Fresenius
health care worldwide

Interim Report Q1-3/2003 and Q3/2003

Management discussion and analysis

First nine months 2003:

- Sales: € 5.25 billion
  + 6 % at constant currency, - 5 % at actual exchange rates
- EBIT: € 590 million
  + 8 % at constant currency, - 4 % at actual exchange rates
- Net income: € 105 million
  + 38 % at constant currency, + 24 % at actual exchange rates

- Operating cash flow and free cash flow at record levels
- Fresenius Medical Care: strong margin improvement in Q3
- Fresenius Kabi: Strong organic growth and positive earnings development
- Fresenius ProServe: further measures to improve profitability
- Reported figures impacted by exchange rate fluctuations

In the first nine months of 2003 the results of the Fresenius Group were significantly impacted by exchange rate fluctuations in the currency translation. At constant currency, sales increased 6 % for the first nine months of 2003. At actual rates, sales decreased 5 %. Operating income (EBIT) increased 8 % at constant currency and decreased 4 % at actual rates. Net income grew significantly at both constant currency and actual rates (+38 % and +24 % respectively).

Sales

In the first nine months of 2003, Fresenius Group increased sales at constant currency 6 %. Organic growth was 4 %. Acquisitions contributed 2 %. At actual rates, consolidated sales of € 5,254 million were 5 % lower than previous year's figure (Q1-3/2002: € 5,552 million). Exchange rates fluctuations had a 11 % negative impact on sales, mainly due to the 20 % weaker US dollar.

In all regions, Fresenius expanded its business successfully and increased sales at constant currency. The strongest sales were in North America with 50 % and Europe with 38 % of total sales. Asia-Pacific had 7 %, Latin America 4 % and other regions a total of 1 %. Despite the continuously difficult economic climate in Latin America, sales showed a significant growth of 31 % at constant currency.

in € million	Q1-3/2002	Q1-3/2003	Change	Change currency-adjusted
Europe	1,840	1,976	7%	8%
North America	3,059	2,638	-14%	3%
Asia-Pacific	389	372	-4%	7%
Latin America	187	183	-2%	31%
Africa	77	85	10%	5%
Total	5,552	5,254	-5%	6%

Sales contribution of the business segments:

	Q1-3/2002	Q1-3/2003
Fresenius Medical Care	72%	70%
Fresenius Kabi	19%	20%
Fresenius ProServe	8%	10%
Corporate	1%	0%

Fresenius Medical Care's reduced proportion of sales is mainly a result of currency translation effects.

Earnings

At constant currency, earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 5 % compared to previous year. Currency translation effects also had a negative impact on Group earnings. At actual rates, EBITDA for the first nine months of 2003 was € 825 million, 6 % below previous year's € 874 million. EBIT increased 8 % at constant currency but decreased 4 % at actual rates to € 590 million (Q1-3/2002: € 617 million).

Fresenius Kabi contributed the largest share to the EBIT increase (+ € 42 million or +65 % compared to previous year). This is thanks to the successful implementation of restructuring measures in 2001 and 2002 and a strong operating performance in the regions.

Net interest expense for the first nine months of 2003 improved to € -186 million compared to € -230 million for the same period of 2002.

In the following table previous year's consolidated statement of income has been adjusted according to Statement of Financial Accounting Standards No. 145 which stipulates that, as of January 1, 2003, the gains and losses from the early redemption of financial instruments are no longer classified as extraordinary. This rule requires the reclassification of € 21 million of expenses before taxes (€ 13 million after taxes and related minority interests of € 8 million) for the early redemption of Fresenius Medical Care's trust preferred securities in February 2002 which were to come due in 2006.

	Q1-3/2002 as reported in million €	Q1-3/2002 adjusted according to SFAS No.145 in million €	Q1-3/2003 in million €	Change Q1-3/2003 vs. Q1-3/2002 as reported	Change Q1-3/2003 vs. Q1-3/2002 SFAS No.145
EBIT	617	617	590	-4%	-4%
Net interest expense	-209	-230	-186	11%	19%
Earnings before income taxes	408	387	404	-1%	4%
Taxes on income and profit	-157	-149	-158	-1%	-6%
Minority interests	-161	-153	-141	12%	8%
Net income (before extraordinary expenses)	90	85	105	17%	24%
Extraordinary expenses after taxes and minority interests	-5	0	0		
Net income	85	85	105	24%	24%

The decrease in net interest expense is equally attributable to the change in US GAAP and to currency translation effects of US dollar into euro, since a large portion of Fresenius Medical Care's bank loans are in US dollars.

The effective tax rate for the first nine month of 2003 was 39.1 % (Q1-3/2002: 38.5 %).

Minority interests decreased to € 141 million from € 153 million for the first nine months of 2002, solely due to exchange rate effects. 96 % of minority interests relate to Fresenius Medical Care.

Net income increased 24 % to € 105 million, compared to € 85 million for the first nine months of 2002. At constant currency, the increase was with 38 % even more significant.

Earnings per ordinary share were € 2.55, up from € 2.06 in the same period of 2002. Earnings per preference share were € 2.57, up from € 2.08 in 2002. This was an increase of 24 % (at constant rates: 38 %).

Capital expenditure and acquisitions

Fresenius spent € 247 million in the first nine months of 2003 on capital expenditure and acquisitions. (Q1-3/2002: € 393 million). This reduction was in line with Company planning. In 2001 and 2002 Fresenius made significant investments to increase the capacity of production plants and further market expansion.

73 % of total investments was for capital expenditure, 27 % was for acquisitions. Capital expenditure was € 180 million, 36 % less than in the same period of 2002. Acquisitions were € 67 million compared to € 110 million in the first nine month of 2002.

Acquisitions related mainly to the purchase of dialysis clinics by Fresenius Medical Care. Capital expenditure was mainly used to equip new dialysis clinics, to expand and modernize existing clinics and to expand and optimize production plants.

Fresenius invested 55 % in Europe, 36 % in North America and 9 % in other regions.

Cash flow

Operating cash flow and free cash flow for the first nine months of 2003 were at record levels. Operating cash flow increased 11 % to € 565 million (Q1-3/2002: € 507 million). This excellent figure mainly resulted from improved receivables management. Free cash flow before acquisitions and dividends increased 47 % to € 399 million (Q1-3/2002: € 272 million). This increase was also due to the significantly lower investment volume of € 166 million (Q1-3/2002: € 235 million). Free cash flow after acquisitions (€ 61 million) and dividends (€ 114 million) tripled to € 224 million (Q1-3/2002: € 72 million).

Asset, liability and equity structure

Balance sheet total of the Group was € 8,817 million, a decrease of € 98 million (1 %) compared to December 31, 2002 (€ 8,915 million). This was due to currency effects. At constant currency, balance sheet total increased by 5 %.

Shareholders' equity (including minority interests) was € 3,276 million as of September 30, 2003 compared to € 3,369 million as of December 31, 2002, a 3 % decrease due to currency translation effects. At constant currency there was an increase of 5 %. Equity ratio (including minority interests) was 37.2 % as of September 30, 2003 compared to 37.8 % as of December 31, 2002.

Bank loans, Eurobonds, commercial paper and trust preferred securities were € 3,181 million as of September 30, 2003 compared to € 3,283 million as of December 31, 2002. The reduction was due to currency translation effects, partially offset by reduction in Fresenius Medical Care’s receivables securitization program.

Debt, including liabilities from the receivables securitization program of Fresenius Medical Care decreased from € 3,707 million as of December 31, 2002 to € 3,335 million as of September 30, 2003. The reduction was almost equally achieved from the strong free cash flow as well as currency translation effects.

The key ratio net debt/EBITDA improved substantially as of September 30, 2003 to 2.8 (December 31, 2002: 3.0). The Group is therefore well on track to achieve its target of 2.5 in 2005.

Employees

As of September 30, 2003, Fresenius Group had 65,941 employees worldwide. This was 4 % or 2,303 people more than at the end of 2002.

Third quarter of 2003

At constant exchange rates, the Fresenius Group increased sales by 8 % in the third quarter of 2003. At actual rates, sales of € 1,798 million were at previous year's level (Q3/2002: € 1,803 million). This was due to currency translation effects.

Operating income (EBIT) increased 11 % at constant rates. At actual rates, EBIT in the third quarter 2003 of € 200 million was 2 % above € 197 million recorded in the same period last year. Fresenius achieved a significant increase of 17 % in the quarterly net income from € 30 million to € 35 million. At constant rates the increase was 23 %. Earnings per ordinary share were € 0.85 compared to € 0.73 in the third quarter of 2002. Earnings per preference share were € 0.85 compared to € 0.73 in the third quarter of 2002. This was an increase of 17 % per ordinary and preference share (at constant rates: 23 %).

In the third quarter 2003 Fresenius reduced capital expenditure by 32 % to € 67 million, in line with Company planning. Acquisitions decreased from € 38 million in the third quarter 2002 to € 23 million in the third quarter 2003.

In the third quarter 2003 operating cash flow and free cash flow were at record levels: Operating cash flow increased to € 254 million (Q3/2002: € 211 million). The free cash flow before acquisitions and dividends was € 191 million (Q3/2002 € 118 million).

Group outlook for the full year 2003

In the first nine months the health care systems were affected by postponed investments, cost-cutting measures and price pressure. In this difficult environment, Fresenius Group achieved further significant improvements in sales and earnings at constant currency. For the full-year 2003 expectations for a mid single digit sales growth remain unchanged.

The largest business segments, Fresenius Medical Care and Fresenius Kabi, both performed very well during the first nine months of 2003. The Group expects this trend to continue in the fourth quarter. Fresenius ProServe's performance during the third quarter 2003 was marked by declining bed utilization rates in its hospitals, project delays and a general investment caution of the pharma industry. Fresenius ProServe plans to focus its business operations to improve profitability. In addition to the restructuring program initiated in the second quarter for Wittgensteiner Kliniken AG (WKA), Fresenius ProServe will take measures in the current year to reorganize its health care project and Pharma Industry businesses.

The Managing Board maintains its forecast that, at constant currency and before Fresenius ProServe's one-time expenses, the Group's net income will increase at a double-digit rate. Forecast is based on the continued strong performance of Fresenius Medical Care and Fresenius Kabi. After one-time expenses, it is expected that net income at constant currency will show a high single to low double digit rate decrease compared to previous year.

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. As of September 30, 2003, Fresenius Medical Care provided treatment to around 117,600 patients in 1,540 dialysis clinics, 7 % more than at the same date last year.

in US$ million	Q3/2002*	**Q3/2003**	Change in %	Q1-3/2002*	**Q1-3/2003**	Change in %
Sales	1,285	1,409	10	3,726	4,075	9
EBITDA	222	251	13	671	709	6
EBIT	167	197	18	511	550	8
Net income	70	87	25	207	237	14
Employees				41,766 (31.12.2002)	43,305 (30.9.2003)	4

First nine months of 2003

Fresenius Medical Care increased sales for the first nine months of 2003 by 9 % to US$ 4,075 million (Q1-3/2002: US$ 3,726 million). At constant currency, the increase was 6 %. Fresenius Medical Care had 70 % of sales in North America and 30 % elsewhere.

Both, dialysis products and dialysis care had increased sales. Sales of dialysis products increased 14 % to US$ 1,134 million (Q1-3/2002: US$ 991 million). The international business in particular showed strong growth rates. The number of dialysis treatments increased 9 % to 13.2 million, increasing sales by 8 % to US$ 2,941 million (Q1-3/2002: US$ 2,735 million). Dialysis care sales and dialysis products sales were 72 % and 28 % of sales respectively.

Fresenius Medical Care improved EBIT 8 % to US$ 550 million (Q1-3/2002: US$ 511 million). Net income increased 14 % to US$ 237 million.

For the year 2003, Fresenius Medical Care confirms its outlook and expects mid single digit revenue growth (in constant currency) and net income growth in the high single digit to low double digit range. As mentioned in the first quarter of 2003, Fresenius Medical Care expects to achieve net income growth for the full year 2003 near the lower end within the predicted range.

As a result of the weaker US dollar against the euro, Fresenius Medical Care’s sales of US$ 4,075 million (€ 3,665 million) were 9 % lower than the € 4,018 million recorded in the first nine months of 2002 after conversion to euros. EBIT decreased 10 % to € 494 million (Q1-3/2002: € 551 million), also due to currency translation effects.

Third quarter of 2003

Fresenius Medical Care increased sales in the third quarter 2003 by 10 % to US$ 1,409 million. The operating income (EBIT) increased 18 % in the third quarter 2003 to US$ 197 million. The quarterly net income of Fresenius Medical Care in the third quarter 2003 increased 25 % to US$ 87 million.

For further information please see Fresenius Medical Care Investor News at www.fmc-ag.com.

* adjusted according to US GAAP SFAS No. 145

Fresenius Kabi

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

in € million	Q3/2002*	**Q3/2003**	Change in %	Q1-3/2002*	**Q1-3/2003**	Change in %
Sales	351	364	4	1,068	1,082	1
EBITDA	47	56	19	125	164	31
EBIT	27	36	33	65	107	65
Net income	6	14	133	13	44	238
Employees				11,311 (31.12.2002)	11,448 (30.9.2003)	1

First nine months of 2003

Fresenius Kabi's sales for the first nine months of 2003 were € 1,082 million, 1 % above the level of € 1,068 million recorded in the same period last year. Currency translation had a negative impact of -5 % on sales. Fresenius Kabi achieved strong organic sales growth of 7 %, in line with the full-year target. Divestments (the sale of the company ProReha effective August 1, 2002) reduced sales by -1 percentage point.

The hospital business generated sales of € 865 million (Q1-3/2002: € 843 million; +3 %). The Ambulatory Care business had sales of € 217 million (Q1-3/2002: € 225 million).

EBIT for the first nine months of 2003 increased to € 107 million, well ahead of previous year's figure of € 65 million. The EBIT margin for the first nine months of 2003 was 9.9 %, well above the margin achieved in the same period last year (6.1 %). Next to the good development in the operating business, cost optimization measures had a positive impact on earnings. These improvements will continue to make a significant contribution to future earnings growth.

This positive development is based on the sustainable success of Fresenius Kabi's products in the European, Asian-Pacific and Latin American markets. In Europe, Fresenius Kabi was able to achieve a good 4 % organic sales growth despite cost saving measures and price pressure in the first nine months of 2003. In other, strong growing regions, Fresenius Kabi achieved double-digit organic growth rates.

For the full year 2003, Fresenius Kabi confirms its outlook of achieving organic sales growth of 6 to 7 %. EBIT for the full year 2003 is expected to be in the range of € 140 million.

Third quarter of 2003

In the third quarter of 2003 Fresenius Kabi increased sales 4 % to € 364 million compared to the same period of the previous year. This is attributable to substantial exchange rate effects. At constant rates the increase was 6 %. Operating income (EBIT) increased substantially in the third quarter of 2003 (33 %) from € 27 million in the previous year to € 36 million.

* 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 healthcare 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	Q3/2002	**Q3/2003**	Change in %	Q1-3/2002	**Q1-3/2003**	Change in %
Sales	154	190	23	475	526	11
EBITDA	15	5	-67	34	27	-21
EBIT	8	-5	-163	16	5	-69
Net income	2	-5	-350	3	-4	-233
Employees				9,894 (31.12.2002)	10,655 (30.9.2003)	8

First nine months of 2003

Fresenius ProServe increased sales 11 % to € 526 million for the first nine months of 2003 (Q1-3/2002: € 475 million). The Healthcare and Pharma Industry businesses achieved 86 % and 14 % of sales respectively.
Healthcare sales grew by 20 % to € 452 million (Q1-3/2002: € 377 million). Sales generated by services increased 30 % to € 361 million (Q1-3/2002: € 277 million). This was mainly due to the first-time consolidation of newly-acquired hospitals (mainly Klinikum Rhein-Sieg in Siegburg). Healthcare sales from project business, at € 91 million, were 10 % lower than in the same period last year (Q1-3/2002: € 100 million) due to project delays. Pharma Industry sales of € 74 million were 24 % lower than in the same period last year due to a general investment caution of the pharma industry.

Fresenius ProServe's EBIT for the first nine months of 2003 was € 5 million, after one-time expenses of € 8 million (Q1-3/2002: 16 million). The company announced in August 2003 a program at WKA to reduce costs and improve profitability. The program has been implemented in line with plan.
A bed utilization rate of 80 % in the third quarter 2003, compared to one of 81% in the last quarter, shows that bed utilization in acute and post-acute hospitals has not yet seen a turnaround. In addition, delayed project business orders had a negative impact on quarterly earnings.

A primary task is to improve Fresenius ProServe’s profitability. In addition to the WKA program, further reorganization measures are currently being taken for the health care project and Pharma Industry businesses and will be implemented during the current year. This includes focusing Pharma Industry business regionally on selected key markets and the related closure of business sites. In addition, the ProServe subsidiary hospitalia international, which is active in the hospital project business such as the subsidiary VAMED, will operate in future under the umbrella of VAMED. This will lead to advantages from a joint market approach and from cost savings in administration. The reorganization will lead to one-time expenses of approximately € 15 million, mainly in connection with the write-down of the carrying amount of assets. These expenses will incur in 2003.

For the full year 2003, Fresenius ProServe expects EBIT before one-time expenses to be in the range of € 15 million. After one-time expenses, Fresenius ProServe anticipates that it will report a negative EBIT of approximately € 20 million.

Third quarter of 2003

At € 190 million, sales of Fresenius ProServe in the third quarter of 2003 were 23 % above the € 154 million achieved in the previous year. Fresenius ProServe achieved an EBIT of € -5 million in the third quarter, affected by one-time expenses (Q3/2002: € 8 million).

Fresenius Group in Figures

Consolidated statement of income (unaudited)

in million €	3rd quarter 2002*	3rd quarter 2003	Q1-3/2002*	Q1-3/2003
Sales	1,803	1,798	5,552	5,254
Cost of goods sold	-1,209	-1,234	-3,753	-3,564
Gross profit	**594**	**564**	**1,799**	**1,690**
Selling, general and administrative expenses	-361	-333	-1,084	-1,013
Expenditure on research and development	-36	-31	-98	-87
Operating income (EBIT)	**197**	**200**	**617**	**590**
Balance of interest	-65	-61	-230	-186
Earnings before income taxes and minority interests	**132**	**139**	**387**	**404**
Income taxes	-52	-54	-149	-158
Minority interests	-50	-50	-153	-141
Net income	**30**	**35**	**85**	**105**
Basic earnings per ordinary share (in €)	**0.73**	**0.85**	**2.06**	**2.55**
Fully diluted earnings per ordinary share (in €)	**0.73**	**0.85**	**2.06**	**2.55**
Basic earnings per preference share (in €)	**0.73**	**0.85**	**2.08**	**2.57**
Fully diluted earnings per preference share (in €)	**0.73**	**0.85**	**2.08**	**2.57**

* adjusted according to US GAAP SFAS 145

	as reported		as reported	
Extraordinary expenses after income taxes and minority interests for the early redemption of trust preferred securities in February 2002	0	0	5	0
Net income before extraordinary expenses	**30**	**35**	**90**	**105**

Average number of shares				
Ordinary shares	**20,484,842**	**20,484,842**	**20,484,804**	**20,484,842**
Preference shares	**20,484,842**	**20,484,842**	**20,484,804**	**20,484,842**
EBIT (in million €)	**197**	**200**	**617**	**590**
Depreciation and amortization (in million €)	**85**	**82**	**257**	**235**
EBITDA (in million €)	**282**	**282**	**874**	**825**
EBIT margin	**10.9%**	**11.1%**	**11.1%**	**11.2%**
EBITDA margin	**15.6%**	**15.7%**	**15.7%**	**15.7%**

See accompanying notes to the unaudited consolidated financial statements.

Consolidated balance sheet (unaudited)

	in million €	December 31, 2002	September 30, 2003
	Cash and cash equivalents	163	148
	Trade accounts receivable less allowances for doubtful accounts	1,299	1,488
	Accounts receivable from related parties	16	21
	Inventories	659	662
	Prepaid expenses and other current assets	379	402
	Deferred taxes (current)	227	217
I.	**Total current assets**	**2,743**	**2,938**
	Tangible assets	1,797	1,708
	Goodwill	3,405	3,168
	Other intangible assets	581	541
	Other non-current assets	308	366
	Deferred taxes (non-current)	81	96
II.	**Total non-current assets**	**6,172**	**5,879**
	Total assets	**8,915**	**8,817**
	Trade accounts payable	300	228
	Trade accounts payable to related parties	4	3
	Accruals and other short-term liabilities	1,066	1,151
	Short-term loans	557	178
	Short-term loans from related companies	5	3
	Current portion of long-term debt and capital lease obligations	44	472
	Accruals for income taxes	231	273
	Deferred taxes (current)	38	44
A.	**Total short-term liabilities**	**2,245**	**2,352**
	Long-term debt and capital lease obligations less the current portion	1,594	1,506
	Long-term liabilities to and loans from related companies	1	-
	Other long-term liabilities	217	196
	Accruals for pensions	224	219
	Deferred taxes (non-current)	182	246
	Trust preferred securities	1,083	1,022
B.	**Total long-term liabilities**	**3,301**	**3,189**
I.	**Total liabilities**	**5,546**	**5,541**
II.	**Minority interests**	**1,762**	**1,700**
	Subscribed capital	105	105
	Capital reserves	643	644
	Other reserves	710	768
	Accumulated other comprehensive income	149	59
III.	**Total shareholders´equity**	**1,607**	**1,576**
	Total liabilities and shareholders´equity	**8,915**	**8,817**

See accompanying notes to the unaudited consolidated financial statements.

Consolidated cash flow statement (unaudited)

in million €	Q1-3/2002	Q1-3/2003
Cash provided by / used for operating activities		
Net income	85	105
Minority interests	153	141
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	257	235
Loss from early redemption of trust preferred securities	13	0
Change in deferred taxes	28	24
Gain/loss on sale of fixed assets	0	-3
Loss from sale of investments	5	0
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable (net)	11	4
Change in inventories	-32	-20
Change in prepaid expenses and other current and non-current assets	-1	-5
Change in accounts receivable from/payable to related companies	-21	-5
Change in trade accounts payable, accruals and other short-term and long-term liabilities	-20	40
Change in accruals for income taxes	29	49
Cash provided by operating activities	**507**	**565**
Cash provided by/used for investing activities		
Purchase of tangible assets	-283	-180
Proceeds from sale of tangible assets	48	14
Purchase of shares in related companies and investments	-99	-61
Cash used for investing activities	**-334**	**-227**
Cash provided by/used for financing activities		
Changes in short-term loans	100	-380
Changes in short-term loans with related companies	1	-2
Changes in long-term debt and capital lease obligations	233	403
Redemption of trust preferred securities	-406	0
Redemption of series D trust preferred stock	0	-8
Increase/Decrease of accounts receivable securitization program	15	-239
Proceeds from exercising stock options	1	0
Dividends paid	-101	-114
Change in minority interests	-1	-2
Payments on hedge contracts for inter-company loans in foreign currency	-4	-5
Cash used for financing activities	**-162**	**-347**
Effect of exchange rates on change in cash and cash equivalents	**-16**	**-6**
Net decrease in cash and cash equivalents	**-5**	**-15**
Cash and cash equivalents at beginning of period	**181**	**163**
Cash and cash equivalents at end of period	**176**	**148**

See accompanying notes to the unaudited 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 31.12.2002	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 stock options						
Dividends paid						
Comprehensive income						
Net income						
Other comprehensive income from cash flow hedges						
Foreign Currency translation adjustment						
Minimum pension liability						
Comprehensive income						
As at 30.09.2003	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 31.12.2002	643	710	194	-17	-28	1,607
Issuance of bearer ordinary shares and bearer preference shares						0
Proceeds from exercise of stock options						0
Compensation expense related to exercise of stock options	1					1
Dividends paid		-47				-47
Comprehensive income						
Net income		105				105
Other comprehensive income from cash flow hedges				40		40
Foreign Currency translation adjustment			-132			-132
Minimum pension liability					2	2
Comprehensive income		105	-132	40	2	15
As at 30.09.2003	644	768	62	23	-26	1,576

See accompanying notes to the unaudited consolidated financial statements.

Segment reporting Q1-3/2003

	Fresenius Medical Care*			Fresenius Kabi*			Fresenius ProServe			Corporate/Other*			Total		
	Q1-3/02 €m	Q1-3/03 €m	Change	Q1-3/02 €m	Q1-3/03 €m	Change	Q1-3/02 €m	Q1-3/03 €m	Change	Q1-3/02 €m	Q1-3/03 €m	Change	Q1-3/02 €m	Q1-3/03 €m	Change
Sales	4,018	3,665	-9%	1,068	1,082	1%	475	526	11%	-9	-19	-111%	5,552	5,254	-5%
of which contributing to consolidated sales	4,000	3,647	-9%	1,051	1,066	1%	473	524	11%	28	17		5,552	5,254	-5%
of which intercompany sales	18	18	0%	17	16	-6%	2	2		-37	-36	3%	0	0	
contribution to consolidated sales	72%	70%		19%	20%		8%	10%		1%	0%		100%	100%	
EBITDA	723	637	-12%	125	164	31%	34	27	-21%	-8	-3	63%	874	825	-6%
Depreciation and amortization	172	143	-17%	60	57	-5%	18	22	22%	7	13	86%	257	235	-9%
EBIT	551	494	-10%	65	107	65%	16	5	-69%	-15	-16	-7%	617	590	-4%
Balance of interest	-190	-143	25%	-28	-33	-18%	-8	-7	13%	-4	-3	25%	-230	-186	19%
Net income	224	213	-5%	13	44	238%	3	-4	-233%	-155	-148	5%	85	105	24%
Operating cash flow	426	452	6%	52	107	106%	19	12	-37%	10	-6	-160%	507	565	11%
Free cash flow before acquisitions and dividends	257	336	31%	23	73	217%	-10	-1	90%	2	-9	--	272	399	47%
Debt**	2,277	2,216	-3%	764	738	-3%	241	248	3%	1	-21	--	3,283	3,181	-3%
Total assets**	6,465	6,352	-2%	1,531	1,534	0%	759	785	3%	160	146	-9%	8,915	8,817	-1%
Capital expenditure	201	127	-37%	45	36	-20%	29	13	-55%	8	4	-50%	283	180	-36%
Acquisitions	87	78	-10%	19	1	-95%	0	3		4	-15	--	110	67	-39%
Research and development expenses	35	34	-3%	41	35	-15%	1	1		21	17	-19%	98	87	-11%
Employees (per capita on balance sheet date)**	41,766	43,305	4%	11,311	11,448	1%	9,894	10,665	8%	667	523	-22%	63,638	65,941	4%
Key figures															
EBITDA margin	18.0%	17.4%		11.7%	15.2%		7.2%	5.1%					15.7%	15.7%	
EBIT margin	13.7%	13.5%		6.1%	9.9%		3.4%	1.0%					11.1%	11.2%	
Depreciation and amortization as % of sales	4.3%	3.9%		5.6%	5.3%		3.8%	4.2%					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 until March 31, 2003. Adsorber technology business consolidated in Fresenius Medical Care as of April 1, 2003.

** previous year as of 31.12.2002

Segment reporting Q3/2003

	Fresenius Medical Care*			Fresenius Kabi*			Fresenius ProServe			Corporate/Other*			Total		
	Q3/2002	Q3/2003	Change	Q3/2002	Q3/2003	Change	Q3/2002	Q3/2003	Change	Q3/2002	Q3/2003	Change	Q3/2002	Q3/2003	Change
	€m	€m		€m	€m		€m	€m		€m	€m		€m	€m	
Sales	1,300	1,252	-4%	351	364	4%	154	190	23%	-2	-8	-300%	1,803	1,798	0%
of which contributing to consolidated sales	1,295	1,247	-4%	347	358	3%	154	190	23%	7	3		1,803	1,798	0%
of which intercompany sales	5	5	0%	4	6	50%	0	0		-9	-11	-22%	0	0	
contribution to consolidated sales	72%	69%		19%	20%		9%	11%		0%	0%		100%	100%	
EBITDA	223	223	0%	47	56	19%	15	5	-67%	-3	-2	33%	282	282	0%
Depreciation and amortization	55	48	-13%	20	20	0%	7	10	43%	3	4	33%	85	82	-4%
EBIT	168	175	4%	27	36	33%	8	-5	-163%	-6	-6	0%	197	200	2%
Balance of interest	-52	-46	12%	-9	-12	-33%	-3	-2	33%	-1	-1	0%	-65	-61	6%
Net income	71	78	10%	6	14	133%	2	-5	-350%	-49	-52	-6%	30	35	17%
Operating cash flow	154	181	18%	50	60	20%	13	0	-100%	-6	13	317%	211	254	20%
Free cash flow before acquisitions and dividends	85	135	59%	40	47	18%	3	-3	-200%	-10	12	220%	118	191	62%
Capital expenditure	72	49	-32%	13	13	0%	10	3	-70%	3	2	-33%	98	67	-32%
Acquisitions	36	19	-47%	2	0	-100%	0	-1		0	5		38	23	-39%
Research and development expenses	13	12	-8%	13	13	0%	1	1		9	5	-44%	36	31	-14%
Key figures															
EBITDA margin	17.2%	17.8%		13.4%	15.4%		9.7%	2.6%					15.6%	15.7%	
EBIT margin	12.9%	14.0%		7.7%	9.9%		5.2%	-2.6%					10.9%	11.1%	
Depreciation and amortization as % of sales	4.2%	3.8%		5.7%	5.5%		4.5%	5.3%					4.7%	4.6%	

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

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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 as 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

Effective January 1, 2003, the activities of the business segment Fresenius HemoCare were re-allocated within the Fresenius Group. 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 mostly 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 German 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 consolidated financial statements for the first nine months and the third quarter ended September 30, 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 consolidated financial statements for the first nine months and the third quarter 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 financial statements for the first nine months and the third quarter do not necessarily express a statement about the expected results for the whole financial year.

III. Recently issued accounting standards

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 as of January 1, 2003. The adoption of SFAS No. 143 did not have a material impact on the financial statements of the Fresenius Group as of September 30, 2003.

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, *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 related to classifications of gains and losses on debt extinguishments such 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-leaseback transactions. The Fresenius Group adopted SFAS No. 145 in regard to SFAS No. 4 on January 1, 2003. In the first 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 is no longer 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. 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 applied prospectively 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 certain obligations undertaken, relating 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 as of September 30, 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 by the primary beneficiary. The interpretation becomes effective at various dates in 2003, is fully effective for periods ending after December 15, 2003 and provides various transition rules. See Note 3 in the unaudited consolidated 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 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 entered into or modified after June 30, 2003. This adoption did not have any impact on the financial statements of the Fresenius Group as of September 30, 2003.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150 (*Accounting for certain Financial Instruments with Characteristics of both Liabilities and Equity*). This Statement requires an issuer to classify certain financial instruments with the characteristics of both liabilities and equity as a liability (or asset in some circumstances) instead of equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This adoption did not have any impact on the financial statements of the Fresenius Group as of September 30, 2003.

2. Special charge of Fresenius Medical Care for legal matters

In the fourth quarter of 2001, Fresenius Medical Care recorded a special charge of US$ 258 million (US$ 177 million after taxes) to address legal matters related to the merger of 1996, estimated liabilities and legal expenses arising in connection with the Grace Chapter 11 Proceedings and 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 for which Fresenius Medical Care has been indemnified by W.R. Grace, but may ultimately be obliged to pay as a result of Grace’s Chapter 11 Proceedings. In addition, that amount included the estimated costs of defending Fresenius Medical Care in all litigation arising out of Grace's Chapter 11 Proceedings. During the second quarter of 2003, the court supervising Grace’s Chapter 11 Proceedings approved the definitive settlement agreement entered into among Fresenius Medical Care, the committees representing asbestos creditors and W.R. Grace.

Fresenius Medical Care included US$ 55 million in the special charge to provide for settlement obligations, legal expenses and the resolution of disputed accounts receivable relating to various insurance companies. In November of 2003, Fresenius Medical Care settled without litigation all claims raised by the final group of insurance companies who had contacted Fresenius Medical Care concerning allegations of inappropriate billing practices and misrepresentations. The cost of the settlement will be charged against previously established accruals (See Note 15 “Legal proceedings”).

The remaining amount of the special charge (US$ 31 million pre-tax) was accrued mainly for (1) assets and receivables that are impaired in connection with other legal matters and (2) anticipated expenses associated with the continued defense and resolution of the legal matters.

Based on these developments, Fresenius Medical Care has reduced its estimate for the settlement and related costs of the Grace Chapter 11 Proceedings by US$ 39 million. This reduction of the provision for the Grace matter has been applied to the other components of the special charge (i.e. reserves for settlement obligations and disputed accounts receivable from the commercial insurers and other merger-related legal matters).

On September 30, 2003 there is a remaining balance of US$ 175 million (€ 150 million) for the accrual for the special charge for legal matters. Fresenius Medical Care believes that these reserves are adequate for the settlement of all matters described above. During the third quarter and the first nine months of 2003, charges in the amount of US$ 5 million (€ 4 million) and US$ 17 million (€ 15 million), respectively, were applied against the accrued special charge for legal matters.

3. Variable interest entities

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. FIN 46 explains the concept of a variable interest entity and requires consolidation by the primary beneficiary where the variable interest entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties or the equity investors lack the essential characteristics of a controlling financial interest. This interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and applies in the first year or interim period ending after December 15, 2003 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003.

Fresenius Medical Care enters into various arrangements with certain dialysis clinics to provide management services, financing and product supply. Some of these clinics are variable interest entities. Under FIN 46 these clinics are consolidated if Fresenius Medical Care is determined to be the primary beneficiary. Fresenius Medical Care, however, has not completed its analysis. Fresenius Medical Care also participates in a joint venture which is engaged in the perfusion industry. The arrangements with the joint venture partner are such that it qualifies as a variable interest entity and Fresenius Medical Care is the primary beneficiary. These variable interest entities generate approximately US$ 160 million in annual revenue. This includes approximately US$ 21 million related to variable interest entities in which Fresenius Medical Care is not the primary beneficiary. Fresenius Medical Care has investments, other long term assets and receivables of approximately US$ 40 million which represent Fresenius Medical Care's maximum exposure to loss as a result of its involvement with the variable interest entities.

Fresenius ProServe participates in long-term project entities which are set up for defined periods of time and for the specific purpose of constructing and operating thermal swimming baths. Some of these project entities qualify as variable interest entities, whereby Fresenius ProServe is not the primary beneficiary. The project entities generate approximately € 28 million in annual revenue. The maximum exposure to loss of Fresenius ProServe from investments and from loans is approximately € 7 million.

4. Acquisitions

The Fresenius Group made acquisitions of € 23 million and € 67 million in the third quarter and first nine months of 2003. Acquisitions related mainly to the purchase of dialysis clinics. Of this amount, € 23 million and € 61 million in the third quarter and first nine months of 2003 were paid in cash. In the first nine months of 2003 financial liabilities assumed amounted to € 6 million, while in the third quarter of 2003 no additional financial liabilities have been assumed.

Notes on the Consolidated Balance Sheet

5. Cash and cash equivalents

in million €	Dec. 31, 2002	Sept. 30, 2003
Cash	149	133
Securities (with a maturity of up to 90 days)	14	15
Total cash and cash equivalents	**163**	**148**

6. Trade accounts receivable

in million €	Dec. 31, 2002	Sept. 30, 2003
Trade accounts receivable	1,469	1,651
less allowance	170	163
Trade accounts receivable (net)	**1,299**	**1,488**

In the business segment Fresenius Medical Care, National Medical Care, Inc., (National Medical Care), has concluded an agreement for an accounts receivable securitization facility. This facility sells receivables of National Medical Care and certain affiliates to National Medical Care Funding Corporation, a wholly-owned subsidiary of National Medical Care, which subsequently transfers and assigns percentage ownership interests in the receivables to certain bank investors. The National Medical Care 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. National Medical Care has a servicing obligation to act as a collection agent on behalf of National Medical Care 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 date was extended to October 23, 2003. On October 23, 2003 in an amendment, the volume of the agreement was reduced to US$ 460 million and its maturity date was extended to October 22, 2004

In the first nine months of 2003, liabilities from the receivables securitization programme were reduced from US$ 445 million by US$ 266 million to US$ 179 million, which resulted in a corresponding increase of accounts receivable of Fresenius Medical Care.

7 . Inventories

As of September 30, 2003 and December 31, 2002, inventories are as follows:

in million €	Dec. 31, 2002	Sept. 30, 2003
Raw materials and purchased components	145	141
Work in process	106	94
Finished goods and supplies	408	427
Inventories (net)	**659**	**662**

8. Goodwill and other intangible assets

As of September 30, 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 amount	
	Dec. 31, 2002	Sep. 30, 2003	Dec. 31, 2002	Sep. 30, 2003	Dec. 31, 2002	Sep. 30, 2003
Patient relationships	236	215	183	173	53	42
Patents	39	36	29	26	10	10
Distribution rights	25	26	16	13	9	13
Other	219	198	115	108	104	90
Total	**519**	**475**	**343**	**320**	**176**	**155**

Non-amortizable intangible assets in million €	Purchasing/ manufacturing costs		Accumulated amortization		Carrying amount	
	Dec. 31, 2002	Sep. 30, 2003	Dec. 31, 2002	Sep. 30, 2003	Dec. 31, 2002	Sep. 30, 2003
Trade names	226	205	0	0	226	205
Management contracts	175	178	0	0	175	178
Subtotal	**401**	**383**	**0**	**0**	**401**	**383**
Goodwill	3,405	3,168	0	0	3,405	3,168
Assembled workforce	4	3	0	0	4	3
Subtotal	**3,409**	**3,171**	**0**	**0**	**3,409**	**3,171**
Total	**3,810**	**3,554**	**0**	**0**	**3,810**	**3,554**

The following table shows the anticipated amortization of intangible assets for the next five years:

in million €	Q4/2003	2004	2005	2006	2007	Q1-Q3/2008
Anticipated amortization for the five financial years to come	10	32	29	24	18	13

Carrying amount of goodwill and assembled workforce

The carrying amount of goodwill and assembled workforce are as follows:

in million €	
Carrying amount 1.1.2003	**3,409**
Additions/Disposables, net	5
Transfers	0
Exchange rate differences	-243
Carrying amount 30.9.2003	**3,171**

9. Debt and capital lease obligations

Short-term loans from third parties amounting to € 178 million and € 557 million as at September 30, 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. The decrease mainly resulted from the refinancing of short-term bank loans by the issuance of the 2003 Eurobond.

On September 30, 2003 and December 31, 2002, long-term loans and liabilities in connection with capital lease obligations are as follows:

in €m	Dec. 31, 2002	Sep. 30, 2003
Fresenius Medical Care-Senior credit agreement	822	785
Capital lease obligations	60	56
Euronotes	129	129
Eurobonds	400	800
Other	227	208
	1,638	**1,978**
less current maturities	44	472
Total loans and capital lease obligations	**1,594**	**1,506**

Eurobonds

On April 27, 1999 Fresenius Finance B.V., 's-Hertogenbosch (Netherlands), a wholly-owned 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 has 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 amount. The tranche with a variable interest rate matured after three years; repayment was made on May 18, 2002 at the nominal amount.

In April 2003, Fresenius Finance B.V., 's-Hertogenbosch (Netherlands), a wholly-owned subsidiary of Fresenius AG, issued Eurobonds for a total amount of € 400 million in two tranches in order to repay short-term bank loans. Both tranches have a maturity of six years. The € 300 million tranche bears interest at 7.75 % p.a. and is three years non-callable by the Issuer. The second tranche of € 100 million bears interest at 7.5 % p.a. and is not callable before maturity.

Fresenius Medical Care – 2003 Senior Credit Agreement

On February 21, 2003, Fresenius Medical Care entered into an amended and restated bank agreement (hereafter “2003 Senior Credit Agreement”) with 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. On August 22, 2003, the 2003 Senior Credit Agreement was amended (Amendment 1) so that, in effect, the aggregate amount of US$ 1,500 million was voluntarily reduced to US$ 1,400 million and the interest rate on the new credit facility (Loan C, see below) was 25 basis points lower than Loan B, which was repaid.

The credit facilities are:

- a revolving credit facility of up to US$ 500 million which will be due and payable on October 31, 2007. Of this amount, up to 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 third 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. Loan B was repaid as agreed in Amendment 1 to the 2003 Senior Credit Agreement under which the Lenders have made available to Fresenius Medical Care a term loan facility (“Loan C”) in the amount of US$ 400 million. The proceeds of Loan C, together with cash on hand, were used to voluntarily and permanently repay Loan B under the 2003 Senior Credit Agreement.

- a term loan facility (“Loan C”) of US$ 400 million scheduled to expire February 21, 2010 subject to an early repayment requirement on October 31, 2007 if the Trust Preferred Securities due February 1, 2008 are not repaid or refinanced or their maturity is not extended. The terms of Loan C require quarterly payments totaling US$ 1 million per quarter beginning with the third quarter of 2003.

For the revolving credit facility and Loan A, interest is 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 Fresenius Medical Care's funded debt to EBITDA as defined in the 2003 Senior Credit Agreement. The initial interest rate for Loan B is LIBOR plus 2.5 %. Fees are also payable at a percentage (initially 0.50 %) per annum on the portion of the revolving credit facility not used. The initial interest rate for Loan C is LIBOR plus 2.25% or the base rate plus 1.25%. The revolving loan facility and Loan A under the 2003 Senior Credit Agreement remain outstanding and were not affected by the amendment.

In addition to scheduled principal payments, indebtedness outstanding under the 2003 Senior Credit Agreement will be reduced by portions of net cash proceeds from certain sales of assets, securitization transactions other than Fresenius Medical Care's existing accounts receivable financing facility and the issuance of subordinated debt.

The amended 2003 Senior Credit Agreement contains affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment generally no less restrictive than those of the previous senior credit agreement. Some of the covenants limit 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 2003 Senior Credit Agreement provides for a dividend restriction by Fresenius Medical Care, which is US$ 130 million in 2003, and increases in subsequent years. In default, the outstanding balance under the 2003 Senior Credit Facility, becomes immediately due and payable at the option of the Lenders. As of September 30, 2003, Fresenius Medical Care is in compliance with all financial covenants under the 2003 Senior Credit Agreement.

Euronotes

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 with 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.

10. 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 Fresenius Medical Care's defined benefit and supplemental executive retirement plans. Fresenius Medical Care has retained all employee pension obligations as of the closing date for the fully vested and frozen benefits for all employees.

11. 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 wholly-owned 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 following a rating decline or 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 liquidation amount outstanding of its 9 % Trust Preferred Securities due 2006. The terms of the securities, which were issued in 1996, provided for optional redemption commencing December 1, 2001 at a redemption price of 104.5 % of the liquidation amount, plus distributions accrued to the redemption date. Fresenius Medical Care redeemed the securities at a price of US$ 1,045 per US$ 1,000 liquidation amount plus accrued distributions of US$ 18.25 per US$ 1,000.
As a result of the early redemption of the trust preferred securities in the first quarter 2002, an extraordinary loss of US$ 12 million (€ 13 million) was incurred. This loss consisted of US$ 16 million (€ 18 million) of redemption premium and US$ 3 million (€ 4 million) of write-off of associated debt issuance costs, net of a US$ 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)* in regard to SFAS No. 4. As a result, the loss is no longer presented as an extraordinary loss, but is presented in interest expense, with the related income tax effect included in income taxes.

The trust preferred securities outstanding in the Fresenius Group as at September 30, 2003 are as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	Dec. 31, 2002	Sep. 30, 2003
Fresenius Medical Care Capital Trust II	1998	450 US$m	7 7/8%	1/2/2008	429 €m	386 €m
Fresenius Medical Care Capital Trust III	1998	300 DMm	7 3/8%	1/2/2008	154 €m	154 €m
Fresenius Medical Care Capital Trust IV	2001	225 US$	7 7/8%	15/6/2011	203 €m	185 €m
Fresenius Medical Care Capital Trust V	2001	300 €m	7 3/8%	15/6/2011	297 €m	297 €m
					1,083 €m	**1,022 €m**

12. Minority interests

Minority interests in the Group on September 30, 2003 and December 31, 2002 were as follows:

in million €	Dec. 31, 2002 *	Sep. 30, 2003
Minority interests in Fresenius Medical Care AG	1,688	1,642
Minority interests in the business segments		
Fresenius Medical Care	21	12
Fresenius Kabi	35	29
Fresenius ProServe	16	16
Corporate / Other	2	1
Total minority interests	**1,762**	**1,700**

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

The minority interests decreased in the first nine months of 2003 by € 62 million to € 1,700 million. The change resulted from the inclusion of a portion of profits of € 141 million, reduced by dividends of € 67 million, Fresenius Medical Care's redemption of its Class D preference shares which were issued in connection with the 1996 merger of the worldwide dialysis business of Fresenius with the dialysis business of W.R. Grace & Co. (USA) in the amount of € 8 million and negative currency effects amounting to € 128 million.

13. Shareholders' equity

Conditional capital

With the resolution of the annual general meeting on May 28, 2003, the previous conditional capital (Conditional Capital I) of € 4,448,010.24 was reduced to € 3,296,010.24, divided into 643,752 bearer ordinary shares and 643,752 bearer preference shares. This amount is required to secure the subscription rights in connection with the stock options on bearer ordinary shares and bearer preference shares authorized by the annual general meeting on June 18, 1998.

In order to enable the 2003 share option plan to be executed, the subscribed capital was increased conditionally (Conditional Capital II) by up to € 4,608,000.00 through the issue of up to 900,000 bearer ordinary shares and 900,000 non-voting bearer preference shares. The issue of bearer ordinary shares and non-voting bearer preference shares is made at the specified conversion price. The conditional capital increase can only be carried out to the extent that the convertible bonds are issued and the owners of the convertible bonds exercise their conversion right.

Dividends

A dividend of € 1.14 for each bearer ordinary share and € 1.17 for each bearer preference share, i.e. a total amount of € 47.3 million, was agreed at the annual general meeting on May 29, 2003.

According to German stock corporation law, the basis for distributing dividends to shareholders is based upon the unconsolidated retained earnings of Fresenius AG as reported in its balance sheet determined in accordance with the German Commercial Code (HGB).

Earnings per share

Earnings per share, taking into consideration dilution by exercisable stock options, are as follows on September 30 of the report years:

in million €, except per share data (€)	Q1-3/2002	Q1-3/2003
Numerators		
Net income	85	105
less		
preference on preference shares	-	-
Income (loss) available to all classes of shares	85	105
Denominators (number of shares)		
Weighted average number of shares outstanding	40,969,608	40,969,684
Weighted average number of ordinary shares outstanding	20,484,804	20,484,842
Weighted average number of preference shares outstanding	20,484,804	20,484,842
Total weighted average number of shares outstanding of all classes	40,969,608	40,969,684
Potentially dilutive ordinary shares	0	24,051
Potentially dilutive preference shares	0	24,051
Total weighted average shares outstanding of all classes assuming dilution	40,969,608	41,017,786
Total weighted average ordinary shares assuming dilution	20,484,804	20,508,893
Total weighted average preference shares assuming dilution	20,484,804	20,508,893
Basic earnings per ordinary share	2.06	2.55
Preference per preference share	0.02	0.02
Basic earnings per preference share	2.08	2.57
Fully diluted earnings per ordinary share	2.06	2.55
Preference per preference share	0.02	0.02
Fully diluted earnings per preference share	2.08	2.57

The owners of preference shares are entitled to an additional dividend of € 0.02 for each bearer preference share in the first nine months.

Earnings per share amount to € 0.85 and € 0.73 for each bearer ordinary share and € 0.85 and € 0.73 for each bearer preference share for the third quarter of 2003 and the third quarter of 2002.

14. 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)* subject to complying with additional disclosure requirements of SFAS No. 123 as amended by 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 had applied the fair value recognition provisions of SFAS No. 123 to share-based employee compensation (pro forma):

in million €, except per share data (€)	Q1-3/2002	Q1-3/2003
Net income		
as reported	85	105
plus personnel expenses according to APB No 25	1	-
less personnel expenses according to SFAS No 123	-8	-6
pro forma	78	99
Basic earnings per ordinary share		
as reported	2.06	2.55
pro forma	1.90	2.42
Basic earnings per preference share		
as reported	2.08	2.57
pro forma	1.92	2.44
Fully diluted earnings per ordinary share		
as reported	2.06	2.55
pro forma	1.90	2.42
Fully diluted earnings per preference share		
as reported	2.08	2.57
pro forma	1.92	2.44

Stock option plan of Fresenius AG

As of September 30, 2003, the members of the Managing Board 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 held 924,296 stock options (following the capital increase by conversion of capital reserves in the ratio of 1:1 in 2001).

Bases of the 2003 stock option plan of Fresenius AG

Authorization to issue convertible bonds

With the resolution passed by the annual general meeting on May 28, 2003, the Managing Board is, with the approval of the Supervisory Board, authorized to issue once or recurrently convertible bonds up to May 27, 2008 entitling to a total subscription of up to 900,000 bearer ordinary shares and up to 900,000 non-voting bearer preference shares with a total nominal amount of € 4,608,000.00 to members of the Managing Board, to members of the management of affiliated companies, to employees of the company and to employees of its affiliated companies. Members of the Managing Board and employees of Fresenius Medical Care AG and its affiliated companies which are only affiliated with the company through Fresenius Medical Care AG are excluded. The

Supervisory Board is correspondingly authorized if members of the Managing Board of the company are involved.

Each convertible bond has a nominal value of € 2.56 and bears interest in arrears at 5.5 % p.a. The convertible bonds have a term of ten years as of grant. A convertible bond of € 2.56 entitles the holder to subscribe a bearer ordinary share or a non-voting bearer preference share of the company during a period of up to ten years as from the date on which the convertible bond was granted.

Subscribers and allocation of convertible bonds

The persons entitled to subscribe for the convertible bonds and the number and type (with or without a success target) are specified annually by the Managing Board for the group of employees and by the Supervisory Board for the group consisting of the members of the Managing Board. Convertible bonds for bearer ordinary shares and convertible bonds for non-voting bearer preference shares will always be issued in equal numbers. The group of employees include the members of management - with the exception of the members of the Managing Board of the company – managerial staff and other senior employees of Fresenius AG and its affiliated companies. Based on the dutiful discretion of the executing body granting the bonds, convertible bonds may also be granted to persons who would not be eligible for obtaining convertible bonds with respect to the applicable time period, but who are eligible with respect to another time period within the business year concerned.

The convertible bonds may either be offered as convertible bonds with a success target or as convertible bonds with no success target, whereby the convertible bonds with no success target reduce the number of convertible bonds to be acquired by 15 %.

The group of members of the Managing Board is entitled to 400,000 convertible bonds with an entitlement to subscribe to 200,000 bearer ordinary shares and the same number of non-voting bearer preference shares. The group of employees is entitled to 1,400,000 convertible bonds with an entitlement to subscribe to 700,000 bearer ordinary shares and the same number of non-voting bearer preference shares.

The statutory subscription right of shareholders is excluded.

The convertible bonds are granted on the first working day of July.

Vesting period and conversion periods

Entitled subscribers may exercise the conversion right for a third of the convertible bonds two years from the date on which the bonds were granted; the conversion right for a further third of the convertible bonds may be exercised three years after the date on which the bonds were granted and the conversion right for the remaining third of the convertible bonds may be exercised four years after the date on which the bonds were granted. Convertible bonds for bearer ordinary shares and convertible bonds for non-voting preference shares may only be exercised in equal numbers.

The conversion right may be exercised within 15 working days after the annual general meeting of the company and within 15 working days after the publication of the company's financial results on the previous calendar quarter but not in the period from the commencement of the fiscal year up to the annual general meeting.

General conversion right prerequisites
The conversion right may basically only be exercised as long as the holder of the convertible bonds has a valid, i.e. unterminated contract of employment or service with the company or with an affiliated company.

Success target as an exercise prerequisite
A prerequisite for exercising the conversion right relating to the convertible bonds with a success target is that the success target is attained. The success target is attained if the price increase for the joint average stock exchange price of the bearer ordinary share and the non-voting bearer preference share compared with the joint average stock exchange price of the bearer ordinary share and the non-voting bearer preference share on the date on which the conversion right was granted (“Initial Value”) prior to the exercise of the respective conversion right amounted to 25 % or more for at least one day. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares of the company during the last 30 days of trading before the convertible bond was granted.

Conversion price
Entitled subscribers have to pay a conversion price to the company for each bearer ordinary share and each bearer preference share when the conversion price is exercised. The conversion price for convertible bonds with no success target is equivalent to the joint average stock exchange price of the bearer ordinary share and the non-voting bearer preference share of the company during the last 30 trading days before the respective grant of the convertible bonds, less the nominal value of the converted convertible bond. The conversion price of convertible bonds with a success target is equivalent to the stock exchange price of the bearer ordinary share and the non-voting bearer preference share of the company when the success target was attained for the first time, less the nominal value of the converted convertible bond.

In July 2003 for the first time 51,170 convertible bonds were issued to the members of the Managing Board of Fresenius AG and 229,966 convertible bonds to managerial staff members.

Fresenius Medical Care stock options

As of September 30, 2003, the members of the Fresenius Medical Care Managing Board held 350,824 stock options and managerial staff held 3,876,059 stock options.

As of September 30, 2003, 2,030,128 convertible bonds have been issued to the members of the Managing Board and managerial staff of Fresenius Medical Care under the Fresenius Medical Care 2001 International Stock Incentive Plan.

Other notes

15. 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 as of 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 U.S. 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 US$ 21 million of tax and interest related to COLI deductions taken in tax years prior to 1993; that a U.S. 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 creditors' committee on behalf of the W.R. Grace & 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 and transferred to or are pending before the U.S. 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' committees on behalf of W.R. & Co. Grace bankruptcy estate in the matters pending in the Grace Chapter 11 Proceedings 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. Subsequently, the settlement agreement was amended and W.R. Grace was added as a settling party. Under the terms of the Settlement Agreement as amended (the "Settlement

Agreement"), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care 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 a 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 U.S. District Court has approved the Settlement Agreement

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 by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon confirmation of a plan that satisfies the conditions to Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

On April 4, 2003, Fresenius Medical Care Holdings filed a suit in the United States District Court for the Northern District of California, *Fresenius USA, Inc., et al., v. Baxter International Inc., et al.*, Case No. C 03-1431, seeking a declaratory judgement that Fresenius Medical Care does not infringe on patents held by Baxter International, Inc. and its subsidiaries and affiliates ("Baxter"), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against Fresenius Medical Care for alleged infringement of Baxter patents. In general, the alleged patents concern touch screens, conductivity alarms, power failure data storage, and balance chambers for hemodialysis machines. Baxter has filed counterclaims against Fresenius Medical Care seeking monetary damages and injunctive relief, and alleging that Fresenius Medical Care willfully infringes on Baxter's patents. Fresenius Medical Care believes its claims are meritorious, although the ultimate outcome of any such proceedings cannot be predicted at this time and an adverse result could have a material adverse effect on Fresenius Medical Care's business, financial condition, and results of operations.

In November 2003, Fresenius Medical Care settled without litigation all claims raised by the final group of insurance companies who had contacted Fresenius Medical Care concerning allegations of inappropriate billing practices and misrepresentations. The costs of the settlement will be charged against previously established accruals. See "Accrued special charge of Fresenius Medical Care for legal matters " below.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$ 258 million to reflect anticipated expenses associated with the continued defense and resolution of pre-merger tax claims, merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlement with insurers are 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 defense 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.

16. Report 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 from 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 117,600 patients in its own dialysis clinics. In the United States, the range of services include apheresis and hemoperfusion services for hospitals. In the second quarter of 2003 Fresenius Medical Care acquired Fresenius AG’s adsorber technology business.

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. Furthermore, ProServe offers services related to the planning, construction, service and operation of medical and pharmaceutical production plants.

The Corporate/Other segment 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. It also includes the Biotech business. 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 tables of the segment reporting are on page 15 and 16 of this Interim 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 the key figures with the consolidated results:

in million €	Q1-3/2002 *	Q1-3/2003
Total EBITDA of reporting segments	882	828
Depreciation and amortization	-257	-235
General corporate expenses Corporate / Other	-8	-3
Interest expenses	-230	-186
Total earnings before income taxes and minority interests	**387**	**404**
Total EBIT of reporting segments	632	606
General corporate expenses Corporate / Other	-15	-16
Interest expenses	-230	-186
Total earnings before income taxes and minority interests	**387**	**404**
Depreciation and amortization of reporting segments	250	222
Depreciation and amortization of Corporate / Other	7	13
Total depreciation and amortization	**257**	**235**

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

17. Additional information on the cash flow statement

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

in million €	Q1-3/2002	Q1-3/2003
Interest paid	203	210
Income taxes paid	116	82

in million €	Q1-3/2002	Q1-2/2003
Assets acquired	126	116
Debts assumed	-15	-47
Non-cash portions in connection with acquisitions	-9	-6
Cash paid	102	63
Cash acquired	-3	-2
Net cash paid for acquisitions	**99**	**61**

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

in million €	Q1-3/2002	Q1-3/2003
Operating cash flow	**507**	**565**
Purchase of tangible assets	-283	-180
Proceeds from sale of tangible assets	48	14
Free cash flow before acquisitions and dividends	**272**	**399**
Acquisitions and investments, net of cash acquired	-99	-61
Free cash flow before dividends	**173**	**338**
Dividends paid	-101	-114
Free cash flow after dividends	**72**	**224**

18. Financial instruments

General

Gains and losses arising in connection with exchange rate fluctuations are shown in the consolidated statement of income under sales and general administration expenses.

Market risks

The Fresenius Group is exposed to market risks arising from changes in interest rates and foreign exchange rates. In order to manage these risks, the Fresenius Group enters into hedging deals with investment grade financial institutions as authorized by the Managing Board. The company does not use financial instruments for trading purposes. The Fresenius Group manages its financial instrument activities under the control of a single centralized department with a few exceptions due to exchange control regulations. The Fresenius Group has established guidelines for risk assessment procedures and controls for the use of financial instruments. These guidelines include a clear separation of responsibilities with regard to execution on the one hand and administration, accounting and controlling on the other.

Foreign exchange risk management

The Euro is the reporting currency for financial reporting purposes. Exchange rate fluctuations between the Euro and the US Dollar and local currencies in which the individual annual financial statements of foreign divisions are prepared have a major effect on the results of operations and financial position as reported in the consolidated financial statements. The Fresenius Group utilizes foreign exchange forward contracts in order to secure existing and foreseeable currency risks. It is a basic principle rigorously adopted by the Fresenius Group that foreign exchange forward contracts and options are only used to hedge against foreign currency risks.

The foreign currency risks of the individual companies result from transactions such as buying and selling in foreign currencies and the granting and raising of loans and credits in foreign currencies, including loans and credits within the Group. The Fresenius Group sells products which are produced in its production units in Europe to international divisions of the Fresenius Group. These sales are generally billed in Euros. Subsidiaries are therefore exposed to foreign exchange fluctuations between the Euro and the currencies in which these subsidiaries conduct their local activities.

Changes in the market value of foreign exchange forward contracts which are used and appropriate as a cash-flow hedge for scheduled purchases of goods are reported in the accumulated other comprehensive income. These amounts are subsequently reclassified into earnings in the statement of income as a component of cost of goods sold, in the same period in which the hedged transaction affects earnings. As at September 30, 2003, after tax gains of € 3 million (€ 5 million before tax) were deferred in accumulated other comprehensive income and will be reclassified into earnings in the statement of income in the next twelve months.

Fluctuations in the value of forward exchange contracts which are used and appropriate as a cash-flow hedge for forecasted intercompany financing transactions are reported in accumulated other comprehensive income. After tax gains of € 66 million (€ 109 million before tax) as at September 30, 2003 were deferred in accumulated other comprehensive income and will be reclassified into earnings as a component of the forecasted transaction in the same period as the forecasted transaction affects earnings.

Foreign exchange contracts contain credit risk that banks counterparties of the Fresenius Group may be unable to meet the terms of the agreements. The potential risk of loss with any one party resulting from this type of credit risk is monitored. The Fresenius Group does not expect any material losses as a result of default by other parties.

Interest rate risk management
The Fresenius Group utilizes interest rate hedging instruments, especially interest rate swaps, in order to secure itself against interest rate risks, particularly relating to long and short-term borrowings at floating rates. This is done by swapping the mainly floating interest rates into fixed rates. Under interest rate swaps, we agree with other parties to exchange, for specified periods, the differences between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount.

The Fresenius Group enters in interest swap agreements that are designated as a cash-flow hedge by effectively converting certain variable interest rate payments, mainly denominated in US Dollars, into fixed interest rate payments. After-tax losses of € 47 million (€ 77 million pre-tax) as at September 30, 2003 were deferred in accumulated other comprehensive income. Interest liabilities and interest receivable resulting from the swap agreement are accrued and recorded on each reporting date as an adjustment of the interest expense. The first nine months result was only immaterially effected by the ineffectiveness of the hedging transactions.

The after-tax losses of € 17 million in accumulated other comprehensive income as at December 31, 2002 provided a foreign currency gain of € 1 million after tax (€ 2 million before tax).

The Fresenius Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not expect any counterparties to fail to meet their obligations. The current credit exposure of derivatives is represented by the fair value of contracts with a positive fair value at the reporting date.

19. Subsequent events after the end of the third quarter 2003

Fresenius ProServe is currently taking reorganization measures for the health care project and Pharma Industry businesses. These measures will be implemented during the current year and include focusing Pharma Industry business regionally on selected key markets and the related closure of business sites. In addition, hospitalia international will operate in future under the umbrella of VAMED. This will lead to advantages from a joint market approach and from cost savings in administration. The reorganization will lead to one-time expenses of approximately € 15 million, mainly in connection with the write-down of the carrying amount of assets. These expenses will incur in 2003.

20. Corporate governance

Fresenius AG and Fresenius Medical Care AG have submitted the declaration of compliance pursuant to section 161 of the German Stock Corporation Act (AktG) in accordance with the German Corporate Governance Code dated February 26, 2002 and made this available to the shareholders.

Financial calendar

Publication full year 2003 results Analysts' meeting, Bad Homburg v.d.H. Press conference, Bad Homburg v.d.H. Conference call	February 25, 2004
Publication first quarter 2004 results Conference call	May 6, 2004
Annual General Meeting Frankfurt am Main (Germany)	May 28, 2004
Publication first half year 2004 results Analysts' meeting, Bad Homburg v.d.H. Press conference, Bad Homburg v.d.H. Conference call	August 4, 2004
Publication first nine months 2004 results Analysts' meeting, Bad Homburg v.d.H. Press conference, Bad Homburg v.d.H. Conference call	November 2, 2004

This release 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 in this release.

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