Interim Report
1st Half and 2nd Quarter 2004

Fresenius
health care worldwide

Contents

MANAGEMENT DISCUSSION AND ANALYSIS

- **Sales: € 3.55 billion, +9 % in constant currency, +3 % at actual exchange rates**
- **EBIT: € 412 million, +13 % in constant currency, +6 % at actual exchange rates**
- **Net income: € 80 million, +21 % in constant currency, +14 % at actual exchange rates**

Business continues to develop successfully

- Earnings performance improved.
- Cashflow of € 239 million at record level.
- Fresenius Medical Care and Fresenius Kabi with excellent sales and earnings performance.
- Weak market condition continues to affect Fresenius ProServe.
- Group outlook for 2004 raised.

Sales

Sales in the first half of 2004 rose 9 % in constant currency. Organic growth was 7 %, acquisitions contributed 2 %. Currency translation effects had a negative 6 % effect on sales. At actual exchange rates sales increased 3 % to € 3,553 million.

Sales in North America accounted for 48 % and Europe for 39 % of total sales, followed by Asia-Pacific with 7 %. Sales in Latin America and other regions accounted for 6 % of total sales. Very good regional growth rates of 19 % in constant currency were achieved in Asia-Pacific and Latin America. We expect that Asia-Pacific and Latin America will continue to offer above-average growth opportunities for Fresenius in the future.

in million €	**H1 2004**	H1 2003	Change	Organic Growth	Currency translations effects	Acquisitions/ Divestitures	% of total sales
Europe	**1,380**	1,310	5%	4%	0%	1%	39%
North America	**1,713**	1,748	-2%	6%	-11%	3%	48%
Asia-Pacific	**271**	235	15%	19%	-4%	0%	7%
Latin America	**129**	116	11%	11%	-8%	8%	4%
Africa	**60**	47	28%	20%	5%	3%	2%
Total	**3,553**	3,456	3%	7%	-6%	2%	100 %

Sales contribution of the three business segments:

	H1 2004	H1 2003
Fresenius Medical Care	**69%**	70%
Fresenius Kabi	**20%**	20%
Fresenius ProServe	**11%**	10%

Fresenius Medical Care's lower share of Group sales is due to currency translation effects.

Earnings

The Group was able to increase earnings despite negative currency translation effects: Using actual exchange rates, EBITDA rose 4 % to € 564 million (first half 2003: € 543 million). In constant currency, EBITDA rose 10 %. Group EBIT increased 13 % in constant currency and 6 % at actual exchange rates to € 412 million (first half 2003: € 390 million).

Net interest also improved to € -104 million in the first half of 2004 compared to € -125 million last year. This is due to a lower debt level as well as the conversion to a variable rate from a fixed interest rate on payments on some of Fresenius Medical Care's debt. Currency exchange rates also had a favorable impact.

The effective tax rate for the first half 2004 was 40.6 % (first half 2003: 39.2 %).

In the first half of 2004, minority interests increased to € 103 million compared to € 91 million in the first half of 2003. 96 % of minority interests were attributed to Fresenius Medical Care.

Net income rose 21 % in constant currency and 14 % at actual exchange rates, to € 80 million (first half 2003: € 70 million). The excellent operating performance of Fresenius Medical Care and Fresenius Kabi as well as significantly lower interest expenses resulted in the increase in net income despite higher taxes.

Earnings per ordinary share rose to € 1.95 (first half 2003: € 1.70). Earnings per preference share rose to € 1.97 (first half 2003: € 1.72). This represents an increase of 14 %.

Investments

In the first half, Fresenius invested € 172 million (first half 2003: € 157 million) including € 111 million on capital expenditures for property, plant and equipment and intangible assets (first half 2003: € 113 million) and € 61 million on acquisitions (first half 2003: € 44 million).

Capital expenditures at Fresenius Medical Care were mainly used to construct new dialysis clinics or expand and modernize existing clinics as well as maintain and expand production sites. Fresenius Kabi's production sites were expanded and optimized. The investments at Fresenius ProServe included the purchase of technical medical equipment as well as the modernization of hospitals and clinics, such as the construction of highly modern operating theatres in an orthopedic clinic.

Fresenius Medical Care spent € 49 million on acquisitions mainly to buy dialysis clinics. € 12 million was spent on acquisitions for Fresenius Kabi and Fresenius ProServe.

Europe accounted for 45 % of Group investments, North America for 44 % and other regions for 11 %.

Cash flow

Operating cash flow and free cash flow reached new all-time highs in the first-half year: Operating cash flow rose 9 % to € 340 million (first half 2003: € 311 million) due to the positive development of Group net income. Free cash flow before acquisitions and dividends increased 15 % to € 239 million (first half 2003: € 208 million). Free cash flow after acquisitions and dividends rose 6 % to € 67 million (first half 2003: € 63 million). Cash used for acquisitions was € -53 million (net) and dividends were € -119 million.

Asset and capital structure

Total assets rose 5 % to € 8,792 million (December 31, 2003: € 8,347 million) or 3 % in constant currency. Total current assets increased 10 % to € 3,031 million (December 31, 2003: € 2,744 million). This increase was due mainly to an increase in trade accounts receivable (+14 %), since receivables from the Fresenius Medical Care receivable securitization program are stated in the balance sheet starting this year following an amendment of the program.

This change impacted also group debt. Debt was € 3,188 million at actual rates (constant currency: € 3,123 million) as of June 30, 2004. In comparison, debt at the end of 2003 including liabilities related to the receivable securitization program was € 3,148 million (excluding the securitization program: € 3,023 million).

The ratio of net debt/EBITDA remained unchanged from the end of 2003 at 2.7.

Shareholders' equity including minority interests was € 3,375 million, up 5 % from € 3,214 million on December 31, 2003. The equity ratio including minority interests was 38.4 % (December 31, 2003: 38.5 %).

Employees

Fresenius had 69,128 employees worldwide on June 30, 2004, an increase of 4 % over the 66,264 employees at the end of 2003.

Fresenius Biotech

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer as well as cell therapies used to treat end-stage HIV infection. In the field of polyclonal antibodies, Fresenius Biotech has successfully marketed ATG-Fresenius S for many years. ATG-Fresenius S is an immunosuppressive agent used to prevent and treat rejection following organ transplantations.

As expected, the first results from a phase I study using the trifunctional antibodies in non-small-cell lung cancer, breast cancer and peritoneal carcinomatosis are planned to be announced during the remainder of this year.

First intermediate results of a phase I/II study reviewing the treatment of patients with end-stage HIV infection will be available in early 2005. The study is expected to show whether the mode of action functions in treating humans.

SECOND QUARTER 2004

At constant exchange rates, the Fresenius Group increased sales by 10 % in the second quarter of 2004. At actual rates, sales increased by 6% to € 1,833 million (second quarter 2003: € 1,727 million).

EBIT increased 13 % at constant rates. At actual rates, EBIT was € 215 million, 10 % above the € 196 million of last year. Fresenius achieved a significant increase of 21 % in the quarterly net income from € 34 million to € 41 million. At constant rates the increase was 26 %.

Earnings per ordinary share were € 1.01 compared to € 0.83 in the second quarter of 2003. Earnings per preference share were € 1.02 compared to € 0.84 in the second quarter of 2003. This was an increase of 21 % per ordinary and preference share.

In the second quarter 2004, Fresenius increased capital expenditures for property, plant and equipment and intangible assets by 11 % from € 57 million to € 63 million. Investments for acquisitions increased from € 12 million in the second quarter 2003 to € 20 million in the second quarter 2004.

GROUP OUTLOOK FOR 2004

Based on the excellent results at Fresenius Medical Care and Fresenius Kabi the Company raises its full-year outlook: Fresenius now expects a high-single digit percent increase in sales in constant currency. Previously, the Company expected a mid-single digit percent increase in sales. Net income is expected to grow approximately 30 % in constant currency. Previously, the Company expected net income to grow at 25-30 %. Sales and earnings growth is expected in all business segments.

For divisional outlook information please see pages 9 to 11 of this report.

CHANGES IN SUPERVISORY BOARD AND RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Mr. Arnold Danneck, Tholey, resigned from his office as employees' representative on the Supervisory Board of Fresenius AG effective May 28, 2004.

Mr. Wilhelm Sachs, Friedrichsdorf, was appointed to replace him as employees' representative on the Supervisory Board by order of the District Court of Bad Homburg v.d.H. dated June 30, 2004.

In the Annual General Meeting of May 28, 2004 the shareholders approved by a large majority the proposal of the Management Board and Supervisory Board to increase the dividend by 8 % for the 2003 fiscal year. Ordinary shareholders received a dividend of 1.23 euros (2003: 1.14 euros), preference shareholders a dividend of 1.26 euros (2003: 1.17 euros) per share.

In addition, the Annual General Meeting approved the profit and loss transfer agreement between Fresenius AG and Fresenius Biotech Beteiligungs GmbH.

BUSINESS SEGMENT **FRESENIUS MEDICAL CARE**

Fresenius Medical Care is the world's leading provider of products and services for patients with chronic kidney failure. As at June 30, 2004, Fresenius Medical Care treated about 122,700 patients (+6 %) in 1.590 dialysis clinics (+5 %).

in million US$	**Q2 2004**	Q2 2003	Change in %	**H1 2004**	H1 2003	Change in %
Sales	**1,552**	1,366	14	**3,011**	2,666	13
EBITDA	**270**	236	14	**525**	458	15
EBIT	**213**	184	16	**411**	353	16
Net income	**101**	79	27	**192**	149	28
Employees				**46,487 (Jun 30, 2004)**	43,445 (Dec 31, 2003)	7

First half 2004

- Excellent growth in sales (+13 %) and net income (+28 %)
- Number of dialysis treatments rose 7 %
- Full-year guidance raised

In the first half of 2004, Fresenius Medical Care achieved significant sales growth of 13 % to $ 3,011 million (first half 2003: $ 2,666 million), or 10 % in constant currency.

Fresenius Medical Care increased sales by strong 9 % in its key North American market which accounts for 68 % of sales. Outside North America (International segment) sales rose 23 %, or a strong 13 % increase in constant currency.

Sales of dialysis products at Fresenius Medical Care increased 11 % to $ 826 million. Sales of dialysis services grew 14 % to $ 2,185 million. Dialysis services sales are mainly determined by the number of treatments: In the first half of 2004, Fresenius Medical Care performed 9.2 million dialysis treatments, 7 % more than in the first half of 2003, including 6.3 million (+5 %) in North America and 2.9 million (+11 %) outside North America.

Fresenius Medical Care increased EBIT by 16 % to $ 411 million in the first half of 2004 from $ 353 million in the first half of 2003. Net income at Fresenius Medical Care increased 28 % in the first half to $ 192 million.

Based on the strong performance in the first half of 2004 Fresenius Medical Care lifts its guidance for the full year 2004. After expecting a net revenue growth at constant currencies in the mid-single digit range Fresenius Medical Care now expects the top-line to grow in the high-single digits. After expecting a net income growth for 2004 in the low double digit range Fresenius Medical Care now expects net income growth to be in the mid teens.

For further information, please see Fresenius Medical Care's website: www.fmc-ag.com.

Second quarter 2004

Sales for the second quarter 2004 increased 14 % (12 % in constant currency) to $ 1,552 million (second quarter 2003: $ 1,366 million). EBIT increased 16 % to $ 213 million (second quarter 2003: $ 184 million) resulting in an EBIT margin of 13.7 %. Net income in the second quarter 2004 was $ 101 million, an increase of 27 % and a quarterly record for the company (second quarter 2003: US$ 79 million).

BUSINESS SEGMENT **FRESENIUS KABI**

Fresenius Kabi is a leading provider of nutrition and infusion therapy for critically and chronically ill patients in the hospital and ambulatory environment. In addition, the company offers products in the field of infusion and transfusion technology.

in million €	**Q2 2004**	Q2 2003	Change in %	**H1 2004**	H1 2003	Change in %
Sales	**376**	363	4	**738**	718	3
EBITDA	**68**	54	26	**126**	108	17
EBIT	**44**	36	22	**85**	71	20
Net income	**20**	15	33	**38**	30	27
Employees				**11,477** **(Jun 30, 2004)**	11,470 (Dec 31, 2003)	0

First half 2004

- EBIT increase of 20 %
- Excellent organic growth of 6 %
- Full-year margin forecast increased from 11.0 % to approximately 11.5 %
- Capital Market Day planned for December 8, 2004

Sales at Fresenius Kabi rose 3 % to € 738 million (first half 2003: € 718 million). Fresenius Kabi achieved excellent overall organic growth of 6 %. Latin America and Asia-Pacific performed exceptionally well, accounting for organic growth of 13 % and 21 % respectively. Pricing pressure and cost-cutting in the health care sector led to a 6 % decline in sales in Germany. Excluding Germany, Fresenius Kabi achieved organic revenue growth of 8 % in Europe. Currency exchange rates had an effect of -1 % on first-half sales. Divestments decreased sales by 2 %.

Fresenius Kabi's EBIT increased by 20 % to € 85 million in the first half of 2004. This result significantly exceeds last year's figure of € 71 million. The EBIT margin increased by 160 basis points from 9.9 % in the first half of 2003 to 11.5 %, continuing the positive earnings trend.

Based on the good first-half year results, Fresenius Kabi is raising its earnings outlook and now expects the EBIT margin to increase to approximately 11.5 % after predicting 11.0 % in February. Full-year sales at Fresenius Kabi in constant currency are expected to achieve an increase in the mid-single digit percentages.

A Capital Market Day is dated for December 8, 2004 to present in detail Fresenius Kabi's business and strategic direction.

Second quarter 2004

Sales in the second quarter 2004 increased by 4 % to € 376 million (second quarter 2003: € 363 million). EBIT increased 22 % to € 44 million (second quarter 2003: € 36 million). Fresenius Kabi was at an all-time high EBIT margin of 11.7 % (second quarter 2003: 9.9 %).

BUSINESS SEGMENT **FRESENIUS PROSERVE**

Fresenius ProServe offers services to the international health care sector. The health care business includes hospital management as well as the planning and construction of hospitals. The pharma industry business focuses on the planning and the construction of pharmaceutical plants and medical technical production sites.

in million €	**Q 2 2004**	Q2 2003	Change in %	**H1 2004**	H1 2003	Change in %
Sales	**184**	170	8	**383**	336	14
EBITDA	**6**	10	-40	**14**	22	-36
EBIT	**-1**	4	-125	**0**	10	-100
Net income	**-7**	0	-	**-9**	1	-
Employees				**10,662** **(Jun 30, 2004)**	10,815 (Dec 31, 2003)	-2

First half 2004

- Organic growth of 14 %
- Order intake increased
- Continued low bed utilization in Germany
- 2004 EBIT forecast lowered to € 15 to € 20 million before one-time expenses

First-half sales at Fresenius ProServe rose to € 383 million, an increase of 14 % compared to the first half of 2003 (€ 336 million) due entirely to organic growth. Sales growth came primarily from the positive development of the health care project business.

Order intake at Fresenius ProServe increased in the first half by 6 % to € 136 million (first half 2003: € 128 million). This increase grew out of projects both in the health care and the pharma industry business. The order backlog was € 438 million (December 31, 2003: € 435 million).

Fresenius ProServe achieved an EBIT before one-time expenses of € 6 million (first half 2003: € 10 million). Including one-time expenses of € 6 million (before tax), EBIT was € 0 million. The 79 % bed utilization rate at the German hospital business of Wittgensteiner Kliniken was below the 80 % in the first half of 2003. To adjust its fixed costs to market conditions, Fresenius ProServe is reducing staff and optimizing processes and costs.

The full-year EBIT target of € 25 million before one-time expenses is no longer achievable since first-half results of 2004 were below expectations and the bed utilization rate continues to remain weak. Fresenius ProServe now expects an EBIT between € 15 million and € 20 million before one-time expenses. One-time expenses are expected to be in the range of € 8 million. Sales at Fresenius ProServe are still expected to increase 10 % in 2004.

Second quarter 2004

In the second quarter, Fresenius ProServe increased sales by 8 % to € 184 million (second quarter 2003: € 170 million). EBIT of € 4 million before one-time expenses was at previous year's level. Including one-time expenses of € 5 million (before tax), EBIT was € -1 million in the second quarter 2004.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

in million €	Q2 2004	Q2 2003	H1 2004	H1 2003
Sales	1,833	1,727	3,553	3,456
Cost of goods sold	-1,226	-1,166	-2,393	-2,330
Gross profit	607	561	1,160	1,126
Selling, general and administrative expenses	-359	-336	-684	-680
Expenditure on research and development	-33	-29	-64	-56
Operating income (EBIT)	215	196	412	390
Interest income	-52	-61	-104	-125
Earnings before income taxes and minority interests	163	135	308	265
Income taxes	-67	-53	-125	-104
Minority interests	-55	-48	-103	-91
Net income	41	34	80	70
Basic earnings per ordinary share in €	1.01	0.83	1.95	1.70
Fully diluted earnings per ordinary share in €	1.00	0.83	1.94	1.70
Basic earnings per preference share in €	1.02	0.84	1.97	1.72
Fully diluted earnings per preference share in €	1.01	0.84	1.96	1.72

See accompanying notes to the unaudited Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

in million €	Jun 30, 2004	Dec 31, 2003
Cash and cash equivalents	**154**	125
Trade accounts receivable less allowances for doubtful accounts	**1,614**	1,415
Accounts receivable from related parties	**22**	23
Inventories	**676**	642
Prepaid expenses and other current assets	**365**	357
Deferred taxes (current)	**200**	182
I. Total current assets	**3,031**	2,744
Property, plant and equipment	**1,732**	1,721
Goodwill	**3,139**	2,977
Other intangible assets	**525**	504
Other non-current assets	**258**	303
Deferred taxes (non-current)	**107**	98
II. Total non-current assets	**5,761**	5,603
Total assets	**8,792**	8,347
Trade accounts payable	**254**	265
Accounts payable to related parties	**1**	1
Accruals and other current liabilities	**1,089**	987
Short-term borrowings	**413**	132
Short-term liabilities and loans from related parties	**3**	3
Current portion of long-term debt and capital lease obligations	**145**	495
Accruals for income taxes	**194**	197
Deferred taxes (short-term)	**58**	47
A. Total short-term liabilities	**2,157**	2,127
Long-term debt and liabilities from capital lease obligations less current portion	**1,641**	1,416
Long-term liabilities and loans from related parties	**-**	-
Other long-term liabilities	**141**	166
Pensions and similar obligations	**228**	216
Deferred taxes (long-term)	**264**	231
Trust preferred securities	**986**	977
B. Total long-term liabilities	**3,260**	3,006
I. Total liabilities	**5,417**	5,133
II. Minority interests	**1,778**	1,678
Subscribed capital	**105**	105
Capital reserves	**645**	644
Other reserves	**807**	778
Accumulated other comprehensive income	**40**	9
III. Total shareholders' equity	**1,597**	1,536
Total liabilities and shareholders' equity	**8,792**	8,347

See accompanying notes to the unaudited Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

January 1 to June 30; in million €	2004	2003
Cash provided by/used for operating activities		
Net income	**80**	70
Minority interests	**103**	91
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Cash inflow from hedging	**4**	0
Depreciation and amortization	**152**	153
Change in deferred taxes	**11**	24
Gain on sale of fixed assets	**-2**	-3
Change in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable (net)	**-27**	20
Change in inventories	**-21**	-62
Change in prepaid expenses and other current and non-current assets	**10**	-5
Change in accounts receivable from/payable to related parties	**-**	-12
Change in trade accounts payable, accruals and other short-term and long-term liabilities	**37**	-1
Change in accruals for income taxes	**-7**	36
Cash provided by operating activities	**340**	311
Cash provided by/used for investing activities		
Purchase of tangible assets	**-111**	-113
Proceeds from the sale of tangible assets	**10**	10
Purchase of shares in related companies and investments	**-54**	-38
Proceeds from the sale of shares in related companies and investments	**1**	0
Cash used for investing activities	**-154**	-141
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	**118**	34
Repayments of short-term borrowings	**-31**	-373
Proceeds from short-term borrowings from related parties	**1**	1
Repayments of short-term borrowings from related parties	-	-1
Proceeds from long-term debt and capital lease obligations	**401**	1,092
Repayments of long-term debt and capital lease obligations	**-579**	-587
Redemption of trust preferred securities	**0**	-8
Changes of accounts receivable securization program	**55**	-178
Proceeds from exercising stock options	**1**	-
Dividends paid	-119	-107
Change in minority interests	**-1**	-2
Payments on hedge contracts for intercompany loans in foreign currency	**-5**	-3
Cash used for financing activities	**-159**	-132
Effect of exchange rate changes on cash and cash equivalents	**2**	-7
Net increase in cash and cash equivalents	**29**	31
Cash and cash equivalents at beginning of year	**125**	163
Cash and cash equivalents at end of year	**154**	194

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 December 31, 2002	20,485	52,441	20,485	52,441	104,882	105
Issuance of bearer ordinary and bearer preference shares						
Proceeds from exercise of stock options						
Compensation expense related to stock options						
Dividends paid						
Comprehensive income						
Net income						
Other comprehensive gain related to cash flow hedges						
Foreign currency translation adjustment						
Minimum pension liability						
Comprehensive income						
As at June 30, 2003	20,485	52,441	20,485	52,441	104,882	105
As at December 31, 2003	20,485	52,441	20,485	52,441	104,882	105
Issuance of bearer ordinary and bearer preference shares						
Proceeds from the exercise of stock options						
Compensation expense related to stock options						
Dividends paid						
Comprehensive income						
Net income						
Other comprehensive gain related to cash flow hedges						
Foreign currency translation adjustment						
Minimum pension liability						
Comprehensive income						
As at June 30, 2004	20,485	52,441	20,485	52,441	104,882	105

See accompanying notes to the unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

			Other comprehensive income			
in million €	Capital reserves	Other reserves	Currency translation differences	Cash flow hedges	Pensions	Total
As at December 31, 2002	643	710	194	-17	-28	1,607
Issuance of bearer ordinary and bearer preference shares						0
Proceeds from exercise of stock options						0
Compensation expense related to stock options	1					1
Dividends paid		-47				-47
Comprehensive income						
Net income		70				70
Other comprehensive gain related to cash flow hedges				22		22
Foreign currency translation adjustment			-108			-108
Minimum pension liability					2	2
Comprehensive income		70	-108	22	2	-14
As at June 30, 2003	644	733	86	5	-26	1,547
As at December 31, 2003	644	778	40	4	-35	1,536
Issuance of bearer ordinary and bearer preference shares						0
Proceeds from the exercise of stock options						0
Compensation expense related to stock options	1					1
Dividends paid		-51				-51
Comprehensive income						
Net income		80				80
Other comprehensive gain related to cash flow hedges				5		5
Foreign currency translation adjustment			28			28
Minimum pension liability					-2	-2
Comprehensive income		80	28	5	-2	111
As at June 30, 2004	645	807	68	9	-37	1,597

See accompanying notes to the unaudited Consolidated Financial Statements.

SEGMENT REPORTING FIRST HALF 2004

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Total		
in million €	**2004**	2003	Change	**2004**	2003	Change	**2004**	2003	Change	**2004**	2003	Change	**2004**	2003	Change
Sales	**2,454**	2,413	2%	**738**	718	3%	**383**	336	14%	**-22**	-11	-100%	**3,553**	3,456	3%
thereof contribution to consolidated sales	**2,438**	2,400	2%	**724**	708	2%	**383**	334	15%	**8**	14	-43%	**3,553**	3,456	3%
thereof intercompany sales	**16**	13	23%	**14**	10	40%	**0**	2		**-30**	-25	-20%	**0**	0	
contribution to consolidated sales in %	**69**	70		**20**	20		**11**	10		**0**	0		**100**	100	
EBITDA	**428**	414	3%	**126**	108	17%	**14**	22	-36%	**-4**	-1	-	**564**	543	4%
Depreciation and amortization	**93**	95	-2%	**41**	37	11%	**14**	12	17%	**4**	9	-56%	**152**	153	-1%
EBIT	**335**	319	5%	**85**	71	20%	**0**	10	-100%	**-8**	-10	20%	**412**	390	6%
Net interest	**-75**	-97	23%	**-23**	-21	-10%	**-5**	-5	0%	**-1**	-2	50%	**-104**	-125	17%
Net income	**156**	135	16%	**38**	30	27%	**-9**	1	-	**-105**	-96	-9%	**80**	70	14%
Operating cash flow	**286**	271	6%	**60**	47	28%	**32**	12	167%	**-38**	-19	-100%	**340**	311	9%
Free cash flow before acquisitions and divdends	**209**	201	4%	**49**	26	88%	**21**	2	-	**-40**	-21	-90%	**239**	208	15%
Debt*	**2,174**	2,030	7%	**728**	739	-1%	**264**	275	-4%	**22**	-21	205%	**3,188**	3,023	5%
Total assets*	**6,309**	5,941	6%	**1,541**	1,510	2%	**802**	794	1%	**140**	102	37%	**8,792**	8,347	5%
Capital expenditure	**82**	78	5%	**16**	23	-30%	**11**	10	10%	**2**	2	0%	**111**	113	-2%
Acquisitions	**49**	59	-17%	**9**	1	-	**3**	4	-25%	**0**	-20	100%	**61**	44	39%
Expenditure on research and development	**22**	22	0 %	**29**	22	32%	**0**	0		**13**	12	8%	**64**	56	14%
Employees (per capita on balance sheet date)*	**46,487**	43,445	7%	**11,477**	11,470	0%	**10,622**	10,815	-2%	**542**	534	1%	**69,128**	66,264	4%
Key figures in %															
EBITDA margin	**17.4**	17.2		**17.1**	15.0		**3.7**	6.5					**15.9**	15.7	
EBIT margin	**13.6**	13.2		**11.5**	9.9		**0.0**	3.0					**11.6**	11.3	
ROOA*	**11.7**	11.4		**12.8**	11.1		**0.0**	-3.2					**10.4**	9.8	
Depreciation and amortization in % of sales	**3.8**	3.9		**5.6**	5.2		**3.7**	3.6					**4.3**	4.4	

* 2003: December 31

SEGMENT REPORTING SECOND QUARTER 2004

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Total		
in million €	**2004**	2003	Change	**2004**	2003	Change	**2004**	2003	Change	**2004**	2003	Change	**2004**	2003	Change
Sales	**1,286**	1,202	7%	**376**	363	4%	**184**	170	8%	**-13**	-8	-63%	**1,833**	1,727	6%
thereof contribution to consolidated sales	**1,277**	1,195	7%	**368**	358	3%	**184**	169	9%	**4**	5	-20%	**1,833**	1,727	6%
thereof intercompany sales	**9**	7	29%	**8**	5	60%	**0**	1		**-17**	-13	-31%	**0**	0	
contribution to consolidated sales in %	**70**	69		**20**	21		**10**	10		**0**	0		**100**	100	
EBITDA	**224**	207	8%	**68**	54	26%	**6**	10	-40%	**-3**	1	-	**295**	272	8%
Depreciation and amortization	**48**	45	7%	**24**	18	33%	**7**	6	17%	**1**	7	-86%	**80**	76	5%
EBIT	**176**	162	9%	**44**	36	22%	**-1**	4	-125%	**-4**	-6	33%	**215**	196	10%
Net interest	**-38**	-47	19%	**-12**	-11	-9%	**-3**	-2	-50%	**1**	-1	200%	**-52**	-61	15%
Net income	**83**	70	19%	**20**	15	33%	**-5**	0	-	**-57**	-51	-12%	**41**	34	21%
Operating cash flow	**149**	154	-3%	**24**	34	-29%	**20**	6	233%	**-35**	-20	-75%	**158**	174	-9%
Free cash flow before acquisitions and divdends	**105**	123	-15%	**19**	22	-14%	**15**	1	-	**-36**	-21	-71%	**103**	125	-18%
Capital expenditure	**48**	37	30%	**10**	14	-29%	**5**	5	0%	**0**	1	-100%	**63**	57	11%
Acquisitions	**11**	27	-59%	**9**	1	-	**0**	4	-100%	**0**	-20	100%	**20**	12	67%
Expenditure on research and development	**12**	12	0%	**16**	11	45%	**0**	0		**5**	6	-17%	**33**	29	14%
Key figures in %															
EBITDA margin	**17.4**	17.3		**18.1**	14.9		**3.3**	5.9					**16.1**	15.7	
EBIT margin	**13.7**	13.5		**11.7**	9.9		**-0.5**	2.4					**11.7**	11.3	
Depreciation and amortization in % of sales	**3.7**	3.7		**6.4**	5.0		**3.8**	3.5					**4.4**	4.4	

Contents

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. In addition to the activities of the Fresenius AG, the operating activities are split into the following legally-independent business segments (sub-groups):

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius ProServe

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 the 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 at June 30, 2004 and for the first half-year and the second quarter 2004 have not been audited and should be read in conjunction with the notes included in the consolidated financial statements as at December 31, 2003, published in the 2003 Annual Report. There have been no major changes in the entities consolidated.

The consolidated financial statements for the first half-year and the second quarter 2004 include all adjustments that, in the opinion of the Management Board, are of a normal and recurring nature, necessary to provide an appropriate view of the assets and liabilities, financial position and results of operations of the Fresenius Group.

The results of operations for the first half-year and the second quarter 2004 are not necessarily indicative of the results of operations for the fiscal year 2004 ending December 31, 2004.

III. Recently issued accounting standards

On April 3, 2003, the Financial Accounting Standards Board issued SFAS No. 149 (Amendment of Statement 133 on Derivative Instruments and Hedging Activities). This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133 (Accounting for Derivative Instruments and Hedging Activities). This Statement is effective for contracts entered into or modified after June 30, 2003. This adoption did not have any impact on the first half-year and quarterly consolidated financial statements as at June 30, 2004.

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 first half-year and quarterly consolidated financial statements as at June 30, 2004.

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46R (Consolidation of Variable Interest Entities (revised)) ("FIN 46R") which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaced FASB Interpretation No. 46 (Consolidation of Variable Interest Entities) which was issued in January 2003.

The Fresenius Group is required to apply FIN 46R for special purpose entities as of December 31, 2003 and for all other Variable Interest Entities ("VIEs") as of March 31, 2004. The Fresenius Group is not involved with any special purpose entity which required initial consolidation as of December 31, 2003 and applied FIN 46R on March 31, 2004 for all VIEs.

2. Special charge of Fresenius Medical Care for legal matters

In the fourth quarter of 2001, Fresenius Medical Care recorded a US$ 258 million (US$ 177 million after tax) special charge to address 1996 merger-related legal matters, estimated liabilities and legal expenses arising in connection with the W.R. Grace Chapter 11 proceedings and the cost of resolving pending litigation and other disputes with certain commercial insurers (see Note 16).

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 obligated to pay as a result of W.R. Grace's Chapter 11 filing. In addition, that amount included the costs of defending Fresenius Medical Care in litigation arising out of W.R. Grace's Chapter 11 filing (see Note 16).

Fresenius Medical Care included US$ 55 million in the special charge of US$ 258 million to provide for settlement obligations, legal expenses and the resolution of disputed accounts receivable relating to various insurance companies.

The remaining amount of the special charge of US$ 31 million 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.

During the second quarter of 2003, the court supervising W.R. Grace's Chapter 11 proceedings approved the definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace.

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

At June 30, 2004, there is a remaining balance of US$ 136 million (€ 112 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 first half-year respectively the second quarter of 2004, US$ 2 million (€ 2 million) respectively US$ 1 million (€ 1 million) in charges were applied against the accrued special charge for legal matters.

3. Variable interest entities

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46R (Consolidation of Variable Interest Entities (revised) ("FIN 46R")). FIN 46R explains the concept of a variable interest entity ("VIE") 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.

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 46R these clinics are consolidated if Fresenius Medical Care is determined to be the primary beneficiary. 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 in which Fresenius Medical Care is the primary beneficiary, generate approximately US$ 146 million (€ 119 million) in annual revenue.

In accordance with FIN 46R, Fresenius Medical Care fully consolidates the VIEs. The interest held by sixteen minority shareholders is reported as minority interest in the consolidated balance sheet at June 30, 2004. The results of operations for the VIEs have been included in the Group's consolidated statement of earnings beginning April 1, 2004.

Fresenius Medical Care also has relationships with variable interest entities where it is not the primary beneficiary. These variable interest entities consist of a number of dialysis facilities whose operations are not material in the aggregate and a management company with which Fresenius Medical Care has had a relationship with since 1998. The management company has approximately US$ 10 million (€ 8 million) in sales. Fresenius Medical Care has no potential loss as a result of its relationship.

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 centers. 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. From today´s perspective and due to the contractual situation, Fresenius ProServe is not exposed to any material risk of loss from the VIEs.

4. Acquisitions

The Fresenius Group made acquisitions of € 61 million and € 44 million in the first half-year 2004 and the first half-year 2003. Acquisitions related mainly to the purchase of dialysis clinics. Of this amount, € 54 million and € 38 million were paid in cash.

In the second quarter 2004 respectively in the second quarter 2003 acquisitions of € 20 million and € 12 million were made.

NOTES ON THE CONSOLIDATED BALANCE SHEET

5. Cash and cash equivalents

in million €	June 30, 2004	December 31, 2003
Cash	137	108
Securities (with a maturity of up to 90 days)	17	17
Cash and cash equivalents	**154**	125

6. Trade accounts receivable

in million €	June 30, 2004	December 31, 2003
Trade accounts receivable	1,794	1,585
less allowance	180	170
Trade accounts receivable (net)	**1,614**	1,415

Fresenius Medical Care Holdings, Inc, ("FMCH"), a substantially wholly-owned subsidiary of Fresenius Medical Care, has an asset securitization facility (the "accounts receivable facility") whereby certain receivables are sold to NMC Funding Corporation ("NMC Funding"), a special purpose entity and a wholly-owned subsidiary. NMC Funding then sells and assigns undivided ownership interests in the accounts receivable to certain bank investors. During the first quarter, Fresenius Medical Care amended the accounts receivable facility effective January 1, 2004. Under the terms of the amendment, NMC Funding retains the right to repurchase all transferred interests in the accounts receivable sold to the banks under the facility. The repurchase of all transferred interests in the accounts receivable would result in the termination of the accounts receivable facility under the terms of the facility agreement.

NMC Funding recognized its retained interests in the undivided ownership interests in accounts receivable sold to the bank investors in its statement of financial position as of January 1, 2004, the effective date of the amendment. NMC Funding recorded a corresponding short-term obligation for amounts outstanding under the facility. Additionally, FMCH has consolidated NMC Funding as of January 1, 2004 as the special purpose entity is no longer demonstratively distinct from FMCH under the terms of the amendment. An entity is demonstratively distinct only if the entity cannot be unilaterally dissolved by the transferor and at least 10% of its beneficial interests are held by parties other than the transferor. Under the amendment, if NMC Funding exercises its right to repurchase the retained interests in the accounts receivable, the agreement with the bank investors would be terminated and FMCH would hold all beneficial interests remaining in NMC Funding.

In the first half-year 2004, the accounts receivable facility increased by US$ 68 million to US$ 226 million (December 31, 2003: US$ 158 million).

7. Inventories

As at June 30, 2004 and December 31, 2003, inventories are as follows:

in million €	June 30, 2004	December 31, 2003
Raw materials and purchased components	137	127
Work in process	96	97
Finished goods and supplies	443	418
Inventories (net)	**676**	642

8. Goodwill and other intangible assets

As at June 30, 2004 and December 31, 2003 intangible assets, split into amortizable and non-amortizable intangible assets, consisted of the following:

Amortizable intangible assets

	Purchasing/ manufacturing costs		Accumulated amortization		Carrying amounts	
in million €	Jun 30, 04	Dec 31, 03	Jun 30, 04	Dec 31, 03	Jun 30, 04	Dec 31, 03
Patient relationships	217	204	175	166	42	38
Patents	44	36	33	27	11	9
Distribution rights	16	30	4	17	12	13
Other	193	191	110	105	83	86
Total	**470**	461	**322**	315	**148**	146

Non-amortizable intangible assets

	Purchasing/ manufacturing costs		Accumulated amortization		Carrying amounts	
in million €	Jun 30, 04	Dec 31, 03	Jun 30, 04	Dec 31, 03	Jun 30, 04	Dec 31, 03
Trade names	198	192	0	0	198	192
Management contracts	179	166	0	0	179	166
Subtotal	377	358	0	0	377	358
Goodwill (including assembled workforce)	3,139	2,977	0	0	3,139	2,977
Total	**3,516**	3,335	**0**	0	**3,516**	3,335

Estimated amortization expenses of intangible assets for the next five years are shown in the following table:

in million €	Q3-Q4/2004	2005	2006	2007	2008	Q1-Q2/2009
Estimated amortization expenses for the next five fiscal years	19	33	28	21	10	4

Carrying amount of goodwill and assembled workforce

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

in million €	
Carrying amount 1.1.2004	**2,977**
Additions/Disposables, net	69
Transfers	-
Exchange rate differences	93
Carrying amount 30.6.2004	**3,139**

9. Debt and capital lease obligations

Short-term borrowings from third parties amounting to € 413 million and € 132 million as at June 30, 2004 and December 31, 2003, respectively, concern borrowings taken up by individual subsidiaries of the Group in connection with lines of credit with commercial banks. The increase mainly resulted from the issuance of commercial papers by Fresenius AG of € 90 million and the statement of the accounts receivable facility of Fresenius Medical Care as debt (see below).

On June 30, 2004 and December 31, 2003, long-term loans and liabilities in connection with capital lease obligations are as follows:

in million €	**June 30, 2004**	December 31, 2003
Fresenius Medical Care Senior credit agreement	**688**	722
Capital lease obligations	**54**	55
Notes	**389**	129
Bonds	**400**	800
Other	**255**	205
	1,786	1,911
less current maturities	**145**	495
Debt and capital lease obligations	**1,641**	1,416

Eurobonds

On April 27, 1999 Fresenius Finance B.V., 's-Hertogenbosch (Netherlands), a 100 % subsidiary of Fresenius AG, issued Eurobonds for a total of € 600 million in two tranches in order to repay short-term bank loans which were mainly used for the acquisition of the international infusion business of Pharmacia & Upjohn AB, Stockholm (Sweden).

The variable interest rate tranche with a nominal amount of € 200 million was repaid on May 18, 2002 at the nominal value.

The fixed interest tranche with a nominal amount of € 400 million was divided into 400,000 certificates denominated at € 1,000 each, which had an annual interest rate of 4.5 %. The fixed-interest tranche matured after five years; repayment was made on May 18, 2004 at the nominal value.

This fixed interest tranche was refinanced mid of May 2004 by senior notes with a maturity of two to five years (€ 260 million), partial utilization of short-term bank borrowings (€ 100 million in total) and issuances under the commercial paper program.

In April 2003, Fresenius Finance B.V., 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. If the company decides to apply its right to give notice to redeem the bonds early, the redemption will be effected at prices which, depending on the date on which notice is given, could exceed the issue price. The redemption prices were fixed at the date of issue. The second tranche of € 100 million bears interest at 7.5 % p.a. and is not callable before maturity.

The Eurobonds are guaranteed by Fresenius AG, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius AG has given a number of commitments to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius AG and its subsidiaries (excluding Fresenius Medical Care AG and that company's subsidiaries). These commitments include, amongst other things, restrictions in the amount of further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets. Some of these restrictions are lifted automatically when the rating of the company reaches "investment grade". In the event of non-compliance with the terms of the bonds, the bondholders (owning in aggregate more than 25 % of the outstanding bonds) are entitled to call the bonds and demand immediate repayments plus interest. As of June 30, 2004, the Fresenius Group is in compliance with all of its commitments.

Fresenius Medical Care - 2003 Senior Credit Agreement

On February 21, 2003, Fresenius Medical Care entered into an amended and restated bank agreement (hereafter, "Fresenius Medical Care 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"), replacing the 1996 NMC Senior Credit Agreement that was scheduled to expire at September 30, 2003. Under the terms of the Fresenius Medical Care 2003 Senior Credit Agreement, the Lenders 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 Fresenius Medical Care 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 a new term loan facility (Loan C) was 25 basis points lower than on Loan B, which was repaid. The revolving loan facility and Loan A under the Fresenius Medical Care 2003 Senior Credit Agreement remain outstanding and were not affected by the amendment.

On May 7, 2004, the Fresenius Medical Care 2003 Senior Credit Agreement was amended (Amendment 2) so that Loan A was increased from US$ 500 million to US$ 575 million, the revolving credit facility was increased from US$ 500 million to US$ 575 million and a new term loan (Loan D, see below) was added at US$ 250 million. The combination of these increases together with funds from the accounts receivable facility were used to pay off Loan C.

As of June 30, 2004, the credit facilities are:

- a revolving credit facility of up to US$ 575 million (of which up to US$ 250 million is available for letters of credit, up to US$ 300 million is available for borrowings in certain non-U.S. currencies, up to US$ 75 million is available as swing lines in U.S. 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-U.S. currencies, the total of which cannot exceed US$ 575 million) which will be due and payable on October 31, 2007.
- a term loan facility ("Loan A") of US$ 575 million, also scheduled to expire on October 31, 2007. The terms of the Fresenius Medical Care 2003 Senior Credit Agreement require payments that permanently reduce the term loan A. The repayment will begin in the third quarter of 2004 and amounts to US$ 29 million per quarter. The remaining amount outstanding is due on October 31, 2007.
- a term loan facility ("Loan D") of US$ 250 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 prior to that date. The terms of Loan D require quarterly payments totaling US$ 1 million per quarter beginning in the third quarter of 2004.

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 Fresenius Medical Care 2003 Senior Credit Agreement. Loan D has an initial interest rate of LIBOR plus 1.50 % or the base rate plus 0.50 %.

In addition to scheduled principal payments, indebtedness outstanding under the Fresenius Medical Care 2003 Senior Credit Agreement will be reduced by portions of the 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 Fresenius Medical Care 2003 Senior Credit Agreement contains affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit indebtedness of Fresenius Medical Care and its investments, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. Additionally, the Fresenius Medical Care 2003 Senior Credit Agreement provides for a dividend restriction which is US$ 150 million for dividends paid in 2004, and increases in subsequent years. In default, the outstanding balance under the Fresenius Medical Care 2003 Senior Credit Facility becomes immediately due and payable at the option of the Lenders. As of June 30, 2004, Fresenius Medical Care is in compliance with all covenants under the Fresenius Medical Care 2003 Senior Credit Agreement.

Euro Notes

In 2001, Fresenius Medical Care issued four tranches of senior notes ("Euro Notes") totaling € 129 million in aggregate principal amount. The first tranche was for € 80 million with a fixed interest rate of 6.16 % and the second and third tranches were for € 29 million and € 15 million (September 2001), respectively, with variable interest rates that averaged 3.45 % in the first half-year of 2004 and 4.77 % in the same period of 2003. The final tranche was for € 5 million (December 2001) at a fixed rate of 5.33 %. All four tranches have a maturity date of July 13, 2005. Both floating rates are tied to the EURIBOR rate.

Accounts Receivable Facility

At June 30, 2004 there are outstanding short-term borrowings under the facility of US$ 226 million (see note 6 "Trade accounts receivable"). NMC Funding Corporation pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The effective interest rate ranged from 1.94 % - 2.43 % during the first half-year 2004. Under the terms of the facility agreement, new interests in accounts receivable are sold as collections reduce previously sold accounts receivable. The costs are expensed as incurred and recorded as interest expense and related financing costs.

10. Pensions and similar obligations

Approximately one half of the pension obligations totaling € 228 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1998, and which applies for most of the German entities of the Group. Approximately one quarter relates to the "Fresenius Medical Care Retention Plan" in the US and a further quarter relates to individual pension plans, mostly for non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the pension obligations of the companies of the Fresenius Group are unfunded. The German pension plan does not have a separate pension fund.

Fresenius Medical Care currently has two principle pension plans, one for German employees, the other covering employees in the United States. In the United States National Medical Care, Inc.'s non-contributory, defined benefit pension plan was curtailed in the first quarter of 2002. Each year Fresenius Medical Care Holdings, Inc., ("FMCH") contributes at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended. There is no minimum funding requirement for FMCH for the defined benefit pension plan in 2004. FMCH at this time expects to voluntarily contribute US$ 0.4 million (€ 0.3 million) during 2004 and made no contribution in the first half of the year.

Transfers to the Group's pension fund in the first half-year of 2004 amounted to € 2 million. Expected transfers to the pension fund in the full year 2004 amount to € 4 million.

The following table provides the calculation of net periodic benefit cost for the first half-year of 2004 and 2003:

in million €	**H1 2004**	H1 2003
Components of net period benefit cost		
Service cost	**6**	6
Interest cost	**12**	11
Expected return on plan assets	**-5**	-5
Amortization of transition obligations	**-**	-
Amortization of unrealized losses	**2**	2
Recognized prior service cost	-	-
Realized gains/losses	**-**	-
Net periodic benefit cost	**15**	14
Weighted-average assumptions for net periodic benefit at June 30:		
Discount rate	**5.68 %**	5.86 %
Expected return of plan assets	**6.21 %**	6.74 %
Rate of compensation increase	**3.67 %**	3.72 %

Pension obligations at June 30, 2004 and December 31, 2003 relate to the following geographical regions:

in million €	H1 2004	2003
Germany	**136**	132
Europe (excluding Germany)	**46**	44
North America	**44**	39
Latin America	**1**	0
Asia-Pacific	**1**	1
Africa	**0**	0
Benefit obligations	**228**	216

The pension obligations relate mainly to Europe and North America, with about 60 % relating specifically to Germany and approximately one fifth each relating to the rest of Europe and North America, respectively.

11. Trust preferred securities

Fresenius Medical Care originally issued Trust Preferred Securities through five Fresenius Medical Care Capital Trusts, statutory business trusts organized under the laws of the State of Delaware. Fresenius Medical Care owns all of the common securities of these trusts. The sole asset of each trust is a senior/USA 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, Inc.; Fresenius Medical Care Deutschland GmbH and Fresenius Medical Care Holdings, Inc., being the "Guarantor Subsidiaries". The Trust Preferred Securities are guaranteed by Fresenius Medical Care through a series of undertakings by Fresenius Medical Care and the Subsidiary Guarantors.

The Trust Preferred Securities entitle the holders to distributions at a fixed annual rate of the stated amount and are mandatorily redeemable after 10 years. Earlier redemption may also occur upon a change of control followed by 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 trust preferred securities outstanding in the Fresenius Group as at June 30, 2004 and December 31, 2003 are as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	Jun 30, 04	Dec 31, 03
Fresenius Medical Care Capital Trust II	1998	450 US$m	$7^{7}/_{8}$ %	Feb 1, 2008	**358 €m**	356 €m
Fresenius Medical Care Capital Trust III	1998	300 DMm	$7^{3}/_{8}$ %	Feb 1, 2008	**154 €m**	154 €m
Fresenius Medical Care Capital Trust IV	2001	225 US$m	$7^{7}/_{8}$ %	Jun 15, 2011	**177 €m**	170 €m
Fresenius Medical Care Capital Trust V	2001	300 €m	$7^{3}/_{8}$ %	Jun 15, 2011	**297 €m**	297 €m
Trust preferred securities					**986 €m**	977 €m

12. Minority interests

Minority interests in the Group as of June 30, 2004 and December 31, 2003 were as follows:

in million €	**June 30, 2004**	December 31, 2003
Minority interests in Fresenius Medical Care AG	**1,711**	1,620
Minority interests in the business segments		
Fresenius Medical Care	**19**	11
Fresenius Kabi	**31**	28
Fresenius ProServe	**16**	18
Corporate / Other	**1**	1
Minority interests	**1,778**	1,678

The minority interests increased in the first half-year of 2004 by € 100 million to € 1,778 million. The change resulted from the inclusion of a portion of profits of € 103 million, dividend payments of € 68 million, the consolidation of Fresenius Medical Care’s variable interest entities and other partial acquisitions of € 8 million and positive currency effects amounting to € 57 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 of the 1998 stock option plan.

In order to enable the 2003 stock 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 € 1.23 for each bearer ordinary share and € 1.26 for each bearer preference share, i.e. a total amount of € 51.0 million, was agreed at the Annual General Meeting on May 28, 2004.

According to German Stock Corporation Act, 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).

14. Earnings per share

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

in million €, except per share data (€)	H1 2004	H1 2003
Numerators:		
Net income	**80**	70
less preference on preference shares	**-**	-
Income available to all classes of shares	**80**	70
Denominators (number of shares):		
Weighted average number of ordinary shares outstanding	**20,484,842**	20,484,842
Weighted average number of preference shares outstanding	**20,484,842**	20,484,842
Total weighted average number of shares outstanding of all classes	**40,969,684**	40,969,684
Potentially dilutive ordinary shares	**47,093**	0
Potentially dilutive preference shares	**47,093**	0
Total weighted average shares outstanding of all classes assuming dilution	**41,063,870**	40,969,684
Total weighted average ordinary shares assuming dilution	**20,531,935**	20,484,842
Total weighted average preference shares assuming dilution	**20,531,935**	20,484,842
Basic earnings per ordinary share	**1.95**	1.70
Preference per preference share	**0.02**	0.02
Basic earnings per preference share	**1.97**	1.72
Fully diluted earnings per ordinary share	**1.94**	1.70
Preference per preference share	**0.02**	0.02
Fully diluted earnings per preference share	**1.96**	1.72

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

Earnings per share amount to € 1.01 and € 0.83 for each bearer ordinary share and € 1.02 and € 0.84 for each bearer preference share for the second quarter of 2004 and the second quarter of 2003.

15. 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 as allowed by 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). As such, compensation expense 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 (€)	H1 2004	H1 2003
Net income		
as reported	**80**	70
plus personnel expenses according to APB No 25	**-**	-
less personnel expenses according to SFAS No 123	**-2**	-4
pro forma	**78**	66
Basic earnings per ordinary share		
as reported	**1.95**	1.70
pro forma	**1.90**	1.61
Basic earnings per preference share		
as reported	**1.97**	1.72
pro forma	**1.92**	1.63
Fully diluted earnings per ordinary share		
as reported	**1.94**	1.70
pro forma	**1.89**	1.61
Fully diluted earnings per preference share		
as reported	**1.96**	1.72
pro forma	**1.91**	1.63

Fresenius AG 1998 stock option plan

As of June 30, 2004, the members of the Management 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 922,770 stock options (following the capital increase by conversion of capital reserves in the ratio of 1:1 in 2001).

Fresenius AG 2003 stock option plan

As of June 30, 2004 51,170 convertible bonds were issued to the members of the Management Board of Fresenius AG and 224,210 convertible bonds to managerial staff members.

Bases of the plan:

Authorization to issue convertible bonds

With the resolution passed by the annual general meeting on May 28, 2003, the Management 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 Management Board, to members of the management of affiliated companies, to employees of the company and to employees of its affiliated companies. Members of the Management 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 Management 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. Purchase of the bonds may be funded by a non-recourse loan secured by the bond with respect to which the loan was made. Fresenius AG has the right to offset its obligation on a convertible bond against the employee obligation on the related loan; therefore, in the case of a non-recourse loan the convertible bond obligations and employee loan receivables are not reflected in Fresenius AG's financial statements.

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 Management Board for the group of employees and by the Supervisory Board for the group consisting of the members of the Management 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 Management 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 Management 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.

Fresenius Medical Care stock options

As of June 30, 2004, the members of the Fresenius Medical Care Management Board held 441,850 stock options and managerial staff held 3,648,411 stock options.

As of June 30, 2004, 2,044,145 convertible bonds have been issued to the members of the Management Board and managerial staff of Fresenius Medical Care under the Fresenius Medical Care 2001 International Stock Incentive Plan.

OTHER NOTES

16. 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, Inc., ("NMC"), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, FMCH, and NMC 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 NMC'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 Fresenius Medical Care's obligation. 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 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 FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & 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.

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement 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 & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC 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 Settlement Agreement has been approved by the U.S. District Court.

Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation ("Sealed Air", formerly known as Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with 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 of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

On April 4, 2003, Fresenius Medical Care Holdings, Inc. ("FMCH"), 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 judgment that FMCH 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 FMCH for alleged infringement of Baxter's 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 FMCH seeking monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. FMCH 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.

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 defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims (see Note 2). The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. While Fresenius Medical Care believes that its remaining accruals reasonably estimate its currently anticipated costs related to the continued defense and resolution of the remaining matters, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

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.

17. 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 organizational and reporting structures (Management Approach) as at June 30, 2004.

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 122,700 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 Europe's leading company in the field of infusion and nutrition therapies. The company has leading positions in Europe in the fields of infusion and transfusion technology. The business activities of Fresenius Kabi are focused on the therapy and care of seriously and critically ill patients in the hospital and in the ambulatory care. As part of this care chain, Fresenius Kabi offers products for maintaining fluid balance and blood volume, anaesthesia, parenteral and enteral nutrition therapies as well as medical-technical equipment.

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, Fresenius 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.

The table of the segment reporting is on page 17 and 18 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 2003 Annual Report.

Reconciliation of the key figures with the consolidated results

in million €	H1 2004	H1 2003
Total EBITDA of reporting segments	568	544
Depreciation and amortization	-152	-153
General expenses Corporate / Other	-4	-1
Net interest	-104	-125
Total earnings before income taxes and minority interests	308	265
Total EBIT of reporting segments	420	400
General expenses Corporate / Other	-8	-10
Net interest	-104	-125
Total earnings before income taxes and minority interests	308	265
Depreciation and amortization of reporting segments	148	144
Depreciation and amortization Corporate / Other	4	9
Total depreciation and amortization	152	153

18. Additional information on the cash flow statement

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

in million €	H1 2004	H1 2003
Interest paid	112	130
Income taxes paid	117	47

in million €	H1 2004	H1 2003
Assets acquired	79	63
Debts assumed	-9	-19
Non-cash portions in connection with acquisitions	-7	-6
Cash paid	63	38
Cash acquired	-10	0
Net cash paid for acquisitions	53	38

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

in million €	H1 2004	H1 2003
Operating cash flow	340	311
Purchase of tangible assets	-111	-113
Proceeds from sale of tangible assets	10	10
Free cash flow before acquisitions and dividends	239	208
Acquisitions and investments, net of cash acquired	-53	-38
Free cash flow before dividends	186	170
Dividends paid	-119	-107
Free cash flow after dividends	67	63

19. 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 of interest rate and foreign currency exchange fluctuations, the Fresenius Group enters into various hedging transactions with investment grade financial institutions as authorized by the Management Board. The company does not use financial instruments for trading purposes.

The Fresenius Group conducts its financial instrument activities under the control of a single centralized department with a few exceptions due to exchange control regulations. The Fresenius Group 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 one side 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 financial statements of foreign subsidiaries are prepared have an 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.

Fresenius Group's exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases, and lending and borrowings, including intercompany borrowings in foreign currency. The Fresenius Group sells products from its manufacturing facilities in Europe also to its other international operations. In general, these sales are denominated in euros. This exposes the subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted.

Changes in the fair values of foreign currency forward contracts designated and qualifying as cash flow hedges of forecasted product purchases are reported initially in 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. After tax gains of € 0.6 million (before taxes € 0.9 million) as of June 30, 2004 (in the previous year € 3.9 million; before taxes € 5.8 million) are deferred in accumulated other comprehensive income and will be reclassified into earnings in the statement of income during 2004 and 2005.

Changes in the fair value of foreign currency forward contracts designated and qualifying as cash flow hedges for forecasted intercompany financing transactions are reported in accumulated other comprehensive income. These amounts are subsequently reclassified into earnings in the statement of income as a component of interest income or interest expense, in the same period in which the hedged transaction affects earnings. After tax gains of € 29.0 million (€ 47.8 million before taxes) as of June 30, 2004 (previous year € 34.1 million; before taxes € 56.1 million) were deferred in accumulated other comprehensive income and will be reclassified into earnings in the statement of income during 2004 and 2006.

As of June 30, 2004, the notional volume of foreign currency forward contracts to hedge risks from operating business amounted to € 0.28 billion.

2004 first half-year earnings were not materially affected by hedge ineffectiveness.

As of June 30, 2004, the Fresenius Group had exchange forward contracts with a maximum maturity of 30 months.

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 uses interest rate hedging instruments, particularly interest rate swaps, to protect interest rate exposures arising particularly from long-term and short-term borrowings at floating rates, by swapping the floating interest rates into fixed rates. Further there were made interest rate swaps for selected underlying transactions by swapping the 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 into interest rate swap agreements that are designated as cash flow hedges effectively converting certain variable interest rate payments, mainly in US dollars and Euro, into fixed interest rate payments. After-tax losses of € 20.3 million (€ 34.0 million before taxes) as of June 30, 2004 (previous year after taxes € 33.9 million; € 56.5 million before taxes) were deferred in accumulated other comprehensive loss. Interest payable and interest receivable under the swap terms are accrued and recorded as an adjustment to interest expense at each balance sheet date.

As of June 30, 2004, the notional volume of US dollar interest rate hedge contracts was US$ 0.95 billion (€ 0.78 billion) (as at December 31, 2003: US$ 0.95 billion; € 0.75 billion) and the notional volume of Euro interest rate hedge contracts was € 0.22 billion (as at December 31, 2003: € 0.00 billion). The US dollar interest rate swap agreements, which expire at various dates between 2004 and 2009, effectively fix the company's variable interest rate exposure on the majority of the US dollar-denominated revolving loans and outstanding obligations under the accounts receivable securitization program at an average interest rate of 5.45 % (previous year: 5.45 %). The Euro interest rate swap agreements, which expire at various dates between 2007 and 2009, effectively fix the company´s variable interest rate exposure from Euro-notes at an average interest rate of 3.17 %.

The Fresenius Group enters in interest swap agreements that are designated as a fair value hedge by effectively converting certain fixed interest rate payments denominated in US dollars, into variable interest rate payments. As of June 30, 2004, the notional amount of the US dollars interest swaps was US$ 0.45 billion (€ 0.37 billion) (as of December 31, 2003: US$ 0.00 billion (€ 0.00 billion)). The interest swap agreements are due in 2008 and convert the fixed interest rate of US dollar denominated trust preferred securities of the company into a 6-month variable interest rate based on US dollar LIBOR.

As of June 30, 2004, the notional volume of Yen-denominated interest rate hedge contracts entered into in connection with a Yen-denominated floating rate borrowings by the Japanese subsidiaries of Fresenius Medical Care totaled Yen 1.622 billion (€ 12.3 million) (as at December 2003: Yen 1.885 billion; € 14.0 million). The Yen-denominated interest rate hedge contracts will expire between July 2008 and June 2011. The amounts of the bank loans and the notional amounts of the Yen-denominated interest rate hedge agreements always coincide until the final maturities when the bank debts are completely repaid and the hedge contracts expire.

There is no material impact on the 2004 first half-year earnings due to hedge ineffectiveness.

The pre-tax gains deferred in accumulated other comprehensive income were € 4 million as of December 31, 2003 resulted in an insignificant currency gain.

The Group is exposed to credit-related losses in the event of nonperformance 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.

20. Subsequent events

There have been no significant changes in the sector of environment or group position since the end of the first half-year 2004. At present, the Group is not planning to carry out any significant changes in its structure, administration or legal form or in the area of personnel. Similarly, no other events of significance have occurred.

21. Corporate Governance

The Management Boards and the Supervisory Boards of 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 May 21, 2003 and made this available to the shareholders.

Financial calendar 2004/2005

Report on 1st - 3rd quarters 2004 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	November 2, 2004
Report on Fiscal Year 2004 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	February 24, 2005
Report on 1st quarter 2005 Conference call	May 4, 2005
Annual General Meeting, Frankfurt am Main (Germany)	May 25, 2005
Payment of dividend*	May 26, 2005
Report on the first six months 2005 Analysts' Meeting, Bad Homburg v.d.H. Live webcast	August 4, 2005
Report on 1st - 3rd quarters 2005 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	November 3, 2005

* subject to the prior approval by the AGM

This interim report contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking stetements due to certain factors, e.g. changes in busines, 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 interim report.

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