

August 4, 2005  
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## Fresenius Investor News

### **First half of 2005: Fresenius achieves excellent financial results and raises full-year earnings outlook**

- Sales                   € 3.70 billion,  
                              + 6 % in constant currency, + 4 % at actual rates
- EBIT                    € 453 million,  
                              + 12 % in constant currency, + 10 % at actual rates
- Net income          € 101 million,  
                              + 28 % in constant currency, + 26 % at actual rates
  
- Strong sales and earnings growth at Fresenius Medical Care; driven by continued gains in North America and Europe
- Fresenius Kabi achieves new record in EBIT margin; very good sales development in all regions
- Fresenius ProServe improves earnings and achieves good order intake

### **2005 Group outlook raised**

Based on these excellent results Fresenius raises its full-year outlook (before the acquisition of Renal Care Group by Fresenius Medical Care) and now expects net income growth of 20 to 25 % in constant currency. Previously, the Company expected 15 to 20 % net income growth. The projection for sales growth in constant currency remains at 6 to 9 %. All business segments are expected to achieve sales and earnings growth.

## Sustained sales growth

In the first half of 2005, Group sales increased 6 % in constant currency. Organic growth contributed 5 % and acquisitions 2 % to this increase. Currency translation had a -2 % and divestments a -1 % effect on sales. Sales were € 3,702 million, an increase of 4 % at actual rates (H1 2004: € 3,553 million).

Strong constant-currency sales growth was achieved in North America (+7 %), in Latin America (+19 %) and in Africa (+44 %). In Asia-Pacific, Fresenius Kabi achieved an excellent sales growth. The lower project volume at Fresenius ProServe primarily impacted the sales development in this region.

in million €	H1/05	H1/04	Change	Change at constant rates	Organic growth	Currency translation effects	Acquisitions/ Divestitures	% of total sales
Europe	1,454	1,380	5%	5%	4%	0%	1%	39%
North America	1,758	1,713	3%	7%	6%	-4%	1%	48%
Asia-Pacific	246	271	-9%	-8%	-8%	-1%	0%	7%
Latin America	156	129	21%	19%	14%	2%	5%	4%
Africa	88	60	47%	44%	42%	3%	2%	2%
Total	3,702	3,553	4%	6%	5%	-2%	1%	100%

Sales contribution of the three business segments:

	H1/2005	H1/2004
Fresenius Medical Care	69%	69%
Fresenius Kabi	22%	20%
Fresenius ProServe	9%	11%

## Strong earnings growth

EBITDA increased 9 % in constant currency and 7 % at actual rates to € 604 million (H1 2004: € 564 million). Group EBIT rose 12 % in constant currency and 10 % at actual rates to € 453 million (H1 2004: € 412 million). The Group EBIT margin further improved to 12.2 % in the first half of 2005 (H1 2004: 11.6 %).

Group net interest expense was € -97 million in the first half of 2005 (H1 2004: € -104 million). This improvement was mainly the result of a lower debt level compared to the first half of 2004 in combination with lower interest rates and currency translation effects.

The tax rate for the first half of 2005 was 39.3 % (H1 2004: 40.6 %), in line with the full-year expectation of 39 to 40 %.

Minority interest increased to € 115 million (H1 2004: € 103 million) mainly due to the strong earnings development of Fresenius Medical Care, which accounts for 96 % of minority interest.

Group net income grew strongly by 28 % in constant currency and 26 % at actual rates to € 101 million (H1 2004: € 80 million). Excellent operating results of

Fresenius Medical Care and Fresenius Kabi, lower interest expenses and a slightly lower tax rate contributed to this increase.

Earnings per ordinary share were € 2.46 (H1 2004: € 1.95). Earnings per preference share were € 2.48 (H1 2004: € 1.97). EPS increased 26 % for both share classes.

### **Investments considerably increased**

In the first half of 2005, Group investments doubled to € 342 million (H1 2004: €172 million). This significant increase was mainly driven by acquisitions at Fresenius Kabi. € 115 million was spent for property, plant and equipment and intangible assets (H1 2004: € 111 million) and € 227 million for acquisitions (H1 2004: € 61 million).

### **Solid cash flow performance**

Operating cash flow was slightly lower than in the previous year at € 329 million (H1 2004: € 340 million) despite the excellent earnings development. This was mainly due to higher income tax payments of Fresenius Medical Care in North America. Free cash flow before acquisitions and dividends was € 224 million (H1 2004: € 239 million). Free cash flow after acquisitions (€ 182 million) and dividends (€ 127 million) was € -85 million (H1 2004: € 67 million).

### **Solid balance sheet structure**

Total assets increased 10 % to € 9,045 million (December 31, 2004: € 8,188 million). In constant currency, total assets grew 3 %. Current assets increased 12 % to € 3,090 million (December 31, 2004: € 2,755 million). In constant currency, current assets grew 6 %. This increase was driven by acquisitions and growth of operations.

Group debt rose 9 % to € 2,993 million as of June 30, 2005 (December 31, 2004: € 2,735 million). In constant currency, debt grew 5 % and was driven by acquisitions.

The net debt/EBITDA ratio was 2.4 as of June 30, 2005 (December 31, 2004: 2.2). The positive EBITDA increase partially offset the higher debt level.

Shareholders' equity including minority interest rose 11 % to € 3,721 million compared to € 3,347 million on December 31, 2004. The equity ratio including minority interest improved to 41.1 % (December 31, 2004: 40.9 %).

### **Employee numbers continue to grow**

As of June 30, 2005, the Group had 71,109 employees worldwide, an increase of 4 % (December 31, 2004: 68,494).

## **Fresenius Biotech**

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer as well as cell therapies for the treatment of the immune system. 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 graft rejection following organ transplantation.

In the field of antibody therapies, two phase II studies are in preparation to investigate the treatment of gastric cancer and breast cancer following positive results from two phase I studies for the treatment of peritoneal carcinomatosis and breast cancer. Current studies for malignant ascites, malignant pleural effusion and ovarian cancer are continuing according to plan.

For 2005, Fresenius Biotech continues to expect an EBIT in the range of € -35 to € -40 million, largely due to the expanded clinical study program.

## The Business Segments

### Fresenius Medical Care

Fresenius Medical Care is the world's leading provider of products and services for patients with chronic kidney failure. As of June 30 2005, Fresenius Medical Care was serving approximately 128,200 patients (+4 %) in 1,645 dialysis clinics (+3 %).

in million US\$	H1/2005	H1/2004	Change
Sales	3,283	3,011	9%
EBITDA	579	525	10%
EBIT	458	411	11%
Net income	223	192	17%
Employees	48,548 (Jun 30, 2005)	46,949 (Dec 31, 2004)	3%

- Strong sales and earnings growth continued
- North America and Europe once again key sales and earnings drivers
- 2005 net income outlook raised

In the first half of 2005, Fresenius Medical Care achieved sales growth of 9 % to US\$ 3,283 million (H1 2004: US\$ 3,011 million). In constant currency, sales rose 7 %. Organic growth was 6 %.

In North America Fresenius Medical Care achieved a strong sales increase of 7 % to US\$ 2,215 million (H1 2004: US\$ 2,063 million). Sales outside North America ("International") rose 13 % to US\$ 1,068 million (H1 2004: US\$ 948 million) mainly because of the very good development of the European business.

Sales in dialysis care increased 8 % to US\$ 2,363 million (H1 2004: US\$ 2,185 million). In the first half of 2005, Fresenius Medical Care delivered approximately 9.6 million dialysis treatments, an increase of 4 % over the same period in the previous year. North America accounted for 6.6 million treatments (+3 %) and the International segment for 3.0 million treatments (+5 %). Fresenius Medical Care achieved sales growth in dialysis products of 11 % to US\$ 920 million (H1 2004: US\$ 826 million).

EBIT rose 11 % to US\$ 458 million (H1 2004: US\$ 411 million) and the EBIT margin was 14.0 % (H1 2004: 13.6 %). Net income at Fresenius Medical Care grew to US\$ 223 million in the first half of 2005, an increase of 17 %.

Based on its strong performance in the first half of 2005, Fresenius Medical Care now expects net income growth to be between 12 and 15 %. Previously, the company anticipated net income growth for 2005 to be in the low double-digit range. This guidance does not take into effect the impact of the Renal Care Group acquisition or the expected one-time costs of around US\$ 10 million for the full year 2005 in connection with the transformation of Fresenius Medical Care's legal form, or the conversion of the preference shares into ordinary shares. Top-line revenue growth at constant currency should remain between 6 and 9%.

For further information, please see Fresenius Medical Care's Investor News at [www.fmc-ag.com](http://www.fmc-ag.com).

## Fresenius Kabi

Fresenius Kabi offers infusion therapies and clinical nutrition for seriously and chronically ill patients in the hospital and out-patient environments. The company is also a leading provider of transfusion technology products.

in million €	H1/2005	H1/2004	Change
Sales	818	738	11%
EBITDA	150	126	19%
EBIT	110	85	29%
Net income	51	38	34%
Employees	12,594 (Jun 30, 2005)	11,577 (Dec 31, 2004)	9%

- Earnings target exceeded: new record EBIT margin of 13.8 % in the second quarter of 2005
- Excellent organic growth of 6 % in the first half of 2005
- 2005 earnings outlook raised

In the first half of 2005, sales at Fresenius Kabi rose 11 % to € 818 million (H1 2004: € 738 million). The company achieved an excellent organic growth of 6 %. Acquisitions, primarily the Portuguese company Labesfal, contributed 5 % to sales. Currency translation added 1 % to sales growth. Divestments had a -1 % effect on sales.

Sales in Germany rose 2 %. Sales in Europe (excluding Germany) increased 13 %. Acquisitions contributed significantly to this growth. Fresenius Kabi continued to grow at double-digit rates outside of Europe: The Asia-Pacific region showed strong organic growth with an increase of 16 % and Latin America posted organic sales growth of 13 %.

Fresenius Kabi significantly increased earnings. EBIT rose 29 % in the first half of 2005 to € 110 million (H1 2004: € 85 million). The EBIT margin was 13.4 %, an increase of 190 basis points compared to the first half of 2004 (11.5 %). Compared to the first quarter of 2005, the Q2-EBIT margin improved by 70 basis points to 13.8 %.

Fresenius Kabi clearly exceeded the projected full-year EBIT margin target of >13.0 % in the first half of 2005. Therefore, the company raises its full-year EBIT margin outlook to >13.5 %. Constant-currency sales growth should remain at about 10 %.

## Fresenius ProServe

Fresenius ProServe offers services for the international health care sector including hospital management and hospital planning and construction as well as planning and construction of pharmaceutical and medical-technical production sites.

in million €	H1/2005	H1/2004	Change
Sales	350	383	-9%
EBITDA	19	14	36%
EBIT	7	0	--
Net income	-1	-9	89%
Employees	9,383 (Jun 30, 2005)	9,398 (Dec 31, 2004)	0%

- Further improvement in earnings
- Good order intake
- Sales below previous year due to project delays

In the first half of 2005, Fresenius ProServe achieved sales of € 350 million (H1 2004: € 383 million). On a comparable basis (excluding the nursing home business sold in 2004 and the discontinued international hospital management business), the sales decrease would have been 4 %. This decrease resulted from delayed closing of projects in the hospital engineering and services business (VAMED). In addition, the ongoing investment caution in the pharmaceutical industry led to lower sales in pharmaceutical engineering and services (Pharmaplan). An increase in sales of 3 % was achieved in the hospital management business (Wittgensteiner Kliniken).

EBIT increased to € 7 million in the first half of 2005 despite lower sales (H1 2004: € 0 million; before one-time charges: € 6 million). On a comparable basis, this is an increase of 17 %.

Order intake developed very positively in the second quarter and reached € 109 million. Order intake in the first half of 2005 increased 15 % to € 156 million (H1 2004: € 136 million). Order backlog in the first half of 2005 increased 14 % to € 382 million (December 31, 2004: € 335 million). Based on this development and additional contracts expected to be signed in the third and fourth quarters of 2005, Fresenius ProServe expects improved sales in the second half of 2005.

Fresenius ProServe confirms its full-year outlook for 2005 and expects an EBIT of € 20 to € 25 million and an organic sales growth of 5 to 8 %.

**Live video webcast**

As part of the earnings announcement for the first half of 2005, an analyst conference will be held at the Fresenius headquarters in Bad Homburg on August 4, 2005 at 1:30 p.m. CEDT (7.30 a.m. EDT). All investors are cordially invited to follow the conference in a live broadcast over the Internet at [www.fresenius-ag.com](http://www.fresenius-ag.com) / Investor Relations / Presentations. Following the meeting, a recording of the conference will be available as video-on-demand.

**Quarterly report**

The full first-half and second-quarter report will be available on the Internet by August 15, 2005 at [www.fresenius-ag.com](http://www.fresenius-ag.com) / Investor Relations / Publications.

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



## Fresenius Group in Figures

### Consolidated statement of income (unaudited)

in million €	H1/2005	H1/2004
Sales	3,702	3,553
Cost of goods sold	-2,440	-2,393
<b>Gross profit</b>	<b>1,262</b>	<b>1,160</b>
Selling, general and administrative expenses	-741	-684
Research and development expenses	-68	-64
<b>Operating income (EBIT)</b>	<b>453</b>	<b>412</b>
Net interest	-97	-104
<b>Earnings before income taxes and minority interest</b>	<b>356</b>	<b>308</b>
Income taxes	-140	-125
Minority interest	-115	-103
<b>Net income</b>	<b>101</b>	<b>80</b>
<b>Basic earnings per ordinary share (in €)</b>	<b>2.46</b>	<b>1.95</b>
<b>Fully diluted earnings per ordinary share (in €)</b>	<b>2.44</b>	<b>1.94</b>
<b>Basic earnings per preference share (in €)</b>	<b>2.48</b>	<b>1.97</b>
<b>Fully diluted earnings per preference share (in €)</b>	<b>2.46</b>	<b>1.96</b>

<b>Average number of shares</b>		
Ordinary shares	20,499,712	20,484,842
Preference shares	20,499,712	20,484,842
EBIT (in million €)	453	412
Depreciation and amortization (in million €)	151	152
<b>EBITDA (in million €)</b>	<b>604</b>	<b>564</b>
EBIT margin	12.2%	11.6%
EBITDA margin	16.3%	15.9%

## Key figures of the balance sheet (unaudited)

in million €	Jun 30, 2005	Dec 31, 2004	Change
<b>Assets</b>			
<b>Current assets</b>	<b>3,090</b>	<b>2,755</b>	<b>12%</b>
thereof trade accounts receivable	1,687	1,528	10%
thereof inventories	716	619	16%
thereof cash and cash equivalents	149	140	6%
<b>Non-current assets</b>	<b>5,955</b>	<b>5,433</b>	<b>10%</b>
thereof property, plant and equipment	1,766	1,696	4%
thereof goodwill and other intangible assets	3,879	3,385	15%
<b>Total assets</b>	<b>9,045</b>	<b>8,188</b>	<b>10%</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>	<b>5,324</b>	<b>4,841</b>	<b>10%</b>
thereof trade accounts payable	273	273	0%
thereof accruals and other short-term liabilities	1,609	1,427	13%
thereof debt	2,993	2,735	9%
<b>Minority interest</b>	<b>1,960</b>	<b>1,744</b>	<b>12%</b>
<b>Shareholders' equity</b>	<b>1,761</b>	<b>1,603</b>	<b>10%</b>
<b>Total liabilities and shareholders' equity</b>	<b>9,045</b>	<b>8,188</b>	<b>10%</b>

## Cash flow statement (unaudited)

in million €	H1/2005	H1/2004	Change
Net income before minority interest	216	183	18%
Depreciation and amortization	151	152	-1%
Change in accruals for pensions	5	10	
<b>Cash flow</b>	<b>372</b>	<b>345</b>	<b>8%</b>
Change in working capital	-43	-5	
<b>Operating cash flow</b>	<b>329</b>	<b>340</b>	<b>-3%</b>
Capital expenditure, net	-105	-101	-4%
<b>Free cash flow before acquisitions and dividends</b>	<b>224</b>	<b>239</b>	<b>-6%</b>
Cash used for acquisitions, net	-182	-53	--
Dividends paid	-127	-119	-7%
<b>Free cash flow after acquisitions and dividends</b>	<b>-85</b>	<b>67</b>	<b>--</b>
Cash provided by/used for financing activities	87	-40	--
Effect of exchange rates on change in cash and cash equivalents	7	2	--
<b>Net increase in cash and cash equivalents</b>	<b>9</b>	<b>29</b>	

## Segment reporting by business segment

in million €	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Fresenius Group		
	H1/2005	H1/2004	Change	H1/2005	H1/2004	Change	H1/2005	H1/2004	Change	H1/2005	H1/2004	Change	H1/2005	H1/2004	Change
<b>Sales</b>	2,555	2,454	4%	818	738	11%	350	383	-9%	-21	-22	5%	3,702	3,553	4%
thereof contribution to consolidated sales	2,542	2,438	4%	804	724	11%	348	383	-9%	8	8	0%	3,702	3,553	4%
thereof intercompany sales	13	16	-19%	14	14	0%	2	0	--	-29	-30	3%	0	0	
contribution to consolidated sales	69%	69%		22%	20%		9%	11%		0%	0%		100%	100%	
<b>EBITDA</b>	451	428	5%	150	126	19%	19	14	36%	-16	-4	--	604	564	7%
<b>Depreciation and amortization</b>	94	93	1%	40	41	-2%	12	14	-14%	5	4	25%	151	152	-1%
<b>EBIT</b>	357	335	7%	110	85	29%	7	0	--	-21	-8	-163%	453	412	10%
<b>Net interest</b>	-66	-75	12%	-26	-23	-13%	-5	-5	0%	0	-1	100%	-97	-104	7%
<b>Net income</b>	174	156	12%	51	38	34%	-1	-9	89%	-123	-105	-17%	101	80	26%
<b>Operating cash flow</b>	209	286	-27%	105	60	75%	32	32	0%	-17	-38	55%	329	340	-3%
<b>Free cash flow before acquisitions and dividends</b>	133	209	-36%	86	49	76%	27	21	29%	-22	-40	45%	224	239	-6%
<b>Debt*</b>	1,975	1,820	9%	868	709	22%	206	222	-7%	-56	-16	--	2,993	2,735	9%
<b>Total assets*</b>	6,457	5,845	10%	1,773	1,518	17%	731	742	-1%	84	83	1%	9,045	8,188	10%
<b>Capital expenditure</b>	81	82	-1%	23	16	44%	6	11	-45%	5	2	150%	115	111	4%
<b>Acquisitions</b>	40	49	-18%	186	9	--	1	3	-67%	0	0	--	227	61	--
<b>Research and development expenses</b>	21	22	-5%	28	29	-3%	0	0	--	19	13	46%	68	64	6%
<b>Employees (per capita on balance sheet date)*</b>	48,548	46,949	3%	12,594	11,577	9%	9,383	9,398	0%	584	570	2%	71,109	68,494	4%
<b>Key figures</b>															
EBITDA margin	17.7%	17.4%		18.3%	17.1%		5.4%	3.7%					16.3%	15.9%	
EBIT margin	14.0%	13.6%		13.4%	11.5%		2.0%	0.0%					12.2%	11.6%	
ROOA*	12.2%	11.8%		14.4%	13.4%		2.4%	1.5%					11.3%	11.1%	
Depreciation and amortization as % of sales	3.7%	3.8%		4.9%	5.6%		3.4%	3.7%					4.1%	4.3%	

\* 2004: December 31