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Fresenius announces results of Financial Year 2002

Bad Homburg (ots) -

- Sales: + 3 % to Euro 7.5 billion
currency-adjusted: + 9 %
- EBIT: + 10 %* to Euro 837 million
- Net income: + 44 %* to Euro 134 million
- Dividend: + 10 % to Euro 1.14 per ordinary share
and Euro 1.17 per preference share

The Fresenius health care group increased sales in the 2002 financial year by a plus of 3 % to Euro 7,507 million. Calculated at the exchange rates of the previous year the sales increase amounted to 9 %. Net income of the Fresenius Group increased by 44 % to Euro 134 million. This increase resulted from goodwill no longer being amortized in accordance with the changes in the US GAAP accounting rules effective since January 1, 2002.

Accounting at the Fresenius Group has been in accordance with US GAAP since January 1, 2002. The figures for the previous year therefore correspond to the US GAAP accounting rules in force during 2001, i.e. the figures for 2001 include amortization of goodwill.

* Comparable figure without special charge for US legal issues

Dividend

The Managing Board will propose to the Supervisory Board that the dividend be increased. This also reflects our strong belief in the future earnings development. A dividend of Euro 1.14 (2001: Euro 1.03) per ordinary share entitled to dividend, and of Euro 1.17 (2001: Euro 1.06) per preference share entitled to dividend is to be paid. This corresponds to an increase of 11 % per ordinary share and 10 % per preference share, and a total payment of Euro 47.3 million.

Group outlook on year-end 2003

The Fresenius Group is in an excellent strategic position worldwide. Thanks to its leading market positions in many of its fields of activity, Fresenius has a solid basis for growth in the future, supported by new products and therapies. Despite the difficult economic development and sustained pressure to save costs in the health systems, especially in the western health care markets, the Group expects a positive development in the 2003 financial year. At the exchange rates in force during 2002, a high single-digit sales growth rate is expected for the 2003 financial year. This is an ambitious target in view of the absolute sales figure of Euro 7.5 billion achieved in 2002, and since Fresenius has to exceed market growth. Earnings are also expected to further increase at constant exchange rates: The growth rate in net income will be higher than that of sales.

Sales

In the 2002 financial year, Fresenius increased consolidated sales to Euro 7,507 million (+ 3%). A continued strong organic growth of 6 % again confirms the good position of Fresenius in the markets. Acquisitions increased growth by 3 percentage points. The changes in exchange rates had an effect of -6 percentage points. The devaluation of the Argentinean peso, and in particular the weaker US dollar compared to the euro (- 5.6% on average over the year) negatively affected sales in the currency conversion.

The strongest regions of the Group from a sales point of view continue to be North America with 54 % and Europe with 34 % of total

in million Euro	2001	2002	Change	Change
				currency-adjusted

The breakdown of sales by business segment compared to the previous year changed in the favour of Fresenius ProServe, since Wittgensteiner Kliniken AG which was acquired effective June 1, 2001 was consolidated for a whole year for the first time in 2002.

Earnings

Earnings of the Fresenius Group were influenced in the 2002 financial year by two main factors: On the one hand, goodwill was no longer amortized as a result of the change in US GAAP accounting rules as of January 1, 2002, which had a positive effect on earnings. On the other hand, there were negative impacts on earnings through expenses in the production facilities and in the services field in connection with the conversion of dialysis treatment from re-use to single-use dialysers by Fresenius Medical Care in the United States. Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to Euro 1,178 million and were 6 % (1 % at constant exchange rates) lower than the previous year's figure. The EBIT growth rate, 10 % to Euro 837 million, resulted from goodwill no longer being amortized. If EBIT of the year 2001 before special charge does not include goodwill amortization, EBIT of 2002 would have been 8 % (currency-adjusted: 4 %) lower. The goodwill in the Fresenius Group's balance sheet has substance.

The tax ratio dropped from 42.6 % in 2001 to 37.0 % in the year under report, largely caused by goodwill no longer being amortized.

Net income increased to Euro 134 million compared to Euro 93

million in 2001.

Earnings per share amounted to Euro 3.27 after Euro 2.29 in the previous year, based on a total of 40,969,684 ordinary and preference shares.

The changes in currency exchange rates negatively influenced the earnings situation of the Group through translation effects: At constant exchange rates, i.e. calculated at the 2001 exchange rates, EBIT would have increased by 15 % and net income by 53 %.

Capital expenditure

Fresenius invested Euro 507 million in the year under report. This is 7 % of total consolidated sales. In the previous year the investment was Euro 1,233 million (17% of sales), strongly marked by acquisitions. With the number of acquisitions in the recent years Fresenius was able to achieve leading positions in its markets. These considerable efforts have been carried out to secure future growth.

While investments in tangible and intangible assets decreased by Euro 52 million to Euro 377 million, funds provided for acquisitions dropped substantially to Euro 130 million from Euro 804 million in 2001. Of the total amount invested in the year under report, 74 % was allocated to tangible and intangible assets and 26 % to acquisitions.

Acquisitions mainly concerned the purchase of dialysis clinics by Fresenius Medical Care. Major investment projects in the field of tangible assets were the founding and equipping of dialysis clinics, mainly in the United States, as well as the extension and modernisation of existing clinics, the building of a joint production facility in Mexico for infusion solutions of Fresenius Kabi and peritoneal dialysis products of Fresenius Medical Care. In addition, Fresenius Kabi's European production plants for infusion solutions continued to be build up and optimised.

Split into business segments, Fresenius Medical Care invested 68 % of the total amount, followed by Fresenius Kabi with 15 %. By region, 49 % of investments were made in Europe, followed by North America with 35 % and the regions Asia-Pacific and Latin America with 8 % each.

Cash flow

The cash flow statement of the Group developed extremely well. The operating cash flow and free cash flow showed high growth rates.

The operating cash flow amounted to Euro 697 million in the year under report (Euro 509 million in 2001). This corresponds to an increase of 37 %. It fully covers the financing requirements from investment activities before acquisitions: Funds provided for investments of the Group amounted to Euro 377 million and proceeds from disposals of fixed assets amounted to Euro 62 million. The free cash flow before acquisitions and dividends amounted to Euro 382 million and was three times higher than the figure for the previous year due to the significantly lower capital expenditure and improved working capital management. All acquisitions and the dividends for 2002 were able to be financed from the free cash flow. The free cash flow after acquisitions and dividends was positive and amounted to Euro 163 million.

Asset and equity structure

The balance sheet total of the Group dropped by Euro 952 million (10 %) compared to 31.12.2001 to Euro 8,915 million. This decrease is solely a result of currency effects. At constant exchange rates the balance sheet total increased only slightly, by 1 % over the previous year. This reflects the reduced acquisition activity of the Group and improvements in current assets.

The liabilities side of the balance sheet shows a decrease in equity including minority interests of 9 % to Euro 3,369 million

(2001: Euro 3,689 million). This is largely due to the change in exchange rates; currency-adjusted the increase would have been 4 %. The equity ratio including minority interests increased marginally from 37.4 % as of 31.12.2001 to 37.8 % at the end of the year under report.

The liabilities of the Group from bank loans, Eurobonds, commercial papers and trust preferred securities totalled Euro 3,283 million on 31.12.2002; this corresponds to a drop of Euro 454 million compared to the previous year's figure of Euro 3,737 million. The decrease resulted to a large extent from the changed exchange rates in the translation into euros of the US dollar loans. Euro 175 million financial liabilities were repaid in the year under report.

The Business Segments

Fresenius Medical Care

In 2002, Fresenius Medical Care further expanded its market position in dialysis. As of 31.12.2002 Fresenius Medical Care treated around 112,200 patients in 1,480 dialysis clinics, 6 % more than in the previous year. In Europe, Latin America and the region Asia-Pacific growth rates were registered that were substantially higher than those of the market. As a result of the introduction of single-use dialysers the growth rates in North America were lower than anticipated. The switch from single-use dialysers however represents a major strategic step and the basis for future growth.

In 2002 Fresenius Medical Care increased sales by 5 % (currency-adjusted: 6 %) to US\$ 5,084 million (2001: US\$ 4,859 million). 74 % of sales were achieved in the United States, 18 % in Europe and 8 % in the other regions of the world.

The main growth driver was dialysis care, sales of which rose by 4 % to US\$ 3,709 million (2001: US\$ 3,557 million). The main reason for this growth was the increased number of dialysis treatments: Altogether Fresenius Medical Care performed 16.4 million dialysis treatments in the year under report, 7 % more than in the previous year. Sales of dialysis products amounted to 27 % of total sales of Fresenius Medical Care and rose by 6% to US\$ 1,375 million (2001: US\$ 1,302 million). If sales of products to company-owned dialysis clinics are included, sales reached US\$ 1,776 million, which likewise corresponds to a 6 % increase.

Fresenius Medical Care increased EBIT by 8 % to US\$ 695 million from US\$ 644 million before special charge in the previous year (2001: goodwill-adjusted: US\$ 765 million). The result was influenced by costs in connection with the switch from re-use to single-use dialysers in the United States.

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

In the currency conversion into euros, the weakness of the dollar meant that sales of Fresenius Medical Care totalling Euro 5,378 million were 1 % lower than the previous year's figure of Euro 5,426 million. As far as EBIT is concerned, currency conversion resulted in an increase of 2 % to Euro 735 million (previous year: Euro 719 million before special charge).

Fresenius Kabi

Fresenius Kabi achieved sales of Euro 1,262 million, 1 % lower than the previous year's figure of Euro 1,277 million. The sales development was influenced to a large extent by shrinking sales of the company ProReha and its sale in August 2002 as well as lower sales in the manufacturing contract business. If these effects are not taken into account, Fresenius Kabi achieved an organic growth of 7 %, growing faster than the market. Acquisitions contributed 1 percentage point, currency effects reduced growth by 3 percentage points. The hospital business achieved a 76 % share of sales, namely

Euro 959 million (2001: Euro 954 million). The Ambulatory Care Business, Euro 303 million, corresponded to 24 % of total sales (2001: Euro 323 million).

Fresenius Kabi achieved an EBIT amounting to Euro 91 million in the 2002 financial year compared to Euro 53 million in 2001 (goodwill-adjusted: Euro 63 million). The development of earnings was negatively affected in the 2002 financial year by measures to increase profitability at the factory in Uppsala, Sweden. Furthermore, losses made by the company ProReha, and its sale effective August 1, 2002, affected earnings. These expenses totalled Euro 27 million. The measures carried out in the year under report will make a substantial contribution towards the future development of earnings of Fresenius Kabi.

Fresenius ProServe

Fresenius ProServe was able to present a 55 % sales upswing: Sales amounted to Euro 701 million (2001: Euro 451 million). The healthcare business generated 80 % (Euro 559 million) of total sales, and the pharma industry business Euro 142 million, or 20 %. Of the Euro 250 million increase in sales about Euro 100 million were generated organically and Euro 145 million were generated by acquisitions, mainly Wittgensteiner Kliniken AG which in 2001 only contributed seven months towards the total sales of Fresenius ProServe.

Orders received and orders on hand even exceeded the high level of the previous year: Orders received in the project business of Fresenius ProServe rose to Euro 327 million (2001: Euro 266 million); orders on hand reached Euro 424 million (2001: Euro 266 million). This corresponds to a plus of 23 % and 16 % respectively. Important orders were received by the healthcare business in the 2002 financial year. Fresenius ProServe was awarded engineering orders and turnkey projects for hospitals.

Fresenius ProServe achieved an EBIT of Euro 24 million in the year under report (2001: Euro 6 million; goodwill-adjusted: Euro 11 million). This significant increase is largely a result of the development in the healthcare business, particularly of the consolidation for the whole year of Wittgensteiner Kliniken AG.

Fresenius HemoCare

Fresenius HemoCare achieved sales of Euro 229 million in 2002 (2001: Euro 215 million). The 7 % increase is due to acquisition activities and organic growth. Currency conversion effects had an impact of -2 % on the sales development of Fresenius HemoCare.

EBIT of Fresenius HemoCare amounting to Euro 10 million was 25 % higher than the previous year's figure of Euro 8 million (goodwill-adjusted: Euro 10 million). Sustained high expenditure on research and development and the building up of the sales organisations had negative effects on earnings.

As from the 2003 financial year, the activities of the business segment Fresenius HemoCare were re-allocated within the Fresenius Group.

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Internet: <http://www.presseportal.de>

Press Contact:
February 25, 2003
Oliver Heieck, Corp. Communications
Tel.: +49 - 6172 - 6082101
Fax: +49 - 6172 - 6082294
e-mail: pr-fre@fresenius.de
www.fresenius-ag.com

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