresenius ProServe increased its operating profit by 50 % over the previous year.

Balance of interest decreased to € - 64 million in the 1st quarter 2003 compared to the same period of the previous year and was positively influenced by currency effects from the conversion of the US dollar to the euro, since a high proportion of bank loans is in the United States.

As the following table shows, balance of interest and following figures of the statement of income of the previous year have been adjusted, since US GAAP rule SFAS No. 145 stipulates that as of 1.1.2003, the majority of earnings and losses from the early redemption of financial liabilities is no longer classified as extraordinary. This rule also concerns the expenses amounting to € 22 million before taxes (€ 13 million after taxes and related minority interests amounting to € 8 million) for the early redemption in 2002 of trust preferred securities of Fresenius Medical Care due in 2006. Accordingly, the following table shows the development of the previous year's statement of income:

	Q1/2002 as reported in million €	Q1/2002 adjusted according to SFAS No.145 in million €	Q1/2003 in million €	Change Q1/2003 vs. Q1/2002 as reported	Change Q1/2003 vs. Q1/2002 SFAS No.145
EBIT	217	217	194	-11%	-11%
Balance of interest	-71	-93	-64	10%	31%
Earnings before income taxes	146	124	130	-11%	5%
Taxes on income and profit	-56	-47	-51	9%	-9%
Minority interests	-57	-49	-43	25%	12%
Net income (before extraordinary expenses)	33	28	36	9%	29%
Extraordinary expenses after taxes and minority interests	-5	0	0	-100%	-
Net income	28	28	36	29%	29%
Earnings per preference share	0.80	0.68	0.88	10%	29%

The tax ratio amounted to 39.2 % in the period under report (Q1/2002: 37.9 %).

Minority interests fell to € 43 million, following € 49 million in the 1st quarter 2002. This drop is also a result of the strong exchange rate effects. 95 % of minority interests concern Fresenius Medical Care.

Fresenius increased consolidated net income by 29 % from € 28 million in the 1st quarter 2002 to € 36 million in the 1st quarter 2003. At constant exchange rates, the increase would have amounted to 46 %. Without adjustment of the previous year's figures to take into account the extraordinary expenses, net income would have increased by 9 % (currency-adjusted: 24 %).

Earnings per ordinary share amounted to € 0.87 following € 0.67 in the same period of the previous year, and earnings per preference share amounted to € 0.88 following € 0.68 in the previous year; an increase of 29 % (currency-adjusted: 46 %). Without adjusting the previous year's figures for the extraordinary expenses, earnings per ordinary share for the previous year was € 0.79 and earnings per preference share € 0.80; this corresponds to a plus of 10 % in the 1st quarter 2003 (currency-adjusted: 26 %).

Capital expenditure

Fresenius invested € 88 million in the 1st quarter 2003. This is € 12 million less than in the same period of the previous year when the investment volume was € 100 million.

Of the total capital expenditure of the period under report, 64 % was invested in tangible and intangible assets and 36 % in acquisitions. Investments in tangible and intangible assets dropped by 32 % to € 56 million compared to the same period of the previous year. Cash used for acquisitions increased from € 18 million in the 1st quarter 2002 to € 32 million in the period under report. This increase is solely due to the comparatively low investment volume in the same period of the previous year.

Acquisitions in the 1st quarter 2003 mainly concerned the acquisition of dialysis clinics by Fresenius Medical Care. Investments in tangible assets were chiefly in the founding and equipping of dialysis clinics, especially in the United States, in expanding and modernising existing clinics and in the further expansion and optimisation of production plants.

Looking at the breakdown by business sector, Fresenius Medical Care spent 83 % of the total investment volume, followed by Fresenius Kabi with 10 %. By region, 42 % of the total amount was invested in Europe, 49 % in North America and with a total of 9 % in the regions Asia-Pacific and Latin America.

Cash flow

The consolidated cash flow statement again showed a good development. The operating cash flow and the free cash flow showed high growth rates. The operating cash flow amounted to € 137 million in the period under report (Q1/2002: € 80 million). This corresponds to an increase of 71 % and is largely due to the further improvement in receivables management. The operating cash flow fully covered the financing requirements resulting from investment activities before acquisitions. The free cash flow before acquisitions and dividends also improved significantly and rose from € 3 million in the same period of the previous year to € 83 million in the 1st quarter 2003. This resulted from the considerably lower investment volume; cash used for investments in the Group amounted to € 56 million and cash received from the disposal of tangible assets amounted to € 2 million. The free cash flow after acquisitions and dividends, € 57 million, was positive.

Asset and equity structure

Balance sheet total of the Group changed only slightly compared to 31.12.2002, by 1 % to € 8,964 million (31.12.2002: € 8,915 million). This is largely due to the US$ 133 million reduction in the receivable securitization programme of Fresenius Medical Care to US$ 312 million, which is reflected in a corresponding increase in accounts receivable.

The liabilities side of the balance sheet shows an almost unchanged shareholders' equity including minority interests of – 1 % to € 3,348 million (31.12.2002: € 3,369 million). This drop resulted from the change in exchange rates; at constant exchange rates, an increase of 2 % would have resulted. Equity ratio including minority interests fell slightly from 37.8 % as at 31.12.2002 to 37.3 % at the end of the reporting period.

The liabilities of the Group from bank loans, Eurobonds, commercial papers and trust preferred securities amounted to € 3,337 million on 31.3.2003 (31.12.2002: € 3,283 million). The increase resulted from Fresenius Medical Care utilising credit lines in order to reduce the receivable securitization programme. An opposite effect had the changed exchange rates in the translation of the US dollar loans into euros.

Debt of the Group including liabilities from the receivable securitization programme of Fresenius Medical Care were reduced from € 3,707 million as at 31.12.2002 to € 3,624 million on 31.3.2003.

The key ratio net debt/EBITDA remained unchanged at 3.0 on 31.3.2003 compared to the end of the 2002 financial year.

Employees

On 31.3.2003, the Fresenius Group had 64,806 employees all over the world. This was around 2 % or 1,168 people more than at the end of 2002.

Group outlook on year-end 2003

The Group confirms its forecast made in February for the year as a whole and anticipates an altogether positive development for the 2003 financial year. At 2002 exchange rates, a high single-digit sales increase rate is expected. In view of the weak economic development and the increasing cost pressure in the health systems, this is an ambitious target. Earnings are also expected to further increase at constant exchange rates: the growth rate in net income is expected to be higher than that of sales.

The Business Segments

Fresenius Medical Care

Fresenius Medical Care AG is the world's leading provider of products and services for patients with chronic kidney failure.

in US$ million	Q1/2002	**Q1/2003**	Change in %
Sales	1,187	1,299	10
EBITDA	225	222	- 1
EBIT	174	169	- 3
Net income	63	70	10
Employees	41,766 (31.12.2002)	42,515 (31.3.2003)	2

In the 1st quarter 2003, Fresenius Medical Care increased sales by 10 % to US$ 1,299 million (previous year: US$ 1,187 million). 72 % of these sales were achieved in North America and 28 % outside North America.

The dialysis care business generated 73 % of sales, and dialysis products 27 %. Sales of dialysis products increased by 16 % to US$ 355 million (Q1/2002: US$ 305 million). The dialysis care business grew by 7 % to US$ 944 million (Q1/2002: US$ 881 million). The main reason for this growth was the increased number of dialysis treatments: Altogether, Fresenius Medical Care performed 4.2 million treatments in the reporting period, 9 % more than in the same period of the previous year. As at 31.3.2003, Fresenius Medical Care treated around 114,300 patients in 1,500 dialysis clinics, 7 % more than in the same period of the previous year.

Operating profit (EBIT) of Fresenius Medical Care in the 1st quarter 2003 was US$ 169 million. EBIT of the same period of the previous year amounted to US$ 174 million including a one-time benefit of US$ 6.3 million. Before this one-time item, EBIT of the 1st quarter 2002 was 168 US$. Earnings of the 1st quarter 2003 were affected particularly by the Middle East crisis, the difficult economic conditions in various countries of Latin America and the continued price pressure in Central Europe.

Net income of Fresenius Medical Care increased by 10 % to US$ 70 million. Without adjusting the previous year's figures by the extraordinary expenses caused by the early redemption of trust preferred securities, net income would have decreased by 7 %.

For further information – please see the Fresenius Medical Care Investor News (www.fmc-ag.com).

The weakness of the dollar means that sales of Fresenius Medical Care amounting to US$ 1,299 million after conversion into euros were 11 % lower than the figure for the previous year. Currency translation caused EBIT to decrease by 21 % to € 157 million (previous year: € 198 million).

Fresenius Kabi

The portfolio of Fresenius Kabi focuses on the nutrition and infusion therapy of patients in the hospital, many of whom are seriously ill, and in ambulatory care, as well as on infusion and transfusion technology.

in € million	Q1/2002*	**Q1/2003**	Change in %
Sales	354	355	0
EBITDA	39	54	38
EBIT	19	35	84
Net income	4	15	275
Employees	11,311 (31.12.2002)	11,294 (31.3.2003)	0

In the 1st quarter 2003, Fresenius Kabi recorded sales of € 355 million, the same as in the previous year (€ 354 million). This is almost solely the result of currency translation effects. The organic growth of Fresenius Kabi was 7 % in the reporting period and thus within the framework of our defined target of 6 to 7 % for 2003 as a whole. The development of sales was significantly affected by currency effects (- 6 percentage points). Furthermore, disinvestments (the sale of the company ProReha effective August 1, 2002) reduced sales by – 1 percentage point.

The hospital business achieved € 284 million, 80 % of total sales (Q1/2002: € 279 million including transfusion and infusion technology), the Ambulatory Care business € 71 million (Q1/2002: € 75 million), 20 % of total sales.

Fresenius Kabi achieved an EBIT of € 35 million in the 1st quarter 2003, significantly higher than the previous year's figure of € 19 million. Thus, Fresenius Kabi achieved an EBIT margin of 9.9 % in the 1st quarter 2003, a significant increase compared to the 1st quarter 2002 (5.4 %). This also substantially exceeded the EBIT margin of the whole 2002 financial year (6.7 %).

The measures to increase efficiency which have been successfully implemented chiefly in the production facilities, particularly in the Uppsala, Sweden, facility, had a positive impact on earnings for the 1st quarter 2003. The measures implemented will continue to make a substantial contribution to the future earnings development of Fresenius Kabi.

Fresenius Kabi has an excellent position in its markets. In the growth countries of the region Asia-Pacific, Fresenius Kabi again achieved double-digit organic growth in the 1st quarter 2003. In Europe, Fresenius Kabi continued its solid growth despite the strong cost pressure in the health systems, which mainly makes itself felt in Germany.

* The previous year's figures have been adjusted to include the newly-assigned activities of the business segment Fresenius HemoCare (transfusion and infusion technology) effective January 1, 2003.

Fresenius ProServe

Fresenius ProServe offers services for the international health care systems. The range of services includes hospital management, the planning and construction of hospitals as well as of pharmaceutical and medical-technical production plants.

in € million	Q1/2002	**Q1/2003**	Change in %
Sales	149	166	11
EBITDA	10	12	20
EBIT	4	6	50
Net income	1	1	0
Employees	9,894 (31.12.2002)	10,360 (31.3.2003)	5

Fresenius ProServe succeeded in increasing sales by 11 % in the 1st quarter 2003 to € 166 million (Q1/2002: € 149 million). The company generated sales of € 140 million in the healthcare business, a plus of 18 % over the same period of the previous year (Q1/2002: € 119 million). Sales of services increased by 29 % to € 116 million (Q1/2002: € 90 million). The increase was largely driven by the consolidation for the first time of newly-acquired hospitals (mainly Klinikum Rhein-Sieg in Siegburg). Sales of the project business (€ 24 million) as well as of the pharma industry business (€ 26 million) were lower than the previous year (project business Q1/2002: € 29 million and pharma industry business Q1/2002: € 30 million) due to delays in the invoicing of projects in the 1st quarter, which is traditionally a weak period.

Orders received relating to the project business of Fresenius ProServe dropped to € 66 million (Q1/2002: € 94 million), a result of delays in the closing of projects. Orders on hand were nearly unchanged at € 422 million (31.12.2002: € 424 million).

Fresenius ProServe significantly improved EBIT in the period under report, from € 4 million in the 1st quarter 2002 to € 6 million in the 1st quarter 2003.

Fresenius Group in Figures

Consolidated statement of income (unaudited)

1 January to 31 March; in million €	**2002***	**2003**
Sales	1,854	1,729
Cost of goods sold	-1,263	-1,164
Gross profit	**591**	**565**
Selling, general and administrative expenses	-344	-344
Expenditure on research and development	-30	-27
Operating income (EBIT)	**217**	**194**
Balance of interest	-93	-64
Earnings before income taxes and minority interests	**124**	**130**
Income taxes	-47	-51
Minority interests	-49	-43
Net income	**28**	**36**
Basic earnings per ordinary share (in €)	**0.67**	**0.87**
Fully diluted earnings per ordinary share (in €)	**0.67**	**0.87**
Basic earnings per preference share (in €)	**0.68**	**0.88**
Fully diluted earnings per preference share (in €)	**0.68**	**0.88**

* adjusted according to US GAAP SFAS 145

	as reported	
Extraordinary expenses after income taxes and minority interests	5	0
Net income before extraordinary expenses	**33**	**36**

Average number of shares		
Ordinary shares	**20,484,774**	**20,484,842**
Preference shares	**20,484,774**	**20,484,842**
EBIT (in million €)	**217**	**194**
Depreciation and amortization (in million €)	**86**	**77**
EBITDA (in million €)	**303**	**271**
EBIT margin	**11.7%**	**11.2%**
EBITDA margin	**16.3%**	**15.7%**

See accompanying notes to the unaudited condensed consolidated financial statements.

Consolidated balance sheet (unaudited)

	As at 31; in million €	Dec 02	March 03
	Cash and cash equivalents	163	178
	Trade accounts receivable less allowances for doubtful accounts	1,299	1,396
	Accounts receivable from related parties	16	23
	Inventories	659	696
	Repaid expenses and other current assets	379	406
	Deferred taxes (current)	227	218
I.	**Total current assets**	**2,743**	**2,917**
	Tangible assets	1,797	1,753
	Goodwill	3,405	3,314
	Other intangible assets	581	579
	Other non-current assets	308	326
	Deferred taxes (non-current)	81	75
II.	**Total non-current assets**	**6,172**	**6,047**
	Total assets	**8,915**	**8,964**
	Trade accounts payable	300	290
	Trade accounts payable to related parties	4	2
	Accruals and other short-term liabilities	1,066	1,092
	Short-term loans	557	546
	Short-term loans from related companies	5	5
	Current portion of long-term loans and capital lease obligations	44	43
	Accruals for income taxes	231	233
	Deferred taxes (short-term)	38	37
A.	**Total short-term liabilities**	**2,245**	**2,248**
	Long-term debt and liabilities from capital lease obligations less the current portion	1,594	1,683
	Long-term liabilities to and loans from related companies	1	1
	Other long-term liabilities	217	208
	Accruals for pensions	224	221
	Deferred taxes (long-term)	182	195
	Trust preferred securities	1,083	1,060
B.	**Total long-term liabilities**	**3,301**	**3,368**
I.	**Total liabilities**	**5,546**	**5,616**
II.	Minority interests	1,762	1,746
	Subscribed capital	105	105
	Capital reserves	643	643
	Other reserves	710	746
	Accumulated other comprehensive income	149	108
III.	**Total shareholders´equity**	**1,607**	**1,602**
	Total liabilities and shareholders´equity	**8,915**	**8,964**

See accompanying notes to the unaudited condensed consolidated financial statements.

Consolidated cash flow statement (unaudited)

1 January to 31 March; in million €	**2002**	**2003**
Cash provided by / used for operating activities		
Net income	28	36
Minority interests	49	43
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	86	77
Loss from early redemption of trust preferred securities	13	0
Change in deferred taxes	10	10
Gain/loss on sale of fixed assets	1	0
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable (net)	-14	9
Change in inventories	-25	-46
Change in prepaid expenses and other current and non-current assets	-30	-9
Change in accounts receivable from/payable to related companies	1	-5
Change in trade accounts payable, accruals and other short-term and long-term liabilities	-37	16
Change in accruals for taxes	-2	6
Cash provided by operating activities	**80**	**137**
Cash provided by/used for investing activities		
Purchase of tangible assets	-82	-56
Proceeds from sale of tangible assets	5	2
Purchase of shares in related companies and investments	-18	-26
Cash used for investing activities	**-95**	**-80**
Cash provided by/used for financing activities		
Changes in short-term loans	67	-15
Changes in short-term loans with related companies	5	-1
Changes in long-term dept and capital lease obligations	372	109
Redemption of trust preferred securities	-429	0
Redemption of series D trust preferred stock	0	-8
Proceeds from receivables securitization program	32	-124
Proceeds from exercising stock options	-	-
Dividends paid	0	0
Change in minority interests	-	-
Payments on hedge contracts for inter-company loans in foreign currency	-1	-
Cash provided by/used for financing activities	**46**	**-39**
Effect of exchange rates on change in cash and cash equivalents	**3**	**-3**
Net decrease in cash and cash equivalents	**34**	**15**
Cash and cash equivalents at beginning of year	**181**	**163**
Cash and cash equivalents at end of year	**215**	**178**

See accompanying notes to the unaudited condensed consolidated financial statements.

Consolidated statement of shareholders' equity (unaudited)

	Ordinary shares		Preference shares		Subscribed capital	
	Number of shares thousand	Amount thousand €	Number of shares thousand	Amount thousand €	Amount thousand €	Amount million €
As at 31.12.2001	20,485	52,441	20,485	52,441	104,882	105
Issuance of bearer ordinary shares and bearer preference shares						
Proceeds from exercise of stock options	-	-	-	-		-
Compensation expense related to exercise of options						
Dividends paid						
Comprehensive income						
Net income						
Other comprehensive gain related to cash flow hedges						
Foreign currency translation adjustment						
Minimum pension liability						
Comprehensive income						
As at 31.12.2002	20,485	52,441	20,485	52,441	104,882	105
Issuance of bearer ordinary shares and bearer preference shares						
Proceeds from exercise of stock options						
Compensation expense related to exercise of options						
Dividends paid						
Comprehensive income						
Net income						
Other comprehensive gain related to cash flow hedges						
Foreign currency translation adjustment						
Minimum pension liability						
Comprehensive income						
As at 31.03.2003	20,485	52,441	20,485	52,441	104,882	105

in million €	Capital reserves	Other reserves	Other comprehensive income			Total
			Currency translation differences	Cash flow hedges	Pensions	
As at 31.12.2001	641	619	460	-58	-6	1,761
Issuance of bearer ordinary shares and bearer preference shares						-
Proceeds from exercise of stock options						-
Compensation expense related to exercise of options	2					2
Dividends paid		-43				-43
Comprehensive income						
Net income		134				134
Other comprehensive gain related to cash flow hedges				41		41
Foreign currency translation adjustment			-266			-266
Minimum pension liability					-22	-22
Comprehensive income	0	134	-266	41	-22	-113
As at 31.12.2002	643	710	194	-17	-28	1,607
Issuance of bearer ordinary shares and bearer preference shares						-
Proceeds from exercise of stock options						-
Compensation expense related to exercise of options	-					-
Dividends paid						0
Comprehensive income						0
Net income		36				36
Other comprehensive gain related to cash flow hedges				14		14
Foreign currency translation adjustment			-55			-55
Minimum pension liability						0
Comprehensive income	0	36	-55	14	0	-5
As at 31.03.2003	643	746	139	-3	-28	1,602

See accompanying notes to the unaudited condensed consolidated financial statements.

Segment reporting

	Fresenius Medical Care			Fresenius Kabi*			Fresenius ProServe			Corporate/Other*			Total		
	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change	Q1/2002	Q1/2003	Change
	€m	€m		€m	€m		€m	€m		€m	€m		€m	€m	
Sales	1,354	1,211	-11%	354	355	0%	149	166	11%	-3	-3	0%	1,854	1,729	-7%
of which contributing to consolidated sales	1,347	1,205	-11%	348	350	1%	149	165	11%	10	9		1,854	1,729	-7%
of which intercompany sales	7	6	-14%	6	5	-17%	0	1		-13	-12	8%	0	0	
contribution to consolidated sales	73%	70%		19%	20%		8%	10%		0%	0%		100%	100%	
EBITDA	256	207	-19%	39	54	38%	10	12	20%	-2	-2	0%	303	271	-11%
Depreciation and amortization	58	50	-14%	20	19	-5%	6	6	0%	2	2	0%	86	77	-10%
EBIT	198	157	-21%	19	35	84%	4	6	50%	-4	-4	0%	217	194	-11%
Balance of interest	-83	-50	40%	-9	-10	-11%	-2	-3	-50%	1	-1	-200%	-93	-64	31%
Net income	72	65	-10%	4	15	275%	1	1	0%	-49	-45	8%	28	36	29%
Operating cash flow	80	117	46%	-14	13	193%	24	6	-75%	-10	1	110%	80	137	71%
Free cash flow before acquisitions and dividends	22	78	255%	-25	4	116%	17	1	-94%	-11	0	100%	3	83	+
Debt**	2,277	2,325	2%	764	777	2%	241	238	-1%	1	-3	-400%	3,283	3,337	2%
Total assets**	6,465	6,474	0%	1,531	1,542	1%	759	787	4%	160	161	1%	8,915	8,964	1%
Capital expenditure	63	41	-35%	11	9	-18%	7	5	-29%	1	1	0%	82	56	-32%
Acquisitions	10	32	220%	5	0	-100%	0	0		3	0	-100%	18	32	78%
Research and development expenses	11	10	-9%	14	11	-21%	0	0		5	6	20%	30	27	-10%
Employees (per capita on balance sheet date)**	41,766	42,515	2%	11,311	11,294	0%	9,894	10,360	5%	667	637	-4%	63,638	64,806	2%
Key figures															
EBITDA margin	18.9%	17.1%		11.0%	15.2%		6.7%	7.2%					16.3%	15.7%	
EBIT margin	14.7%	13.0%		5.4%	9.9%		2.7%	3.6%					11.7%	11.2%	
Depreciation and amortization as % of sales	4.3%	4.1%		5.6%	5.4%		4.0%	3.6%					4.6%	4.5%	

* previous year adjusted for the reallocation of the business of Fresenius HemoCare since January 1, 2003: Fresenius Kabi incl. transfusion and infusion technology, Corporate/Other incl. immune therapy and adsorber technology

** previous year as of 31.12.2002

Contents Notes

1. Principles

I. Group structure

Fresenius is a health care group operating worldwide with products and services for dialysis, the hospital and the ambulatory medical care of patients. After the legal restructuring that took place at the beginning of the 1999 financial year, Fresenius AG acts in the capacity of an operating holding. The operating activities have been split into the following legally-independent business segments (sub-groups) since January 1, 2003:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius ProServe

The previous year’s figures have been adjusted to the new organisational structure.

The reporting currency in the Fresenius Group is the euro. In order to make the presentation clearer, amounts are practically always shown in million euros. Amounts which are lower than one million euros after they have been rounded off are marked with “-“.

II. Basis of presentation

The enclosed financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP). The Fresenius Group avails itself of the right to claim exemption in accordance with § 292a Commercial Code (HGB) which stipulates that a company is not obliged to present consolidated financial statements in accordance with HGB if the statements have been prepared in accordance with the internationally recognised accounting principles and in conformity with the fourth and seventh EU guidelines.

The abridged annual financial statements as at March 31, 2003 have not been audited and should be read in the context of the consolidated financial statements as at December 31, 2002 together with the notes to these statements which can be found in the 2002 Annual Report. There have been no major changes in the entities consolidated.

The quarterly financial statements include all adjustments that, in the opinion of the management board, are normal and need to be made on an on-going basis, and that are necessary in order to give an appropriate view of the net assets, financial position and results of operations of the Fresenius Group.

The results shown for the 1st quarter do not necessarily express a statement about the expected results for the whole financial year.

III. Recent pronouncements

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143 (Accounting for Asset Retirement Obligations*).* SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. The Fresenius Group adopted SFAS No. 143 for the first time as of January 1, 2003. The adoption of SFAS No. 143 has no material impact on the financial statements of the Fresenius Group in the quarterly report.

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145 that rescinds or amends earlier regulations (Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections). SFAS No. 145 rescinds SFAS No. 4; SFAS No. 64 concerned classifications of gains and losses on debt extinguishments. The rescission of this regulation means that most debt extinguishment gains and losses will no longer be classified as extraordinary. SFAS No. 145 also amends SFAS No. 13 with respect to certain sale and leaseback transactions. The Fresenius Group adopted SFAS No. 145 with regard to SFAS No. 4 effective January 1, 2003. In the 1st quarter of 2002, the Fresenius Group recorded an extraordinary loss after income taxes and after minority interests of € 5 million as a result of the early redemption of debt. This loss will no longer be presented as an extraordinary loss upon the adoption of SFAS No. 145. The Fresenius Group adopted the other provisions of SFAS No. 145 effective April 1, 2002.

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146 (Accounting for Costs Associated with Exit or Disposal Activities). The standard requires companies to recognize costs associated with exit or disposal activities when liabilities are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 replaces EITF Issue No. 94-3 (Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)). This statement is to be applied to exit or disposal activities initiated after December 31, 2002.

In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45 (FIN 45) (Guarantor's Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others). FIN 45 requires a guarantor to recognize a liability measured at fair value at the inception of a guarantee for obligations undertaken, including its obligation to stand ready to perform over the term of the guarantee. The initial recognition and measurement provisions are applicable prospectively to guarantees issued or modified after December 31, 2002. FIN 45 also clarifies and expands the disclosure requirements related to guarantees, including product warrantees. The Fresenius Group did not have any guarantees of material amounts on March 31, 2003.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148 (Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123)*.* SFAS No. 148 amends SFAS No. 123 (Accounting for Stock-Based Compensation*)* to provide alternative methods for a change to the fair value based method of accounting for share-based employee compensation. It also amends the disclosure requirement of SFAS No. 123 to require disclosures in both annual and interim financial statements of the method of accounting for share-based employee compensation, and the effect of the method on the results reported. The Fresenius Group adopted the amended disclosure requirements for the quarterly report as of March 31, 2003.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (FIN 46) (Consolidation of Variable Interest Entities). FIN 46 addresses the consolidation of variable interest entities by the primary beneficiary, when the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated support from other parties and/or the equity investor lacks certain essential characteristics of a controlling financial interest. FIN 46 requires existing variable interest entities to be consolidated if those entities do not effectively disburse risk among the parties involved. The interpretation becomes effective at various dates in 2003 and provides various transition rules. The adoption of FIN 46 has not had, and is not expected to have any material impact on the Fresenius Group's financial statements.

On April 3, 2003, the Financial Accounting Standards Board issued SFAS No. 149 (Amendment of Statement 133 on Derivative Instruments and Hedging Activities). This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133 (Accounting for Derivative Instruments and Hedging Activities). This Statement is effective for contracts which are entered into or modified after June 30, 2003.

2. Special charge of Fresenius Medical Care for legal matters

In the 4th quarter of 2001, Fresenius Medical Care recorded a special charge amounting to US$ 258 million (US$ 177 million after taxes). The charge was recorded in view of the legal matters related to the merger of 1996, potential liabilities and legal expenses arising in connection with the W.R. Grace Chapter 11 proceedings as well as costs for resolving pending litigation and other disputes with certain commercial insurers

Fresenius Medical Care accrued US$ 172 million, principally representing a provision for income taxes payable for the years prior to the 1996 merger. Fresenius Medical Care has been indemnified by W.R. Grace but may ultimately be obliged to pay as a result of W.R. Grace's Chapter 11 proceedings. In addition, this amount includes the costs of defending the company in all litigation arising out of W.R. Grace's Chapter 11 proceedings.

Fresenius Medical Care has included the amount of US$ 55 million in the special charge to provide for settlement obligations, legal expenses and disputed accounts receivable from various commercial insurers.

The remaining amount of US$ 31 million mainly represents 1) assets and receivables that are impaired in connection with other legal matters and 2) anticipated expenses associated with the continued defence and resolution of the legal proceedings.

On March 31, 2003 the accruals for the special charge for legal matters amounted to US$ 186 million (€ 171 million). Fresenius Medical Care anticipates that the accruals are adequate for all the risks described above in connection with legal matters. During the 1st quarter 2003, charges in the amount of US$ 5 million (€ 5 million) were applied against the accrued special charge for legal matters.

3. Acquisitions

The Fresenius Group made acquisitions totalling € 32 million in the 1st quarter 2003, mainly used for the acquisition of dialysis clinics. Of this amount, € 26 million was paid in cash, and debt amounting to € 6 million was assumed.

Notes on the consolidated balance sheet

4. Cash and cash equivalents

in million €	31. Dec. 2002	31. March 2003
Cash	149	163
Securities (with a maturity of up to 90 days)	14	15
Total cash and cash equivalents	**163**	**178**

5. Trade accounts receivable

in million €	31. Dec. 2002	31. March 2003
Trade accounts receivable	1,469	1,569
less allowance	170	173
Trade accounts receivable (net)	**1,299**	**1,396**

In the business segment Fresenius Medical Care, National Medical Care, Inc., (NMC), has an accounts receivable securitization facility. This facility sells receivables of NMC and certain affiliates to NMC Funding Corporation, a wholly-owned subsidiary of NMC, which subsequently transfers and assigns percentage ownership interests in the receivables to certain bank investors. The NMC Funding Corporation was not consolidated as it does not meet the control criteria of SFAS No. 140. The retained interest in accounts receivable is shown in the balance sheet net of allowances on receivables. NMC has a servicing obligation to act as a collection agent on behalf of NMC Funding Corporation. The amount of the accounts receivable facility was last amended on December 21, 2001, when Fresenius Medical Care increased the accounts receivable facility to US$ 560 million. On October 24, 2002 its maturity was extended to October 23, 2003.

In the 1st quarter 2003, liabilities from the receivables securitization programme were reduced by € 133 million to € 312 million, which resulted in a corresponding increase of accounts receivable of Fresenius Medical Care.

6. Inventories

As at March 31, 2003 and December 31, 2002, inventories are as follows:

in million €	31. Dec. 2002	31. March 2003
Row materials and purchased components	145	141
Work in process	106	129
Finished goods	408	426
Inventories (net)	**659**	**696**

7. Goodwill and other intangible assets

As of March 31, 2003 and December 31, 2002 intangible assets split into amortizable and non-amortizable intangible assets consisted of the following:

Amortizable intangible assets in million €	Purchasing/ manufacturing costs		Accumulated amortization		Carrying amounts	
	31. Dec. 2002	31. March 2003	31. Dec. 2002	31. March 2003	31. Dec. 2002	31. March 2003
Patient relationships	236	227	183	178	53	49
Patents	39	36	29	26	10	10
Distribution rights	25	20	16	12	9	8
Other	219	201	115	97	104	104
Total	**519**	**484**	**343**	**313**	**176**	**171**

Non-amortizable intangible assets in million €	Purchasing/ manufacturing costs		Accumulated amortization		Carrying amounts	
	31. Dec. 2002	31. March 2003	31. Dec. 2002	31. March 2003	31. Dec. 2002	31. March 2003
Trade names	226	218	0	0	226	218
Management contracts	175	187	0	0	175	187
Subtotal	**401**	**405**	**0**	**0**	**401**	**405**
Goodwill	3,405	3,314	0	0	3,405	3,314
Assembled workforce	4	3	0	0	4	3
Subtotal	**3,409**	**3,317**	**0**	**0**	**3,409**	**3,317**
Total	**3,810**	**3,722**	**0**	**0**	**3,810**	**3,722**

Future amortization on intangible assets for the next five years is shown in the following table:

in million €	Q2-Q4/2003	2004	2005	2006	2007	Q1/2008
Anticipated amortization expenses for the next five financial years	30	33	30	25	21	5

8. Loans and capital lease obligations

Short-term loans from third parties amounting to € 546 million and € 557 million as at March 31, 2003 and December 31, 2002 respectively concern loans taken up by individual subsidiaries of the Group in connection with lines of credit with commercial banks.

On March 31, 2003 and December 31, 2002, long-term loans and capital lease obligations are as follows:

in million €	31. Dec. 2002	31. March 2003
Senior credit agreement	822	918
Capital lease obligations	60	59
Notes	129	129
Bonds	400	400
Other	227	219
	1,638	**1,726**
less short-term portion	44	43
Total loans and capital lease obligations	**1,594**	**1,683**

Eurobonds

On April 27, 1999 Fresenius Finance B.V., 's-Hertogenbosch (Netherlands), a 100% subsidiary of Fresenius AG, issued Eurobonds for a total of € 600 million in two tranches in order to repay short-term bank loans which were mainly used for the acquisition of the international infusion business of Pharmacia & Upjohn AB, Stockholm (Sweden).
The fixed interest tranche with a nominal amount of € 400 million is divided into 400,000 certificates denominated at € 1,000 each, which have an annual interest rate of 4.5 %. The fixed-interest tranche matures after five years; repayment will be made on May 18, 2004 at the nominal value.
The tranche with a variable interest rate and a total nominal amount of € 200 million comprised 200,000 certificates denominated at € 1,000 each, on which interest was paid quarterly at the prevailing EURIBOR rate for three months plus 0.90 % p.a. The tranche matured after three years; repayment was made on May 18, 2002 at the nominal value.

Fresenius Medical Care - Senior credit agreement 2003

In February 2003, Fresenius Medical Care entered into an amended and restated bank agreement (hereafter “2003 senior credit agreement”) with the Bank of America N.A., Credit Suisse First Boston, Dresdner Bank AG New York, JP Morgan Chase Bank, The Bank of Nova Scotia and certain other lenders (collectively, the “Lenders”), pursuant to which the Lenders have made available to Fresenius Medical Care and certain subsidiaries and affiliates an aggregate amount of up to US$ 1,500 million through three credit facilities:

- a revolving credit facility of up to US$ 500 million which will be due and payable on October 31, 2007. Of this amount, US$ 250 million is available for letters of credit, up to US$ 300 million is available for borrowings in certain non-US currencies, up to US$ 75 million is available as swing lines in US dollars, up to US$ 250 million is available as a competitive loan facility and up to US$ 50 million is available as swing lines in certain non-US currencies, the total of which cannot exceed US$ 500 million.

- a term loan facility ("Loan A") of US$ 500 million, also scheduled to expire on October 31, 2007. The terms of the 2003 senior credit agreement require payments that permanently reduce the term loan facility. The repayment begins in the 3rd quarter of 2004 and amounts to US$ 25 million per quarter. The remaining amount outstanding is due on October 31, 2007.

- a term loan facility ("Loan B") of US$ 500 million scheduled to expire in February 2010 with a repayment provision that if the trust preferred securities due February 1, 2008 are not repaid, refinanced or have their maturity extended, repayment will be on October 31, 2007. The terms of the 2003 senior credit agreement require repayments of 0.25 % per quarter beginning with the 2nd quarter of 2003.

For the revolving credit facility and Loan A, interest will be at a rate equal to LIBOR plus an applicable margin, or base rate, defined as the higher of the Bank of America prime rate or the Federal Funds rate plus 0.5 % plus the applicable margin. The applicable margin is variable and depends on the ratio of EBITDA and funded debt as defined in the credit agreement. The initial interest rate for Loan B is LIBOR plus 2.5 %. Fees are also payable at a percentage (initially 0.5 %) per annum on the portion of the 2003 senior credit agreement not used.

In addition to scheduled principal payments, the 2003 senior credit agreement will be reduced by portions of the net cash proceeds from certain sales of assets, securitization transactions and the issuance of subordinated debt and equity securities.

The 2003 senior credit agreement contains affirmative and negative covenants with respect to the company and its subsidiaries and other payment restrictions substantially similar to the previous 1996 NMC senior credit agreement. Some of the limitations imposed by the covenant are the indebtedness of Fresenius Medical Care and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. Additionally, the senior credit agreement provides for a dividend restriction which amounts to US$ 130 million in 2003.

<u>Euronotes</u>

In 2001, Fresenius Medical Care AG issued four tranches of senior notes (Euronotes) totalling € 129 million. The first two tranches were issued on July 13, 2001. The first tranche is for € 80 million and has a fixed interest rate of 6.16 %, and the second tranche is for € 29 million with a variable interest rate which averaged 4.78 % in 2002. The third tranche, issued in September 2001, was for € 15 million and had an average interest rate of 4.78 % in 2002. The final tranche for € 5 million was issued on December 5, 2001 and has a fixed interest rate of 5.33 %. All four tranches have a maturity date of July 13, 2005. Both floating rates are tied to the EURIBOR rate.

9. Pensions and similar obligations

During the first quarter of 2002, Fresenius Medical Care recorded a gain of approximately € 13 million resulting from the curtailment of the defined benefit and supplemental executive retirement plans. Under the curtailment amendment, no additional defined benefits for future services will be earned by substantially all employees eligible for the plans. Fresenius Medical Care has retained all employee pension obligations as of the curtailment date for the fully-vested and frozen benefits for all employees.

10. Trust preferred securities

Fresenius Medical Care issued trust preferred securities through five Fresenius Medical Care capital trusts. These are statutory business trusts organized under the laws of the State of Delaware. The trusts are 100 % subsidiaries of Fresenius Medical Care. The sole asset of the trusts is a senior subordinated note of a wholly-owned subsidiary of Fresenius Medical Care and related guarantees by Fresenius Medical Care AG, Fresenius Medical Care Deutschland GmbH and Fresenius Medical Care Holdings; Fresenius Medical Care Deutschland GmbH and Fresenius Medical Care Holdings are the subsidiary guarantors. The trust preferred securities are guaranteed by Fresenius Medical Care and by the subsidiary guarantors through a series of undertakings.

The trust preferred securities entitle the holders to distributions at a fixed annual rate of the stated amount and are mandatorily redeemable after ten years. Earlier redemption may also occur upon a change of control or upon defined events of default including a failure to pay interest. Upon liquidation of the trusts, the holders of trust preferred securities are entitled to a distribution equal to the stated amount. The trust preferred securities do not hold voting rights in the trust except under limited circumstances.

On February 14, 2002, Fresenius Medical Care redeemed the entire US$ 360 million aggregate amount outstanding of its 9 % trust preferred securities due in 2006. Fresenius Medical Care exercised its option to redeem the securities at a price of $ 1,045 per $ 1,000 liquidation amount plus accrued distributions of $ 18.25 per $ 1,000 for a total redemption price of $1,063.25 per $1,000. Fresenius Medical Care funded the redemption utilizing its 1996 senior credit agreement.

As a result of the early redemption of the trust preferred securities in the 1st quarter 2002, an extraordinary loss of US$ 12 million (€ 13 million) was incurred. This loss consisted of U$S 16 million (€ 18 million) of redemption premium and U$S 3 million (€ 4 million) of associated debt issuance costs, net of a U$S 8 million (€ 9 million) tax benefit. Of the total amount of € 13 million, € 8 million was allocated to minority interest holders, resulting in an extraordinary loss of € 5 million for the Fresenius Group.

As of January 1, 2003 Fresenius Medical Care adopted SFAS No. 145, (Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections). As a result, the loss will no longer be presented as an extraordinary loss, but as part of ordinary income. The figures for the 1st quarter 2002 have been adjusted accordingly.

The trust preferred securities outstanding in the Fresenius Group as at March 31, 2003 are as follows:

in million €	Year issued	Stated amount	Interest rate	Mandatory redemption date	31. Dec. 2002	31. March 2003
Fresenius Medical Care Capital Trust	1996	360 US$m	9%	redeemed 14.2.02	0 €m	0 €m
Fresenius Medical Care Capital Trust II	1998	450 US$m	7 7/8%	1/2/2008	429 €m	413 €m
Fresenius Medical Care Capital Trust III	1998	300 DMm	7 3/8%	1/2/2008	154 €m	154 €m
Fresenius Medical Care Capital Trust IV	2001	225 US$m	7 7/8%	15/6/2011	203 €m	196 €m
Fresenius Medical Care Capital Trust V	2001	300 €m	7 3/8%	15/6/2011	297 €m	297 Mio €
					1,083 €m	**1,060 €m**

11. Minority interests

Minority interests in the Group on March 31, 2003 and December 31, 2003 were as follows:

in million €	31. Dec. 2002 *	31. March 2003
Minority interests in Fresenius Medical Care AG	1,688	1,682
Minority interests in the business segments		
Fresenius Medical Care	21	12
Fresenius Kabi	35	34
Fresenius ProServe	16	17
Corporate / Other	2	1
Total minority interests	**1,762**	**1,746**

* according to new organisational structure as at January 1, 2003

The minority interests decreased in the 1^{st} quarter 2003 by € 16 million to € 1,746 million. The change resulted from the inclusion of a portion of profits amounting to € 43 million, reduced by € 8 million for the redemption by Fresenius Medical Care of its Class D preference shares which were issued in connection with the merger of the worldwide dialysis business of Fresenius with the dialysis business of W.R. Grace & Co. (USA), and by the negative currency effects amounting to € 51 million.

12. Shareholders' equity

Earnings per share

Earnings per share, taking into consideration dilution by exercisable stock options, are as follows on 31 March:

in million €, except for amounts per share (€)	Q1/2002	Q1/2003
Numerators		
Net income	28	36
less		
preference on preference shares	-	-
Income (loss) available to all classes of shares	28	36
Denominators (number of shares)		
Weighted average number of shares outstanding	40,969,548	40,969,684
Weighted average number of ordinary shares outstanding	20,484,774	20,484,842
Weighted average number of preference shares outstanding	20,484,774	20,484,842
Total weighted average number of shares outstanding of all classes	40,969,548	40,969,684
Potentially dilutive ordinary shares	3,275	0
Potentially dilutive preference shares	3,275	0
Total weighted average shares outstanding of all classes assuming dilution	40,976,099	40,969,684
Total weighted average ordinary shares assuming dilution	20,488,049	20,484,842
Total weighted average preference shares assuming dilution	20,488,049	20,484,842
Basic earnings per ordinary share	0.67	0.87
Preference per preference share	0.01	0.01
Basic earnings per preference share	0.68	0.88
Fully diluted earnings per ordinary share	0.67	0.87
Preference per preference share	0.01	0.01
Fully diluted earnings per preference share	0.68	0.88

The owners of preference shares are entitled to an additional dividend of € 0.01 per bearer ordinary share in the 1st quarter.

13. Stock options

The stock option plans of the Fresenius Group are accounted for in accordance with the provisions of Opinion No. 25 of the Accounting Principles Board (APB) (Accounting for Stock Issued to Employees), and related interpretations in SFAS No. 123 (Accounting for Stock-Based Compensation) with regard to conforming with additional disclosure requirements of SFAS No. 123 with the supplements of SFAS No. 148 (Accounting for Stock-Based Compensation – Transaction and Disclosure – an Amendment of FASB Statement No. 123). Accordingly, compensation expense for options is recorded only if the current market price of the underlying shares exceeds the exercise price on the measurement date. For stock option plans which are performance based, the Fresenius Group recognizes compensation expense over the vesting periods, based on the then current market values of the underlying shares.

The following table illustrates the effect on net income and earnings per share if the company would have applied the fair value recognition provisions of SFAS No. 123 to share-based employee compensation (pro forma):

in million €, excluding amounts per share (€)	Q1/2002	Q1/2003
Net income		
as reported	28	36
plus personnel expenses according to APB No 25	-	-
less personnel expenses according to SFAS No 123	-2	-2
pro forma	26	34
Earnings per ordinary share		
as reported	0.67	0.87
pro forma	0.62	0.82
Earnings per preference share		
as reported	0.68	0.88
pro forma	0.63	0.83
Fully diluted earnings per ordinary share		
as reported	0.67	0.87
pro forma	0.62	0.82
Fully diluted earnings per preference share		
as reported	0.68	0.88
pro forma	0.63	0.83

Stock option plan of Fresenius AG

As of March 31, 2003 the members of the Managing Board of Fresenius AG held 264,450 stock options (following the capital increase by conversion of capital reserves in the ratio of 1:1 in 2001) and managerial staff of Fresenius AG and its affiliated companies (with the exception of Fresenius Medical Care AG and companies affiliated with it other than through the company) held 1,010,604 stock options (following the capital increase by conversion of capital reserves in the ratio of 1:1 in 2001).

Fresenius Medical Care stock option plans

As of March 31, 2003 the members of the Fresenius Medical Care Managing Board held 350,824 stock options and managerial staff held 3,192,043 stock options.

As of March 31, 2003 1,482,622, convertible bonds have been issued to the members of the Managing Board and managerial staff of Fresenius Medical Care from the Fresenius Medical Care 2001 International Stock Incentive Plan.

Other notes

14. Legal proceedings

Commercial litigation

Fresenius Medical Care was formed as a result of a series of transactions pursuant to the Agreement and Plan of Reorganization (the "Merger") dated February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG. At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant potential liabilities arising out of product liability-related litigation, pre-Merger tax claims and other claims unrelated to National Medical Care, which was Grace's dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings and National Medical Care against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to National Medical Care's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the US Bankruptcy Code (the "Grace Chapter 11 Proceedings") on April 2, 2001.

Pre-Merger tax claims or tax claims that would arise if events were to violate the tax-free nature of the Merger could ultimately be the obligation of Fresenius Medical Care. In particular, W.R. Grace & Co. has disclosed in its filings with the Securities and Exchange Commission that: Its tax returns for the 1993 to 1996 tax years are under audit by the Internal Revenue Service (the "Service"); W.R. Grace & Co. has received the Service's examination report on the tax periods 1993 to 1996; that during those years W.R. Grace & Co. deducted approximately US$ 122 million in interest attributable to corporate-owned life insurance ("COLI") policy loans; that W.R. Grace & Co. has paid approximately US$ 21 million of tax and interest related to COLI deductions taken in tax years prior to 1993; that a US District Court ruling has denied interest deductions of a taxpayer in a similar situation and that W.R. Grace & Co. is seeking a settlement of the Service's claims. Subject to certain representations made by W.R. Grace & Co., Fresenius Medical Care and Fresenius AG, W.R. Grace & Co. and certain of its affiliates agreed to indemnify Fresenius Medical Care against this and other pre-Merger and Merger related tax liabilities.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and Fresenius Medical Care Holdings by plaintiffs claiming to be creditors of W.R. Grace & Co.- Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace and Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed, transferred to or are pending before the US District Court as part of the Grace Chapter 11 Proceedings.

On February 6, 2003, Fresenius Medical Care reached a definitive agreement with the asbestos creditors of W.R. & Co. Grace bankruptcy estate in the matters pending in the Grace Chapter 11 Proceedings (the "Settlement Agreement") for the settlement of all fraudulent conveyance claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the Settlement Agreement, fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and will receive protection against existing and potential future W.R. Grace related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-National Medical Care members of the W.R. Grace & Co. consolidated tax group upon confirmation of the W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$ 115 million to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement is subject to the approval of the US District Court. On April 15, 2003, W.R. Grace & Co. and the asbestos creditors' committees filed a motion before the U.S. District Court, seeking court approval of the Settlement Agreement and entry of a court order implementing the settlement. The foregoing description of the material terms of the Settlement Agreement is qualified in its entirety by reference to the full text of the Settlement Agreement, which is an Exhibit to the Securities and Exchange Commission filing of Fresenius Medical Care and Fresenius Medical Care Holdings.

Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (formerly known as W.R. Grace Holdings, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air Corporation ("Sealed Air") to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred that relate to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon confirmation of a plan that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

In April 2003, Fresenius Medical Care, Fresenius Medical Care Holdings, National Medical Care and certain NMC subsidiaries agreed to settle all litigation filed by a group of insurance companies concerning allegations of inappropriate billing practices and misrepresentations and Fresenius Medical Care's counterclaims against the plaintiffs in these matters based on inappropriate claim denials and delays in claim payments. The costs of the settlement will be charged against previously established accruals. Other private payors have contacted Fresenius Medical Care regarding similar claims and may file their own lawsuit seeking reimbursement and other damages. Although the ultimate outcome on Fresenius Medical Care of any such proceedings cannot be predicted at this time, an adverse result could have a material adverse effect on Fresenius Medical Care's business, financial condition and results of operations.

Special charge of Fresenius Medical Care for legal matters

As at December 31, 2001 Fresenius Medical Care recorded a special charge of US$ 258 million before taxes to reflect anticipated expenses associated with the continued defence and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement will be charged against this accrual. While Fresenius Medical Care believes that its remaining accruals reasonably estimate Fresenius Medical Care's currently anticipated costs related to the continued defence and resolution of the remaining matters, no assurances can be given that the actual costs incurred by Fresenius Medical Care will not exceed the amount of these accruals.

Furthermore, the Fresenius Group is involved in various legal disputes arising from the ordinary course of its business. Although the ultimate outcome of these legal disputes cannot be predicted, we do not expect any material adverse effects on the business, financial condition and results of operations of the Group.

15. Reports on the segments

Segment reporting in the Fresenius Group with the business segments Fresenius Medical Care, Fresenius Kabi and Fresenius ProServe corresponds to the internal organisational and reporting structures (Management Approach) as at January 1, 2003.
The key data which are presented in the segment reporting correspond to the key data of the internal reporting system in the Fresenius Group. Internal and external reporting and corporate accounting correspond to each other; the same key data and definitions are used. Sales and proceeds between the segments are always transacted at prices which would be agreed with third parties. Administrative services are settled by means of service agreements.

The basis for the segmentation is the accounting rule SFAS No. 131 (Disclosures about Segments of an Enterprise and Related Information). This accounting rule defines the segment reporting requirements in the annual financial statements and interim reports to the shareholders on the operating product and service businesses and regions. The split into business segments is thus as follows:

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic renal failure. Fresenius Medical Care treats about 114,300 patients in its own dialysis clinics. In the United States, the range of services include apheresis and hemoperfusion services for hospitals.

Fresenius Kabi is one of Europe's leading companies in the field of infusion and nutrition therapies. The company also has leading positions in Europe in the fields of infusion and transfusion technology. The business activities of Fresenius Kabi are focussed on the therapy and care of critically-ill patients in the hospital and on follow-up care in an ambulatory environment.

Fresenius ProServe is an international provider of products and services in connection with the hospital and the pharmaceutical industry. The products and services portfolio ranges from the consulting, planning, construction and equipping of hospitals up to technical management and the management and operation of health care facilities all over the world. Furthermore, ProServe offers services related to the planning, construction, service and operation of medical and pharmaceutical production plants.

The segment Corporate/Other mainly comprises the holding functions of Fresenius AG as well as Fresenius Netcare GmbH, which was founded in connection with the spin-off of the information technology department, and which provides services in the field of information technology. The segment Corporate/Other also includes the businesses Biotechnology and Adsorber Technology. It is planned to sell the Adsorber Technology segment to Fresenius Medical Care. In addition, the segment Corporate/Other includes the consolidation measures to be carried out between the segments.

Effective January 1, 2003 the activities of the business segment Fresenius HemoCare were re-allocated within the Fresenius Group. Therefore the segment reporting includes figures for the previous years which have been adjusted in accordance with the new organisational structure.

The table of the segment reporting can be found on page 14 of this quarterly report.

Notes on the business segments

Explanations regarding the notes on the business segments can be found in the consolidated financial statements in the 2002 Annual Report.

Reconciliation of key figures to consolidated earnings

in million €	Q1/2002 *	Q1/2003
Total EBITDA of reporting segments	305	273
Depreciation and amortization	-86	-77
General corporate expenses Corporate / Other	-2	-2
Interest expenses	-93	-64
Total earnings before income taxes and minority interests	**124**	**130**
Total EBIT of reporting segments	221	198
General corporate expenses Corporate / Other	-4	-4
Interest expenses	-93	-64
Total earnings before income taxes and minority interests	**124**	**130**
Depreciation and amortization of reporting segments	84	75
Depreciation and amortization of Corporate / Other	2	2
Total depreciation and amortization	**86**	**77**

* according to new organisational structure as at January 1, 2003

16. Additional information on the cash flow statement

The following summaries provide additional information with regard to the consolidated cash flow statement:

in million €	Q1/2002	Q1/2003
Interest paid	61	59
Income taxes paid	58	37

in million €	Q1/2002	Q1/2003
Assets acquired	23	36
Debts assumed	-4	-4
Non-cash portions in connections with acquisitions	0	-6
Cash paid	19	26
Cash acquired	-1	0
Net cash paid for acquisitions	**18**	**26**

The free cash flow is an important management key figure in the Group. It is calculated as follows:

in million €	Q1/2002	Q1/2003
Operating cash flow	**80**	**137**
Purchase of tangible assets	-82	-56
Proceeds from sale of tangible assets	5	2
Free cash flow before acquisitions and dividends	**3**	**83**
Purchase of shares in related and associated companies, net	-18	-26
Free cash flow before dividends	**-15**	**57**
Dividends paid	0	0
Free cash flow after dividends	**-15**	**57**

17. Subsequent events

Eurobonds 2003

In April 2003 Fresenius Finance B.V., 's-Hertogenbosch (Netherlands), a wholly-owned subsidiary of Fresenius AG, placed a bond with a principal amount of € 400 million in two tranches for the repayment of existing short-term loans.
The maturity of both tranches is 6 years. The € 300 million tranche has an annual interest rate of 7.75 % and is non-callable by the issuer for three years. The second tranche of € 100 million has an annual interest rate of 7.5 % and is not callable before maturity.

Fresenius Medical Care AG announced settlement of merger-related commercial payer litigation

In April 2003, Fresenius Medical Care, Fresenius Medical Care Holdings, National Medical Care and certain NMC subsidiaries agreed to settle all litigation filed by a group of insurance companies concerning allegations of inappropriate billing practices and misrepresentations and Fresenius Medical Care's counterclaims against the plaintiffs in these matters based on inappropriate claim denials and delays in claim payments. The costs of the settlement will be charged against previously established accruals.

18. Corporate governance

Fresenius AG and Fresenius Medical Care AG have submitted the declaration of compliance required by the § 161 German Stock Corporation Law and made this available to the shareholders.

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