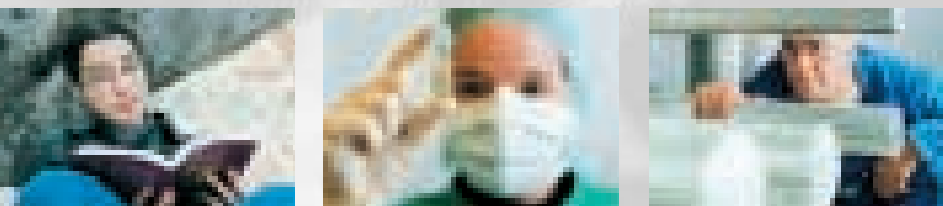


ANNUAL REPORT 2000



Fresenius. The Health Care Group.  
Serving and caring for the individual.




Fresenius is a health care group operating all over the world with products and services for dialysis, the hospital and the ambulatory medical care of patients. Almost 50,000 employees in about 100 countries are working with great dedication in the service of health.


Services are extremely important to Fresenius. We should therefore like to tell you about our service portfolio in this annual report. In the magazine-style part of this annual report, you can read real-life reports taken from the day-to-day work of our business segments. We invite you to get to know the world of our services.





KEY DATA OF THE BUSINESS SEGMENTS

<div> Fresenius Medical Care DIALYSIS PRODUCTS AND DIALYSIS CARE</div>			
in million US\$	1999 <sup>1)</sup>	2000	Change
Sales	3,840	4,201	9%
EBIT	560	621	11%
Net income	170	212	24%
Operating cash flow	355	390	10%
Capital expenditure/ acquisitions	271	516	90%
R&D expenditure	32	32	0%
Employees (31.12.)	31,086	35,370	14%

<sup>1)</sup> before extraordinary expenses

<div> Fresenius Kabi NUTRITION AND INFUSION THERAPY</div>			
in million €	1999	2000	Change
Sales	964	1,122	16%
EBIT	79	88	11%
Net income	37	39	5%
Operating cash flow	44	40	-9%
Capital expenditure/ acquisitions	141	156	11%
R&D expenditure	51	48	-6%
Employees (31.12.)	8,587	10,368	21%

<div> fresenius proServe PLANNING AND CONSTRUCTION OF HOSPITALS, PHARMACEUTICAL AND MEDICAL-TECHNICAL PRODUCTION PLANTS; HOSPITAL MANAGEMENT</div>			
in million €	1999	2000	Change
Sales	268	284	6%
EBIT	13	15	15%
Net income	10	9	-10%
Operating cash flow	30	30	0%
Capital expenditure/ acquisitions	14	18	29%
Orders received	309	340	10%
Orders on hand	276	305	11%
Employees (31.12.)	1,719	1,945	13%

<div> Fresenius HemoCare HEMOTECHNOLOGY AND INFUSION TECHNOLOGY</div>			
in million €	1999	2000	Change
Sales	178	207	16%
EBIT	2	7	250%
Net income	-2	2	n.a.
Operating cash flow	-2	9	n.a.
Capital expenditure/ acquisitions	20	18	-10%
R&D expenditure	13	18	38%
Employees (31.12.)	2,033	2,001	-2%

FRESENIUS GROUP IN FIGURES

in million €	1996	1997	1998	1999	2000
<b>Earnings</b>					
Sales	1,859	3,812	4,317	4,952	6,099
EBIT	152	377	484	597	756
Net income	67	108	146	203	266
Depreciation and amortization	101	274	296	341	389
Cash flow <sup>1)</sup>	175	396	452	559	667
Cash flow ratio	9.4%	10.4%	10.5%	11.3%	10.9%
Earnings per share after minority interests	3.27 €	2.85 €	4.25 €	5.35 €	6.10 €
<b>Balance sheet</b>					
Balance sheet total	3,765	4,548	4,959	5,714	6,473
Fixed assets	2,573	3,018	3,264	3,563	3,999
Equity	1,070	1,395	1,867	2,013	2,810
Equity ratio	28%	31%	38%	35%	43%
Capital expenditure <sup>2)</sup>	271	840	817	444	769
<b>Profitability</b>					
EBIT margin	8.2%	9.9%	11.2%	12.1%	12.4%
Return on equity after taxes (ROE)	6.3%	7.7%	7.8%	10.1%	9.5%
Return on operating assets (ROOA)	6.8%	9.2%	10.0%	11.2%	12.7%
Return on invested capital (ROIC)	7.4%	10.2%	10.1%	10.5%	10.9%
<b>Employees (31.12.)</b>					
	32,521	35,543	39,923	43,783	49,974

<sup>1)</sup> net income + depreciation and amortization +/- change in pension provisions

<sup>2)</sup> investments in tangible and intangible assets, acquisitions

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*Dear Shareholders,*

Serving and caring for the individual – the topic of our annual report stands for high-quality products and services to help sick people, and also for our endeavours to strengthen the competitive position of our company.

In order to achieve this, we invested more than ever before in the 2000 financial year. Including the acquisition of the Everest dialysis clinics the volume of capital expenditure amounted to more than one billion euros. Thus, we invested heavily in the past year in order to ensure that the Group will continue to grow in the future.

Although our employees had to cope with an immense workload because of the extensive investment projects, once again we can present you with excellent year-end results for the Fresenius Group. In the year 2000 we increased sales by more than one billion euros, or 23%, and thus achieved a sales volume of more than six billion euros. Net income rose by 31% in the same period. With an increase of 63 million euros to a total of 266 million euros, we achieved the highest absolute profit in the history of our company.

Dear shareholders, we have promised to pay you an earnings-linked dividend. It is therefore our obligation and pleasure to propose to you that the dividend be increased by 20%. We plan to pay a dividend of 1.92 euros per preference share, and 1.86 euros per ordinary share. In addition, we shall pay a special dividend of 0.30 euros per preference share and 0.30 euros per ordinary share.

At this point, I should like to speak about our investment projects and their importance:

The business segment Fresenius Kabi acquired companies with leading competitive positions in countries such as Poland, Mexico, South Korea and South Africa. These acquisitions enable us to penetrate new markets where almost 250 million people live. In addition, our portfolio of services for the ambulatory medical care of patients was considerably widened by the acquisitions of the companies ProReha and Novamédical. It is always a challenge to integrate companies which have been acquired in completely different re-

gions of the world. Without these acquisitions our growth would be slowed down, and the internationalisation of our business which is essential for us to expand would stagnate. Also, in the manufacturing sector we are confronted with a demanding task for the year 2001: to continue the commissioning of the factory for parenteral nutrition products in Uppsala, and of the production lines for *freeflex* bags in Friedberg, resulting in additional costs.

Fresenius Medical Care AG made the two largest acquisitions of its history: Everest, and the international business of DaVita (formerly Total Renal Care). More than 12,000 additional dialysis patients are now treated in the dialysis clinics of Fresenius Medical Care. Fresenius Medical Care has thus significantly strengthened its market leadership in dialysis care in the United States, and now operates a dense network of dialysis clinics in South America.

A major part of the investments in tangible assets made by Fresenius Medical Care was aimed at reducing manufacturing costs and achieving cost leadership. This is crucial if we want to remain competitive in an increasingly tough market environment, and if we want to expand profitably. Fresenius Medical Care has therefore mainly invested in new production and packaging technologies. I should like to make special mention of the factory in Japan for peritoneal dialysis products, which is in the final stages of completion. Fresenius Medical Care will therefore be in a position to offer a complete range of locally-manufactured products for haemodialysis and peritoneal dialysis in Japan and will considerably improve its market position.

One of our main strategic targets, which we defined several years ago, is to constantly add services to our portfolio of products. Only by doing so are we able to secure future growth and gain a foothold in much larger markets for services. Our business segments Fresenius Medical Care and Fresenius Kabi have already successfully implemented this strategy.

With the acquisition and the integration of Wittgensteiner Kliniken AG into our business segment Fresenius ProServe we are taking a large step forward in building up our hospital services. A step which augments our traditional project business by the addition of the medical and commercial management of hospitals. Wittgensteiner Kliniken AG which has been in the health care business for over 50 years is one of the major private operators of hospitals in Germany, with 28 hospitals and approx. 5,300 beds.

Investors and analysts repeatedly ask us why Fresenius now wants to operate hospitals and why we are investing in this new business field. We are doing this because we are convinced that providing health care cannot remain the duty of the state, and the health systems will be privatised to an increasing extent, not only in Germany, but especially in the Asia-Pacific region. This privatisation will cause the market for competently-run hospitals to grow strongly in the future; at any rate more strongly than the product markets in which we operate.

Up to now, the services provided by our business segment ProServe have included planning, engineering, equipping and technical management of hospitals on an international basis. The acquisition of Wittgensteiner Kliniken AG means that we are complementing this range of services by adding the last element in the value chain. We can now offer a complete range of services, from the planning to the medical and commercial management of hospitals, and have thus created a unique structure and an extraordinary opportunity to expand on a global basis. It will not be easy to implement this and at the same time generate profits. But our long-standing project experience in the building, equipping and technical management of hospitals, augmented by our expertise in providing highly-qualified services in dialysis clinics and ambulatory care, creates the ideal foundations for us to manage hospitals competently and efficiently, not only in Germany but also in other regions of the world. The combination of product and medical-therapeutical knowledge will benefit both the patients as well as the company. We intend to make Fresenius ProServe one of the largest international hospital operator organisations and we hope that you will give us your approval to acquire Wittgensteiner Kliniken AG at the next Annual General Meeting.

We achieved a lot in the year 2000. We have clearly defined our targets for the coming years:

- We shall expand our market positions in the growth regions of Asia and Latin America even more strongly.
- We shall do our utmost to develop our service businesses in view of the privatisation of hospitals and the demand for qualified ambulatory treatment.
- We shall strengthen our competitiveness through innovations in medical products and in treatment methods.
- We shall use the Internet to spread knowledge about the use of our products and about new therapy processes – especially in the promising, expanding region of Asia-Pacific – in order to open up new markets more quickly.
- And, following Fresenius Medical Care, we shall prepare other business segments for their stock-exchange launch.

We have created a structure within the Fresenius Group which enables our managerial staff and employees to realise ideas, be creative and utilise freedom. The value of a company can only be increased in the long term if it has motivated and dynamic employees. Therefore I should especially like to thank our managerial staff and employees for their excellent work in the year 2000. Their energy and dedication have helped the company to make significant progress. Also, I should like to thank the representatives of the employees' bodies for their good co-operation and for their support.

We hope that you, our shareholders, will continue to bear with us on our pathway to becoming one of the world's leading providers of products and services for sick people, and are convinced that we shall succeed in further increasing the value of the company.

Yours sincerely

Dr. Gerd Krick  
Chairman of the Managing Board



## THE FRESENIUS SHARES

Fresenius is one of the 50 largest German publicly-quoted companies with respect to the stock exchange turnover of its shares and its market capitalisation. The preference shares of Fresenius are included in the MDAX and STOXX indices.

The stock exchange year 2000 was very successful for Fresenius: In contrast to the extreme volatility on the worlds' stock markets, the Fresenius shares performed comparatively strongly and closed the year with a price increase of over 50%.

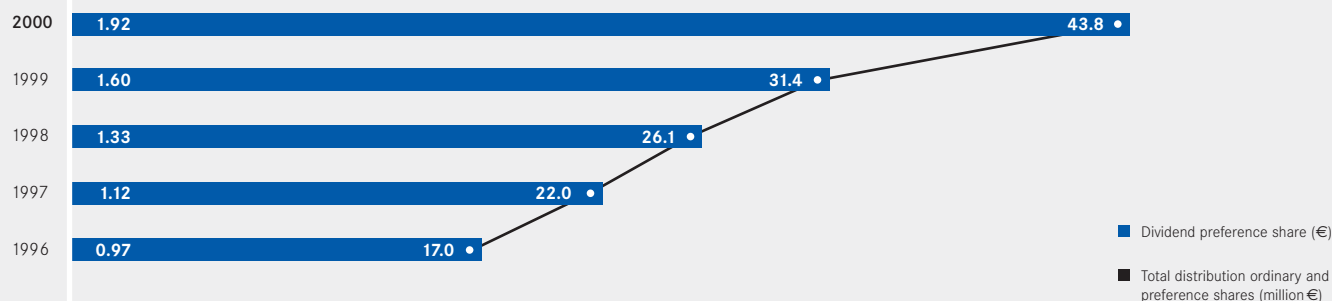
### **Turbulent stock exchange year 2000 – Fresenius shares reach an all-time high**

The stock exchange year 2000 on the whole was characterised by erratic developments and sharp price movements on the international stock markets. There was an unprecedented rally at the beginning of the year on almost all the worlds' major stock exchanges. In the first quarter, primarily those indices with a high proportion of technology, media and telecommunication shares reached new records. Profit warnings of several American and European technology companies, and the resulting uncertainty on the capital markets, were the start of an abrupt turnaround as from the second quarter which resulted in heavy price drops up to the end of the year, especially in the growth shares. The Nemax All-Share index closed with a minus of 40 %, the Nasdaq Composite lost 39 % during the course of the year, and the Japanese Nikkei lost 27 % of its previous year's value. On the other hand, the Dow Jones fell by only 6 %. The DAX was also affected by the losses in the technology shares after reaching a record level in March, and closed with a minus of 7.5 %. The MDAX emerged as the winner: For the first time the MDAX ended the stock exchange year better than the DAX, with a rise of 14 %.

The prices of the Fresenius shares went in the opposite direction to the general happenings on the share markets. The ordinary shares reached their lowest price for the year in March, and the preference shares their lowest price in January. An accelerated upwards trend started in April which continued during the rest of the year and finally resulted in record prices for both shares: On November 10, 2000 the ordinary shares reached their highest price of € 251.00 and on November 13, 2000 the preference shares reached their highest price of € 320.00. Overall, during the course of the year both types of Fresenius share significantly outperformed the MDAX. The ordinary shares achieved a cash quotation of € 219.00 on 29.12.2000, and the preference shares of € 283.00, representing a growth of 51 % over the end of the previous year.

### **Dividend increase: + 20 %**

We intend to raise the dividend for the year 2000 from € 1.54 to € 1.86 per ordinary share and from € 1.60 to € 1.92 per preference share. Thus, we remain true to our policy of paying an earnings-linked dividend to our shareholders; we intend to keep to this policy in the future. Additionally, we plan to pay a special dividend of € 0.30 per ordinary share and € 0.30 per preference share in order to compensate the tax credit for shareholders eligible for tax deductions, since the tax credit is lower than 3/7 of the dividend. The amount to be paid totals € 43.8 million.



Dividend, total distribution

### Number of shares slightly higher

In the year under report, options from the stock option plan for managerial staff which was introduced in 1998 were exercised for the first time. Therefore the number of shares issued increased from a total of 20 million to 20,015,048 shares as at 31.12.2000. The number of both the ordinary and preference shares increased by 7,524.

### Earnings per share

In the 2000 financial year, we realised earnings per share after minority interests of € 6.10. The increase over the year 1999 amounted to 14% (1999: € 5.35).

The result is calculated as follows:

in million €	1999	2000
Net income	203	266
Minority interests	-96	-144
Earnings after minority interests	107	122
Number of shares	20,000,000	20,015,048
Earnings per share	€ 5.35	€ 6.10

By showing earnings per share after minority interests, we have adapted to international practices, and do not show the calculation of the results according to DVFA/SG as is usual in Germany.

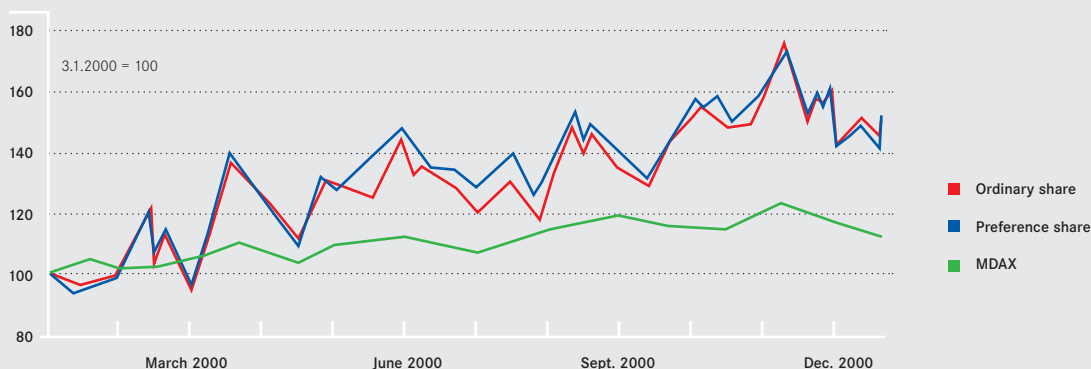
### Mainly buy recommendations

The opinion of the financial analysts is an important factor for both institutional and private investors when they are making a decision on purchasing shares. According to information from I/B/E/S and our own surveys, the clear majority of the assessments of the Fresenius shares are recommendations to buy. Up to the end of January 2001, we registered 18 recommendations to buy, 4 to hold and none to sell. This reflects the trust and positive expectations in the long-term earnings power of the Fresenius Group and in the potential of our shares.

### Shareholder structure

The largest shareholders of the voting capital of Fresenius are:

- Else Kröner-Fresenius Foundation, Bad Homburg: 68%
- Neunte Herakles Beteiligungs-Gesellschaft mbH & Co. KG, Bad Vilbel: 9.97%
- AW Beteiligungs GmbH, Ochsenfurt: 9%



Relative development of Fresenius ordinary and preference shares

### Dialogue with our shareholders

In the past years, the investors' need for information has grown significantly due to the increasing integration and expansion of the international capital markets. We therefore consider it to be essential to create as much transparency as possible with respect to our company in order to enable investors to make well-founded investment decisions. It is therefore our aim to give information to our shareholders, institutional investors and financial analysts comprehensively, openly and punctually. We can only survive on the capital market in the long term and achieve an appropriate evaluation of our shares if everybody has the opportunity to assess the strategic focus and the earnings situation of Fresenius realistically.

Our Annual Report is an important part of this communication. In the competition run by the "manager magazin" for the best annual reports of publicly-quoted stock corporations for 1999, we were awarded third place in the MDAX segment – an additional impulse to further extend our reporting for you, our shareholders. In addition to the quarterly reports, we again published numerous news releases in the year 2000 about current developments in the Fresenius Group.

This and additional financial information can be found on our website [www.fresenius-ag.com](http://www.fresenius-ag.com) in the chapter Investor Relations. In the year under report we redesigned our website and added some new pages: For instance, we now offer an information service where interested investors can subscribe to company newsletters. Furthermore, both the current quarterly presentations

and a summary on financial analysts' assessments of the Fresenius shares can be downloaded. Many of you have taken the opportunity to send queries by e-mail or to ask for printed information. We should like to intensify this dialogue. Suggestions as to how we can better meet your requirements for information are always welcome.

Financial analysts also had the opportunity in 2000 to obtain information about the current development of the Fresenius Group at conferences which take place three times a year. In addition, we offered a telephone conference on each publication day of the quarterly results. The participants were able to follow the presentations on our website.

Another important aspect of our activities is to maintain and constantly intensify our contacts to financial analysts and institutional investors. This we did in the year under report through numerous individual meetings and company presentations. We made company presentations in Great Britain, France, the Netherlands and the United States, as well as in Germany.

In the year 2000 our work in investor relations was awarded the German Investor Relations Prize 2000 in the stock exchange segment MDAX by the magazine "Focus", because the international institutional investors and financial analysts were particularly satisfied with the service they received from Fresenius.

## KEY DATA OF THE FRESENIUS SHARES

	1996	1997	1998	1999	2000
Number of shares	18,000,000	20,000,000	20,000,000	20,000,000	20,015,048
Ordinary shares					
(securities identification no. 578 560)	10,000,000	10,000,000	10,000,000	10,000,000	10,007,524
Preference shares					
(securities identification no. 578 563)	8,000,000	10,000,000	10,000,000	10,000,000	10,007,524
Dividend (million €)	17.0	22.0	26.1	31.4	43.8 <sup>1)</sup>
Cash quotation of the ordinary share <sup>2)</sup> (€)					
High	170.26	199.40	204.01	167.00	251.00
Low	76.69	130.38	107.37	129.00	134.00
Last	158.50	155.18	153.39	145.00	219.00
Cash quotation of the preference share <sup>2)</sup> (€)					
High	173.84	211.42	223.43	191.50	320.00
Low	64.01	140.61	112.48	147.00	177.00
Last	163.36	167.19	178.95	188.00	283.00
Market capitalisation <sup>3)</sup> (million €)	2,892	3,224	3,323	3,330	5,024
<b>per share in €</b>					
Dividend ordinary share	0.92	1.07	1.28	1.54	1.86 <sup>1)</sup>
with tax credit	1.31	1.53	1.83	2.20	2.36 <sup>1)</sup>
Special dividend ordinary share					0.30 <sup>1)</sup>
Dividend preference share	0.97	1.12	1.33	1.60	1.92 <sup>1)</sup>
with tax credit	1.39	1.61	1.90	2.29	2.44 <sup>1)</sup>
Special dividend preference share					0.30 <sup>1)</sup>
Earnings after minority interests	3.27	2.85	4.25	5.35	6.10

<sup>1)</sup> proposal<sup>2)</sup> Frankfurt Stock Exchange<sup>3)</sup> total number of ordinary and preference shares multiplied by the last cash quotation (Frankfurt Stock Exchange) of the year

## Fresenius as a Provider of Services

“We do research and we develop products and services in fields where we can maintain the lives of sick people and improve their quality of life.”

Dr. Gerd Krick, Chairman of the Managing Board of Fresenius AG, summarises in one single sentence what the name Fresenius stands for today. For research and development – and thus for innovation. For service – and thus for patient-oriented thinking and dealings, for a high degree of willingness to provide services.

All of us at Fresenius are working on further expanding and intensifying our traditional fields of activity. At the same time we are grasping new opportunities: The knowledge that the volume of the markets for services in health care far exceeds that of the product markets motivates us to open up new potential business fields. In order to provide services, it is essential that everybody concerned is aware of the need for service and understands what service means – and as a result is prepared to act and react accordingly. It is our aim, and has been for a long time, to help the patients, to be there when they need us. With innovations. With knowledge. And with personal dedication. Tackling problems on an individual basis. And, of course, as cost-effectively as possible.

For a long time the name Fresenius stood mainly for medical products – for instance, products for dialysis, for infusion or for patients in the intensive care unit. In future, it will be increasingly connected with the term “services in health care”.

At the beginning of the 1990s Fresenius initiated its new strategic orientation, and thus the practical expansion of its traditional fields of competence. By continuously adding services to our product programme, we have created the foundations to secure growth and earnings in the years to come and achieve ambitious financial targets. The first significant step was made in 1996 with the founding of Fresenius Medical Care: The provider of dialysis products has become the world’s largest company for the treatment of patients with kidney failure.

A wind of change can now be felt throughout the company: Fresenius Kabi is more and more involved in expanding its ambulatory patient care business. Fresenius ProServe is extending its services portfolio in the field of hospital management. And Fresenius HemoCare is successfully positioning itself with services for the implementation and administration of new patient-specific therapies.

The fact that these services are accepted by demanding customers in the markets shows that we are on the right path with our strategy: In the 2000 financial year we achieved 57 % of our sales with services; about 30,000 employees all over the world care for and treat patients.

# Our service

means caring for people, caring for the patient – as  
a contribution towards maintaining and enhancing  
the quality of life.



To develop and manufacture a product is one thing. To keep improving and optimising it is another. The highest degree of effectiveness and efficacy is only achieved if a product is used accurately and individually, and if everything involved in the product is immediately and directly harmonised with the disease of the individual patient. We therefore think and act in the interests of the patient, and this for us is the true meaning of service.



## Fresenius Kabi

Ambulatory medical care

## Fresenius HemoCare

Services for patient-specific cell therapies



## Fresenius ProServe

Hospital services



## Fresenius Medical Care

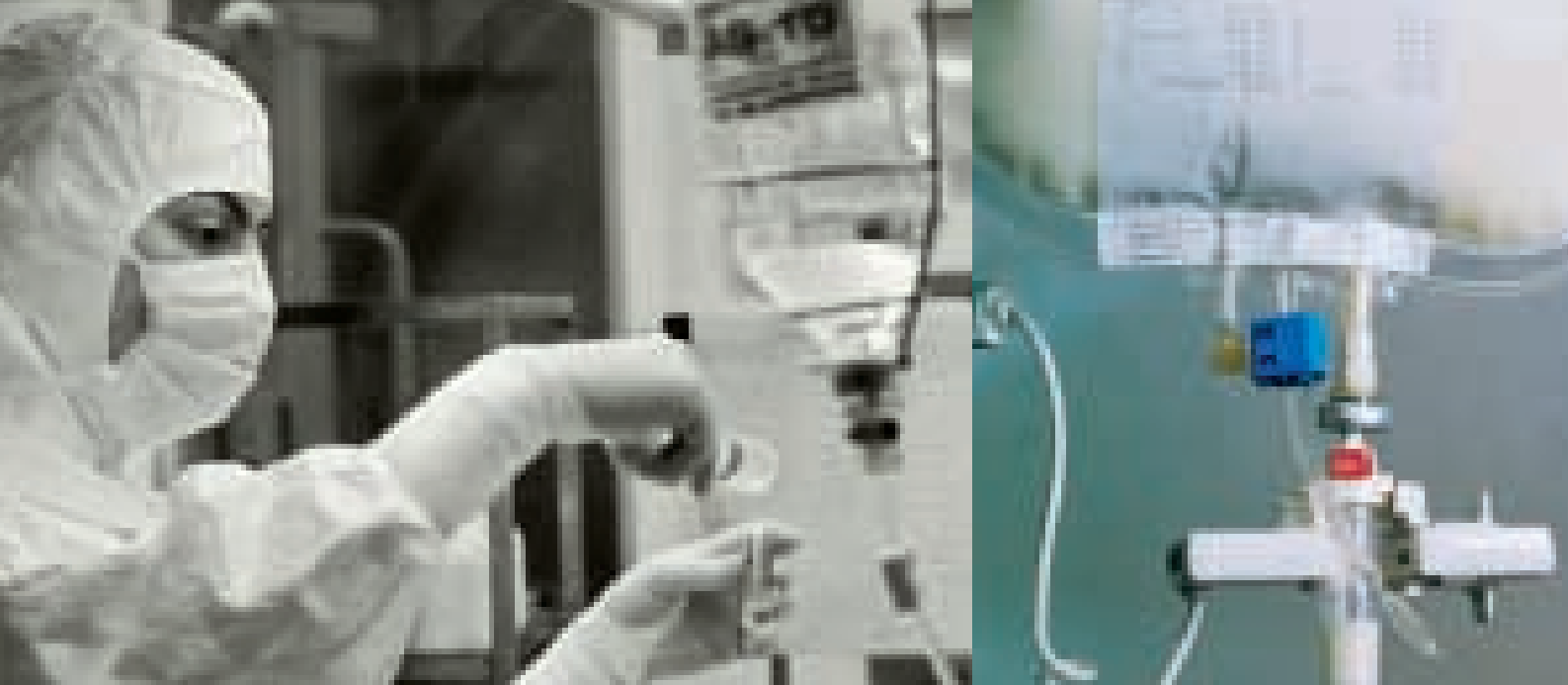
Treatment of patients with chronic kidney failure





Fresenius Kabi





Tailor-made nutrition solutions are mixed in clean rooms and filled into bags.

## Tailor-made life saver

Willi was three years old when he suddenly threw up his arms and his whole body became rigid while tobogganing in the winter of 1993. His mother Heike Schneider remembers: “Without any visible reason, he suddenly got these terrible stomach pains.” When Willi arrived at the hospital, he was already more or less unconscious. The diagnosis: twisting of the bowel. The bowel had a kink, which meant that it was not being properly supplied with blood and oxygen.

The surgeons had to immediately remove the majority of the organ which was quickly dying off. About three to five out of a thousand children are prone from birth to this dangerous condition, which normally cannot be detected until it causes problems. The smallest jolt or an unfortunate movement can cause the bowels of these children to move into the wrong position. For three days, the doctors fought for Willi's life. When the boy finally awoke from his coma, out of several metres of intestine not more than a few centimetres were left.

It was a long time before the parents really grasped what the operation meant for Willi: A few centimetres of intestine is not sufficient for somebody to feed normally. Only a fraction of the essential nutrients can reach the blood circuit through the intestinal wall. The only answer: the person has to be fed by infusion solution directly into the vein. As late as the end of the 1980s this form of feeding, called parenteral nutrition, meant that a patient would have to spend practically the whole of his life in hospital. At the time, the doctors also did not see any

alternative for Willi. Overnight, the lively three-year-old had become a patient with short bowel syndrome and needed constant nursing.

An expert for artificial feeding at Caremark in Neufahrn, Hans-Dieter Carlé, could not accept that this was to be Willi's destiny. Over the previous years, dedicated doctors had developed a therapy concept aimed at making it possible for children such as Willi to grow up at home in familiar surroundings. Caremark, which offers services for patients and their families, had just started to put these ideas into practice. When somebody from the sales force told Carlé about Willi's fate, he immediately drove to the hospital. After intensive discussions, and in agreement with the doctors, Willi's mother made a decision: Willi was to come home in a couple of days, just before Easter.

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Caremark is a company of Fresenius Kabi, and is part of the service division Calea. The company offers services for the home and ambulatory care of patients who have to be fed via the vein (parenterally) or are administered drugs parenterally.



Caremark quality control staff check the products.

When Willi was discharged from hospital, a period of intensive preparations began: doctors and Caremark staff put together an individual nutrition regimen. Specialist nursing staff gave training to Willi's parents. They showed them how to connect the nutrition bag to the vein catheter correctly and hygienically. Other Caremark staff organised the necessary accessories, from the infusion pump to the refrigerator for the infusion solutions. Finally, they contacted the pharmacy chosen by the parents and agreed on the date for the first supplies to be delivered.

Today, the Caremark team cares for hundreds of patients in Germany day after day. More than three quarters of them have to be fed via the vein due to cancer or chronic inflammatory diseases of the bowels; and nearly a quarter due to short-bowel syndrome. For all these long-term patients it is important that the nutrition is tailored to their individual needs. Therefore they have regular blood tests so that their exact nutritional requirements can be determined.

In the head office of Caremark in Neufahrn, the production manager Dr. Herbert Beer fetches a thick file from the cupboard and leafs through the pages which contain Willi's formulations for the past years. "Everybody here knows Willi," he says. "After all, he was one of the first children to be looked after by our team." Next to him stand several small trolleys, each with about 30

bottles and ampoules. On each of the trolleys is a sheet of paper with the name of the patient. Below the patient's name is written the compounded infusion with the designations and quantities of the various components: protein, sugar, fats, vitamins, minerals and trace elements.

An employee pushes the trolley into a disinfection cubicle. On the other side of this cubicle, staff enveloped in white suits are waiting for the trolleys. In clean rooms, they mix tailor-made nutrition solutions from the contents of the ampoules and bottles. Even the slightest contamination can result in dangerous situations for the patients. Therefore not one speck of dust gets into the room, and the greatest care has to be taken when preparing the mixtures. The bags do not leave the Caremark production facility in the evening until the quality control staff have finished checking them.

The delivery reaches the patient via the pharmacy of his choice. Every two weeks, the pharmacist personally brings 14 infusion bags to the Schneiders' home. Willi is now 11 years old, and nothing betrays his difficult feeding condition. He goes to the same school as the other children of his age, can take part in school sports – with some restrictions –, rides a bike and is interested in computer games just like his brother and sister. His biggest delight is when his father, who loves to hunt game in his spare time, takes him along when he goes shooting.



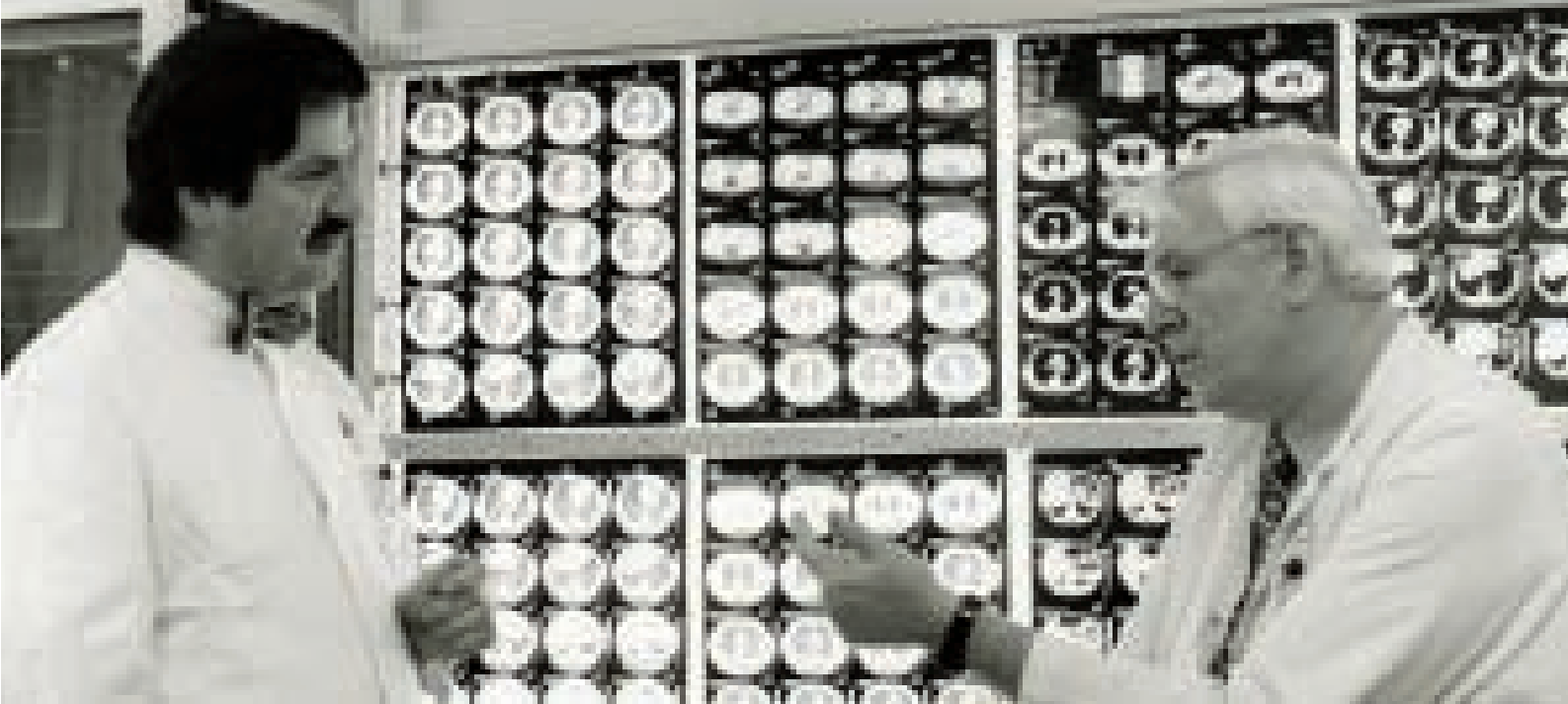
Willi can also eat his sandwiches during the school break just as his classmates do. The surface of his bowel has increased somewhat in the seven years since the operation, so that his body can now absorb ten percent of the essential nutrients through the normal digestive process. The remaining 90 percent come from the Caremark infusion bag which Heike Schneider connects to Willi's catheter in the evenings.

Nowadays, it is possible for parenteral nutrition via the vein to be administered for an almost unlimited length of time, and has thus become a saver of life for more and more patients all over the world.



# Fresenius HemoCare

A new type of vaccine obtained from tumour cells.



"We have been able to prove for the first time that a vaccination against cancer works at all." The Göttingen professors Müller (left) and Ringert (right) in discussion.

## Tumour cells to fight cancer

"You've got renal cancer." Many people are completely unprepared for this devastating diagnosis. Like Elli Fiedler who, while being treated for thrombosis, was found by the doctors to have a tumour as large as an egg. The 61-year-old woman underwent surgery, but only two months later the cancer was back again – this time with non-operable metastases in the lungs. Normally, as the merciless statistics show, this would have meant that she had only a few months to live, and after a short time she would be dependent on strong painkillers. Then came the offer to take part in a clinical trial in Göttingen. A new vaccine made from tumour cells was expected to mobilise the immune system to fight the cancer. And it worked: Today, Elli Fiedler "feels good", as she says, and has been free from tumours for over 36 months.

Like Elli Fiedler, more than 12,000 people a year are diagnosed with renal cell cancer in Germany alone. In one third of the patients, the cancer has already spread into other organs at the time of diagnosis. "For these patients there is no curative therapy available," says Professor Gerhard Anton Müller, Head of the Department of Nephrology and Rheumatology of the University Hospital Göttingen. Together with his colleague, Professor Rolf-Hermann Ringert, Head of the Department of Urology, he therefore decided to try a new vaccine which had been developed by researchers in Tübingen and already successfully applied in animals.

Within two years, they injected the new vaccine into the skin of a fairly large group of patients. Nearly half of the patients improved after the treatment. In some of them, such as Elli Fiedler, the tumours completely disappeared. There were hardly any side effects, apart from

fever and slight pain in the parts of the body affected by metastases. "If confirmed, the results of this study represent an unprecedented advance in the selective and non-toxic immunotherapy of a lethal tumour," commented the American cancer researcher Donald Kufe in an article in "Nature Medicine", where the Göttingen team published the results of the treatment in March 2000.\*

"Subsequently, we were overwhelmed with enquiries," Rolf-Hermann Ringert remembers. "Patients from all over the world wanted us to treat them with the new method." But the Göttingen team could not cope with this rush, for the vaccine has to be prepared individually from tumour tissue of each patient just before the treatment. "Staff who should have been working on the research and development of therapies were suddenly doing nothing else but preparing vaccine," says Ringert. And before physicians at other hospitals can also use the treatment

\* A. Kugler et al., Nature Med. 6, 332-336 (2000)



Manufacture of the vaccine  
in the laboratory in Göttingen.

method, the therapy used in the clinical trial has to be recognised as a therapy by the authorities and health insurances.

In order to obtain this approval, a further clinical trial has to be carried out. Also, the know-how for the large-scale production of the vaccine is necessary, and experience needs to be gained in registering the vaccine with the drug authorities. "We therefore looked around for an industrial partner who not only sells drugs but also provides services," says Müller. Only a few months later the first patients profited from the new co-operation with Fresenius HemoCare, which itself has worked successfully for many years in the field of immune therapy.

To start with, experts from Fresenius HemoCare supported the doctors in setting up a GMP (Good Manufacturing Practice) laboratory on the university premises. The vaccine can be manufactured in this laboratory according to the high industrial standards for the production of drugs. The current capacity is sufficient to treat 100 cancer patients per year. At the beginning of 2002, when a larger GMP production facility will be completed, doctors and the Fresenius HemoCare team can provide vaccine for up to 1,000 patients a year. "We offer a service to the hospital," explains Dr. Rolf Schuh, biologist and project manager at Fresenius HemoCare. "We make it possible for every patient to be given an individual therapy tailored exactly to his needs."

Apart from the patients' tumour cells, special leukocyte-derived cells, so-called dendritic cells, are also needed to prepare the vaccine. The service laboratory obtains the leukocytes from the blood bank of the hospital and cultures them for several days in a special medium. On the day of the vaccination – about four to six weeks after the tumour has been removed – the laboratory team thaws out the deep-frozen cancer cells of the patient and combines them with the dendritic cells by means of a brief electrical pulse. The resulting "fusion


cells" are then inactivated so that they cannot cause a relapse. After the first vaccination, the injections are repeated several times at intervals of a few weeks until the vaccine has been used up.

Dr. Gernot Stuhler and the professors Dr. Peter Walden and Dr. Claudia Müller at the University of Tübingen had the idea of developing this therapy after they successfully treated tumours in animals. It has been known for several years that in about 1% of patients with renal cancer, the metastases disappeared spontaneously. In all other patients, the body's own immune system is probably unable to elicit an efficient immune response against the tumours. "In many cases, only a slight stimulus is necessary to bring the immune system back into balance," says Gerhard Anton Müller. "Our vaccine aims at making the immune system recognise the tumour cells and pointing out clearly: 'Here is your enemy'."

The dendritic cells play an important role in exposing the tumour cells as intruders. The bone marrow continuously emits masses of specialised blood cells which act as scouts, patrolling in the blood and settling in the organs. If these very finely branched cells meet a germ or foreign tissue, they tear off certain identification markers called antigens, and present them like a trophy on their own cell surface. This signal activates other immune-effective cells which can start a counter-attack.

However, this defence mechanism may not work in cancer patients. Scientists suspect that the immune system does not recognise the tumour, although the cancer cells should certainly be distinguishable from healthy cells because of their antigen pattern. The fused cells of the vaccine are intended to stimulate the immune system. Because they present identification markers of both the tumour and the foreign leukocyte donor on their surface, the immune system can identify the tumour and initiate defence measures. Some of the vaccinated patients respond positively to the treatment. But for many, the treatment does not have any effect. Over the coming months and years, scientists want to investigate the reasons for this observation.





Dendritic cells play an important role in exposing tumour cells.

Since the Fresenius HemoCare team has been giving its support to the manufacture of the vaccine and to all the further steps towards establishing the new therapy, the doctors have been able to proceed with their research much more quickly. "We have been able to prove for the first time that a vaccination against cancer works at all," says Rolf-Hermann Ringert. And Gerhard Anton Müller adds: "We have a good chance of obtaining even better results with an improved treatment method." It seems reasonable to extend the treatment to other types of cancer. As an example, doctors at the Charité Hospital in Berlin have successfully treated some patients with a vaccine who were suffering from black skin cancer (melanoma).

It is Elli Fiedler's wish that many patients can be helped as she was. The members of the Göttingen team have a multitude of plans for the coming months and years. Together with the doctors and scientists, Fresenius HemoCare will contribute towards developing effective therapies from promising research ideas for as many people as possible.

# Fresenius ProServe







The VAMED team makes sure that the technical installations of the hospital, such as the air conditioning and heating, are in good order.

## Fitness check for the hospital

Berlin – Virchow Charité Hospital. It is tense in the emergency surgical unit. Wilfried Weber, head of the unit's nursing staff, is listening for the drone of the helicopter rotor blades in the distance. Half an hour ago the emergency control station in Königswusterhausen, 30 kilometres away, notified the hospital that a woman with grave stab wounds in the upper lung was on her way.

As the helicopter approaches the landing pad, Weber presses the pre-alarm button of the special telephone. From all directions, doctors and nurses come running to the resuscitation room. The team is complete within 60 seconds. Just a few minutes later the emergency doctor hands over his patient to the hospital team and briefs them: "Stabbed herself with a knife in the left thorax in a suicide attempt, blood pressure 90 to 70, PO<sub>2</sub> is 90, patient not intubated as still conscious." Now a life and death race begins – there is no time to check whether the technical equipment and other installations are working reliably. The specialists just have to assume that they are.

It is in such situations of extreme tension that minor things can be crucial. "When it is hectic, the hinges of cupboard doors are subject to a lot of wear and tear," says Wilfried Weber. "If you open a cupboard and the door falls off, you forget for a second what you actually wanted to take out of the cupboard." Valuable time is wasted. So specialists from VAMED, a Fresenius ProServe subsidiary, make sure that emergency and surgical teams in

countless hospitals all over the world can concentrate on their patients. They check, service and repair air conditioning, heating and ventilation units, the power cables and distribution boxes, highly-technical medical equipment – and also the doors. A computer programme developed by VAMED experts specifies which machine or part has to be inspected and when. Because important facilities such as operating theatres need to be available more or less around the clock, exact planning is as essential as expertise, accuracy and speed.

While the patient with the stab wound is being operated on and is transferred to the intensive care unit three hours later, Ralf Trog, an electrical expert from VAMED, is going round the cellars and the roofs of the hospital. His tour of inspection takes him past ventilation and supply shafts and electrical plants, and through underground connecting tunnels. For instance, on the roof above the hospital's research laboratory, Trog's team inspects and exchanges more than 30 different air filters which cleanse the air of impurities and bacteria before it reaches operating theatres, wards and laboratories.



The VAMED team is responsible for electrical cables, water and gas pipes, distribution boxes and meters, and also for checking water, gas and electricity consumption. They draw up reports, and give advice on how energy could be saved in future. The VAMED staff also look after fire protection in the hospital.

The 40-strong VAMED team has only been responsible for technical management in Berlin since August 2000, but can draw on the VAMED companies' many years of international experience in building and managing hospitals. Colleagues in many other European, African and Asian countries deal with a variety of tasks: They range

from the planning, construction and equipping of hospitals to the technical management of health facilities.

Fresenius ProServe managers are also responsible for the complete management of hospitals. One of these managers is Dr. Hans

Peter Hummel, who has been living in Kota Kinabalu, Malaysia, since January 2001. His job is to make a profitable operation out of the Sabah Medical Center, a 350-bed hospital in the town with 1.3 million inhabitants. Hummel and his 20 staff from the Fresenius ProServe subsidiary hospitalia activHealth control all the budgets, hire all the staff and decide about the purchase of new medical equipment and disposables.

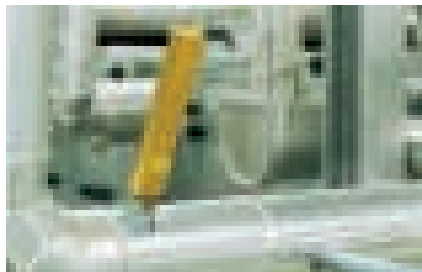
"There are many private and government hospitals in Malaysia which are competing for patients," explains Peter Oberreuter, Director of hospitalia activHealth.


Maintaining value and increasing efficiency are key elements of this competition, and also benefit patients.

How is value maintained? Here is just one example: Hummel and his team ensure that sensitive medical devices are serviced properly and on a regular basis right from the start. If this is not done – which unfortunately is often the case in developing countries – a large proportion of the expensive technical equipment is virtually unusable after the first three years.

And an example of increasing efficiency: In future, operating theatres will not be available to just one surgical department, but will be let out by a manager to various doctors as required. This new approach, which is based on commercial principles, allows the extremely expensive equipment to be used more efficiently, so that the hospital can work more economically.

The managers of hospitalia activHealth also organise the purchasing and stock-keeping in hospitals with the aid of modern computer technology. In many hospitals, doctors and nurses still order supplies themselves as they require them. Oberreuter: "In the hospitals managed by us, the medical staff do not need to bother about this. We introduce a modern stock-keeping system where all disposable articles are always available in the required quantities." This includes dressing material, medication, infusion solutions, catheters and pacemakers as well as office supplies and hospital linen. hospitalia activHealth determines the total requirements centrally, in order to be able to negotiate lower prices for the hospitals on the international markets. This pays off, because the costs of dressing materials in developing countries such as Malaysia take up almost 40 percent of a hospital's total budget.





More than 1,700 consultants, architects, medical planning specialists, engineers, physicists, technicians, business administration experts, hospital managers, project managers, logistics experts and craftsmen work for Fresenius ProServe all over the world in teams which are specialised in meeting the exacting demands of hospital operations. These specialists are not likely to be the subject of any popular TV hospital drama since they keep a low profile: "When a patient comes into hospital, a complex apparatus is running in the background," says Rudolf Hasenbacher, one of VAMED's hospital facility management experts. "If the patient doesn't notice it, we've done a good job."

# Fresenius Medical Care





A dialysis treatment lasts for about 4-5 hours. On the right: Dialysis machine with the “artificial kidney” (dialyser).

## Outstanding achievements thanks to artificial kidney

Life is demanding for Ana Mendes, a teacher and artist. Therefore she is glad that the journey that she has to make three times a week is only a short one. To get to her destination, the local hospital, she only has to walk down a couple of streets through an area of new houses in Beja, a provincial town 180 kilometres south of Lisbon. Every visit gives her new life and cannot be delayed: Ana Mendes lives with the “artificial kidney”, without which her blood would be poisoned by a fatal quantity of uraemic toxins within a few days.

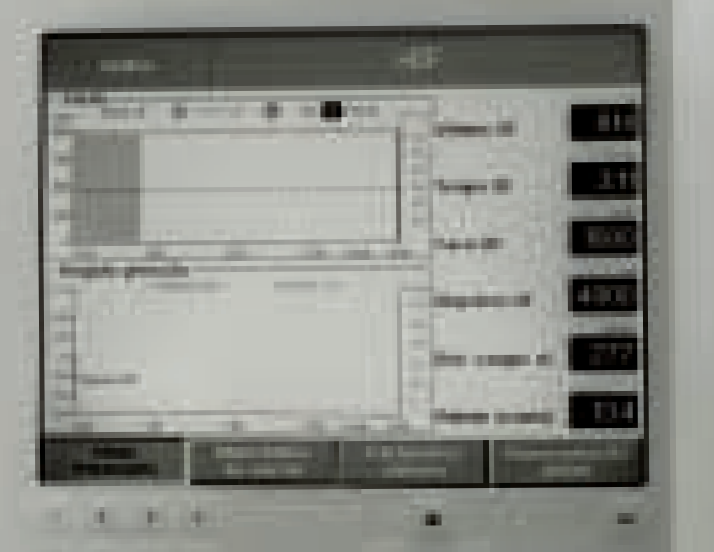
“When my kidneys stopped functioning after a short illness 11 years ago, this was the beginning of the hardest time of my life,” says the artist. Since then, her blood has to be cleansed on a machine three times a week, with each session lasting several hours. Her daily life changed abruptly and without warning, and was dominated by the illness. More or less overnight, Ana Mendes gave up her job and her hobbies, and stopped seeing her friends. She kept asking herself the question to which there is no answer: “Why me of all people?”

Today, nothing is left of the despondency of those days. Ana Mendes has come to terms with her illness. Her parents and husband helped her over this difficult time. The continuous improvements in dialysis technology have also made her life easier. Nowadays, the machines are much gentler, and more effective filters ensure that the water needed for the dialysis is absolutely pure. Seven years ago, Ana Mendes took up teaching again, and twice a week she drives to Lisbon for a training course. She still finds time for her hobby, painting glass and pottery, despite her busy day. The popular artist often works late into the night in her studio transforming simple pieces of glass and pottery into works of art flashing with colour.

Up to 40 years ago, the diagnosis “complete failure of the kidneys” amounted to a death sentence. Since then, researchers have created the medical basis for dialysis and continuously improved it to make it the modern method of treatment it is today. Nowadays, specialist kidney doctors, dialysis nurses and technicians make use of this knowledge in more than 1,200 dialysis clinics of Fresenius Medical Care all over the world, just as in the Portuguese clinic of Beja, and ensure that as many dialysis patients as possible can lead an almost normal life.

Ana Mendes for example is often out and about during the daytime and therefore depends on flexible treatment times. After a strenuous day, she often does not come to the clinic until the last shift which starts at about 7 pm and ends shortly before midnight. The clinic team is also very flexible in holiday planning. Fátima Machado, the social worker of the clinic, looks for suitable clinics for Ana Mendes in the whole of Europe on her travel route, checks whether they have free places and books the dialysis treatments. She also ensures that the guest clinic receives necessary treatment data.

Fátima Machado also gives advice and help to many older patients. She helps them to fill in official forms, points out ways of obtaining financial grants, or helps



**The dialysis nurse connects Márcia to the dialysis machine. This is done by two needles puncturing the so-called fistula, which is a blood vessel that has been specially prepared for dialysis from a vein.**

to look for a suitable apartment near to the clinic. “It’s a pity, but a lot of elderly people often do not have anybody to give them support,” says Dr. Carlos Pires, dialysis doctor and head of the clinic in Beja. “We try to help as much as we can. The patients spend 12 hours a week in the clinic, so we are almost like a family to them.” In the discussions between clinic staff and patients, not only medical topics are discussed, but also private matters.

If the computer in the clinic can take over a lot of the routine work from the clinic staff there is then even more time for individual advice and help. Fresenius Medical Care’s new clinic in Setúbal, 40 kilometres south of Lisbon, gives a taste of the future. This is where the 17-year-old schoolgirl Márcia Pepe is treated; she has been a dialysis patient for five years.


When Márcia walks into the clinic at about six o’clock in the evening, the receptionist hands her a key with a chip, just as in a hotel. To weigh herself on the scales, which is the first step of the treatment, Márcia logs into the central computer using this key. The computer system Finesse developed by Fresenius Medical Care compares her actual weight with her ideal weight. The difference is excess water which has collected since the last treatment. Kidneys which work normally would have removed it with the urine; in Márcia Pepe’s case the artificial kidney extracts the water directly from the blood.

In the treatment room, Márcia inserts her key into a free dialysis machine. This asks the central computer system for her personalized blood cleansing programme

which has been determined by the doctor and by the weight shown on the scales. When the dialysis nurse has checked the data again, she connects the young patient to the dialysis machine.

For about four or five hours the machine extracts blood containing metabolic waste products through the fistula and pumps it through a system of tubes. Then, the cleansed blood is pumped back. The actual “artificial kidney” is a plastic tube about 30 centimetres long, which is the dialyser. In the dialyser, the blood stream spreads out like a delta over tens of thousands of very fine hollow fibres made from a special synthetic material, which is rinsed on the outside by an electrolyte solution called dialysate. A slight pressure difference and the drop in concentration pushes everything which should not be in the blood outwards through tiny pores in the wall of the fibre. There, the dialysate rinses away the metabolic waste products. At the exit of the dialyser, the hollow fibre rivulets meet again to form a stream of blood which the machine pumps back into the fistula through tubes. In terms of statistics, every litre of blood flows ten to twelve times through the artificial kidney during each treatment.

While the machine is running, the dialysis nurse brings a snack. Márcia decides to take a sandwich and a glass of milk, and starts to do her homework for the next day at school. Five years ago, during the first months with the artificial kidney, she missed many hours of lessons. Nevertheless, Márcia managed to finish the school year. Today, the problems she experienced at school are a thing of the past. She spends the day just as her friends do: lessons in the morning, reading in the afternoon, dancing or cinema in the evening. Only on three evenings a week are things different; then she takes a taxi to the clinic.

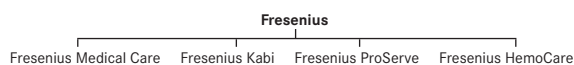
A photograph of a woman with dark hair and glasses, wearing a green jacket over a blue turtleneck, sitting on a large tree trunk and reading an open book. The background is a blurred natural setting with trees and foliage. The text is overlaid on the right side of the image.

Ana Mendes and Márcia Pepe are examples of people who have not let their lives become ruled by their being patients. They are helped to realise their plans not only by their families, but also by the doctors, dialysis nurses and social workers of Fresenius Medical Care.

## MANAGEMENT REPORT

The growth of the Fresenius Group continued in the 2000 financial year: with a 23 % increase in sales and a 31 % growth in net income. We improved the margins which are the important managerial key data of the Group: the return on operating assets (ROOA) from 11.2 % to 12.7 %, and the EBIT margin from 12.1 % to 12.4 %. The operating cash flow and the free cash flow, which are parameters for our liquidity management, grew by 17 % and 7 % respectively.

The Fresenius Group consists of four business segments:



They all succeeded in expanding their business activities in the year under report and achieved substantial growth rates in sales and profits.

### Economic environment and trends in the health care industry

The upward trend in the world economy accelerated during the course of the year 2000. Altogether, global output increased by 3.9 %. Overall, the economies of the industrial countries developed positively. Furthermore, the developing and emerging countries as well as most of the reforming countries in Central and Eastern Europe once again registered strong growth in manufacturing output. There was a noticeable improvement in the economies of Latin America, while at the same time the economies of the countries of eastern Asia continued to recover. As a result, there was also an increased expansion in world trade overall.

#### ■ Europe

Although the economy in the euro area cooled off in the second half of the year 2000, it still continued to expand. Overall, GDP in the countries of the euro area increased by 3.4 % over the previous year. Particularly strong impulses came from exports and investments.

However, growth in consumer spending slowed down, since both the high oil price and the weak exchange rate of the euro led to a drop in real income and thus to a drain on purchasing power. In 2000, Germany registered its strongest economic growth since reunification, 3.1 %, mainly driven by booming exports and also by investments in manufacturing.

#### ■ USA

In the United States, the economic upswing, which had prevailed for almost ten years, slowed down noticeably during the summer of 2000. The long-expected economic downturn is mainly a result of reduced investments in construction and the only moderate growth rate in industrial investments, as well as the drop in government spending. On the other hand, private consumption increased again following a noticeable downward trend in the spring. In addition, during the course of the year exports again increased at a faster rate than imports after a lengthy period of slower growth, so that the trade deficit increased only slightly. Altogether, the United States achieved a growth in GDP of 5.1 %.

#### ■ Asia

The economy in Asia developed positively on the whole, but with substantial differences between the individual countries. The national economies in this region have now recovered again following the Asian crisis and are now expanding. In the year 2000, the countries of south-east Asia registered growth rates of between 4 % and 9 %. The economy in China has



also sprung into life again after years of declining growth rates: GDP rose by 8% in the year under report. Now that China is going to join the World Trade Organisation, this will attract a high level of investments to this country in the future. Japan on the other hand still showed no sign of an end to the downward spiral. GDP increased by merely 2%.

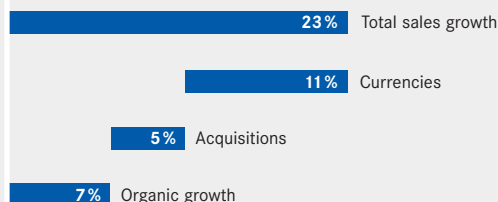
The various regions of the world have differing market environments for medical products and health services. Many segments of the European hospital product market are stagnating, others are growing only very moderately. In Germany, downward trends can even be observed in some sectors. The growing privatisation of hospitals in Germany will generate a strongly expanding market for hospital management. For the developing markets of Asia, Latin America and Eastern Europe we forecast high growth potential in the long term. More and more people can benefit from the positive developments in the health systems as a result of economic growth in the countries of these regions; this will also lead to higher demand for health care. From a global point of view, the growth in the world's population, the steadily increasing number of elderly people, and better diagnostics and therapies will be reflected in growing demand for hospital services and medical products.

The field of ambulatory care offers special growth potential. Hospitals are also affected by reduced expenditure on health care through cost cuts and budget restrictions, and are therefore forced to reduce the average length of time that patients stay in hospital. New technologies enable patients to be treated outside the hospital or at home, thus significantly enhancing their quality of life. The market for ambulatory care is growing by more than 10% per annum.

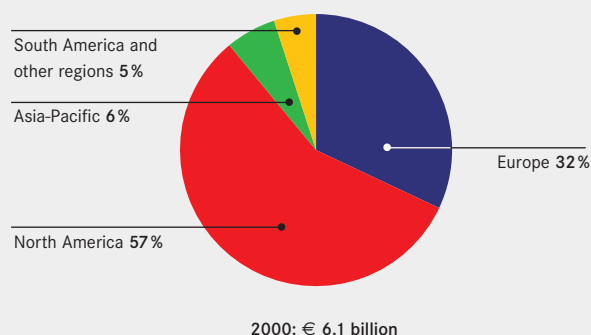
The global market for dialysis care and dialysis products registered another significant increase in the year under report, due to the fact that the number of patients with chronic kidney failure is increasing by 7% per year. We expect this trend to continue in future due to the overall higher life expectancy, improved treatment methods and lower mortality rates of dialysis patients. In addition, more and more people in the emerging countries have access to dialysis care, in line with the increase in GDP.

#### **Changes in foreign exchange rates have positive effect**

The changes in foreign exchange rates, in particular of the US dollar to the euro, are of great importance to Fresenius since a large proportion of our business operations are in North America. The 15% revaluation of the US dollar over the euro compared to the average exchange rate in 1999 had a positive effect on sales in the currency translation. It also had a positive, but slightly lower, impact on profits, since the exchange rate of the US dollar only increased by 8% over the end of 1999.



Impacts on sales



Sales by region

### Sales rise by more than 1.1 billion euros

Sales of the Fresenius Group rose by 23% to € 6,099 million in the 2000 financial year. Part of this increase was achieved through an organic growth of 7%. Acquisitions – mainly of dialysis clinics by Fresenius Medical Care and of companies by the business segment Fresenius Kabi – contributed 5 percentage points to sales growth. The changes in the exchange rates mentioned above, in particular of the US dollar to the euro, generated an 11% growth. The chart shows the impacts of organic growth, acquisitions and changes in exchange rates on the sales development of the Fresenius Group.

The regional sales split shows that we generated 57% of consolidated sales in North America. The second largest market was Europe with 32% of total sales.

In the 2000 financial year the Fresenius Group achieved substantial growth in all regions of the world. The sales increase in North America was enhanced by the exchange rate effects and by acquisitions. Business in the growth regions Asia-Pacific and South America, where acquisitions were made during 2000, grew at a considerably higher rate. This is shown in the table:

in million €	1999	2000	Growth
Europe	1,741	1,901	9%
North America	2,731	3,481	27%
Asia-Pacific	261	372	43%
South America	170	264	55%
Africa	49	81	65%
Total	4,952	6,099	23%

Since all the business segments contributed to this growth, the sales shares of the business segments have not changed appreciably compared to the previous year:

	1999	2000
Fresenius Medical Care	72%	74%
Fresenius Kabi	19%	18%
Fresenius ProServe	5%	5%
Fresenius HemoCare	4%	3%

Fresenius Medical Care holds the largest share of consolidated sales, 74%. The 2 percentage points increase compared to the 1999 financial year is mainly the result of the effects of currency conversion.

The individual business segments developed as follows:

### Fresenius Medical Care:

#### Sales growth outperforms market growth

Fresenius Medical Care continued to grow in the 2000 financial year. The company achieved a 26% sales increase to € 4,549 million (1999: € 3,609 million). 8% of this increase came from organic growth, 4% resulted from acquisitions and 14% from the effects of currency translation.

**Fresenius Kabi:****One billion sales mark topped**

Fresenius Kabi's sales of € 1,122 million were 16% higher than in the 2000 financial year (1999: € 964 million).

Organic growth of the business segment amounted to 5%. Acquisitions contributed 9 percentage points to the sales growth; currency effects and other impacts contributed 2 percentage points.

**Fresenius ProServe:****New records in orders received and orders on hand**

Fresenius ProServe registered a sales growth of 6% to € 284 million in the year 2000 (1999: € 268 million). The sales rise was mainly the result of business operations in Europe and Asia, the most important markets of this business segment.

Fresenius ProServe achieved record figures in orders received and orders on hand. Orders received climbed to € 340 million (1999: € 309 million, + 10%); orders on hand amounted to € 305 million – this represents an increase of 11% (1999: € 276 million).

**Fresenius HemoCare:****16% growth**

Sales of Fresenius HemoCare rose by 16% to € 207 million in the 2000 financial year (1999: € 178 million).

The Transfusion Technology Division achieved a particularly good increase, as did the Adsorber Technology Division which benefited from the consolidation of new businesses for the first time. Organic growth of Fresenius HemoCare amounted to 12% in the 2000 financial year.

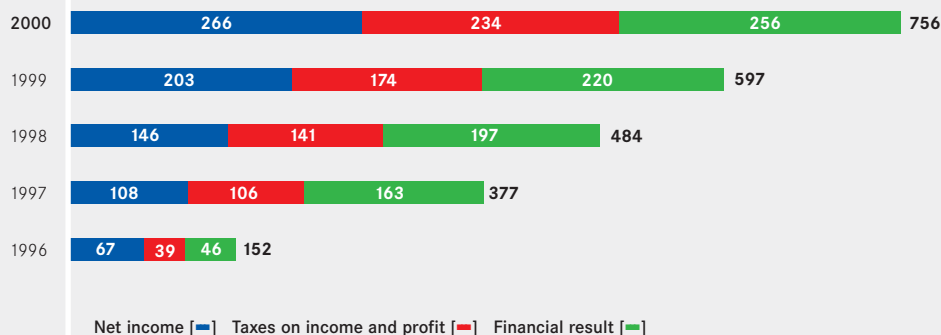
**Growth in profits exceeds sales growth**

Consolidated net income before interest, taxes, depreciation and amortization (EBITDA) increased by 22% to € 1,145 million in the 2000 financial year (1999: € 938 million).

Consolidated EBIT increased at an even higher rate than sales, growing by 27% to € 756 million (1999: € 597 million).

**STATEMENT OF INCOME (SUMMARY)**

in million €	1999	2000	Change
<b>Sales</b>	4,952	6,099	23 %
Operating expenses/income	-4,014	-4,954	23 %
EBITDA	938	1,145	22 %
Depreciation and amortization	-341	-389	14 %
<b>EBIT</b>	597	756	27 %
Balance of interest	-220	-256	16 %
<b>Profit on ordinary activities</b>	377	500	33 %
Taxes on profit on ordinary activities	-174	-234	34 %
<b>Net income before extraordinary profit</b>	203	266	31 %
Extraordinary income	106	-	-
Extraordinary expenses	-106	-	-
<b>Net income</b>	203	266	31 %



EBIT development in million €

All business segments of the Fresenius Group contributed double-digit growth rates to this positive development:

- Fresenius Medical Care achieved an EBIT of € 672 million (1999: € 526 million) due to the positive business development of both Dialysis Products and Dialysis Care. Compared to the 1999 financial year, this corresponds to an increase of 28%. The strength of the US dollar when converted to the euro also made a positive contribution to this growth. In terms of the financial statements according to US GAAP, in US dollars, the increase in EBIT amounted to 11%.
- EBIT of Fresenius Kabi rose by 11% to € 88 million. In the previous year it amounted to € 79 million. Due to the on-going restructuring measures in manufacturing and in the market units, net income did not increase as fast as sales despite positive one-off impacts. These restructuring activities will continue in the 2001 financial year.
- Fresenius ProServe achieved an increase in EBIT of 15% to € 15 million in the year under report (1999: € 13 million).
- EBIT of Fresenius HemoCare amounted to € 7 million. The business segment thus improved substantially compared to the 1999 financial year, when a positive EBIT amounting to € 2 million was achieved for the first time.

Fresenius achieved a plus in consolidated net income of 31% to € 266 million (1999: € 203 million). The 33% growth in consolidated profit on ordinary activities was considerably higher than the increase in net income

and amounted to € 500 million (1999: € 377 million).

Expenses for taxes on income and profit on ordinary activities amounted to € 234 million. At 46.8%, the tax ratio is slightly up on the 1999 financial year (46.2%).

The changes in the exchange rates, especially of the US dollar to the euro, had a positive effect in the currency conversion on the profits of the Fresenius Group: At constant exchange rates, i.e. calculated at the exchange rates of the previous year, the increase in EBIT amounted to 16% and the increase in net income was 23%.

We also succeeded in increasing the profitability of the Group in the year under report: The EBIT margin rose from 12.1% in the previous year to 12.4%. The sales return on ordinary activities rose from 7.6% in the 1999 financial year to 8.2% in the year under report; the return on sales after taxes from 4.1% to 4.4%.

The negative balance of interest including interest for trust preferred securities increased in the 2000 financial year from € -220 million to € -256 million. This increase resulted mainly from the financing of the payment by Fresenius Medical Care to the United States government in connection with the OIG agreement, from the financing of acquisitions and from the effect of currency conversion, since the major portion of Fresenius Medical Care's bank loans was incurred in the dollar area. This increase was partly offset by Fresenius Medical Care issuing preference shares in the 2000 financial year in order to raise equity, thus avoiding having to take up additional bank loans. 8,974,000 preference shares were issued to institutional and private investors (equity increase: € 362 million), and 5,750,000 preference shares were issued on the stock exchange (equity increase: € 245 million).

**Higher value added**

The value added of the Fresenius Group amounts to € 2,656 million for the 2000 financial year (1999: € 2,097 million), and is therefore 27% higher than the figure of the previous year. This reflects the overall positive development of our business in 2000.

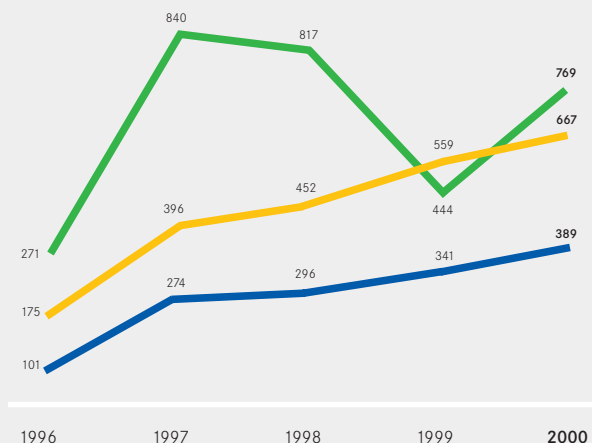
The employees received the largest share of the value added, 69%, or € 1,834 million. Governments received € 280 million or 11%. Lenders received 10% of the value added, € 276 million. A total of € 44 million (2%) is to be paid to shareholders, and minority interest holders will receive € 144 million. The company retained € 78 million of the value added for re-investment.

**Dividend increase proposed**

The Managing Board and Supervisory Board will propose a dividend increase to the Annual General Meeting. We intend to pay € 1.86 per ordinary share and € 1.92 per preference share from the retained earnings of Fresenius AG. Compared to the 1999 financial year, the increase amounts to approx. 20% per ordinary and preference share. In addition to the dividend, we are planning to pay a special dividend amounting to € 0.30 per ordinary share and € 0.30 per preference share. This special dividend is intended to compensate for the fact that the proposed dividend does not wholly derive from income which has been taxed in Germany, and therefore shareholders eligible for tax credit cannot claim the full tax credit amounting to 3/7 of the dividend.

**VALUE ADDED STATEMENT**

in million €	1999	%	2000	%
<b>Creation</b>				
Sales	4,952	96	6,099	96
+ Change in finished goods and work in process	28	1	32	1
Output	4,980	97	6,131	96
+ Other operating income	171	3	227	4
Company output	5,151	100	6,358	100
- Materials and services purchased	2,736	53	3,336	52
+ Other income and expenses	23	1	23	0
Gross value added	2,438	48	3,045	48
- Depreciation and amortization	341	7	389	6
Net value added	2,097	41	2,656	42
<b>Distribution</b>				
Employees	1,445	69	1,834	69
Governments	210	10	280	11
Lenders	239	11	276	10
Shareholders	32	2	44	2
Earnings retention and minority interest holders	171	8	222	8
Net value added	2,097	100%	2,656	100%



Capital expenditure [■] Cash flow [■] Depreciation and amortization [■]

### Capital expenditure at record level

In the 2000 financial year, we invested a total of € 769 million (1999: € 444 million). Of these total investments, 46 % (€ 350 million) concerned tangible and intangible assets and 54 % (€ 419 million) concerned acquisitions.

The main acquisition projects included:

- the acquisition by Fresenius Medical Care of 133 dialysis clinics, mainly in the United States, Western Europe and South America. The largest of these acquisitions is the international dialysis business of DaVita (formerly Total Renal Care) with 87 dialysis clinics and an investment volume of US\$ 145 million, and
- a total of ten acquisitions with a volume of € 78 million in the business segment Fresenius Kabi. As a result of these acquisitions in ten countries Fresenius Kabi was able to considerably strengthen its international market position, and will be in a position in future to add its own products to the product ranges of the companies purchased.

In tangible assets, major investment projects were:

- the founding and equipping of 67 dialysis clinics, 50 of them in the United States, and the extension and modernisation of existing clinics of Fresenius Medical Care; around € 111 million was spent for this purpose
- the construction by Fresenius Medical Care of a production plant for peritoneal dialysis products in Japan and the extension of its production facilities in the United States

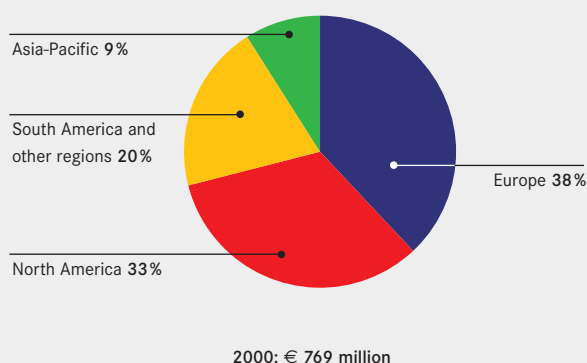
- in the business segment Fresenius Kabi the ongoing building up of the production plant for parenteral nutrition products in Uppsala, Sweden, as well as the optimisation and extension of other factories, for instance in Germany, Austria and Italy.

The breakdown by business segment of investments in tangible assets and in acquisitions shows that 73 % of total investments were made by Fresenius Medical Care, followed by Fresenius Kabi with 20 %.

in million €	1999	2000	Change
Fresenius Medical Care	262	556	112 %
Fresenius Kabi	141	156	11 %
Fresenius ProServe	14	18	29 %
Fresenius HemoCare	20	18	-10 %
Corporate /Other	7	21	
Total	444	769	73 %

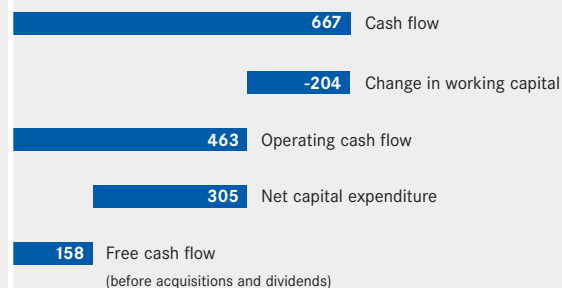
The item “Corporate/Other” includes € 16.5 million which was used to exercise an option on 342,324 ordinary shares of Fresenius Medical Care. We acquired this option on ordinary shares of Fresenius Medical Care from Abbott Laboratories, Inc., USA, and then exercised it. Fresenius AG now holds 50.76 % of the ordinary share capital of Fresenius Medical Care AG.

If we look at the distribution of capital expenditure by region, the level of investments in North America, € 257 million or 33 % of the total amount, is approxi-



Capital expenditure by region

mately the same as in Europe, due to the numerous acquisitions of dialysis clinics in North America. In Europe, € 287 million or 38% was invested, as shown in the diagram. In the previous year, 36% of capital expenditure was allocated to North America and 43% to Europe. In South America and Africa we invested € 155 million, 20% of the total amount (1999: 3%). This far exceeds the 5% share which these growth markets contributed to total sales. The portion of capital expenditure allocated to the Asia-Pacific region amounted to 9% and was likewise higher than the sales share of this region. These growth markets therefore received 29% of total capital expenditure, reflecting significant investments in future business growth.



Cash flow in million €

### All capital expenditure in tangible and intangible assets financed from the cash flow

The consolidated cash flow increased by 19% to € 667 million in the 2000 financial year (1999: € 559 million). This results mainly from the higher consolidated net income and the substantial increase in depreciation and amortization. € 204 million was spent on the increase in working capital due to the business expansion. As a result, cash provided from operating activities amounted to € 463 million, a 17% rise over the previous year. All the investments made in tangible and intangible assets in the year under report were able to be financed from the operating cash flow. The free cash flow before acquisitions and dividends amounted to € 158 million

### CAPITAL FLOW STATEMENT (SUMMARY)

in million €	1999	2000
Cash flow	559	667
Change in working capital	-162	-204
<b>Operating cash flow</b>	<b>397</b>	<b>463</b>
Capital expenditure	-264	-354
Disposal of assets	14	49
<b>Free cash flow before acquisitions and dividends</b>	<b>147</b>	<b>158</b>
Cash used for acquisitions	-104	-458
Cash provided from/used for financing activities	-111	363
Currency-adjusted change in liquid assets	2	2
<b>Change in liquid assets</b>	<b>-66</b>	<b>65</b>

The detailed cash flow statement is shown in the Notes to the Consolidated Statements.

(1999: € 147 million). 34% of the acquisitions of the 2000 financial year were able to be financed from the free cash flow.

The increase in equity due to the issuing of preference shares of Fresenius Medical Care and the increase in bank loans resulted in a balance of cash provided from financing activities of € 363 million, taking into account the dividend payment. Liquid assets increased by € 65 million at the end of 2000 to € 180 million (1999: € 115 million).

#### **Currency and interest rate risk management**

The use of derivative financing instruments is one of the ways in which the Fresenius Group reduces or eliminates foreign currency risks and interest rate exposures arising from its international operations. These derivative instruments are restricted to marketable instruments traded outside the stock exchange which are only used to hedge underlying transactions, but not for trading or speculation purposes.

The Fresenius Group uses currency risk management and interest rate risk management on the basis of a strategy approved by the Managing Board that clearly defines the targets, organisation and handling of the risk management processes. In particular, the responsibilities for the determination of risks, for closing hedging transactions and for regular reporting on risk management are clearly defined. These responsibilities are co-ordinated with the decision structure in the other business processes of the company. Transactions with derivative financing instruments are made solely in the Corporate Treasury Department of the Fresenius Group and are subject to stringent internal controls. This ensures that the Managing Board is always informed in detail about all major risks and about the hedging transactions executed.

The nominal volume of all foreign currency hedging contracts amounted to € 1,096 million on the balance sheet date. These contracts had a market value of € 38 million. Accordingly, the nominal volume of the interest hedging contracts amounted to € 1,538 million and their market value to € -35 million. To determine market

value, the price on the balance sheet date at which one party would take over the rights and/or obligations of the respective contract from the other party is applied. Contrary value developments from underlying business to be hedged are not taken into account when determining the market values.

#### **Asset and equity structure**

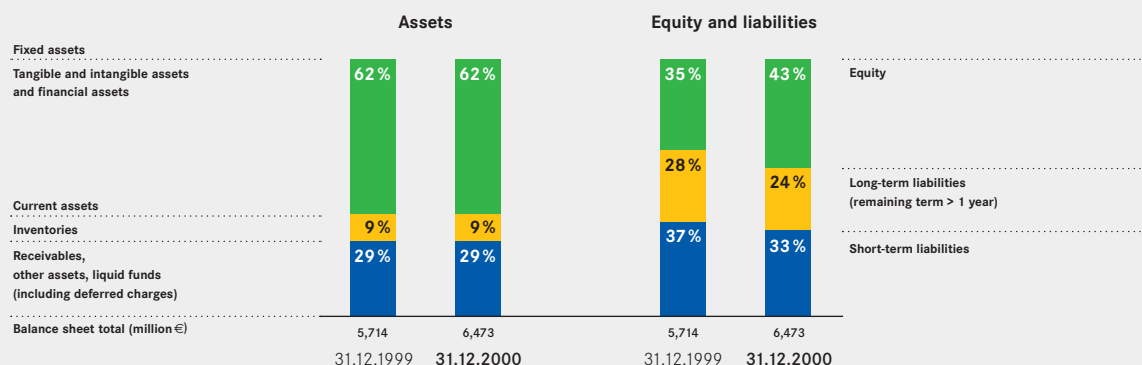
The balance sheet total of the Group increased by 13% over the 1999 financial year to € 6,473 million (1999: € 5,714 million). 2 percentage points of this growth resulted from currency conversion, due in particular to the strong US dollar; 8 percentage points resulted from acquisitions and 3 percentage points from on-going business expansion.

Fixed assets increased by 12% to € 3,999 million (1999: € 3,563 million). Investment additions amounting to € 728 million, and currency and other effects of € 97 million were set off against depreciation and amortization totalling € 389 million. At constant exchange rates, the increase in fixed assets compared to 31.12.1999 would have amounted to 10%.

Current assets rose by 19% to € 2,269 million as at 31.12.2000 (1999: € 1,902 million). 2 percentage points of this increase concerned currency effects, 11 percentage points the expansion of the current business and 6 percentage points the growth of business volume due to acquisitions, which was reflected especially in the increase in inventories and in accounts receivable.

On the liabilities side of the balance sheet, equity rose by 40% to € 2,810 million. As well as the good consolidated profits, the main reasons for this increase were the contribution in kind of Franconia in exchange for the issuance of preference shares of Fresenius Medical Care, and the flotation of preference shares of Fresenius Medical Care in July 2000. The equity ratio thus rose from 35.2% as at 31.12.1999 to 43.4% at the end of the reporting year. Of this increase amounting to € 797 million, € 753 million concerned minority interests.





#### Balance sheet structure

Long-term liabilities dropped by € 29 million to € 1,554 million (1999: € 1,583 million). The increase in long-term bank loans amounting to € 40 million was largely offset by a reduction in other liabilities.

Short-term liabilities dropped slightly in the 2000 financial year to € 2,109 million (1999: € 2,118 million). Of the individual items, the main increase, € 145 million, came from short-term bank loans. The item "Other liabilities" has fallen to € 537 million as a result of the OIG payment to the United States government.

The return on equity before taxes, 17.8%, was down on the previous year (18.7%) despite the strong rise in profit. The reason for this is the increase in equity in connection with the flotation of preference shares of Fresenius Medical Care. The same applies to the return on equity after taxes. In the 2000 financial year it amounted to 9.5% after 10.1% in 1999.

Further key data of the asset and equity structure developed as follows compared to 31.12.1999:

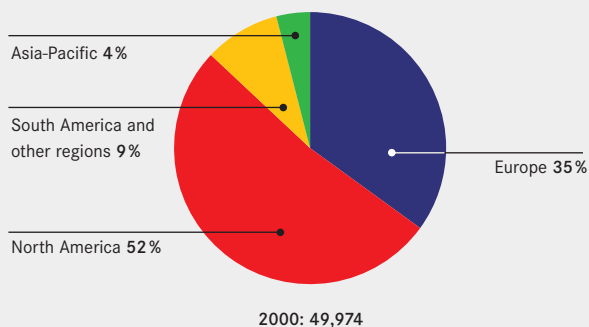
	31.12.1999	31.12.2000
Financing liabilities/EBITDA including trust preferred securities (debt/EBITDA ratio)	2.8	2.5
Net financing liabilities/EBITDA including trust preferred securities (net debt/EBITDA ratio)	2.6	2.4
EBITDA/balance of interest (EBITDA/interest ratio)	4.3	4.5

Fresenius' key ratios by which we determine and control the degree of debt of the Group in relation to its finance power, debt/EBITDA and EBITDA/interest, continued to improve in the 2000 financial year.

Bank liabilities and liabilities from Euro bonds of the Fresenius Group amounted to € 1,848 million in the year under report. These increased by € 215 million compared to the previous year (1999: € 1,633 million), largely due to the financing of the payment from the OIG agreement as well as of acquisitions. € 55 million results from currency conversion effects. Liabilities with a remaining term of up to one year amounted to € 483 million, and with remaining terms of one to five years and more than five years amounted to € 1,365 million.

#### Employees increased due to acquisitions

The Fresenius Group had 49,974 employees worldwide on 31.12.2000. The number of employees therefore increased by 6,191 or 14% over the end of the previous year (31.12.1999: 43,783). Nearly 4,000 employees alone joined the Fresenius Group as a result of the acquisition of companies, 64% of the total increase.



Employees by region

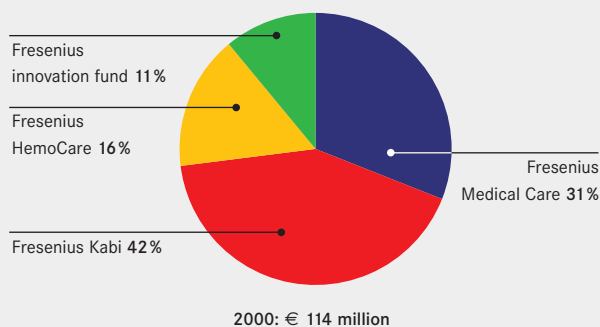
The growth in the workforce can be assigned to the business segments as follows:

Employees	31.12.1999	31.12.2000	Change
Fresenius Medical Care	31,086	35,370	14 %
Fresenius Kabi	8,587	10,368	21 %
Fresenius ProServe	1,719	1,945	13 %
Fresenius HemoCare	2,033	2,001	-2 %
Corporate/services	358	290	-19 %
Total	43,783	49,974	14 %

The diagram shows in which regions of the world our employees work: 52% are located in North America and 35% in Europe – percentages which correspond to the breakdown of our sales. However, Fresenius already has more than 2,000 employees in Asia, and in South America there are even more than 4,000 – these figures will increase in future.

Personnel expenses in the Fresenius Group amounted to € 1,834 million in the year under report, an increase of 27% compared to the 1999 financial year (€ 1,445 million). This is largely the result of the increase in the number of employees, especially due to acquisitions. Also, 9 percentage points derive from the currency conversion due to the impact of the US dollar.

You can learn more about our employees in the appropriate chapter of our annual report.



Research and development expenses by business segment

### Increased spending on research and development

The research and development activities of the Fresenius Group were focused on the core competences of the respective business segments; these competences are

- dialysis
- nutrition and infusion therapy
- transfusion technology, adsorber technology and immune therapy as well as
- infusion technology

We not only develop products; we also concentrate on developing completely new and improved therapies, treatment processes and services. Our research and development projects continued successfully in the 2000 financial year. We have been granted marketing approval for numerous new products and launched these onto the market. Work on promising products and therapies is progressing at full speed. We report in detail about the various research and development projects in the chapter “Research and Development” of our Annual Report.

We once again increased expenditure on research and development in the 2000 financial year, to € 114 million. The previous year's figure of € 106 million was therefore exceeded by 8%. Looking at the various fields of activity, we invested € 35 million in the dialysis research and development activities of Fresenius Medical Care, € 48 million in nutrition and infusion therapy of Fresenius Kabi and € 18 million in the research and development of blood treatment and infusion technology in the business segment Fresenius HemoCare. We gave financial support to promising projects from an inno-

vation fund created by Fresenius. In the 2000 financial year, a total of € 13 million from this fund was used to finance projects.

687 people in the Fresenius Group are involved in innovation, a figure which increased by 9 % during the year under report (31.12.1999: 629 employees). In terms of business segments, 220 people worked for Fresenius Medical Care, 337 for Fresenius Kabi and 130 for Fresenius HemoCare.

We are dedicated to generating new products, processes and services in order to secure the future growth of the company. Innovations are the cornerstones of our success.

#### **Fresenius and the environment**

Fresenius, with its innovative medical products and services, is committed to people and their well-being. It is our mutual understanding and our philosophy "Caring for Health" that we strive to maintain nature as the basis of life for the present generations and those to come. As a member of the Association of the Chemical Industry, we follow their guidelines titled "Responsible Care" to which the international chemical industry has committed itself.

We consider it to be our task and obligation to constantly reduce the dangers and risks involved in the manufacture, storage, transport, distribution, utilisation and disposal of our products. We co-operate openly with authorities and our customers regarding environmental protection issues, and provide all the information which they require.

In our Friedberg plant we were able to achieve another increase in the ratio of recycled waste – mainly paper and plastics – in the 2000 financial year: the figure is now 90%, after 86% in 1999. Around one third of total waste was converted into biogas by an external recycling company. We increased the production of PVC-free infusion solution bags in the year under report and therefore further reduced the use of PVC for primary packaging.

In the new production facility of Fresenius Kabi for parenteral nutrition in Sweden, where operations started in the 2000 financial year, all product packaging is made from recyclable, PVC-free material. As well as using environmentally-friendly packaging material, we also place great importance on reducing packaging volume and thus the amount of waste which has to be disposed of later. The Association of Swedish Pharmacists "Apoteks-bolaget" awarded Fresenius Kabi a prize in October 2000 for the best pharmaceutical packaging of the year: our new three-chamber bag for parenteral nutrition – an innovative packaging idea which considerably simplifies the lives of patients who have to be fed parenterally, due to its easy handling. In addition, using the new PVC-free foil protects the environment.

The Corporate Environmental Management System of Fresenius Medical Care was successfully audited by the German technical monitoring authorities (TÜV) in the Schweinfurt factory and in Bad Homburg. Our eco-controlling, as part of the environmental management systems of our certified factories and offices, ensures that all environment-related data, such as consumption of fuel, the amount of waste produced and the amount of waste which is recycled, are collected and analysed, and that projects are implemented to keep improving these values.

In the year under report we also introduced eco-controlling into our European dialysis clinics, with the aim of minimising the use of resources in the clinics, and developing and introducing non-polluting products and systems. A survey in our clinics showed us opportunities for new environmental projects, such as reducing water consumption; at the same time it showed us where there is potential to reduce environment-related costs which

are expected to amount to about 40% over the next few years. When we developed our new FX-class dialyser we achieved a significantly improved eco-balance compared to the previous dialysers: We reduced its weight by 54% and its volume by 33%, and at the same time used materials which were more environmentally-friendly. The performance of the new dialysers also sets new standards: By reducing the consumption of the dialysate which is necessary for a dialysis treatment, less water and energy is used.

In our St. Wendel plant alone we initiated 13 environmental projects in the 2000 financial year. For instance, we achieved a 10% reduction in the amount of steam used to sterilise our dialysers through using a larger recycling plant. We were able to cut by 63% the volume of PE plastic foils which are used for the secondary packaging of our products. We reduced by 10% the amount of drinking water used in our factory in Schweinfurt by modifying the test runs for our dialysis machines in our quality control. We shall carry out further projects to reduce water consumption in the current financial year. It is also important for us to continuously reduce the use of plastic packaging for our products. We therefore introduced a new system for packing our products when they are dispatched from Schweinfurt, and now only use recycled paper instead of plastic material.

In the United States as well we have initiated environmental projects such as waste reduction in our production facilities and dialysis clinics.

### **Risk management**

We consider the management of risks to be a continuous task. To determine, analyse and manage risks has been an important management element for the Fresenius Group for many years.

The Fresenius risk management system is part of the corporate strategy and is based on its regulations for handling risks. We are therefore of the opinion that, together with our internal monitoring system, risk controlling and an early-warning system, we can quickly identify and avoid those developments which could endanger the continued existence of the company. We have identified the actual and potential risks in the individual business segments and defined the responsibilities for the procedures and monitoring:

- Regular and standardised reports are made on the risk situation and are compared with the current regulations.
- Thus, counter-measures can be adopted quickly in order to counteract negative trends.
- The responsible managers of the company are also obliged to inform the Managing Board immediately about any relevant changes in the risk profile.
- By continuously observing the markets and by maintaining close contacts to our customers, suppliers and other institutions we can recognise and react swiftly to changes in our business environment.

The risk management system is included in the audit of the financial statements.

As well as risk management, a monitoring system has been established comprising organisational safety measures as well as internal controls and audits. For instance, the measures relating to quality management are documented precisely in company guidelines – such as quality manuals and procedure regulations – and are regularly checked by the quality management officers.

They are essential to obtain certification in accordance with international standards, which is obligatory for medical products. At the same time, we ensure strict compliance with legal regulations regarding clinical and chemical-pharmaceutical research and development. The production companies of the Fresenius Group manufacture in accordance with the Good Manufacturing Practice (GMP) rules. Our Quality Management and Compliance Program is the basis for the treatment of the patients and the invoicing of the services. The programme ensures that our high ethical standards and the official regulations are adhered to. The legal compliance and efficiency of our business processes and the effectiveness of our internal control systems are regularly checked by internal and external audits.

The risk management measures in the form of a management information system are supported by our risk controlling both at a corporate level and in the business segments. Deviations in the profit and asset situation compared to budgeted figures are identified and analysed in detailed monthly reports.

Our risk management is subject to active change so that we can react quickly to the demands of the markets; the existing system has proved its worth over the past years.

#### **Risks related to future development**

Due to its constant expansion, in particular in international markets, and the increasing complexity and dynamics of our business, the Fresenius Group is exposed to all sorts of risks as a matter of course. These risks are immediately linked to entrepreneurial activities. It is only possible to seize opportunities presented if managers are willing to take risks.

In particular, these risks include possible legal and economic changes in the general environment and market conditions, such as revolutionary developments of

new products and therapies by competitors, the financing of the health care systems and reimbursement in the health care sector. Due to the large proportion of sales generated in the United States, changes especially in the US reimbursement system could have a significant impact on our business.

We counteract possible interest and currency risks by appropriate risk management, e.g. by hedging foreign currency and interest risks with derivative financing instruments. Possible risks which could occur as a result of acquisitions and investments are considered carefully in advance through careful and detailed investigations into the respective projects. We are sometimes supported in this by external consultants. We counteract any risks from research and development projects by regularly analysing and assessing the development trends and examining the progress of research projects. At present, we cannot deduce any trends from the risks mentioned which could have a significant impact on our business.

The Fresenius Group is involved in various legal issues which result from our operations. Although it is not possible to forecast the outcome of this litigation, we do not expect any major negative effects on the assets and liabilities, financial position and results of operations.

The company may be subject to certain liabilities with respect to the period before the acquisition of National Medical Care (NMC), such as the class action suit filed by people affected by asbestos which has been pending since November 2000 at a US law court against

Fresenius Medical Care AG, various US subsidiaries, W.R. Grace and others, which do not have any connection with the business practices of National Medical Care. W.R. Grace & Co. Connecticut (Grace Chemicals) has agreed to indemnify Fresenius Medical Care against these liabilities.

If any events should occur which would violate the tax-free nature of the merger between NMC and Fresenius Medical Care, Fresenius Medical Care would be obliged to pay the resulting taxes. After negotiations between Grace Chemicals and Fresenius Medical Care and Fresenius AG, Grace Chemicals has agreed to indemnify Fresenius Medical Care for such tax liabilities. In the event that Fresenius Medical Care would not be able to collect the outstanding amounts on the indemnity, this could have a material adverse effect on the assets and liabilities, financial position and results of operations of Fresenius Medical Care.

Fresenius Medical Care is of the opinion that it is unlikely that a significant loss will arise from these risks.

At the present time, there are no recognisable risks regarding the future development which could lead to lasting and significant damage to the assets and liabilities, financial position and results of operations of the Fresenius Group.

#### **Events after the close of the financial year**

In this section we report on important activities which took place after the close of the 2000 financial year:

- In December 2000 Fresenius signed an agreement to acquire Wittgensteiner Kliniken AG (WKA), Bad Berleburg. Fresenius had made an offer to each of the approx. 650 shareholders of WKA to purchase their respective shares in the company by exchanging 37 shares of Wittgensteiner Kliniken AG for

one ordinary and one preference share of Fresenius AG. This results in the value of 100% of the equity of Wittgensteiner Kliniken AG amounting to € 122.7 million. In addition, Fresenius will take over the respective portion of the financial liabilities amounting to € 105 million. The exchange offer was accepted by a large majority of the shareholders who own more than 93% of the shares of WKA. WKA is one of the major operators of private hospitals in Germany and also holds shares in hospitals in the Czech Republic and Finland. WKA has around 4,600 employees; its sales total approx. € 220 million.

- At the beginning of January 2001, Fresenius Medical Care closed the acquisition of Everest Healthcare Services, Corp., Oak Park, Illinois. Everest owns around 70 dialysis clinics and is one of the largest American providers of dialysis care. The purchase price amounts to US\$ 343 million, including the assumption of the existing liabilities of Everest. About one third was paid in cash, and around another third was paid for by taking over the liabilities. Fresenius Medical Care financed these portions of the purchase price out of cash provided from the capital increases in the year 2000. The remaining third of the purchase price was covered by issuing 2.25 million preference shares of Fresenius Medical Care.

## Outlook

Fresenius operates with its products and services for the care of sick people in an environment which is characterised by a constantly increasing demand for health care. We are therefore working in a market which is growing overall. However, if we look at the regions where health services are established – especially Europe and North America – it is clear that the growth of these markets is mainly the result of the higher average age of the population, better diagnostics and innovative therapies. The countries where health care systems are only just developing offer us a considerably greater potential for growth. In these countries of Asia and Latin America, the demand for health care, as well as spending on the care of sick people, will increase in line with the development of prosperity, although the danger of negative political and economic developments can never be excluded. It is our declared strategy to devote ourselves to the developing regions of Asia and Latin America, as well as our main markets Europe and North America. We therefore expect that on the whole there will continue to be significant growth opportunities for Fresenius in the future.

Nevertheless: Falling prices as a result of strong competition, purchasing management in hospitals, and stricter regularisation, coupled with cost restraints in health care, are all constant challenges which we have to combat by rationalising our business processes and optimising our production costs in order to remain competitive.

Our long-term strategy will enable us to maintain our growth in the future and increase the value of the company: For the 2001 financial year we are planning a double-digit increase in sales and profits. In the business segments Fresenius Medical Care, Fresenius ProServe and Fresenius HemoCare we again expect good sales and profit growth for the current financial year.

In the business segment Fresenius Kabi we shall continue the restructuring and optimisation measures in the market units, and especially in production, in 2001. Further start-up costs will be incurred in 2001 until the production lines for single and three-chamber bags in Uppsala and for *freeflex*® bags in Friedberg are operating efficiently and smoothly. From today's point of view, we therefore expect that EBIT of Fresenius Kabi will be about 15% lower than in the year 2000.

We also intend to further improve the operating cash flow of the Group in the current financial year. We shall adhere to our targets regarding margins. In the medium term we aim to achieve an EBIT margin of 15% and a return on operating assets (ROOA) of likewise 15%.

We shall maintain capital expenditure at the high level of 2000: We are planning to invest around € 450 million in tangible assets in the Group. The focus of these investments will be similar to the previous year: equipping new dialysis clinics, extending the production capacities and optimising production processes. About 45% of the investments will be made in Europe and 37% in the United States. In addition, we have also earmarked investment funds for acquisitions, mainly the purchase of further dialysis clinics. For instance, in the 2001 financial year we invested US\$ 343 million in the acquisition closed in January of the dialysis provider Everest.

New products and in particular services will be added to our portfolio in the current financial year, opening up further growth potential for us. We shall again increase our expenditure on research and development and thus enable us to continue with ongoing projects and start new ones.

## OUR EMPLOYEES

**Our target is to take Fresenius to the top of the health care business. We can only do this with employees who work for their company with competence and dedication and with pride. We therefore consider it to be of utmost importance to give our employees professional and personal support and, in view of the continuing growth of Fresenius, to recruit qualified employees.**

### **Training and education – investment in the future**

We can only succeed in staying ahead of the competition if we have employees who have the best possible training. This starts with the training of our technical and commercial apprentices and goes right up to international seminars for our specialist and managerial staff. Our special executive programmes and leadership seminars are therefore a firm part of our management training. In the year under report, our management staff again attended these seminars, which we ran in co-operation with the French business academy INSEAD, Fontainebleau, and USW (Universitätsseminar der Wirtschaft), Erftstadt.

We continued with our “Graduate Development Program” in 2000. Over a period of 18 months, university graduates work in all departments which are relevant to their future jobs. Thus they get fully acquainted with the business processes and obtain the necessary overview of the whole company. At present, 13 graduates are preparing themselves for their future positions in specialist jobs such as controllers, project engineers or product managers.

The number of our apprentices increased again in the year under report. 166 young people are serving their apprenticeships in various occupations (1999: 117). We offer the best of them the opportunity to study for a degree on a part-time basis while continuing to work in the company. In future we shall offer apprenticeships for a new occupation, that of information technology specialist.

We make our employees ready for the challenges of the future by offering a comprehensive programme of seminars.

### **Human resources marketing has high priority**

The lack of qualified employees on the labour market is a challenge which we are dealing with intensively. To attract capable, entrepreneurially-oriented employees and retain them at Fresenius in the long-term are factors which are crucial for the success of the company and to secure growth of sales and profit. The “war for talents” which is making itself noticeable in many areas makes it essential for us to strengthen our human resources marketing activities. Therefore, one of the focuses of our human resources activities in the 2000 financial year was to make new contacts to universities (graduate marketing) and intensify existing contacts. We organised information events at universities and helped to sponsor training courses and selected recruiting events. In addition, we have increased our support for university students by granting more internships and giving thesis topics to a higher number of students. Thus we can attract qualified applicants at an early stage and prepare them for later management tasks.

We revised the “Careers” page of our website – [www.fresenius-ag.com](http://www.fresenius-ag.com) – during the year under report and added new pages of information. The business magazine “BIZZ/Capital” carried out a survey in the year under report on the 100 largest German companies with respect to customer orientation of the human resources department and to personnel recruitment via the Internet. Fresenius was awarded the first prize – a real success which shows that we are on the right path by using this medium to look for new employees.



### **Teleworking – a modern alternative to a workplace in the office**

Over the past years we have started to make working hours more flexible; in October 2000 we introduced alternating teleworking for our information systems employees. Our aim is to improve the results and job satisfaction of our employees by strengthening their own sense of responsibility in their work. Also, we wish to make it easier for our employees to make their personal life style and their jobs more compatible. If this pilot project in the information systems department should prove to be successful, we shall introduce teleworking, which more and more employees would like to do, to other departments. We are convinced that offering alternating teleworking makes Fresenius more attractive on the labour market.

### **Profit-sharing scheme and stock option plan**

Our philosophy “Entrepreneur in the enterprise” refers not only to the joint entrepreneurial responsibility of the employees, but also to their sharing in the economic success of Fresenius. Fresenius has therefore introduced the two following models:

- **Profit sharing for our employees in Germany**  
As a result of the successful development of our company in 1999, for the third consecutive year our non-managerial staff in Germany received a DM 1,700 share each in the profits of the company. Of this amount, two thirds was paid as preference shares of Fresenius AG or of Fresenius Medical Care AG. The employees could choose either to have the remaining third paid out in cash or to use it to finance additional preference shares. Around 70% of the employees selected the second option and purchased additional shares with their own funds. This reflects the high degree of confidence which our employees

have in the future development of our company. In an environment where financing the state pensions is becoming more and more of a problem, we consider our profit-sharing scheme to be an important element in helping the employees to build up their non-state pensions provision, which is becoming increasingly necessary.

#### ■ **Stock option plan**

Since 1998, the total remuneration of the managerial employees in the Group has been more strongly linked to the development of the share price by means of a stock option plan. In June 2000, options were issued for the third time: a total of 153,760 options of Fresenius AG which entitle the holder to purchase shares, half of which are ordinary and half of which are preference shares. The first options of the third tranche may only be exercised if EBIT of the Group rose by more than 20% during the two years' vesting period.

With these profit-sharing programmes, which are linked both to the profits and the share price development, and thus to the growth in the value of the company, we are promoting the entrepreneurial focus of our employees and at the same time we are acting in alignment with the interests of our shareholders.

## RESEARCH AND DEVELOPMENT

Research and development is of extreme importance to Fresenius. We develop innovative products and therapies, and in particular new treatment processes based on our knowledge of extracorporeal blood treatment and the immune system. This ensures optimum care and enhanced quality of life for the patient, and secures the basis for the company to grow in the future.

### Dialysis – Innovations to enhance the quality of treatment

Research and development at Fresenius Medical Care aims at developing new products to make the treatment of patients with chronic renal failure even more effective, better tolerated and more tailored to the individual patients, both in haemodialysis (HD) and in peritoneal dialysis (PD). The quality of dialysis has a major influence on the condition and the quality of life of the patient. In the 2000 financial year we again made significant advances:

In the field of haemodialysis Fresenius Medical Care has set new standards in dialyser technology with a new class of dialyser, the FX-class dialyser. In the autumn of 2000 the product was presented to a large audience of dialysis doctors for the first time. Significant improvements in clearance – the blood cleansing performance – can be achieved with this filter. This is made possible by “Helixone”, an optimised polysulfone membrane, both in its processing and its physical characteristics. Their innovative design makes the new dialysers easier to handle for medical staff; they have excellent biocompatibility and provide increased safety for the patients. We have carried out various clinical trials to demonstrate the efficacy and biocompatibility of the new dialyser. Further trials which demonstrate the long-term effects of the FX-class dialyser with respect to the immune system of the patient and to the lipid metabolism and other metabolic disturbances caused by uraemia will be concluded in the course of the current financial year.

We have also continuously enhanced the technology of our haemodialysis machines: for instance, we have developed a new dry concentrate option for our 4008 dialysis machine. The 4008 3mix™ is able to handle three different concentrate components – sodium chloride granulate, a highly-concentrated electrolyte-glucose solution, and the traditional bicarbonate concentrate – instead of the conventional two concentrates. The concentrations of the individual components and thus of the dialysate can be adjusted on the dialysis machine according to the amount of solute exchange required. We are setting completely new standards with this new generation of concentrates from two points of view: On the one hand, the patient benefits from the high standard of safety due to the enhanced monitoring of conductivity and the specifically-coded connectors which prevent them from becoming mixed up. On the other hand, the user and the environment benefit from the lower volume and weight in comparison to conventional acid concentrates, and because the Biofine® foil which is used can be recycled. We have introduced two new options in the field of physiological dialysis, OCM and BVM/UF-Control. Thus, the doctor can monitor online the efficacy of the treatment (OCM) as well as prevent dialysis complications such as sudden drops in blood pressure, nausea etc. (BVM UF-Control).

In peritoneal dialysis, we offer a pH neutral solution, *stay•safe® balance*, which is practically free from harmful glucose degradation products (GDP). The new solution is supplied in a dual-chamber bag. A seam seal separates the chamber with the glucose-electrolyte solution from the chamber with the lactate solution, thus minimising

the generation of GDP. The solutions are not mixed until immediately before they are required, by pressing and opening the seam seal. The patient is given a peritoneal dialysis solution which has a neutral pH value in contrast to the conventional acidic solutions. This is much less harmful to the peritoneum of the patient and may delay the changes which normally occur to the peritoneal membrane in the long term due to the acidic pH value and larger amount of GDP. We are carrying out a multi-centre trial “Euro Balance Trial” to compare the effects on the peritoneal membrane of our new pH neutral *stay•safe®* **balance** peritoneal dialysis solution with conventional acidic PD solutions. This trial will be completed during the course of this financial year.

The development of the first bicarbonate-buffered PD solutions – CAPD Bic – is another project which is aimed at reducing disturbances of the acid-base status of patients. These solutions will be available in two bicarbonate concentrations in order to counterbalance metabolic acidosis. We shall also offer this product in the user-friendly dual-chamber bag, which means that it will be characterised not only by the physiological buffer bicarbonate but also by a physiological pH, with a minimised level of GDP. We expect to receive the first market approvals shortly.

#### **Fresenius Kabi – Focus on blood substitution, clinical nutrition and lipid emulsions**

In the field of blood volume substitution we have rounded off our product range of hydroxyethyl starches with the development of HyperHAES®. The product is used not only in emergencies but also in the hospital to sustain the vital functions of the body when the patient has lost a large quantity of blood. HyperHAES® combines the speedy volume effect of sodium chloride with the longer-term volume effect of hydroxyethyl starch. Thus, the volume deficiency caused by blood loss can be compensated within a very few minutes.

A primary packaging innovation is the PVC-free bag *freeflex®* for our hydroxyethyl starch products. The advantages over glass or plastic bottles are flexible handling, in particular in emergency situations where pressure infusions often have to be carried out.

In the field of parenteral nutrition, Fresenius is taking advantage of the numerous opportunities to develop new applications for nutrition therapy in the field of omega-3 fatty acids. We are co-operating closely with medical experts with the aim of increasing our knowledge about the effects on various diseases of these fatty acids, which are obtained from fish oil. Omega-3 fatty acids are used to treat deficiencies of these essential fatty acids and also the weight loss associated with these deficiencies. Furthermore, omega-3 fatty acids have anti-inflammatory and immuno-modulatory effects. Treatment with fish oil can for instance benefit patients after cardiac surgery, and patients with sepsis or cancer, since it is becoming increasingly clear that the success of a therapy with medications depends to a great extent on the nutritional condition of a patient.

Research efforts have been directed at extending our basic emulsion technology, which is used in the field of parenteral nutrition, to LEAD<sup>2</sup> (Lipid Emulsions Applied to Drug Delivery). This is an innovative technology which enables fat soluble drug solutions to be administered intravenously to patients. Thus, many medications can be used more effectively than before. Since many drug substances are not soluble in water – this is the conventional production process – many drug manufacturers have not pursued their development projects in this field. Using our innovative LEAD<sup>2</sup> technology we have succeeded in

dissolving these drug substances in fat and thus in developing more effective forms of application. We are co-operating closely with pharmaceutical companies with the aim of developing new fat-soluble drugs. We initiated several new projects in the year under report; the current projects are proceeding according to plan and the next milestones will soon be reached.

We have developed a new variety of disease-specific tube feeds for patients with diabetes, Diaben®. Diaben® is rich in monounsaturated fatty acids and at the same time provides a fatty acid pattern which is especially adapted to the requirements of diabetes patients. Furthermore, Diaben® has been enriched with the anti-oxidants Vitamin C, Vitamin E and Beta-Carotin, as well as with special substances extracted from green tea, with the aim of supporting the normalisation of the patient's metabolism.

Our biotechnology research project in co-operation with the American company Genzyme Transgenics regarding the development of human albumin from the milk of transgenic cows has continued to make progress. The aim is to replace the conventional human albumin made by blood plasma fractionation with a product which can be obtained by a process which does not depend on human blood. In the year 2000, the number of transgenic cows was increased according to plan. The first large quantities of milk from these cows were successfully processed to make high-purity transgenic albumin. At the same time, we were able to optimise the purification process. As a result of this project we can now prove that transgenic albumin is chemically identical to that of human blood plasma.

#### **Fresenius HemoCare – Develop new treatment methods and therapies**

Adsorber technology is an innovative method of removing pathogenic substances, e.g. immune complexes and endotoxins, from the blood of the patient with the help of extracorporeal blood treatment.

In the 2000 financial year, we continued our research and development work in the field of adsorber technology on the endotoxin adsorber MATISSE®. A change in the medical device directive means that the MATISSE® adsorber has been declared to be a drug and not a medical device. This made a considerable amount of work necessary in order to fulfil all additional requirements for the development and clinical trials of the product in accordance with the regulations of the German drug law. We successfully completed this additional work, and a controlled trial which started at the end of 1999 is developing positively. This trial with approx. 200 patients will be the largest one ever carried out with an adsorber system. Many well-known hospitals in several European countries agreed to take part in this trial.

In addition, we have also completed the pre-clinical investigations and tests on a fibrinogen adsorber with positive results. The molecule fibrinogen is one of the major causes of circulatory disturbances.

In the field of immune therapy we have considerably simplified and rationalised the complex manufacturing process for our biotechnological product ATG-Fresenius (anti T-lymphocyte globulin). ATG-Fresenius is used to suppress the immune systems of the recipients of organ transplants and in stem cell transplantations. Since the manufacturing process itself is part of the regulatory approval, it cannot be changed until the appropriate authorities have given their approval. This approval is only given when the large amount of validation work necessary has proved without a doubt that the change does not result in any deviations to the quality standards stipulated. We succeeded in guaranteeing this for the changes carried out in the 2000 financial year, and received the required approvals.

In co-operation with our partner Trion Pharma, development work on the medical product Removall® was completed in the year 2000 and marketing authorisation was granted for the whole of Europe. Removall® is a product consisting of bispecific, tri-functional antibodies for the treatment of cancer. These antibodies eliminate residual tumour cells from stem cells which have been removed from a patient before chemotherapy or radiation. The purified stem cell concentrates are then reinfused

after the treatment and healthy blood cells can form again.

In the year under report a clinical trial was started with the product Removall®; the trial aims at investigating the efficacy and safety of stem cell purification in connection with high-dose chemotherapy and autologous stem cell transplantation in breast cancer. Ten oncological centres in Germany are participating in this trial. Phases I and II of a clinical trial in the indication NSCLC (non-small cell lung cancer) commenced regarding the use of those antibodies as a drug.

The development of immunotherapeutic treatment processes often involves the use of human cells. Laboratories which process these cells are subject to the regulations of a pharmaceutical manufacturing process and require the approval of the governmental authorities. In 2000, we set up laboratories which correspond to the safety grade required for the use of human cells. Thus, in future we are in a position to develop and carry out methods of human cell therapy and analytical quality-determining procedures. We started a co-operation in 2000 with internationally-renowned scientists in the field of cancer and lethal infectious diseases. We should like to give special mention to the alliance with the University Hospital of Göttingen with which we are co-operating on the development of new immune therapies to fight renal cell cancer for clinical application.

In the field of research and development on transfusion technology, we focused on two areas: the optimisation of blood bag systems and on cell separation, where Fresenius HemoCare offers devices to separate whole blood into its individual blood components. In the year under report, we were able to complete the development of the cell separator COM.TEC and launched the product onto the market. The heart of the COM.TEC is a new, high-performance separation chamber for blood platelets which is decisive for the quality of the blood components obtained. The improved technology increased the efficacy of the process to obtain blood platelets by 25%. At the same time, we are working on a new device to extend the family of cell separators, with significant advances made in the year under report. Another important field of activity is to optimise our in-line filter systems: The first

prototypes for a new in-line filter system were successfully tested. This system allows for the leukocyte-depleted preparation of all blood components, i.e. not only erythrocytes and blood plasma, but also blood platelets. The development of a process to inactivate pathogens in whole blood is an important next step in transfusion technology. The aim is to significantly increase the quality and safety of the blood components. First steps towards this goal have already been successfully initiated.

Our development work in infusion technology focused on the development of infusion management systems which also make data communication possible with the patient's file. We completed the data management system Base Intensive for the infusion workstation Orchestra. In this system, an integrated mini-computer makes it possible to transfer data for infusion management. In the year under report we also completed development work on a terminal server with communication software. This product translates the information from all our infusion pumps into a standardised, communication-enabled language, and transfers this information to an SQL data bank. We are developing the next step in patient data communication in co-operation with the Information Technology Department of the University of Bremen: a patient data management system, which is a paperless, electronic patient file. The new product Urimeter, which is an important addition to our product range, measures automatically the fluid which a patient discharges. Previously, only the fluid which a patient received could be measured automatically. The Urimeter makes it possible to determine the complete volume balance of the patient.

## FRESENIUS MEDICAL CARE

**In the year 2000, Fresenius Medical Care further strengthened its position as the world's leading provider of products and therapies for the treatment of patients with chronic kidney failure, and launched innovative dialysis products and dialysis services in a large number of countries.**

The 2000 financial year was another successful year for Fresenius Medical Care. Sales increased by 9 % to US\$ 4,201 million (1999: US\$ 3,840 million). 73 % of sales were generated in the United States, 17 % in Europe and 10 % in the other regions of the world. The main growth driver was Dialysis Care. The growth of Fresenius Medical Care once again outperformed the market as a whole.

70 % of the sales of Fresenius Medical Care were generated by Dialysis Care, which grew by 13 % to US\$ 2,945 million (1999: US\$ 2,600 million). This growth resulted mainly from the increased number of dialysis treatments: Altogether, Fresenius Medical Care performed 12.9 million dialysis treatments in the year under report, 13 % more than in the previous year. All over the world, Fresenius Medical Care treated 91,900 patients in 1,270 dialysis clinics.

Sales of dialysis products, which make up 30 % of total sales of Fresenius Medical Care, increased by 1 % (currency-adjusted: 8 %) to US\$ 1,257 million (1999: US\$ 1,241 million). If the sales of products to our own dialysis clinics are taken into account, sales increased by 3 % to US\$ 1,563 million.

EBIT of Fresenius Medical Care increased by 11 % to US\$ 621 million (1999: US\$ 560 million). Both the Dialysis Care and Dialysis Product businesses contributed to this growth. Net income amounted to US\$ 212 million and thus achieved a rise of 24 % (1999: US\$ 170 million).

### **North America – network of clinics extended**

In North America we made significant progress by strongly expanding our dialysis services, and by introducing new products and innovative technologies. Fresenius Medical Care achieved a 10 % increase in sales to US\$ 3,083 million (1999: US\$ 2,807 million). EBIT rose by 7 % to US\$ 423 million (1999: US\$ 394 million).

### **Dialysis Care**

We considerably extended our network of clinics to 920 by founding and acquiring clinics, and performed around 9.6 million dialysis treatments (1999: 8.9 million). We greatly strengthened our market leadership in the USA through the acquisition of Everest Healthcare Services at the beginning of 2001. Everest, with approx. 70 dialysis clinics in the east and mid-west of the United States, is one of the largest American providers of dialysis services and treats around 6,800 patients. Moreover, Everest has service agreements with about 100 hospitals and carries out services for acute dialysis and other extracorporeal blood treatments. The addition of extracorporeal therapies to our business is in line with our strategic target of making Fresenius Medical Care a company which provides therapy concepts, e.g. apheresis and haemoperfusion, in non-dialysis fields as well.

We continued to work intensively on projects which will lead to further optimisation of the dialysis treatment and thus to a better quality of life for our patients.

We are intensively pursuing the opportunities presented by disease state management, or capitated reimbursement, which is a new form of reimbursement. Our goal is to adapt the traditional reimbursement system so that a fixed amount is paid for all the medical services

provided to a dialysis patient in one year. The quality of treatment will be optimised so that the patient will need to be hospitalized for as short a time as possible, thus saving costs. In this respect we benefit to a great degree from our vertical integration – from our expertise in products and treatment – and the amount of patient information which is stored in our data base (knowledge centre). Valuable knowledge obtained from this data will help us to optimise the therapy of the patient.

Following the 1.2% increase in the Medicare reimbursement rate for dialysis services (composite rate) in 2000, Congress has passed legislation to further increase these rates by 2.4% for the year 2001. These were the first increases in Medicare reimbursement rates since 1983.

Our joint venture Optimal Renal Care, together with our partner Kaiser Permanente, the largest managed care insurance in the United States, has developed a concept for fully-capitated risk-sharing arrangements for dialysis care. Three years after Optimal Renal Care was founded, it already treats 1,400 dialysis patients within the framework of this programme.

Another joint venture – Renaissance Health Care – aims at improving vascular access care in co-operation with leading nephrologists by developing and introducing new diagnostic measures and more effective treatment methods. The vascular access, which is normally in the lower arm, frequently causes serious problems so that patients often require hospital treatment. This costs around US\$ 1 billion per year in the United States which represents an amount of US\$ 8,000 per patient and 14% of total spending on dialysis. Renaissance Health Care also provides vascular access care services for these patients. Dedicated vascular access centres are being set up where the patients can be treated on an ambulatory basis. The first of these centres opened in Dallas, Texas, in the year under report.

The Renal Research Institute (RRI) makes an important contribution to our research efforts. It was founded in 1997 in alliance with the Beth Israel Center in New York. Our goal is to develop new methods and technologies to improve dialysis treatment. This co-operation between academic research institutes, industry and dialysis clinics is unique in the dialysis field. RRI has service agreements with more than 60 dialysis clinics which care for more than 6,000 patients altogether.

Laboratory services are also an integral part of our dialysis activities in the United States, because in order to assess the health condition of the patients, it is necessary to perform regular blood tests in a clinical laboratory, as well as general diagnostic measures. Our subsidiary Spectra Renal Management performed over 36 million laboratory tests for 1,540 dialysis clinics and more than 100,000 patients in 2000. Spectra Renal Management has a market share in the United States of 40% and is the leading provider of laboratory services for dialysis patients.

### **Dialysis Products**

Growth in our product business was generated by our haemodialysis products. Thanks to our Polysulfone® filter we are the leading company in the dialyser business in the United States, with a market share of over 50%. The Optiflux® dialyser was launched onto the market, a product with which we achieve better clearance and thus an improved dialysis performance. Furthermore, we launched the 2008 K dialysis machine. It has optional features with which the blood flow and the clearance can be measured on-line.



### International business expanded strongly

The International business of Fresenius Medical Care – outside the United States – closed the year under report with another increase in sales and profits: A plus of 8% (currency-adjusted: 19%) to US\$ 1,118 million was achieved in sales, and of 13% to US\$ 201 million in EBIT.

We have taken another major step towards building up a strong international position in services. Fresenius Medical Care cares for around 24,000 patients in 350 dialysis clinics outside the United States (1999: 241 clinics with 18,000 patients). Our technologically-leading product range and our expertise in the treatment of dialysis patients will continue to be a very good foundation for further growth.

### Europe – growth continued

In the central European countries our main business is product sales. We strengthened our leading position on the market for haemodialysis products in the year under report by increasing volumes and gaining market shares, especially in the Benelux countries and in Switzerland. New products such as the OnLine Clearance Monitor demonstrate once again that our research and development is focused on improving the quality of treatment. We shall be able to further increase our market shares with the new dialyser generation, the FX-class dialyser. In the field of peritoneal dialysis we continued our market penetration with the *stay•safe*® system and with the pH-neutral peritoneal dialysis solution *stay•safe*® **balance**. We have made progress with the clinical trials for the PD cyclers *sleep•safe*™ for PD treatment during the night. In the current reporting year we will start to actively market this product. Altogether, the market for dialysis products in this region grew by about 2%, a trend which we also anticipate for the current financial year.

As a vertically-integrated company, we benefit in western Europe from the combination of our dialysis products with our dialysis services. Our market situation continues to be sound. We were able to offset the continual price pressure through a modified product mix and our reputation as an excellent provider of services. We were able to substantially expand our dialysis care business in the 2000 financial year. The acquisition of the dialysis business of DaVita, Inc. alone added 24 clinics to our network in Italy, and seven in Great Britain. With 19 clinics, we are now the largest provider of dialysis care in Great Britain. Portugal is one of the major markets for our dialysis care services – here we likewise increased the number of patients treated. The reimbursement rates for dialysis care in Europe have remained stable in the year under report, or rose only slightly. In the west European product business we concentrated on increasing the market penetration of the products introduced in 1999, such as the *ONLINEplus*™ system and the *sleep•safe*™ PD cycler. The new FX-class dialyser was launched in the year 2000, and we anticipate that it will make a positive contribution to the development of our business in 2001.

In most of the countries of Eastern Europe we were able to maintain or strengthen our dominant market position due to our comprehensive product range. The *ONLINEplus*™ system and the PD cycler *sleep•safe*™ were very well accepted by the market so that we were able to achieve substantial sales increases in these countries too.



### **Asia-Pacific – good progress in developing the markets**

Business development in Asia-Pacific was marked by good growth and higher market share. We strengthened our activities regarding product service, clinical training and dialysis care. We bundled the dialysis care business in the year 2000 under the brand name “NephroCare Asia Pacific”. NephroCare offers advanced dialysis therapies in Asia and a complete range of management services for dialysis clinics. You can learn more by looking at our website [www.nephrocareasia.com](http://www.nephrocareasia.com).

In Japan, the most important dialysis market of Asia, we are represented by our subsidiary Fresenius Medical Care Japan, and we operate the joint venture Fresenius Kawasumi with our partner Kawasumi Laboratories. Together we successfully sell our recognised product range of Fresenius Polysulfone® dialysers on the Japanese market. Despite the increasing price pressure on the part of local competitors, we are planning to further expand our dialyser business. The Fresenius Polysulfone® dialyser is now the most widely-used dialyser in Japan. For this reason we have started to expand our production facilities for polysulfone membranes, the heart of the dialyser, with the aim of doubling the capacities. Our 4008 dialysis machine rounds off our product portfolio for haemodialysis treatment in Japan. In order to start operations in peritoneal dialysis, we launched the whole product range for this form of treatment, including our *stay•safe*® system. We also plan to extend our production capacities for peritoneal dialysis products: A factory is being built in Buzen in the south of Japan which will manufacture peritoneal dialysis products for the Asia-Pacific region. It will start operations in the year 2001.

We also have business operations in Taiwan, China and Hong Kong. In these countries we achieved an overall sales growth of 10%, despite the strong US dollar, and a substantial improvement in profitability. In Taiwan we provide management services to dialysis clinics with around 500 patients. In China, we maintained our market leadership by increasing sales of dialysis products by more than 30%. In dialysis care we are focusing our activities on introducing our high standards of quality into the clinics which we operate with local partners. In Hong Kong, we offer a complete product portfolio for dialysis. We shall further strengthen our market leadership in haemodialysis products and increase market shares in peritoneal dialysis.

In the rapidly-growing dialysis market of South Korea, we successfully integrated Kolon Pharmaceutical, Inc., a company which we acquired in 1999, into our organisation. Recently we were granted the marketing approval for our peritoneal dialysis system *stay•safe*®, so we shall strengthen our focus on the peritoneal dialysis market in future. We expect to provide more than 1,000 patients with our peritoneal dialysis products in 2001. Also, our subsidiary in Thailand has developed well despite the economic problems of this country. Training and education programmes to improve the qualifications of our employees will further increase our competitiveness in this market.

Our goal in the Asia-Pacific region is to further expand our peritoneal dialysis business and operate more and more clinics for haemodialysis patients, both our own and managed clinics. We shall keep a close watch on the development in the individual countries and exploit all possible opportunities to operate our own dialysis clinics through our NephroCare organisation. Until then, we shall expand our dialysis care business through management contracts and local partnerships.

#### **Latin America – a market on the move**

We were very successful in Latin America in the year under report and achieved a sales growth of 44% to US\$ 214 million, which was significantly higher than the growth of the market as a whole. The number of dialysis patients treated in our clinics rose from 7,700 to 11,400, a sizeable increase. The acquisition of the Latin American dialysis clinics of DaVita alone added 3,000 patients.

In Argentina we took a major step forward by acquiring 48 clinics from the American company DaVita, Inc. Discussions and consultations with the governmental health insurance authorities give us confidence that there will be an upward trend in the health care system of this country. In Brazil we were able to realise an increase of 25% in our product sales, not least due to the introduction of e-commerce. The number of dialysis machines sold increased by more than 130% to 1,100. We operate dialysis clinics in Brazil via franchising. Although in Brazil we are confronted with one of the lowest reimbursement rates in the world for dialysis care, we continued to supply high quality and benefited from operating in profitable niches of the provider business. We anticipate that the reimbursement rates will be raised in the current financial year. In Chile and Peru we succeeded in expanding our business: In Chile, sales via our distributor increased by 300%; in Peru we set up a subsidiary and have already established

a strong market position for haemodialysis products.

In Mexico we achieved a market share of over 50% and a sales increase of 40%. It is expected that the Mexican health system will be gradually privatised, thus preparing the ground for an increase in the number of patients treated with haemodialysis in the years to come. Fresenius Medical Care has therefore initiated activities to build up a service business in Mexico, in addition to the product business. We opened four new dialysis clinics in Colombia, increasing by 30% the number of haemodialysis patients we treat. The number of peritoneal dialysis patients increased by about the same rate. Due to a restructuring and cost-savings programme we were able to significantly improve the profitability of our Colombian business. We achieved a growth of 130 patients in Venezuela by founding a dialysis clinic and acquiring two further clinics. The new Venezuelan government has initiated a programme which is intended to give the population better access to medical care; this leads us to expect further growth in the dialysis field.

Although changes in the political environment in Latin America cannot be excluded, the prospects for Fresenius Medical Care in this region are very promising. Through the strong demand for health care we will be able to strengthen our leading position and open up additional, very good growth opportunities.

## FRESENIUS KABI

**In the year 2000 we accelerated our worldwide business expansion – mainly through acquisitions: Our main focus was on the opening up of growth markets and the expansion of our service division Calea. We strengthened our leading market position in Europe and created a solid basis for future growth in important markets in Asia and Latin America.**

In the year under report we concentrated on extending our product range in the European markets as well as in Asia and Latin America and in penetrating new markets – in particular through selected acquisitions. In the current year we shall expand our international business and extend our network of local distributors; this is an investment in the future: Our target is to achieve a leading market position internationally. To support this objective we are adapting our present structure, which up to now was product oriented: We are combining our product businesses in the 2001 financial year and at the same time we are establishing a regional-based structure. We are convinced that with this new organisation we shall gain a higher degree of customer orientation and flexibility.

As well as working on the product business we are also concentrating on further expanding our service business Calea. The cost-saving measures in the hospitals offer new growth potential in the field of ambulatory patient care. Here we are operating in a market which is growing in Europe by more than 10% annually. We strongly expanded our range of services for ambulatory therapies and medical services in 2000 through acquisitions.

In our new production facility for parenteral nutrition in Uppsala, Sweden, we started commissioning the production lines for parenteral nutrition solutions in single-chamber bags, and, at the end of 2000, also for solutions in three-chamber bags. We are planning to steadily increase the production volumes and raise manufacturing productivity in the year 2001. In the factory in Friedberg, Germany, the start-up of the production lines for the manufacture of infusion solutions in PVC-free bags was completed. In the current financial year, we plan to

optimise the production technology and further increase the utilisation of capacities. We made good headway with our project to restructure the European production network; we closed the standard infusion production facility in Basingstoke, Great Britain, in spring of 2000. We are currently negotiating the sale of the manufacturing plant in Limoges, France. Furthermore, we are planning to stop production in Stockholm when the factory in Uppsala is in full operation.

Now to the figures: In the 2000 financial year we increased sales by 16% to € 1,122 million (1999: € 964 million). The expansion of our service portfolio is reflected in the sales split: The ambulatory services business unit – Calea – achieved a sales growth of 61% to € 151 million, which represents 13% of Fresenius Kabi's total sales. ProReha which was acquired in the middle of 2000 made a major contribution to this figure. The acquisition of this company has levelled the path for us to become an all-round, decentralised provider in the German market. We took over ProReha when it was being restructured following a management buy-out. One of our key tasks with regard to ProReha will be to adapt its business processes and substantially lower its infrastructure costs in order to achieve a profit after the loss it made in 2000, and the probable loss in 2001. The product business of Fresenius Kabi increased by 12% to € 971 million. The growth in the product business was achieved in an environment characterised by strong price pressure due to increasing competition, and by cost

restraints in the provision of health care. Despite these factors, organic growth amounted to 5%. EBIT of Fresenius Kabi rose from € 79 million to € 88 million – a growth of 11%. The lower growth rate of EBIT compared to sales is mainly due to expenses in connection with the cost-cutting measures in manufacturing described above, which will continue in 2001, and also due to the restructuring and optimising of our business processes in the market units. The product segment contributed € 82 million to EBIT (1999: € 70 million) and the service segment € 6 million. One of the reasons for the drop in EBIT of services compared to 1999 (€ 9 million) was the loss made by ProReha. In the year 2001 we shall continue to work on optimising our value chain in order to increase our efficiency. To achieve this, further restructuring steps will be necessary.

#### **Infusion Therapy – new products for the market**

In the infusion therapy business we are concentrating on infusion solutions for fluid and blood volume substitution, drug infusions and medical products.

We further expanded our market position in Europe in the field of blood volume substitution with Voluven®, our new generation of hydroxyethyl starch. After Voluven® had been launched on the German market in 1999, it was introduced in Great Britain, Austria and Switzerland in the year under report. The product was very well accepted in all these markets. In addition, in Germany we successfully launched our newly-developed product HyperHAES®, which is used in emergencies and in the hospital to compensate high blood losses.

With regard to i.v. drugs, we succeeded in achieving a stronger market penetration with our anaesthetic agent Propofol, not least due to the introduction of this product in additional European countries as well as in Asia and Latin America. We were also able to expand our business with standard infusion solutions in our *freeflex*® PVC-free bags and to achieve a good acceptance of this product.

We strengthened our market positions in Europe and Africa in the year under report as a result of selected acquisitions: We acquired the standard infusion solutions businesses of local competitors both in Spain and Portugal. In Poland, we acquired the business operations of Polfa Kutno, the largest provider of infusion solutions, and thus we occupy a key position to further expand into central and east European countries such as the Baltic republics, Ukraine and Belarus. We were also able to successfully continue our business expansion in South Africa by acquiring Intramed – a leading local provider of standard infusion solutions.

#### **Nutrition Therapy – a big step forward in Asia**

In the field of nutrition therapy we offer products for patients who cannot take nutrition in the normal way as a result of all kinds of physical handicaps, and are therefore not adequately provided with nutrients. Depending on the indication, the nutrition can be administered to the patient either with parenteral nutrition products, i.e. via the vein, or with enteral products, i.e. via the gastrointestinal tract.

Despite a stagnating overall market, we succeeded in increasing sales of parenteral nutrition in Europe, mainly thanks to the products which were newly introduced in the past few years: Aminomix®, Dipectiven®, Glamin® and Omegaven®. After the three-chamber bags Kabiven® and Compleven® were successfully introduced in Sweden and

Germany respectively in 1999, these products were launched onto further important European markets in the year under report, where they likewise enjoyed good acceptance by our customers. Our fat emulsion Intralipid®, which is available not only in glass bottles but also in user-friendly PVC-free bags, was also successfully introduced in Europe; likewise Structolipid®, a new generation of fat emulsions which is also available in flexible, PVC-free bags. In parenteral nutrition there is a general trend away from glass bottles towards nutrition bags. Soon we will also be in a position to offer products containing amino acids in PVC-free bags.

In line with our strategic targets we accelerated our business expansion in Asia, and invested in growth markets such as Korea, Thailand and China. In doing so, we firstly concentrated on further expanding the distribution network in order to achieve stronger market penetration with our products and improve the degree of service for our customers. Secondly, we now have manufacturing facilities in China and Korea which can supply products directly to these important Asian growth markets. In the autumn of 2000 we acquired 80 % of the shares of the parenteral nutrition business of Korea Green Cross, Seoul. Fresenius Kabi has therefore become one of the leading providers of parenteral nutrition in South Korea and the market leader in fat emulsions.

The market for enteral nutrition products will offer us good growth opportunities in future. We expect that the current market growth rate of at least 10 % per annum will continue due to the following three factors: The number of elderly people keeps increasing, the diagnosis and treatment of illnesses is improving more and more, and growing GDPs in the developing countries will result in increasing demand for health services. This development is also influenced by the fact that the medical benefits

of enteral nutrition are becoming increasingly recognised, and thus demand for nutritional products, in particular for disease-specific nutrition, is growing. In Europe, we already occupy a leading position in enteral nutrition.

In the year 2000 we introduced a range of new products onto various markets. These include:

- Diaben®, a special tube feed for patients with diabetes mellitus
- Fresubin® 1200 complete, the tube feed in the 1.5 litre EasyBag which covers a whole day's requirements of calories for a patient
- Thick & Easy®, an instant food thickener for patients with swallowing disorders
- Calshake®, a product specially developed for patients with increased energy and protein requirements, such as cancer or HIV patients.

The Freka® PEG 20 CH was added to the comprehensive range of Freka® feeding tubes.

We achieved further advances with our activities in the Asian and Latin American regions. We introduced the first enteral application technology products onto the Chinese market; more products from the range of standard and special diets will be introduced shortly. In Mexico, we acquired the company Biotecnología Y Nutrición which is the country's leading manufacturer and distributor of enteral nutrition products. This acquisition meant that we have succeeded in entering the Mexican market for enteral nutrition. At the same time, now that we own a production facility in Latin America, we are well positioned to further increase our share of this growth market.

On the whole, malnutrition of patients in hospital is still widespread, both in Europe and in other parts of the world. For us, this is both an opportunity and an obligation to increase awareness of this problem and work out suitable nutrition concepts together with international partners such as the European Society of Parenteral and Enteral Nutrition (ESPEN). We plan to develop further innovative products so that we shall be able to give sick people even more individual help.

#### **Calea – ambulatory medical care**

In the field of ambulatory medical care we are focusing both on the organisation and implementation of therapies for patients at home as well as on services for ambulatory health care. At present we provide about 30,000 patients with more than 30 therapy concepts in their home environment. These concepts include infusion and nutrition therapies as well as wound care and respiratory therapies. Our range of services is very comprehensive: We not only supply the patient with the individually-prepared medications and the products necessary for the therapy, but also organise regular care by specially-trained nurses. In addition, intensive care of patients around the clock by qualified staff is also part of our service portfolio.

In the year under report we have succeeded in gaining additional market shares in all countries where we operate by working intensively on these markets and expanding our portfolio of therapy and services. Acquisitions supported this development: In Germany, we expanded our activities substantially in the field of ambulatory therapies and medical services: In the middle of the year 2000 we acquired 51 % of the shares of ProReha and have therefore become the number one in the German market for ambulatory health care. ProReha supplies more than 100,000 patients all over Germany with products and services in the fields of respiratory diseases, stoma (artificial bowel), wound care, incontinence and enteral nutrition, as well as with medical-

technical equipment and medical auxiliaries. ProReha complements perfectly our range of services and brings us a big step forward towards achieving our target of becoming an all-round provider in this field. The restructuring of ProReha which was started before its acquisition by Fresenius Kabi will continue under our management in the year 2001.

We have also significantly strengthened our regional presence and our range of services in France, the second largest European market for ambulatory health care. At the end of 2000, we acquired Novamédical, a company which provides more than 4,000 acute and chronic patients with ambulatory nutrition, infusion and respiratory therapies.

In Canada we acquired InfoHealth, the leading provider of medical call centre services. InfoHealth offers a telephone service for the pharmaceutical industry which provides information about medications to the patients. The direct telephone contact helps to ensure that the patients take their medication regularly and correctly. This business complements excellently Fresenius Kabi's existing service concepts for ambulatory health care: In several countries we already carry out training programmes on behalf of health insurances or drug manufacturers and operate call centres in order to support patients in the use of their therapies. Our aim is to measurably increase the success of the therapy as well as to inform the manufacturer as quickly as possible about any side effects or problems occurring in the use of the drugs and therapies.

The three major focuses of our future work will be to integrate new services into our portfolio, continue to expand our ambulatory care business and steadily increase our standards of quality.

## FRESENIUS PROSERVE

**Our activities in 2000 focused primarily on our entry into the new business field of health facilities management. We have taken a number of important steps to realise our long-term goal – to make Fresenius ProServe a major international hospital operator. And to achieve this objective, we are laying the foundations in Germany with our takeover of Wittgensteiner Kliniken AG.**

The privatisation of the German hospitals continues to make headway. Today, the main providers in the German hospital market are public institutions which operate around 45% of the 2,300 acute hospitals. Independent non-profit-making operators have a 36% share of the market, and private hospital operators around 19%. The number of private acute hospitals is likely to increase significantly by the year 2010. 60% of the 1,400 specialist hospitals in Germany are already privately owned, and this trend is accelerating. It is a market development which we have recognised, which we are prepared for, and which offers us excellent growth opportunities. It is a chance for Fresenius ProServe, as the specialist in the consulting, planning, construction, and equipping of hospitals, as well as technical management, to take the next step in the value added chain: the high-quality medical and business operation of health facilities. We are thus entering a new and highly significant market.

Through our acquisition of Wittgensteiner Kliniken AG (WKA), Bad Berleburg, we shall take over one of the major nationwide operators of private hospitals. WKA owns 21 specialist and 7 acute clinics in Germany, the Czech Republic and Finland, with a total of around 5,300 beds. The Group has around 4,600 employees, and achieved sales of approx. € 220 million in the year 2000.

Prior to this takeover, Fresenius ProServe had already set up its own operation and management company for hospitals in Germany, hospitalia kliniken. This company has already achieved some successes: At the start of 2001, hospitalia kliniken took over the operation of its first hospital, Reichenbach Hospital in Vogtland (220 beds). Since November 2000, hospitalia kliniken has also been responsible for managing Siegburg Hospital.

This includes the 390-bed hospital, the 49-bed cardiac centre, and a nursing home with 200 beds.

A merger between Wittgensteiner Kliniken AG and hospitalia kliniken gmbh is planned at a later date.

The range of services provided by hospitalia care will complement the Fresenius ProServe portfolio in the German hospital market in future. hospitalia care plans, develops and operates private nursing facilities, and takes over responsibility for their management and operation. Its special focus is on nursing services at its facilities, which bridge the gap between acute care in hospital and care of the patient at home.

hospitalia care targets its services at a strongly expanding market. The Federal Statistical Bureau has calculated that the 75+ age group in Germany is likely to increase from 5.1 million to 10.8 million between 1995 and 2040. The proportion of very elderly people, who are most likely to require residential nursing care, is expected to increase by more than 250% over the same period. Germany has a severe shortage of state-of-the-art care facilities offering the latest therapies and based on an awareness of the importance of high-quality service and sound economic management. hospitalia care's target in the coming years will therefore be to set up more facilities in conjunction with local real estate investors: Around ten facilities are already at the planning or building permission stage, of which seven will be opened in the south and east of Germany by the end of 2001. hospitalia care's first two new residential care centres – in Ergolding and Pullach – have recently commenced operation with 100% occupancy.



Wittgensteiner Kliniken, hospitalia kliniken and hospitalia care will be the core for our further expansion in Germany, and will also be an excellent reference point from which to create an international hospital organisation.

A start has already been made here too: The Fresenius ProServe subsidiary, hospitalia activHealth, has been operating in the international field since the summer of 2000. The company offers hospital operators professional management for health facilities, and also plans to establish itself as an international hospital operator.

hospitalia activHealth is targeting markets with a stable social insurance system or a strongly expanding private hospital market. South-East Asia is one example: Following a management buy-out which came into effect on January 1, 2001, hospitalia activHealth has acquired a 30% share in the Sabah Medical Centre in Kota Kinabalu, Malaysia, and has now taken over the management of this 350-bed acute hospital. Our aim is to achieve a market share of 10% in Malaysia by 2003. In the Philippines, hospitalia activHealth will commence operations with a management contract for the 300-bed Manila Doctors Hospital from April 1, 2001. hospitalia activHealth will benefit from the longstanding international business links established by the Fresenius ProServe companies; in turn, it will give new impetus to our project business.

The individual divisions of Fresenius ProServe now represent a closed chain of services, from project development to health facilities management. We shall continue our international expansion within the full scope of our portfolio in the coming years.

Last year was a busy year for the development of our hospital management business, but it was also a year when our activities in our traditional business fields focused on expansion. Our aim was to launch the

Fresenius ProServe product range in new markets, and also to acquire further projects and follow-up orders in those markets where we are already represented locally. And we achieved a great deal of success in the year 2000: Sales rose by 6% to € 284 million (1999: € 268 million). Both the project and service activities of Fresenius ProServe contributed to this growth. Nearly two thirds of our sales, 63%, was achieved with projects, and 37% with services. Fresenius ProServe also succeeded in further improving profits: EBIT rose by € 2 million to € 15 million, an increase of 15%. In the key figures which are of major importance for the future growth of the business – orders received and orders on hand – we achieved further increases through ongoing project acquisition. Orders received amounted to € 340 million on 31.12.2000 (1999: € 309 million), and orders on hand totalled € 305 million (1999: € 276 million).

We should like to give you a brief overview of the activities during 2000 of the Fresenius ProServe subsidiaries.

#### **VAMED AG**

VAMED is an internationally recognised project and service partner for clients in the health care field. The Group offers a complete portfolio of services, from project development, consulting and planning to the turn-key construction and technical and general management of hospitals and health facilities.

During the 2000 financial year, VAMED was again successful in all areas of activity. Sales rose to € 186 million and thus exceeded the figure for the previous year (€ 173 million) by 8%. VAMED's net income also rose: from € 7 million to € 8 million. Orders received increased to € 219 million (1999: € 183 million) during the 2000 financial year; orders on hand rose to € 182 million (1999: € 153 million).

VAMED operates in the following markets: Austria and its neighbouring countries, the European Union, central Europe, the Middle East, South-East Asia, north and west Africa.



In South-East Asia, we continued our efforts to penetrate the markets in Malaysia, the Philippines and Vietnam in 2000. A contract was signed for the planning and supply of all the medical-technical equipment for a large public hospital with 620 beds in Malaysia. In the Philippines, we completed our third project – the supply of medical-technical products for 23 hospitals. In China, we were awarded two contracts to supply medical-technical equipment. We succeeded in entering the market in Vietnam with a contract for the re-organisation of hospital waste management as well as the planning, supply and installation of 25 disposal systems for infectious hospital waste.

We are looking forward to very positive developments in the Middle East. VAMED has won a contract to provide the project management services and supply the medical equipment for a 200-bed hospital in the State of Qatar. It has also signed a contract to equip a private hospital in Amman, Jordan. Our increased focus on the sub-Saharan countries has also borne fruit: VAMED's first project will be to construct a turn-key hospital in Ghana. We have thus succeeded in breaking into the market in four new countries: Ghana, Qatar, Vietnam and Jordan.

Three projects were completed and went into operation in the year under report: the Sitang Hospital Bao-shan in Shanghai, China, the Cardiac Centre in Minsk, Belarus, and the hospital in Kalamata, Greece.

Business in Austria developed very positively: VAMED won major new contracts for the Mother and Child Centre in Linz and the Regional Hospital in Steyr. After examining the funding model developed by VAMED, the European Investment Bank pledged € 107 million to the major project for Vöcklabruck Hospital, which amounts to around 50% of the project costs. VAMED is also hoping to obtain this extremely favourable co-financing for our clients, the Mother and Child Centre in Linz and the Steyr Regional Hospital.

As regards VAMED's current projects, including the Wagner-Jauregg Psychiatric Clinic in Linz and Vöcklabruck Regional Hospital, we have reached important milestones in the completion of these projects. The planning of the medical-technical equipment, the general planning, and the project management services were completed for projects in Vienna, Styria and Carinthia. We provided project development, consulting and planning services for health tourism projects in Upper and Lower Austria, Tyrol and Burgenland. The expansion and additional investment agreed for our client, the General Hospital University Clinics in Vienna, were also completed successfully.

We achieved a major breakthrough in the German market when VAMED was awarded the contract for the technical management of the Campus Virchow Teaching Hospital in Berlin, a large unit belonging to the Charité University Hospital. The contract will initially run for five years. Around 35 people will be employed there during the start-up phase.

In the current year we shall intensively continue our efforts, as in 2000, to penetrate the markets of South-East Asia and the sub-Saharan regions. We also expect continued positive development in the Gulf states.

Furthermore, we shall also focus especially on expanding the international services generated by our project business in the coming years. In Austria we offer our customers innovative solutions for project realisation and financing, general contracting, and project development. In neighbouring countries, the first contracts will be concluded shortly.

### **hospitalia international gmbh**

hospitalia international is an international hospital project and service company. Its range of services comprises highly specialised consulting, servicing and engineering as well as the turn-key construction, modernisation and complete equipping of hospitals, and the maintenance of medical-technical equipment.

In the 2000 financial year, our activities focused on the systematic expansion of the company's regional structure, so that we are able to operate directly in the rapidly-changing health markets. Offices were established in Greece, South Africa and Egypt, ensuring local expertise and availability for our customers, and enabling us to develop business in these countries. hospitalia international is thus adapting to the various markets and local practices as well as to the specific structures of the national health systems of these countries. In the 2000 financial year, hospitalia international generated sales of € 29 million (1999: € 32 million). Orders received totalled € 39 million (1999: € 59 million), and orders on hand amounted to € 86 million (1999: € 77 million).

hospitalia international is concentrating its business operations on the markets of Greece, Egypt, South Africa and central Asia, where project business continues to show strong growth. In the 2000 financial year, we were awarded the contract to construct a nephrology centre and sanatorium in Turkmenistan in cooperation with Siemens AG. This hospital will specialise in renal diseases, and will have 100 beds. The value of the contract for hospitalia international is around US\$ 23 million. The hospital will be built within a very short timeframe; it is scheduled to go into operation in mid-October 2001, when it will be handed over to the client.

In Greece, we completed the major part of our contract to supply and install all the equipment for the 450-bed Henry Dunant Hospital in Athens, owned by the Greek Red Cross, so that it was able to go into operation. This is one of the most modern hospitals in south-east Europe. We also secured a maintenance contract for this hospital, initially for a six-year period. Further orders from Greece are expected during the current financial year.

We have reorganised our service business in Egypt and set in place the economic and technical bases for the further expansion of business in this country. Here, too, we plan to set up our own subsidiary to handle business locally.

In 2000, the German hospital engineering market was a key focus of our activity for the first time. Our contract to draw up a master plan for the University Hospital in Hamburg-Eppendorf for the next 15-20 years offers great potential for further business development in this area. Stage 1 of the master plan, in which the main targets were defined, has now been completed. During the year under report, we also signed a co-operation agreement with the Johann Wolfgang Goethe Teaching Hospital in Frankfurt/Main, which will give us access to the University's pool of knowledge, both with regard to the latest medical technology, and to advances in medicine. We shall thus be in a position to update and expand our specialist know-how on an ongoing basis, which will be of great benefit in future hospital projects.

In the current financial year, hospitalia international will continue to focus on its core business of turn-key hospital projects and intensively expand its activities in the above-mentioned regional markets. Together with the other Fresenius ProServe subsidiaries, we are in a position to provide an innovative portfolio of hospital services and utilise our wealth of experience in this field.

### Pharmaplan GmbH

Pharmaplan is the partner of the pharmaceutical and medical-technical industry for the consulting, planning, construction and supervision of production plants all over the world.

The focus of our growth during the 2000 financial year was on the American market, where Pharmaplan is represented by its companies Valicor and Hatch. Validation orders for large multinational pharma companies such as Aventis, SmithKline Beecham, Bayer and Centocor were completed.

Germany is a market in which Pharmaplan plans to strengthen its activities in the future. We therefore set up Pharmaplan Deutschland GmbH at the beginning of 2000 in order to increase our market presence here. In the year under report, we completed major projects – including the construction of production plants for oral drugs – for Merck in Darmstadt and Stada, Bad Vilbel.

The Middle East was also one of Pharmaplan's focal points. We brought our first project in Abu Dhabi, United Arab Emirates, to a successful conclusion. This was a manufacturing plant for syringes and giving sets. A follow-up contract has now been signed. Production plants for giving sets were completed in Uzbekistan, and for intravenous catheters in Iran.

In order to expand our business in Europe, we are planning to extend our engineering project services to Italy in 2001. Italy is one of the largest markets for pharmaceutical investment in Europe and therefore extremely attractive from Pharmaplan's point of view. A further emphasis in the current year is on expanding our engineering services for manufacturing plants for chemical and biotechnological pharmaceutical products, as well as for production plants for blood plasma products.

Pharmatec, a Pharmaplan subsidiary, successfully established itself in the Swiss market in the year under report and generated its first orders from Roche and Novartis. In England and Germany, Pharmatec manufactures process and purified water systems for the pharmaceuticals industry. In order to gain access to the American market, Pharmatec acquired a stake in the sales and service organisation Kuhlmann Technologies, Seattle, United States, in the 2000 financial year. This company will distribute Pharmatec systems in future. We are also building up Pharmatec International to strengthen our operations in the markets in Asia, Eastern Europe and the Middle East.

Pharmaplan and its subsidiaries experienced a very positive business development during the year under report. Pharmaplan achieved a sales growth of 10% to € 69 million, a substantial increase over the previous year's figure of € 63 million. Net income was in the region of € 3 million, as in the previous year. Orders received increased to € 83 million (1999: € 67 million). Orders on hand totalled € 36 million (1999: € 47 million).

## FRESENIUS HEMOCARE

**Develop innovative products, perform clinical trials and expand our business internationally – this was the focus of our work in the year 2000. Establishing our new division BioCore marked the first step towards providing services in addition to products from our business segment. At the same time we strongly expanded our traditional business and were therefore able to close the 2000 financial year with a substantial increase in sales and profit.**

We increased sales by 16% to € 207 million (1999: € 178 million). EBIT of Fresenius HemoCare more than tripled to € 7 million compared to the figure achieved in the previous year, and for the first time we achieved a positive net income, € 2 million. As in the previous year, we invested heavily in research and development, in the market launch of new products and in the expansion of our international business.

We should like to describe to you the most important developments of the individual divisions in the 2000 financial year:

### **Transfusion Technology**

The Transfusion Technology Division is an all-round provider for the blood bank and offers numerous disposables and devices for the preparation of homologous and autologous blood products (blood donation, separation of components etc.).

Transfusion technology, with a sales share of 48%, is the largest division of Fresenius HemoCare. Sales developed extremely positively in the year under report with a 17% growth. This sales growth, which was higher than the growth of the market as a whole, enabled us to further strengthen our number two position in Europe and our leading market position in South America.

In-line filter blood bag systems – systems for leukocyte filtration – made a major contribution to this positive development. In the current financial year we intend to launch these products in additional countries such as France, where we were granted marketing approval after completion of the validation trials. Most European countries stipulate that leukocyte filtration has to be done

during the production of blood products, and not just when they are being administered to patients. In Germany, the supervisory authorities have decided that leukocyte filtration is not mandatory until September 2001, and that the blood donation services do not have to change their manufacturing process in the year under report, as we had originally expected. Despite this delay in the largest European market for blood bags we were able to increase sales of this product substantially thanks to strong growth in South America and the Eastern European markets.

In Germany, France and Italy we successfully continued the market launch of our cell separator COM.TEC, which we first introduced in 1999, during the year under report. Thus, the Transfusion Technology Division is very well positioned for further growth.

### **Infusion Technology**

The Infusion Technology Division offers advanced products in the field of infusion technology and management; these products are mainly used in intensive care units and operating theatres. Fresenius HemoCare is one of the leading European specialists in this field.

In the 2000 financial year, the division increased both sales and profits by means of strict cost control as well as by streamlining and optimising business processes.

Despite continuing price pressure and reduced investment activities on the part of the hospitals, we succeeded in maintaining sales at the previous year's level in our main markets Germany and France. In other European countries we further extended our sales organisations and achieved successful business results. Our distributors in South Africa and the Middle East gained

their first customers in the year 2000 and opened up new, promising markets. The main regions where we started up export activities in the year under report were Asia, Russia and South America. In these areas there is a strong demand for intensive care products so that we expect to continue our business expansion there.

New products also made a substantial contribution to the positive development of business in the year under report: For instance, 25% of the sales volume in infusion technology was generated with products which were not introduced onto the market until 1999, in particular the MVP volumetric infusion pump module for the infusion workstation Orchestra. This product enables our customers to combine syringe pumps and volumetric pumps in a central unit in order to achieve more effective infusion management in the intensive care unit. Thus, the Infusion Technology Division is steadily transforming its business from just being a provider of infusion pumps to becoming a provider of systems. This development is additionally supported by the introduction of communication electronics in infusion technology. At the end of December 2000 we established the company Intellicare GmbH together with the Information Technology Department of the University of Bremen. The aim of this company is to develop a patient data management system adapted to the user's needs. Based on uniform standards of electronic communication, documentation in intensive care wards can become completely paper-free. The medical staff have access to treatment parameters and equipment data with the aid of SQL data bases.

The goal of the Infusion Technology Division is to become an internationally-leading provider of infusion technology with new products, high standards of quality and with the communications technology mentioned above.

### Adsorber Technology

The Adsorber Technology Division develops, produces and sells adsorber systems which help to remove certain pathogenic substances from the extracorporeal blood circuit.

The division was able to increase sales and profits substantially in the year under report. All the following products contributed to this development:

- DALI® – a process to treat familial hypercholesterolaemia – a disturbance of the lipometabolism
- Prosorba® – a process to treat rheumatoid arthritis
- Immunosorba® – a process to treat various immunological diseases, e.g. haemophilia, diseases of the cardiac muscle and other nephrological and neurological indications.

In the year 2000 we further strengthened our leading position in Europe with the DALI® system. We achieved substantial growth rates, in particular in the international markets. We are aiming to enter the market in Japan where, apart from Europe, the largest number of patients with familial hypercholesterolaemia are treated with LDL apheresis. In the year under report we started a clinical trial with the DALI® system in several Japanese hospitals. When they have been completed, we shall apply to the Japanese Ministry of Health for marketing approval for this system.

In the United States we substantially expanded our adsorber business due to the progress made with our Prosorba® system. In June 2000, the American Health Care Financing Administration (HCFA) agreed to reimburse the costs of treatment with the Prosorba® which has been registered for the treatment of rheumatoid arthritis since April 1999. The HCFA stated that Medicare would reimburse costs for the treatment of patients with severe rheumatoid arthritis in those cases where the

standard therapy is no longer effective. In the meantime, more United States health insurance companies have included the Prosorba® treatment in their range of reimbursable services. These approvals pave the way for us to expand this business in the future; and we expect to increase sales substantially in the United States in the 2001 financial year. Since March 2000 the Prosorba® has also been registered in the European Union, EFTA and Switzerland. Several patients have already been successfully treated with this adsorber. Currently, we are concentrating on obtaining the agreement of the respective authorities, starting with Germany, to reimburse the costs of the Prosorba® treatment. There is a good chance that due to the impressive clinical data and the medical relevance of the disease, it will be possible for an application to be made during the course of 2001 for consideration by the Federal Committee of Doctors and Health Insurances.

Sales of the Immunosorba® system developed positively; more centres are now treating patients with this adsorber. In the current financial year we are concentrating our activities on a few selected indications, e.g. haemophilia and diseases of the cardiac muscle. Our aim is to obtain sufficient additional clinical data to prove the efficacy and the medical benefit of the adsorber, in order to obtain the agreement of the health insurances or other respective authorities to reimburse treatment costs. In the medium term, we hope that the costs of adsorber treatments for other immunological diseases will be able to be reimbursed as well.

We have made important advances in the development of new products, such as the endotoxin adsorber MATISSE® for the therapy of sepsis. At the end of 2000, around 100 patients were taking part in a second clinical trial, which this time is a controlled one. We expect to obtain the first interim results during 2001. It is our aim to establish extracorporeal removal of endotoxins as a standard therapy for sepsis patients. Even in the first clinical trials we were able to prove that the treatment was tolerated excellently by the patients, and that endotoxins were removed effectively.

### **Immune Therapy**

The Immune Therapy Division operates in the field of organ and stem cell transplantation, and of cancer therapy. The division is also working on new products and processes for immune and cell therapies in co-operation with newly-established research companies and with universities. Every organ or organic system of the human body can suffer from a deficient or excessive reaction of the immune system. New therapy methods are emerging as a consequence of the increasing knowledge about the mechanisms at the core of these diseases.

When the defence system of the body directs itself against life-saving transplanted organs, our product ATG-Fresenius is used to suppress this reaction. We continued to sell ATG-Fresenius successfully in more than 50 countries in the year under report. ATG-Fresenius is also used in the transplantation of bone marrow and stem cells from the cells of donors in order to suppress the life-threatening rejection by the recipient of the cells of the donor. Due to the increasing number of bone marrow and stem cell transplantations, sales of ATG-Fresenius developed very well in the 2000 financial year.

We are co-operating with the biotechnological company Trion Pharma in the field of cancer therapy and bi-specific trifunctional antibodies. The novel anti-tumour principle exploits the power of the immune system to selectively destroy residual tumours. The antibodies are administered to the patient intravenously or subcutaneously after the carcinomas have been surgically resected, and complement existing forms of treatment such as chemotherapy and radiation. Clinical studies on several epithelial tumours such as cancer of the lung, head and neck and ovaries, are just about to commence.

The antibodies can also be used to eliminate residual tumour cells from stem cell concentrates in an extracorporeal process. These stem cells are removed from the patient before treatment with chemotherapy and radiation and re-infused when the treatment is finished. We launched the product – Removall® – onto the market in October 2000 (see also the chapter “Research and Development”).

During 2000, we agreed on an alliance with a group of leading scientists to work on research and development in the field of cancer and leukaemia, right up to the registration of new drugs. It is also our aim in the future to develop the foundations for innovative forms of treatment in cooperation with university research groups and highly-specialised companies. The focus of these activities is patient-specific therapies to fight cancer, e.g. cell therapies.

Many diseases have a complex pathogenesis and development, and therefore require an equally complex therapy. Nowadays, for some diseases it can be beneficial to combine recognised forms of therapy with new biological, patient-specific therapies. It is conceivable that cell therapies can be utilised for almost every serious illness, for instance for cancer, neurodegenerative diseases, organ insufficiencies, infections and metabolic disorders. In order to be able to carry out such cell therapies, special laboratory equipment and highly-qualified staff is essential.

In May 2000 we concluded an agreement to co-operate with the Department of Human Medicine of the University of Göttingen. Fresenius HemoCare and the university's Department of Human Medicine are working on the development and application of new immune and stem cell therapies for cancer, as well as on new tissue cell therapies. A clinical trial has demonstrated first successful results in the treatment of renal cell cancer. A technologically-leading centre for research, medical trials and laboratory services is being established in Göttingen, the first of its kind. The BioCore Division will be responsible for the production and marketing of the cellular products necessary for the therapies.

#### **BioCore – the service division of Fresenius HemoCare**

BioCore is a new division of Fresenius HemoCare, providing services for new therapies within the existing product portfolio of Fresenius HemoCare in close co-operation with universities, research laboratories and institutions. BioCore combines scientific research, clinical application and industrial realisation for the benefit of the patient, mainly in the fields of immune and cell therapies and in therapeutic apheresis.

BioCore has begun to build a laboratory on the premises of the University of Göttingen to manufacture these cellular products. The first product will be a vaccine for the treatment of renal cell cancer which will start clinical trials in 2002. In Germany alone, about 12,000 people fall ill each year with this type of cancer. This vaccine does not work like substances known up to now for the therapy of cancer, but it activates the patient's own immune system. A special attribute of the tumours, which is exploited in this process, is to display special markers on their surfaces which are recognised by the body. The vaccine is produced by electrofusion of cancer cells of the patient with defence cells of a healthy donor. This results in a cell which on the one hand has the tumour characteristics of the patient, and on the other hand the foreign characteristics of the donor. These foreign characteristics then help the immune system of the patient to recognise that the surface characteristics of the tumours are sick, and to attack them. The results of the research published up to now have attracted the interest of many international experts.

BioCore will strengthen its co-operation as the partner of university hospitals, institutions, research laboratories and physicians in the current financial year. It will also start up further alliances in order to successfully continue on this new path – develop services for innovative therapy processes.

## KEY FIGURES OF AFFILIATED COMPANIES

Company	Held by Fresenius in %	Sales 2000 million US\$	Profit/Loss <sup>1)</sup> 31.12.2000 million US\$	Equity 31.12.2000 million US\$	Employees 31.12.2000
<b>Affiliated companies Germany</b>					
1 Fresenius Medical Care AG Hof an der Saale (sub-group/US GAAP)	37.89 share of equity 50.76 share of votes	4,201.3	212.1	2,678.8	35,370

Company	Held by Fresenius in %	Sales 2000 million €	Profit/Loss <sup>1)</sup> 31.12.2000 million €	Equity 31.12.2000 million €	Employees 31.12.2000
<b>Affiliated companies Germany</b>					
2 Pharmaplan Group Bad Homburg v. d. H.	100	68.8	2.6	2.9	317
3 hospitalia international gmbh Bad Homburg v. d. H. (with profit transfer agreement)	100	29.2	-	3.0	51
4 MC Medizintechnik GmbH Alzenau	100	12.5	0.4	0.4	54
5 Caremark Deutschland GmbH Neufahrn	100	50.9	7.6	8.7	205
6 ProReha Handelsges. mbH & Co. KG Stuttgart	51	48.5	-11.8	-1.1	487
7 Fresenius Kabi Deutschland GmbH Frankfurt a. M. (with profit transfer agreement)	100	383.1	-	38.7	1,319
8 Fresenius HemoCare Deutschland GmbH Bad Homburg v. d. H. (with profit transfer agreement)	100	30.0	-	9.2	201
9 Fresenius HemoCare Adsorber Technology GmbH Bad Homburg v. d. H. (with profit transfer agreement)	100	15.9	-	1.0	79
10 Fresenius HemoCare Immune Therapy GmbH Gräfelfing (with profit transfer agreement)	100	14.0	-	6.1	59
11 Fresenius BioCore GmbH Bad Homburg v. d. H.	100	-	-1.3	0.7	7

Company	Held by Fresenius in %	Sales 2000 million €	Profit/Loss <sup>1)</sup> 31.12.2000 million €	Equity 31.12.2000 million €	Employees 31.12.2000
<b>Affiliated foreign companies</b>					
12 Fresenius Kabi France S.A. Sèvres, France	100	125.3	-9.9	21.4	849
13 Fresenius Vial S.A. Brézins, France	100	27.3	2.4	17.0	164
14 Fresenius HemoCare France S.A. L'Arbresle, France	100	7.1	-0.3	1.2	29
15 Biofil S.r.l. Medolla/Modena, Italy	100	23.3	1.1	4.8	129
16 Fresenius Kabi Italia S.p.A. Verona, Italy	100	63.2	-7.5	2.7	343



# KEY FIGURES OF AFFILIATED COMPANIES

Company	Held by Fresenius in %	Sales 2000 million €	Profit/Loss <sup>1)</sup> 31.12.2000 million €	Equity 31.12.2000 million €	Employees 31.12.2000
<b>Affiliated foreign companies</b>					
17 Fresenius Kabi España S.A. Vilassar de Dalt, Spain	100	32.3	1.2	11.6	185
18 Fresenius Kabi İlaç Sanayi ve Ticaret Limited Şirketi Istanbul, Turkey	100	9.0	-0.1	0.8	79
19 Fresenius Kabi Ltd. Basingstoke/Hampshire, Great Britain	100	79.6	-1.6	2.2	227
20 Fresenius Kabi Austria GmbH Graz, Austria	100	101.8	12.6	49.8	487
21 VAMED Group Vienna, Austria	77	186.4	8.2	57.1	1,564
22 Fresenius Kabi (Schweiz) AG Stans, Switzerland	100	14.0	1.0	2.0	36
23 Fresenius Kabi B.V. 's-Hertogenbosch, Netherlands	100	10.9	1.3	1.6	23
24 NPBI International B.V. Emmen, Netherlands	96.6	100.8	7.5	15.0	1,197
25 Fresenius Kabi N.V. Wilrijk (Antwerp), Belgium	100	22.2	-1.6	0.1	39
26 Fresenius Kabi Norge A.S. Oslo, Norway	100	39.2	0.6	9.9	340
27 Fresenius Kabi AB Stockholm, Sweden	100	160.0	-12.2	68.5	974
28 Fresenius HemoCare Inc. Wilmington, Delaware, USA	100	16.0	-	15.1	46
29 Fresenius Kabi Clayton L.P. Wilmington, Delaware, USA	100	28.1	-0.3	7.2	154
30 Caremark Group Ontario, Canada	100	35.0	0.1	4.8	218
31 Grupo Fresenius México S.A. de C.V. Guadalajara, Mexico	100	42.6	6.1	42.1	910
32 Fresenius Kabi Brasil Ltda. Campinas/São Paulo, Brazil	100	19.0	0.8	12.3	644
33 Endomed Laboratório Farmacêutico Ltda. Aquiraz/Ceará, Brazil	100	8.3	-0.1	4.6	424
34 Sino-Swede Pharmaceutical Corporation Ltd. Wuxi, China	51	40.6	5.1	61.7	685
35 Beijing Fresenius Pharmaceutical Co., Ltd. Beijing, China	75	16.5	-0.2	15.8	193
36 Fresenius Kabi Green Cross Ltd. Yongin, Korea	80	14.8	-0.3	8.1	86
37 Fresenius Kabi India Ltd. Puna, India	100	11.5	-0.2	11.3	525
38 Fresenius Kabi South Africa (Pty) Ltd. Midrand, South Africa	100	16.9	1.4	11.4	456

<sup>1)</sup> net income/loss

The complete list of investment holdings will be submitted to the Commercial Register of the District of Bad Homburg v. d. H.

## CONSOLIDATED BALANCE SHEET AS AT 31.12.2000

## ASSETS

in million €	Note	31.12.1999	31.12.2000
Intangible assets		2,168	2,355
Tangible assets		1,298	1,495
Financial assets		97	149
<b>Fixed assets</b>	(9)	3,563	3,999
Inventories	(10)	492	565
Trade accounts receivable	(11)	1,002	1,116
Other accounts receivable and other assets	(12)	288	402
Marketable securities	(13)	5	6
Liquid assets	(14)	115	180
<b>Current assets</b>		1,902	2,269
<b>Deferred charges</b>	(15)	249	205
		5,714	6,473

## EQUITY AND LIABILITIES

in million €	Note	31.12.1999	31.12.2000
Subscribed capital (conditional capital: ordinary shares € 1 million)			
(conditional capital: preference shares € 1 million)	(17)	51	51
Capital reserve	(16)	376	379
Other reserves	(16)	246	211
Retained earnings	(20)	32	44
Trust preferred securities (maturity: 1.2.2008 at the latest)	(21)	960	1,024
Minority interests	(22)	348	1,101
<b>Equity</b>		<b>2,013</b>	<b>2,810</b>
<b>Special account for investment allowances and investment grants on fixed assets</b>	(23)	4	4
Provisions for pensions and similar obligations		146	161
Provisions for taxes		196	264
Other provisions		486	481
<b>Provisions</b>	(24)	<b>828</b>	<b>906</b>
Profit-sharing rights		0	0
Commercial papers	(25)	0	30
Eurobonds	(25)	600	600
Bank loans	(25)	1,033	1,218
Trade accounts payable	(25)	318	339
Other liabilities	(25)	917	560
<b>Liabilities</b>		<b>2,868</b>	<b>2,747</b>
<b>Deferred income</b>		<b>1</b>	<b>6</b>
		<b>5,714</b>	<b>6,473</b>

## CONSOLIDATED STATEMENT OF INCOME

in million €	Note	1999	2000
Sales	(29)	4,952	6,099
Changes in finished goods inventories and work in process, own work capitalised	(30)	28	32
Other operating income	(31)	171	227
Cost of materials	(32)	-1,700	-2,128
Personnel expenses	(33)	-1,445	-1,834
Depreciation and amortization of intangible and tangible fixed assets	(34)	-341	-389
Other operating expenses	(35)	-1,072	-1,254
Income from participations	(36)	2	1
Other financial results	(37)	2	2
<b>Earnings before interest, interest for trust preferred securities, and taxes on income and profit (EBIT)</b>	(38)	597	756
Net interest and interest for trust preferred securities	(39)	-220	-256
<b>Profit on ordinary activities</b>		377	500
Income and profit taxes on profit on ordinary activities	(40)	-174	-234
<b>Net income before extraordinary result</b>	(41)	203	266
Extraordinary expenses (after taxes)	(42)	-106	0
Extraordinary income	(43)	106	0
<b>Net income</b>		203	266
Profit carried forward from the previous year		0	0
Allocation to other reserves		-75	-78
Share of profits allocated to minority interest holders	(44)	-96	-144
<b>Retained earnings</b>		32	44

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) CORPORATE STRUCTURE

The Fresenius Group comprises four legally-independent business segments:

■ Fresenius Medical Care   ■ Fresenius Kabi   ■ Fresenius HemoCare   ■ Fresenius ProServe

Fresenius AG acts in the capacity of an operating holding.

In July 2000, Fresenius AG acquired from Abbott Laboratories options on 324,342 ordinary shares of Fresenius Medical Care AG for US\$ 16 million, and exercised these options. Abbott Laboratories had received options from Fresenius USA, Inc., (FUSA) in 1993 to acquire 1,750,000 shares of FUSA in connection with the acquisition of the peritoneal dialysis business by FUSA as part of the purchase price. When Fresenius Medical Care was founded in 1996 and the worldwide dialysis business was re-organised as a result, 875,000 options were repurchased and the remaining 875,000 options converted into 324,342 options on ordinary shares of Fresenius Medical Care AG.

Thus, Fresenius AG's share of the ordinary voting shares of Fresenius Medical Care AG changed from 50.30% as at December 31, 1999 to 50.76% at the end of the 2000 financial year.

However, as a result of the additional flotation of preference shares by Fresenius Medical Care during the 2000 financial year – as described in note (3) capital increase Fresenius Medical Care AG – Fresenius AG's share of the total subscribed capital of Fresenius Medical Care AG (ordinary and preference shares) changed from 44.56% on December 31, 1999 to 37.89% on December 31, 2000.

The participations in the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG), Fresenius HemoCare (Fresenius HemoCare GmbH) and Fresenius ProServe (Fresenius ProServe GmbH) remained unchanged at 100% on 31.12.2000.

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

### (2) ENTITIES TO BE CONSOLIDATED

The consolidated financial statements of the year 2000 include, besides Fresenius AG, 38 German and 465 foreign companies; these are all under the control of Fresenius AG.

#### Change in entities to be consolidated

	Germany	Abroad	Total
31.12.1999	31	415	446
Additions	7	67	74
Disposals	0	17	17
31.12.2000	38	465	503

74 companies have been consolidated for the first time. Of these, 8 companies were newly founded and 52 companies were acquired. One company was created as a result of the spin-off of business units from already existing companies.

The largest acquisition made by Fresenius Medical Care was the acquisition of the international business of DaVita Inc. (formerly Total Renal Care, Inc.). In addition, further dialysis clinics were purchased.

The major acquisitions of Fresenius Kabi were the purchase of Bodene Investments Ltd. in South Africa, of Fresenius Kabi Green Cross Ltd. in Korea, of ProReha GmbH & Co. KG in Germany, of Polfa Kutno S.A. in Poland (asset deal) and of Novamédical S.A. in France.

2 companies are no longer included in the consolidated entities. 15 companies have been merged with other companies which are included in the consolidated financial statements.

The acquisitions made in the 2000 financial year, and/or those which were included for the first full financial year, contributed to the sales and earnings development of the Fresenius Group compared to the previous year as follows:

Sales	€ 278 million
EBIT	€ 12 million
Net income	€ -1 million

The acquisitions increased the balance sheet total of the Fresenius Group by € 431 million.

82 companies were not included in the consolidated financial statements due to their negligible importance regarding the assets and liabilities, financial positions and results of operations.

The company which was valued in the previous year in accordance with the regulations concerning associated companies was sold in the 2000 financial year.

26 associated companies were not valued in accordance with the equity method due to their negligible importance regarding their assets and liabilities, financial positions and results of operations in the Group.

The important domestic and foreign affiliated and related companies are listed separately in the Annual Report. The complete list of the investment holdings of Fresenius AG will be submitted to the Commercial Register of the District Court of Bad Homburg v.d.H. under the number HR B 2617.

### (3) CAPITAL INCREASE FRESENIUS MEDICAL CARE AG

The equity of Fresenius Medical Care AG increased during the 2000 financial year

- by € 362 million through the issuance of 8,974,359 non-voting bearer preference shares in connection with the contribution in kind of Franconia Acquisition LLC in March,
- by € 213 million through the issuance of 5 million bearer preference shares in connection with a cash capital increase in July and

- by a further € 32 million through the issuance of 750,000 bearer preference shares when the greenshoe option was exercised in connection with a cash capital increase in July.

17,393 options were exercised within the scope of the American and European stock option plan, and the capital reserve were increased as a result of stock options of the American roll-over plan being exercised, thus increasing equity by € 0.969 million.

Of the total amount of € 608 million, € 38 million was allocated to subscribed capital and € 570 million to the capital reserves.

#### (4) "OIG AGREEMENT"

Since 1995, various US federal authorities and offices (OIG: Office of the Inspector General) had conducted investigations into National Medical Care, Inc., Delaware (USA), a subsidiary of Fresenius Medical Care Holdings, Inc., New York (USA). These investigations concerned the period before inclusion in the Fresenius Group. The investigations mainly concerned contracts and remuneration of medical directors of dialysis clinics, the laboratory business of the business unit LifeChem™, over-payments from the Medicare programme and the administration of intradialytic parenteral nutrition (IDPN).

In order to settle these investigations, a definitive agreement was reached on January 18, 2000 between Fresenius Medical Care Holdings, Inc., National Medical Care, Inc., and other companies of the Group and the Office of the Inspector General. Of the amount of US\$ 486 million agreed to be paid to the US government to settle civil claims and fines, € 416 million (US\$ 387 million) was paid in the financial year. Of the IDPN claims amounting to US\$ 59 million outstanding on December 31, 1999 which are recognised by the US Government, € 57 million (US\$ 54 million) was paid in the 2000 financial year.

All the effects from the agreement were included in the 1999 financial statements with effect on profit.

#### (5) PRINCIPLES OF CONSOLIDATION

Capital consolidation is carried out according to the book value method by setting off purchasing costs including incidental acquisition costs of the shares in the affiliates against the net book value which these shares represent as part of the equity at the time they were founded or purchased. For historical purchases, of which the purchase price exceeded the book value of the equity acquired, the difference on 31.12.2000 was € 2,361 million (previous year: € 2,239 million). This difference is allocated to the assets and liabilities to the extent that the fair market value differs from the book value. Any remaining difference was always deducted as goodwill from other reserves or capital reserves up to 1998; one exception was the goodwill which arose in 1996 of Fresenius Medical Care Holdings, Inc., New York (USA), in the amount of € 1,700 million. This amount was capitalized and amortized over 20 years. For those historical purchases of which the book value of equity acquired exceeded the purchase price, the difference on 31.12.2000 was € 10 million (previous year: € 10 million).

This amount is recorded in reserves in accordance with its equity nature.

As from the 1999 financial year, all new goodwill arising is capitalized and amortized over 20 years.

As at 31.12.2000, goodwill amounting to € 395 million was set off against Group equity. The book value of all capitalized goodwill in the fixed assets amounts to € 2,197 million, of which the main portion concerns the goodwill of Fresenius Medical Care Holdings, Inc., New York (USA), in the amount of € 1,319 million.

The basis for calculating the minority interest holders' shares of Group equity described in note (22) is the consolidated equity of the respective business segment.

The same procedure is used for the profit allocated to minority shareholders shown in note (44).

Receivables and liabilities, expenses and income, profit and loss transfers between the consolidated companies and inter-company provisions are eliminated.

Differences arising from the consolidation of inter-company liabilities due to currency differences, and differences from inter-company provisions, are always balanced out with effect on profit. Differences arising from the conversion of hedged foreign currency items on the other hand are balanced out with no effect on profit.

The values of fixed assets and inventories are adjusted in the consolidated financial statements to eliminate unrealised results of the inter-company transactions and are thus valued at Group purchasing or Group production costs.

Tax deferrals are made on the consolidated procedures affecting profit in accordance with § 306 Commercial Code (HGB) if these deferrals are likely to reverse in later financial years. Deferred tax assets are set off against deferred tax liabilities.

The changes in items to be consolidated which do not affect profit as well as the profits or losses made by the affiliates after the date of the first consolidation are shown in the reserves or set off against them. The retained earnings of the Group correspond with those of Fresenius AG after allocation of € 78 million to reserves from consolidated net income.

## **(6) ACCOUNTING PRINCIPLES AND STANDARDS OF VALUATION**

The annual financial statements of the Group companies included in the consolidated financial statements are in accordance with uniform accounting principles and standards of valuation.

Valuations which are only admissible according to tax laws have not been included in the consolidated financial statements. This concerns mainly the depreciation and amortization made in the domestic companies of the Group in accordance with § 254 Commercial Code (HGB).

The result of the Group for 2000 is thus not affected by the depreciation carried out in accordance with § 254 Commercial Code (HGB), or by the creation of special items with an equity portion according to § 273 Commercial Code (HGB); likewise, no charges due to these measures will therefore occur in future.

Deferred taxes were capitalized for the first time in 1999. In the 1999 statement of income, the effect on profit from this accounting change was shown in extraordinary profit as the balance of note (42) "Extraordinary expenses (after taxes)" and note (43) "Extraordinary income".



Deferred taxes derive from timing differences between results under commercial and under tax regulations. Because the deferred taxes are capitalized, the tax charge is shown in the statement of income in the amount which would arise if the commercial results were used as a basis for tax assessment. For the calculation, the profit tax rate of the respective country is taken as a basis; the tax deferral for consolidation measures is assessed at the average German tax rate. Tax assets are always set off against tax liabilities both in the financial statement of the country and in the consolidated financial statements and shown separately in note (15) "Deferred charges".

Acquired intangible assets are valued at purchase cost and depreciated according to plan. The useful life is normally between 2 and 15 years. For personal computer auxiliary programmes the useful life is 1 year, and for know-how up to 15 years. The probable useful life of the goodwill is between 5 and 20 years.

Tangible assets are valued at Group purchase or Group production costs. Group production costs include individual costs and appropriate portions of the respective overheads. Investment grants and allowances received do not reduce the purchase costs, but are shown as a special account for fixed assets on the liabilities side.

Scheduled depreciation is carried out in the consolidated financial statements by the straight-line method.

To determine depreciation, the relevant useful life periods are mainly as follows:

Office and factory buildings	10 – 50 years
Technical equipment and machinery	5 – 15 years
Other fixtures and fittings, tools and equipment	3 – 10 years

Fixed assets of low value are fully written off in the year of their purchase.

Extraordinary depreciation is carried out, provided that a lower value has to be assigned to the assets on the balance sheet date.

If the reasons for the extraordinary depreciation no longer apply, they are cancelled by appropriate value adjustments.

Financial assets are valued at purchase price or the lower assigned value.

As far as inventories are concerned, raw materials and supplies as well as purchased parts are valued at average acquisition costs or the lower replacement price on the balance sheet date. Warehousing risks are taken into account by appropriate depreciation.

Work in process and finished goods are valued at Group production cost. These include material costs plus material overheads and manufacturing wages plus indirect production costs. Not included are cost of sales, administrative costs, costs of research and development, and financing costs. Deductions for inventory risks which result from reduced usability, and for market price risks, are made in sufficient scope.

Receivables and other assets are valued at the nominal amount reduced by individual allowances where necessary. The general credit risk is taken into account by means of global allowances.

A discount on loans is capitalised and written off by the straight-line method according to the maturity of the loan.

Pension provisions have been determined in accordance with the normal actuarial regulations and calculation principles in each country.

Other provisions have been set up to cover all recognisable risks and uncertain liabilities. Provisions for employees' anniversaries have been valued in accordance with the normal actuarial principles and calculation methods of each country; for the domestic companies the actuarially computed part value is applied taking into account an interest rate of 5.5% p.a.

Provisions are made for repairs and maintenance expenses not incurred in the financial year but within the first three months of the following financial year.

Liabilities are valued at the repayment amount.

## **(7) FOREIGN CURRENCY TRANSLATION**

Foreign currency items are translated at the exchange rate at the time of origin, or in the case of receivables at the lower buying rate, and in the case of payables at the higher selling rate on the balance sheet date or the rate of the currency exchange contract.

The balance sheets of foreign Group companies are converted at the mean rate on the balance sheet date. Differences to translations of the previous year are allocated to reserves without any effect on profit.

Adjustments for inflation were made in the individual financial statements of Grupo Fresenius México S.A. de C.V., Guadalajara (Mexico), and its subsidiaries, Fresenius Medical Care de México S.A. de C.V., Guadalajara (Mexico), Fresenius Kabi İlaç Sanayi ve Ticaret Limited Şirketi, Istanbul (Turkey), and Fresenius Medical Care Colombia Ltda., Santafé de Bogotá (Colombia), and its subsidiaries.

The statements of income of the foreign subsidiaries are converted as follows:

Depreciation and amortization of intangible and tangible fixed assets, financial assets and receivables as well as changes in inventories of work in process and finished goods, are converted at the mean rate on the balance sheet date; other charges and income at the average rate for the year; the result for the year at the mean rate on the balance sheet date.

The exchange rate differences resulting from using varying exchange rates in the statement of income are shown in other operating expenses (in the previous year in other operating income).

The exchange rates of important currencies for the Fresenius Group outside the European Currency Union developed as follows:

	Exchange rate* on balance sheet date 31.12.1999	1999 Average exchange rate	Exchange rate* on balance sheet date 31.12.2000	2000 Average exchange rate
1 US dollar	0.9954	0.9383	1.0747	1.0827
100 Swedish kronas	11.6788	11.3539	11.3234	11.8411
1 Pound sterling	1.6085	1.5181	1.6023	1.6407
100 Brazilian reals	54.5405	51.6684	55.1511	59.3190
100 Mexican pesos	10.4822	9.8628	11.2199	11.4652
100 Yen	0.9734	0.8243	0.9353	1.0053

\* Mean rate on balance sheet date

#### (8) CASH FLOW STATEMENT

The payment flows of the Fresenius Group and the change in liquid funds in the year under report are shown in the cash flow statement. The payment flows are divided into business operations, investment activities and financing activities, showing the corresponding cash used and cash received.

In the operating cash flow, the change in working capital is also shown as a subtotal.

The effects of the currency exchange rates on the liquid assets in the financial year are shown separately. The liquid assets shown in the cash flow statement include cash at banks as well as cash in hand. (Table on next page)

## CONSOLIDATED CASH FLOW STATEMENT

in million €	Note	1999	2000
Consolidated net income		203	266
Depreciation and amortization on intangible and tangible fixed assets	(34)	341	389
Change in pension provisions		15	12
<b>Cash flow</b>	(47)	559	667
Gain/loss from sale of fixed assets, investments and tangible assets		3	-2
Change in inventories		-39	-39
Change in trade accounts receivable		-239	-138
Change in provisions for taxes and other provisions		39	5
Change in trade accounts payable		90	-15
Change in other operating assets and liabilities		-16	-15
<b>Change in working capital</b>		-162	-204
<b>Operating cash flow (cash provided by operating activities)</b>		397	463
Intangible and tangible fixed assets	(48)	-264	-354
Acquisitions	(49)	-115	-468
Other changes	(50)	25	59
<b>Cash used for investing activities</b>		-354	-763
Proceeds from exercising stock options		2	3
Proceeds from the issuance of preference shares	(3)	0	607
Payments due to OIG agreement	(4)	0	-416
Dividend payments		-52	-63
Proceeds from receivables securitisation programme	(11)	29	120
Change in financial liabilities	(51)	-690	152
Proceeds from the issuance of Eurobonds		600	0
Payments from foreign exchange forward contracts to hedge intercompany loans in foreign currency	(52)	0	-40
<b>Cash provided from financing activities</b>			
<b>(previous year: cash used for financing activities)</b>		-111	363
<b>Change in cash flows from operating, investing and financing activities</b>		-68	63
<b>Effect of exchange rate changes on liquid assets</b>	(53)	2	2
Liquid assets at beginning of year		181	115
<b>Liquid assets at end of year</b>	(14)	115	180

## BALANCE SHEET NOTES

## (9) FIXED ASSETS

The breakdown of the combined positions of the fixed assets and their development is found in the following tables:

## Purchasing and manufacturing costs

in million €	As at 1.1.2000	Exchange rate differences	Changes in entities to be con- solidated	Additions	Book transfers +/-	Disposals	As at 31.12.2000
<b>Intangible assets</b>							
Concessions, industrial and similar rights							
and assets, licences	207	1	10	27	-1	2	242
Goodwill	2,390	45	15	260	15	-	2,725
Payments on account	3	-	-	1	-	-	4
	2,600	46	25	288	14	2	2,971
<b>Tangible assets</b>							
Land, leasehold and buildings							
including buildings on third party property	603	7	23	31	13	13	664
Plant and machinery	689	9	32	108	19	36	821
Other fixtures and fittings,							
tools and equipment	723	36	32	133	-7	52	865
Payments on account and tangible assets							
in course of construction	109	1	1	88	-41	5	153
	2,124	53	88	360	-16	106	2,503
<b>Financial assets</b>							
Shares in affiliated companies	22	-	-3	47	-	4	62
Loans to affiliated companies	2	-	-2	11	-	0	11
Participations	15	-	-	2	-	5	12
Shares in associated companies	6	-	2	-	2	6	4
Loans to related companies	9	-	-	6	-	2	13
Long-term investments	31	-	-	11	-	6	36
Other loans	16	-	-	3	-	1	17
	101	-	-3	80	2	24	156
<b>Fixed assets</b>	4,825	99	110	728	0	132	5,630

## Depreciation and amortization

in million €	Depreciation (accumulated) as at 1.1.2000	Exchange rate differ- ences	Changes in entities to be con- solidated	Additions	Book transfers +/-	Disposals	Depreciation (accumulated) as at 31.12.2000	Book values as at 31.12.2000	Book values as at 31.12.1999
<b>Intangible assets</b>									
Concessions, industrial and similar rights									
and assets, licences	61	1	3	25	-	2	88	154	146
Goodwill	371	8	3	146	-	-	528	2,197	2,019
Payments on account	0	-	-	1	-	1	0	4	3
	432	9	6	172	-	3	616	2,355	2,168
<b>Tangible assets</b>									
Land, leasehold and buildings									
including buildings on third party property	157	4	3	26	4	11	183	481	446
Plant and machinery	368	7	15	71	-4	25	432	389	321
Other fixtures and fittings, tools and equipment	298	10	13	116	-	44	393	472	425
Payments on account and tangible assets in course of construction	3	-	-	-	-	3	0	153	106
	826	21	31	213	0	83	1,008	1,495	1,298
<b>Financial assets</b>									
Shares in affiliated companies	1	-	-	4	-	-	5	57	21
Loans to affiliated companies	-	-	-	-	-	-	0	11	2
Participations	2	-	-	-	-	1	1	11	13
Shares in associated companies	0	-	-	-	-	-	0	4	6
Loans to related companies	0	-	-	-	-	-	0	13	9
Long-term investments	1	-	-	-	-	-	1	35	30
Other loans	-	-	-	-	-	-	-	17	16
	4	-	-	4	-	1	7	149	97
<b>Fixed assets</b>	1,262	30	37	389	0	87	1,631	3,999	3,563

The analysis of the depreciation and amortization is explained in note (34) "Depreciation and amortization of intangible and tangible fixed assets", and its breakdown by business segment and region in note (46) "Segment reporting".

Intangible assets: The additions in the 2000 financial year amounting to € 288 million are mainly due to the goodwill arising in connection with acquisitions.

Tangible assets: The investments of the year under report were mainly made in the construction and extension of production facilities, the equipping of new dialysis clinics, and the extension of dialysis clinics.

Financial assets: The additions in financial assets mainly concern shares in related companies not consolidated in the year under report, shareholdings and other loans.

**(10) INVENTORIES**

in million €	1999	2000
Raw materials and supplies	102	120
Work in process	55	64
Finished goods	252	270
Goods for sale	77	106
Payments on account	10	5
minus payments received on account	-4	-
	492	565

**(11) TRADE ACCOUNTS RECEIVABLE**

in million €	1999	2000
Trade accounts receivable	1,002	1,116
(amount with a remaining term of more than 1 year)	(16)	(11)

Fresenius Medical Care in North America has an accounts receivable securitisation programme, the volume of which increased in 2000 by US\$ 110 million to US\$ 455 million. In addition, receivables of the Fresenius Medical Care subsidiary located in Portugal in the amount of € 4 million were sold. The receivables sold are not included in the receivables shown in the financial statements.

**(12) OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS**

in million €	1999	2000
Accounts receivable from affiliated companies	27	27
Accounts receivable from related companies	8	6
Other assets	253	369
(amount with a remaining term of more than 1 year)	(15)	(4)
	288	402

Other assets include mainly accounts receivable from tax rebates and deposits, as well as advance payments.

**(13) MARKETABLE SECURITIES**

Securities mainly consist of fixed-interest bearing securities.

**(14) LIQUID ASSETS**

Liquid assets comprise cheques, cash on hand and cash at banks.

**(15) DEFERRED CHARGES**

The breakdown of deferred charges is as follows:

in million €	1999	2000
Deferred taxes	215	146
Discount on loans	2	-
Other deferred charges	32	59
	249	205

After the deferred taxes of € 146 million from consolidation measures in accordance with § 306 Commercial Code (HGB) were set off, the remaining deferred taxes amount to € 27 million.

**(16) STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

The reconciliation is as follows:

in million €	Subscribed capital	Capital reserve	Other reserves	Retained earnings	Trust preferred securities	Minority interests	Total
<b>As at 1.1.1999</b>	<b>51</b>	<b>374</b>	<b>0</b>	<b>27</b>	<b>846</b>	<b>569</b>	<b>1,867</b>
Dividend payment for previous year				-26			-26
Cash provided from exercising stock options		2					2
Allocation to reserves			75				75
Differences from currency conversion			-167		114		-53
Share of profits allocated to minority interest holders						96	96
Effect of the change in the method of calculating the minority interests and the share of profits allocated to minority interest holders			319			-319	0
Other changes			19			2	21
Proposed dividend for the financial year				31			31
<b>As at 31.12.1999</b>	<b>51</b>	<b>376</b>	<b>246</b>	<b>32</b>	<b>960</b>	<b>348</b>	<b>2,013</b>



in million €	Subscribed capital	Capital reserve	Other reserves	Retained earnings	Trust preferred securities	Minority interests	Total
<b>As at 1.1.2000</b>	<b>51</b>	<b>376</b>	<b>246</b>	<b>32</b>	<b>960</b>	<b>348</b>	<b>2,013</b>
Dividend payment for previous year	0	0	0	-32	0	0	-32
Cash provided by exercising stock options	0	3	0	0	0	0	3
Allocation to reserves	0	0	78	0	0	0	78
Differences from currency conversion	0	0	-107	0	64	0	-43
Share of profits allocated							
to minority interest holders	0	0	0	0	0	144	144
Increase in minority interests							
from capital increase	0	0	0	0	0	607	607
Other changes	0	0	-6	0	0	2	-4
Proposed dividend for the financial year	0	0	0	44	0	0	44
<b>As at 31.12.2000</b>	<b>51</b>	<b>379</b>	<b>211</b>	<b>44</b>	<b>1,024</b>	<b>1,101</b>	<b>2,810</b>

#### (17) SUBSCRIBED CAPITAL

The subscribed capital of Fresenius AG is divided into 10,007,524 bearer ordinary shares and 10,007,524 non-voting bearer preference shares. The shares are issued as non-par value shares.

The subscribed capital increased in the 2000 financial year by € 38,522.88 through the exercising of 7,524 options on ordinary shares granted in 1998, and of 7,524 options on preference shares granted in 1998.

in € '000	2000
Carried forward to 1.1.	51,200
Increase through the exercising of options	39
<b>As at 31.12.</b>	<b>51,239</b>

The Else Kröner-Fresenius Foundation has informed us that it does not own a majority shareholding in Fresenius AG. It continues to hold the majority of the ordinary share capital.

**(18) APPROVED CAPITAL**

Following a resolution of the Annual General Meeting of June 10, 1999, the approved capital was converted to euros. In connection with the resolution of June 12, 1997, the Managing Board of Fresenius AG is authorized, with the approval of the Supervisory Board, to increase by June 11, 2002

- the subscribed capital of Fresenius AG by a maximum nominal amount of € 10,225,837.62 by issuing new bearer ordinary shares and/or non-voting bearer preference shares for cash (approved capital I),
- the subscribed capital of Fresenius AG by a maximum nominal amount of € 5,112,918.81 by issuing new bearer ordinary shares and/or non-voting bearer preference shares for cash (approved capital II). The Managing Board is authorised to preclude the subscription rights of the shareholders as a whole (§§ 203 Section 2, 186 Section 3 phrase 4 Stock Corporation Law [AktG]).

**(19) CONDITIONAL CAPITAL**

Through resolutions of the Annual General Meeting of June 18, 1998 and June 10, 1999, a conditional capital of € 1,152,000 was created through the issuance of 450,000 bearer ordinary shares, and of € 1,152,000 through the issuance of 450,000 non-voting bearer preference shares. This conditional capital increase will only be carried out to the extent that, in accordance with the stock option plan resolved by the Annual General Meeting on June 18, 1998, subscription rights for bearer ordinary shares and/or bearer preference shares are issued and the holders of these subscription rights exercise them. In the 2000 financial year it was possible for the first time to exercise stock options. The conditional capital developed as follows:

in €	Ordinary shares	Preference shares
Carried over to 1.1.	1,152,000	1,152,000
Decrease through the exercising of options	-19,261	-19,261
As at 31.12.	1,132,739	1,132,739

**Stock option plan**

The stock option plan resolved by the Annual General Meeting of June 18, 1998 authorises the Managing Board of Fresenius AG, with the approval of the Supervisory Board, to issue subscription rights to members of the Managing Board and/or managerial staff of Fresenius AG and its affiliated companies (with the exception of Fresenius Medical Care AG and companies affiliated with it other than through the company) once or several times during a period of 5 years. Altogether, these subscription rights entitle their holders to purchase up to 450,000 bearer ordinary shares and up to 450,000 bearer preference shares. The entitlement to exercise the rights in one group of shares excludes the entitlement to exercise the rights in another group of shares.

The options may only be exercised under the following conditions:

An option has a duration of 10 years from the date it was granted (duration).

One third of the options can be exercised at the earliest two years after the date they were granted, another third at the earliest three years and the last third of the options at the earliest four years after the date they were granted (vesting period).

Within the two-year vesting period, EBIT must have increased by at least 15% (hurdle rate). The Managing Board has availed itself of its entitlement to increase this percentage to 30% for the stock options granted in 1998, and to 20% for the stock options granted in 1999 and 2000.

The person entitled to options must be in an unterminated employment or service relationship on the date he/she exercises the options (employment relationship).

The options can only be exercised within a maximum period of fifteen working days after the results of the respective past quarter have been announced (exercise period).

Within the scope of the stock option plan, 153,760 options were granted in the 2000 financial year.

	Ordinary shares	Preference shares
Number as at 31.12.1999	137,888	137,888
minus reversion of stock options granted in previous years	-7,226	-7,226
plus new issue	76,880	76,880
minus reversion of stock options granted in 2000	-802	-802
minus options exercised	-7,524	-7,524
Number as at 31.12.2000	199,216	199,216

One third of the options granted in 1998 were eligible to be exercised in the 2000 financial year since the hurdle rate fixed in the plan for the stock options granted in 1998 was achieved, because EBIT increased by 58% in comparison to 1997, and the second and third thirds can be exercised in the 2001 and 2002 financial years respectively.

Since the hurdle rate for exercising the stock options granted in 1999 was also reached in the 2000 financial year because EBIT rose by 56% in comparison to 1998, one third of the options granted in 1999 can be exercised in the 2001 financial year.

In addition, in the Group, Fresenius Medical Care AG has a stock option plan which corresponds to that of Fresenius AG as well as separate stock option programmes for employees in the United States.

#### **Repurchase of own shares**

In connection with the profit-sharing scheme of the employees of Fresenius AG and its affiliated German companies for 1999 (with the exception of the employees of Fresenius Medical Care AG and its German subsidiaries), the following transactions were carried out in 2000 relating to the preference shares of Fresenius AG:

Transaction	Date	Number	Price per share (€)
Purchase	17.1.2000	2,800	179.23
Purchase	23.6.2000	2,800	249.19
Committed to employees	9.6.2000	3,985	258.00
Sale	2.10.2000	1,610	283.40
Sale	20.12.2000	1	275.50
Sale	27.12.2000	4	265.50

The non-par value shares purchased in 2000 represented 0.028% of the subscribed capital of Fresenius AG; the shares committed to employees represented 0.0199% of the subscribed capital of Fresenius AG.

#### (20) RETAINED EARNINGS

The retained earnings include profit amounting to € 0.4 million carried forward from the previous year.

#### (21) TRUST PREFERRED SECURITIES

These comprise the trust preferred securities issued by the companies Fresenius Medical Care Capital Trust, Delaware (USA), in the nominal amount of US\$ 360 million, Fresenius Medical Care Capital Trust II, Delaware (USA), in the nominal amount of US\$ 450 million, and Fresenius Medical Care Capital Trust III, Delaware (USA), in the nominal amount of DM 300 million.

The remaining term of these securities amounts to at least one and a maximum of seven years. The owners of these securities are entitled to an interest of between 7 <sup>3</sup>/<sub>8</sub> % and 9% p.a. and to repayment after expiration of the maturity term in the amount of the nominal value of these securities.

	million €	Nominal value	Interest in %	Remaining term in years
Fresenius Medical Care Capital Trust, Delaware (USA)	387	US\$ 360 million	9	1 – 6
Fresenius Medical Care Capital Trust II, Delaware (USA)	483	US\$ 450 million	7 <sup>7</sup> / <sub>8</sub>	2 – 7
Fresenius Medical Care Capital Trust III, Delaware (USA)	154	DM 300 million	7 <sup>3</sup> / <sub>8</sub>	2 – 7

1,024

**(22) MINORITY INTERESTS**

The minority interests increased in the 2000 financial year by € 753 million to € 1,101 million, mainly from the share in profits amounting to € 144 million and the capital increases of Fresenius Medical Care AG amounting to € 607 million.

**(23) SPECIAL ACCOUNT FOR INVESTMENT ALLOWANCES AND  
INVESTMENT GRANTS ON FIXED ASSETS**

The special account comprises mainly investment allowances and investment grants to fixed assets, mainly granted to domestic companies, in accordance with §§ 1, 4 and 4b Investment Allowance Law (InvZulG). These grants are reversed with effect on profit over the useful life of the fixed assets receiving the grants. In the statement of income, this reversal is shown in the item "Other operating income".

**(24) PROVISIONS**

Pension provisions are shown on the basis of the normal actuarial regulations and calculation principles in each country at their actuarially computed part value.

The pension provisions in Germany, which constitute 50% (€ 80 million) of total provisions amounting to € 161 million, are calculated according to the 1998 mortality tables of Dr. Klaus Heubeck, taking into account an interest rate of 6%.

Provisions for taxes include anticipated amounts from outstanding tax assessments for the 2000 financial year and preceding years.

Other provisions relate mainly to provisions for personnel expenses – in particular provisions for holiday pay, overtime, employees' anniversaries and other personnel costs – provisions for outstanding invoices, provisions for insurance premiums due but not yet paid, as well as other provisions such as provisions for guarantee commitments, sales discounts, bonus and commission claims and indemnity claims.

**(25) LIABILITIES**

in million €	1999		2000			
	Total	With a remaining term of up to 1 year	Total	With a remaining term of up to 1 year	With a remaining term of 1 to 5 years	With a remaining term of over 5 years
Commercial papers	0	0	30	30	0	0
Eurobonds	600	0	600	0	600	0
Bank loans	1,033	308	1,218	453	695	70
(amount secured)	(758)		(839)			
Trade accounts payable	318	317	339	338	1	0
	1,951	625	2,187	821	1,296	70
(amount secured)	(758)		(839)			

**Commercial papers**

The commercial papers shown in the financial statements were issued by Fresenius AG. The basis of this issue is an agreement made on March 19, 1992 and extended on May 22, 1992 with Dresdner Bank, which is the arranging bank of the commercial paper programme, regarding a total volume of DM 200 million.

**Eurobonds**

On 27.4.1999 Fresenius Finance B.V., 's-Hertogenbosch (Netherlands), a 100% subsidiary of Fresenius AG, issued Eurobonds for a total of € 600 million in two tranches, in order to repay short-term bank loans which were mainly used for the acquisition of the international infusion business of Pharmacia & Upjohn AB, Stockholm (Sweden).

The fixed interest tranche in a total nominal amount of € 400 million is divided into 400,000 certificates denominated at € 1,000 each, which have an annual interest rate of 4.5%. The total maturity of the fixed-interest tranche amounts to five years; repayment will be made on 18.5.2004 at the nominal value.

The tranche with a variable interest rate with a total nominal value of € 200 million comprises 200,000 certificates denominated at € 1,000 each, on which interest is paid quarterly at the prevailing EURIBOR rate for three months plus 0.90% p.a. The total maturity of the tranche amounts to three years; repayment will be made on 18.5.2002 at the nominal value.

**Eurobonds**

	million €	Number	Value in euros	Interest in % p.a.	Maturity in years
Fixed interest tranche	400	400,000	1,000	4.5	3
Variable tranche	200	200,000	1,000	EURIBOR rate +0.90%	1

600

### Bank loans

Bank loans taken up by the business segment Fresenius Medical Care amount to € 968 million. Of this amount, € 835 million is secured by pledging the shares of affiliates of Fresenius Medical Care AG, Hof an der Saale (Germany). Bank loans taken up by the business segments Fresenius Kabi, Fresenius ProServe and Fresenius HemoCare amount to € 250 million.

Collateral was given by mortgage liens in the business segments Fresenius Medical Care and Fresenius Kabi.

### Other liabilities

in million €	1999		2000			
	Total	With a remaining term of up to 1 year	Total	With a remaining term of up to 1 year	With a remaining term of 1 to 5 years	With a remaining term of over 5 years
Payments received on account of orders	26	19	31	21	10	0
Notes accepted and payable	9	9	6	6	0	0
Accounts payable to affiliated companies	9	8	18	15	2	1
Accounts payable to related companies	6	6	1	1	0	0
Remaining other liabilities	867	768	504	494	8	2
Other liabilities	917	810	560	537	20	3

### Remaining other liabilities

Remaining other liabilities include an amount of € 92 million for the outstanding payments from the “OIG agreement” described in note (4).

The rest of the remaining other liabilities concerns mainly tax liabilities, liabilities regarding social security, interest and leasing liabilities, liabilities from the purchase of participations and liabilities regarding wages and salaries.

Tax liabilities amount to € 35 million (previous year: € 28 million). Liabilities relating to social security amount to € 24 million (previous year: € 21 million).

### (26) CONTINGENT LIABILITIES

in million €	1999	2000
Contingencies from guarantees	2	2
Contingencies from indemnity agreements	26	23
Contingencies from providing collateral for third party liabilities	1	2

Fresenius AG has undertaken to exempt on certain preconditions various members of the managing boards of foreign affiliates from claims, in case such claims should be made due to their function as members of the managing board of the affiliate concerned, and these claims are based on the law of the respective country. Two of these persons are also members of the Managing Board of Fresenius AG.

The companies Endomed Laboratório Farmacêutico Ltda., Aquiraz/Ceará (Brazil), and Fresenius Kabi Brasil Ltda. (formerly Fresenius Laboratórios Ltda.), Campinas/São Paulo (Brazil), have undertaken similar commitments regarding their managing boards.

Fresenius AG has undertaken to exempt the members of the Managing Board of Fresenius AG from claims, should claims be made due to their work for Fresenius Medical Care AG, Hof an der Saale (Germany), in particular in their capacity as members of the Managing Board or Supervisory Board of Fresenius Medical Care AG, and should these claims be based on the law of the country concerned, exceed their responsibilities according to German law and not be covered by insurance.

Fresenius Medical Care AG, Hof an der Saale (Germany), has undertaken to exempt the members of the Managing Board and the Supervisory Board of Fresenius Medical Care AG, Hof an der Saale (Germany), from risks of claims outside the scope of the German stock corporation law under certain conditions.

## (27) OTHER FINANCIAL COMMITMENTS

in million €	1999	2000
Commitments from building leases, rental and leasing commitments		
due 2001	123	153
due 2002 – 2005	345	420
due after 2006	106	134
	574	707
Commitments from ongoing investments	6	19
Other commitments	311	294
	891	1,020

Other commitments concern mainly commitments from orders.

## (28) DERIVATIVE FINANCING INSTRUMENTS

In its ordinary course of business, the Fresenius Group is exposed to market risks from changes in foreign currency exchange rates and changes in interest rates. In order to reduce or eliminate those risks, we enter into various types of derivative instruments including foreign exchange forward contracts, interest rate swaps, cross-currency swaps and common option contracts. All of these derivatives are OTC-traded instruments backed by sufficiently liquid market conditions. We do not contract for financial instruments for trading or other speculative purposes but in order to hedge commercial exposures derived from existing assets and liabilities as well as from firm commitments on future sales and purchases of goods and services and financing activities.

Combining commercial exposures with derivative instruments is the basis for efficient risk management, because changes in the fair value of the derivatives are balanced by opposite changes in the fair value of the hedged items. In case this high



correlation does not exist, negative fair values of derivative contracts are recognized as expenses even if the loss will occur in a future period, whereas positive fair values are not recognized unless they are realized.

The table below presents the nominal amounts, the fair values, and the credit risk of derivative instruments contracted as of the balance sheet date.

in million €	Nominal amounts		Fair values		Credit risk	
	31.12.1999	31.12.2000	31.12.1999	31.12.2000	31.12.1999	31.12.2000
Foreign exchange forward contracts	555	<b>1,089</b>	-17	<b>38</b>	1	<b>46</b>
Foreign exchange option contracts	10	<b>7</b>	-	<b>0</b>	-	<b>0</b>
Interest rate swaps	1,444	<b>1,321</b>	6	<b>-30</b>	6	<b>0</b>
Cross-currency swaps	183	<b>183</b>	-10	<b>-5</b>	0	<b>0</b>
Interest rate option contracts	149	-	3	-	5	-
Forward rate agreements	-	34	-	0	-	0
	<b>2,341</b>	<b>2,634</b>	<b>-18</b>	<b>3</b>	<b>12</b>	<b>46</b>

The nominal amounts represent the unbalanced total of all contracted amounts.

The fair value of derivatives reflects the estimated amounts that the Fresenius Group would receive or pay to terminate the contracts on the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Offsetting changes in the fair value of the underlying assets and liabilities are not considered. The valuation is performed on the basis of dealer quotes. A negative fair value means that we would have to pay an amount equal to the fair value in order to terminate the respective contract on the reporting date.

The credit risk represents the cost to the Fresenius Group that would arise from replacing an existing contract because of non-performance by the counterparty. Only those contracts with a positive fair value involve a credit risk. When determining the credit risk, we do not consider any potential for offsetting contracts with a positive fair value against others with a negative fair value, which are concluded with the same counterparty.

Irrespective of the credit risk calculated as described above, management does not expect any material losses as a result of default by counterparties in derivative contracts, because we enter into those hedging transactions with investment grade financial institutions only, based on specific counterparty limits as authorized by the Managing Board.

All foreign exchange forward contracts expire within 35 months after the reporting date. The increase in the nominal amount compared to the previous year is caused by the international expansion of the Group and the growing importance of inter-company loan financings. Exchanges of US dollar against the euro or DM make up almost 80 % (31.12.1999: 67 %) of the total nominal amount of foreign exchange contracts.

The main purpose of the derivative interest rate hedging contracts is to protect the variable-rate bank loans of National Medical Care, Inc., Delaware (USA). US\$ 600 million of interest rate swaps mature in 2003, US\$ 250 million in 2004, and US\$ 200 million in 2007. The purpose of the cross-currency swaps is to hedge international inter-company loan financings. These contracts mature at various dates up to 2002.

As in the previous year, negative fair values of the derivative contracts are offset by positive changes in the value of the underlying hedged items.

**NOTES ON THE STATEMENT OF INCOME****(29) SALES**

in million €	1999	2000
	4,952	6,099

Please see “Segment reporting” in note (46) for the breakdown of sales by business segment and by region.

**(30) CHANGES IN FINISHED GOODS INVENTORIES AND WORK IN PROCESS,  
OWN WORK CAPITALIZED**

in million €	1999	2000
Change in finished goods inventories and work in process	22	25
Other own work capitalized	6	7
	28	32

**(31) OTHER OPERATING INCOME**

Other operating income derives mainly from the release of provisions, income from the release of individual and global value adjustments, income from the sale of items of fixed assets and other income not relating to the period under report amounting to € 93 million (previous year: € 68 million), from exchange rate profits, and income from the release of special accounts for investment grants and investment allowances on fixed assets amounting to € 1 million (previous year: € 1 million).

**(32) COST OF MATERIALS**

in million €	1999	2000
Cost of raw materials and supplies, and purchased goods	1,419	1,776
Cost of purchased services	281	352
	1,700	2,128

**(33) PERSONNEL EXPENSES**

in million €	1999	2000
Wages and salaries	1,194	1,532
Social security and costs of retirement pensions and social assistance	251	302
(amount for retirement pensions)	(13)	(13)
	1,445	1,834

**Average number of employees (average full-time equivalent)**

by group	1999	2000
Wage earners	23,890	25,821
Salaried employees	17,831	21,975
Apprentices	117	139
	41,838	47,935

**(34) DEPRECIATION AND AMORTIZATION OF INTANGIBLE AND TANGIBLE FIXED ASSETS**

in million €	1999	2000
Scheduled depreciation	340	388
Extraordinary depreciation pursuant to § 253 Section 2 Phrase 3 Commercial Law (HGB)	1	1
	341	389

Please see “Segment reporting” in note (46) for the breakdown of depreciation and amortization by business segment and region.

**(35) OTHER OPERATING EXPENSES**

Other remaining operating expenses comprise other general and administrative expenses as well as other taxes amounting to € 46 million (previous year: € 36 million).

The breakdown of expenses for research and development is shown and explained in “Segment reporting” in note (46).

**(36) INCOME FROM PARTICIPATIONS**

in million €	1999	2000
Income derived from profit transfer agreements	–	0
Income derived from participations	1	1
(amount derived from affiliated companies)	(1)	(1)
Income derived from associated companies	1	0
Expenses incurred from loss transfer agreements	0	–
	2	1

**(37) OTHER FINANCIAL RESULTS**

in million €	1999	2000
Income derived from other long-term investments and loans		
included in the financial assets	2	2
(amount derived from affiliated companies)	(-)	(0)
	2	2

**(38) EARNINGS BEFORE INTEREST, INTEREST FOR TRUST PREFERRED SECURITIES, AND TAXES ON INCOME AND PROFIT (EBIT)**

in million €	1999	2000
	597	756

EBIT improved over the previous year by € 159 million to € 756 million, and the EBIT margin increased from 12.1 % to 12.4%.

Please see “Segment reporting” in note (46) for the breakdown of EBIT by business segment and by region.

**(39) NET INTEREST AND INTEREST FOR TRUST PREFERRED SECURITIES**

in million €	1999	2000
Other interest and similar income	19	20
(amount derived from affiliated companies)	(1)	(-)
Interest and similar expenses	-164	-191
(amount paid to affiliated companies)	(-)	(1)
Interest for trust preferred securities	-75	-85
	-220	-256

**(40) INCOME AND PROFIT TAXES ON PROFIT ON ORDINARY ACTIVITIES**

Taxes on income and profit contain corporation and trade income tax for the domestic companies, comparable foreign taxes based on profit, and deferred taxes.

The total amount of taxes on the profit on ordinary activities is divided up as follows:

in million €	1999	2000
Current taxes on income and profit	163	147
Deferred taxes	11	87
	174	234

Current taxes on profit and income for 1999 showed tax expenses without the results of the “OIG agreement” with the Office of the Inspector General explained in note (4).

**(41) NET INCOME BEFORE EXTRAORDINARY RESULT**

in million €	1999	2000
	203	266

Net income before extraordinary result improved by 31.0% over the previous year to € 266 million.

**(42) EXTRAORDINARY EXPENSES (AFTER TAXES)**

In order to settle the investigations by various US federal authorities and offices (OIG: Office of the Inspector General) against National Medical Care, which had been in progress since 1995 and which concerned the period before inclusion in the Fresenius Group, a definitive agreement was made on 18.1.2000 which resulted in extraordinary expenses in 1999.

In the 2000 financial year no extraordinary expenses occurred.

**(43) EXTRAORDINARY INCOME**

The extraordinary income shown in 1999 was the one-off impact from the capitalization of deferred taxes for the first time amounting to € 106 million.

In the year under report, no extraordinary income occurred.

**(44) SHARE OF PROFITS ALLOCATED TO MINORITY INTEREST HOLDERS**

The profits allocated to minority interest holders are as follows:

in million €	1999	2000
Share of profits allocated to minority interest holders	100	147
Share of losses allocated to minority interest holders	-4	-3
	96	144

**(45) REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD  
AS WELL AS ADVANCES AND LOANS GRANTED TO THE MANAGING BOARD**

The total remuneration of the Managing Board for carrying out their duties in Fresenius AG and in the affiliates amounts to € 3,487,000.

In 2000, 25,800 stock options were granted to the members of the Managing Board.

€ 175,000 was paid to former members of the Managing Board. The pension provision for former members of the Managing Board amounts to € 1,045,000.

The total remuneration of the Supervisory Board of Fresenius AG amounts to € 685,000.

One subsidiary paid € 21,000 to the surviving dependants of a former Supervisory Board member. The pension provisions of the subsidiary for this purpose amount to € 71,000.

**(46) SEGMENT REPORTING**

The segmentation in the Fresenius Group with the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius HemoCare and Fresenius ProServe corresponds to the internal organisational and reporting structures ("Management Approach").

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.

In addition, the segmentation by region of important key data is shown.

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.

### **Segment split**

The split into business segments was determined in accordance with the legal structure and the company's internal management:

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 92,000 patients in its own dialysis clinics.

The product and service portfolio of Fresenius Kabi includes infusion solutions for fluid and blood volume substitution, and for parenteral nutrition, and products for enteral nutrition. The Ambulatory Care division is focused on medical services for nutrition and infusion therapy and offers service concepts for ambulatory health care.

The companies of the business segment Fresenius ProServe are mainly involved in the consulting, planning, construction and equipping of hospitals and production plants for the pharmaceutical and medical-technical industry. Furthermore, ProServe offers services related to maintenance, service and technical management, as well as hospital management.

Fresenius HemoCare is one of Europe's leading providers in the field of blood treatment and infusion technology. The products are used in blood transfusion and cell separation, as well as for the infusion of solutions and pharmaceuticals. Further core competences are innovative processes of immune therapy and adsorber processes for extracorporeal blood treatment.

The segment Corporate/Other mainly comprises the holding functions of Fresenius AG and the consolidation measures to be carried out between the segments.

Information on products and services of the business segments is given in the Annual Report.

The regional segmentation takes into account not only the geographical partition, but also the homogeneity of the markets regarding opportunities and risks. The regional allocation to the individual segments depends on the domicile of the customers.

## Report on the business segments

in million €	Fresenius Medical Care			Fresenius Kabi		
	1999	2000	Change	1999	2000	Change
Sales	3,609	4,549	26%	964	1,122	16%
of which contribution to consolidated sales	3,582	4,527	26%	942	1,108	18%
of which internal sales	27	22	-19%	22	14	-36%
contribution to consolidated sales	72%	74%		19%	18%	
EBITDA	784	957	22%	139	171	23%
Depreciation and amortization	258	285	10%	60	83	38%
EBIT	526	672	28%	79	88	11%
Balance of interest	-204	-230	-13%	-16	-25	-56%
Operating cash flow	332	424	28%	44	40	-9%
Financial liabilities <sup>1)</sup>	1,215	1,269	4%	476	631	33%
Balance sheet total	4,112	4,625	12%	1,230	1,346	9%
Capital expenditure	155	246	59%	80	78	-3%
Acquisitions	107	310	190%	61	78	28%
Research and development expenses	30	35	17%	51	48	-6%
Employees (per capita on balance sheet date)	31,086	35,370	14%	8,587	10,368	21%
Key figures						
- EBITDA margin	21.7%	21.0%		14.4%	15.2%	
- EBIT margin	14.6%	14.8%		8.2%	7.8%	
- ROOA <sup>2)</sup>	10.7%	11.6%		7.5%	7.2%	

<sup>1)</sup> Financial liabilities comprise bank loans, trust preferred securities, Eurobonds and commercial papers as well as inter-company liabilities

<sup>2)</sup> Return on operating assets (ROOA) is defined as a quotient from EBIT and operating assets (Fresenius Medical Care: according to US GAAP)

In 2000, Fresenius Medical Care generated approx. 37% (previous year: 40%) of its sales within the scope of governmental health care programmes in the United States (Medicare), which corresponds to 28% of total sales of the Fresenius Group in the 2000 financial year. In the other business segments, due to the large number of customers and the diverse business activities, there are no customers with such a large business volume.



	Fresenius ProServe			Fresenius HemoCare			Corporate/Other			Total		
	1999	2000	Change	1999	2000	Change	1999	2000	Change	1999	2000	Change
	268	284	6%	178	207	16%	-67	-63	6%	4,952	6,099	23%
	267	281	5%	161	183	14%				4,952	6,099	23%
	1	3	200%	17	24	41%	-67	-63	6%	0	0	
	5%	5%		4%	3%		0%	0%		100%	100%	
	17	20	18%	15	18	20%	-17	-21	-24%	938	1,145	22%
	4	5	25%	13	11	-15%	6	5	-17%	341	389	14%
	13	15	15%	2	7	250%	-23	-26	-13%	597	756	27%
	0	0		-2	-3	-50%	2	2	0%	-220	-256	-16%
	30	30	0%	-2	9	550%	-7	-40	-471%	397	463	17%
	10	13	30%	45	42	-7%	-113	-107	5%	1,633	1,848	13%
	230	242	5%	165	179	8%	-23	81	452%	5,714	6,473	13%
	10	8	-20%	12	13	8%	7	5	-29%	264	350	33%
	4	10	150%	8	5	-38%	0	16		180	419	133%
	0	0		13	18	38%	12	13	8%	106	114	8%
	1,719	1,945	13%	2,033	2,001	-2%	358	290	-19%	43,783	49,974	14%
	6.3%	7.0%		8.4%	8.7%					18.9%	18.8%	
	4.9%	5.3%		1.1%	3.4%					12.1%	12.4%	
	11.2%	9.7%		1.1%	4.9%					11.2%	12.7%	

**Report on the segments by region**

in million €	Europe			North America		
	1999	2000	Change	1999	2000	Change
Sales	1,741	1,901	9%	2,731	3,481	27%
in % of total sales	36%	32%		55%	57%	
EBIT	173	203	17%	377	469	24%
Depreciation and amortization	116	139	20%	210	227	8%
Balance sheet total	2,041	2,263	11%	3,280	3,449	5%
Capital expenditure	157	153	-3%	89	126	42%
Acquisitions	32	134	319%	72	131	82%
Employees (per capita on balance sheet date)	15,507	17,548	13%	23,810	25,792	8%

**NOTES ON THE CASH FLOW STATEMENT****(47) CASH FLOW**

The cash flow derives from the sum of consolidated net income, depreciation and amortization and the change in pension provisions.

**(48) INTANGIBLE AND TANGIBLE FIXED ASSETS**

The intangible and tangible fixed assets include those additions to fixed assets in the 2000 financial year which do not result from acquisitions.

**(49) ACQUISITIONS**

The term acquisition comprises both the purchase of legally independent companies (so-called share deals) and of company divisions (so-called asset deals). In comparison to the additions to fixed assets, the acquisitions shown in the cash flow statement represent the actual cash outflow in the financial year.

**(50) OTHER CHANGES**

The other changes comprise mainly the additions to liquid assets as a result of acquisitions in the amount of € 10 million (previous year: € 11 million), and the proceeds from the sale of fixed assets amounting to € 49 million (previous year: € 14 million), participations and business units.

**(51) CHANGE IN FINANCIAL LIABILITIES**

The financial liabilities comprise bank loans, profit-sharing rights and commercial papers.

**(52) PAYMENTS FROM FOREIGN EXCHANGE FORWARD CONTRACTS TO HEDGE INTERCOMPANY LOANS IN FOREIGN CURRENCY**

The amount shown derives from the hedging of foreign currency for intercompany loans which Fresenius AG has granted to subsidiaries of the sub-group.

	South America			Asia/Pacific			Africa			Total		
	1999	2000	Change	1999	2000	Change	1999	2000	Change	1999	2000	Change
	170	264	55%	261	372	43%	49	81	65%	4,952	6,099	23%
	3%	4%		5%	6%		1%	1%		100%	100%	
	14	30	114%	28	46	64%	5	8	60%	597	756	27%
	7	9	29%	8	13	63%	0	1		341	389	14%
	160	389	143%	215	329	53%	18	43	139%	5,714	6,473	13%
	9	27	200%	9	43	378%	0	1		264	350	33%
	5	103	1,960%	70	27	-61%	1	24	2,300%	180	419	133%
	2,634	4,079	55%	1,803	2,099	16%	29	456	1,472%	43,783	49,974	14%

### (53) CHANGES DUE TO FOREIGN EXCHANGE RATES

The changes due to foreign exchange rates comprise the change in liquid funds through a change in the exchange rates.

### (54) FREE CASH FLOW BEFORE ACQUISITIONS AND DIVIDENDS

The free cash flow before acquisitions and dividends is a major controlling instrument in the Group. It is calculated as follows:

in million €	1999	2000
Cash flow	559	667
Change in working capital	-162	-204
Operating cash flow	397	463
Capital expenditure on intangible and tangible fixed assets	-264	-354
Cash provided by sale of fixed assets	14	49
Free cash flow before acquisitions and dividends	147	158

**(55) PROPOSAL FOR THE DISTRIBUTION OF RETAINED EARNINGS**

The Managing Board of Fresenius AG proposes to the Annual General Meeting that the earnings for 2000 be distributed as follows:

Payment of a dividend of € 1.86 per bearer ordinary share on the ordinary subscribed capital of € 25,619,261.44 entitled to dividend	€ 18,613,995
Payment of a dividend of € 1.92 per bearer preference share on the preference subscribed capital of € 25,619,261.44 entitled to dividend	€ 19,214,446
Payment of a special dividend of € 0.30 per bearer ordinary share on the ordinary subscribed capital of € 25,619,261.44 entitled to dividend	€ 3,002,257
Payment of a special dividend of € 0.30 per bearer preference share on the preference subscribed capital of € 25,619,261.44 entitled to dividend	€ 3,002,257
Balance to be carried forward	€ 466,976
	€ 44,299,931

Bad Homburg v. d. H., February 20, 2001

Dr. G. Krick

R. Baule

R. Hohmann

Dr. M. Schmidt

U. Werlé

## AUDIT OPINION

We have audited the consolidated financial statements and the management report of Fresenius AG for the financial year January 1 to December 31, 2000. The preparation of these documents in accordance with German commercial law is the responsibility of the company's Managing Board. Our responsibility is to express an opinion on the consolidated financial statements and the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 Commercial Code (HGB) and the standards generally accepted in Germany for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit such that material misstatements affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with German accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system related to the company's accounting procedures and the evidence supporting the disclosures in the consolidated financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the accounting and consolidation principles used and of the significant estimates made, as well as the evaluation of the overall presentation of the consolidated financial statements and the management report. We believe that our audit provides a reasonably secure basis for our opinion.

Our audit did not result in the need for any qualification of our opinion.

In our opinion, the consolidated financial statements present a true and fair view of the assets and liabilities, financial position and results of operations of the Fresenius Group, prepared in accordance with accounting principles generally accepted in Germany. The management report gives a suitable description of the Group's position and states suitably the risks arising from future developments.

Frankfurt am Main, February 20, 2001

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Dr. Böttcher)	(Walter)
Auditor	Auditor



## REPORT OF THE SUPERVISORY BOARD

In the year under report, the Managing Board informed the Supervisory Board regularly both in writing and orally about the progress and planning of business, the situation of the company and important business transactions. The Supervisory Board dealt in detail with the development of business and the business strategy on the basis of these reports in seven joint meetings with the Managing Board. The main subjects of the meetings were the development of the operating business, and the discussion of transactions requiring approval which were reviewed and discussed in detail with the Managing Board. In addition, the Supervisory Board discussed the strategy of the business segments in detail with the Managing Board and sanctioned this strategy.

The main subjects of the Supervisory Board meetings:

In the business segment Fresenius Kabi, one of the main topics was the future strategy for the product and service businesses. The Supervisory Board was informed about the progress of the integration of the infusion business acquired from Pharmacia & Upjohn – Kabi – and the on-going optimisation of manufacturing. At the same time, the Supervisory Board dealt intensively with the acquisition of various companies and shareholdings in the business segment Fresenius Kabi, and approved these acquisitions. These included the purchase of a majority shareholding in ProReha in Germany as well as the acquisition of the infusion solutions business of Intramed in South Africa, the purchase of the French company Novamédical, the Mexican company BYN and the infusion solutions business of the Spanish company Antibioticos.

The Supervisory Board was given detailed information about the innovations in the business units Adsorber Technology and Immune Therapy of Fresenius HemoCare, and about the expansion of the service business in this business segment.

The Supervisory Board held thorough discussions with the Managing Board about the entry of the business segment Fresenius ProServe into the hospital operation business, and sanctioned this step. It also approved the acquisition of hospitals in Germany and abroad.

With regard to Fresenius Medical Care AG, the Supervisory Board dealt mainly with the acquisitions of the European and South American dialysis business of DaVita and of the American dialysis service provider Everest, and with the planned investments in production, and approved these measures.

Finally, the Supervisory Board approved the medium-term planning of the Fresenius Group after detailed examination and intensive discussion with the Managing Board.

The committee stipulated by § 27 Section 3 of the Co-determination Law did not meet in the year under report. The decision-making personnel committee held three meetings in 2000.

The audit carried out by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has confirmed that the accounting records, the financial statements and the management reports for the Fresenius Group and Fresenius AG for the 2000 financial year comply with German law and the company's statutes. The financial statements, consolidated financial statements and the management reports as well as the auditor's reports were submitted to the Supervisory Board. The Supervisory Board noted the auditor's findings with approval. The Supervisory Board's own examination also confirmed that there were no objections to the financial statements of Fresenius AG and the Fresenius Group. The auditor attended all the Supervisory Board Meetings.

In its meeting of March 12, 2001 the Supervisory Board approved the financial statements of Fresenius AG for 2000, as submitted by the Managing Board, which thereby became final. The auditor reported during the meeting on the main results of the audit. The Supervisory Board concurs with the proposal of the Managing Board for the appropriation of the retained earnings for the 2000 financial year.

The Supervisory Board expresses its thanks to the Managing Board and all employees for their achievements and dedication in the 2000 financial year.

Bad Homburg v. d. H., March 12, 2001

The Supervisory Board  
Dr. Karl Schneider  
Chairman

## SUPERVISORY BOARD

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### DR. h.c. HANS KRÖNER

Honorary Chairman of the  
Supervisory Board  
Bad Homburg v. d. H.

### DR. KARL SCHNEIDER

Former Spokesman of the  
Managing Board of  
Südzucker AG  
Chairman  
Mannheim

### GERD HOLTGREFE

Secretary of the trade union  
IG Bergbau, Chemie, Energie  
Deputy Chairman  
Hanover

#### OFFICES

**Supervisory Board**  
Enka GmbH & Co. KG

### ARNOLD DANNECK

Chairman of the General  
Works Council  
Chairman of the Works Council  
St. Wendel plant  
Tholey

### DR. GABRIELE KRÖNER

Doctor  
Munich

### FRIEDRICH MEYER

Executive Vice President  
Intravenous Therapy  
Region Central Europe  
Wehrheim

### CHRISTEL NEUMANN

Member of the Works Council  
Schweinfurt plant  
and of the General Works Council  
Schweinfurt

### ILONA OESTERLE

Deputy Chairlady of the  
Works Council Bad Homburg v. d. H.  
Waldsolms

### GERHARD ROGGMANN

Member of the Managing Board  
Westdeutsche Landesbank  
Girozentrale  
Hanover

#### OFFICES

**Supervisory Board**  
AXA Colonia Lebensversicherung AG  
AXA Investment Managers Deutschland GmbH  
BEWAG AG  
Deutsche Börse AG  
Hapag Lloyd AG  
Solvay Deutschland GmbH  
Veba Oel AG  
WestLB Research GmbH (Chairman)  
WestLB Asset Management Kapitalanlagegesellschaft mbH  
(Deputy Chairman)  
WPS WertpapierService Bank AG  
**Board of Directors**  
West Merchant Bank Holdings Ltd., London, Great Britain  
(Chairman)  
**Administrative Board**  
WestLB International S.A., Luxembourg (Chairman)  
WestLB (Schweiz) AG, Zurich, Switzerland (Chairman)

### DR. MANFRED SCHAUDWET

Executive Manager  
Dresdner Bank AG  
Frankfurt am Main

#### OFFICES

**Supervisory Board**  
Aachener und Münchener Lebensversicherung AG  
dresdnerbank investment management  
Kapitalanlagegesellschaft mbH  
Deutsche Vermögensberatung AG  
Hestia Insurance S.A., Zopot, Poland

### DR. DIETER SCHENK

Lawyer and tax consultant  
Munich

#### OFFICES

**Supervisory Board**  
Fresenius Medical Care AG (Deputy Chairman)  
Greiffenberger AG (Deputy Chairman)  
SchmidtBank KGaA

### VOLKER WEBER

Full-time secretary of the trade union  
IG Bergbau, Chemie, Energie  
Leun

### DR. BERNHARD WUNDERLIN

Managing Director  
Harald Quandt Holding GmbH  
Bad Homburg v. d. H.

#### OFFICES

**Supervisory Board**  
Equita Beteiligungen KGaA (Chairman)  
FERI AG (Chairman)  
**Board of Directors**  
AUDA Management Inc., New York, USA  
**Managing Board**  
Gemeinnützige Hertie-Stiftung



## MANAGING BOARD

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### DR. GERD KRICK

Königstein

Chairman

#### EXTERNAL OFFICES

##### Supervisory Board

Vereinte Krankenversicherung AG

##### Advisory Board

HDI Haftpflichtverband der deutschen Industrie V.a.G.

##### Board of Directors

Adelphi Capital Europe Fund, Grand Cayman, Cayman Islands

##### Board of Trustees

Donau-Universität Krems, Austria

##### Administrative Board

Dresdner Bank Luxembourg S.A., Luxembourg

#### CORPORATE OFFICES

##### Supervisory Board

Fresenius Kabi AG (Chairman)

Fresenius Kabi Austria GmbH, Graz, Austria

Fresenius Medical Care AG (Chairman)

VAMED AG, Vienna, Austria (Chairman)

### RAINER BAULE

Ettlingen

Business segment Fresenius

HemoCare

#### CORPORATE OFFICES

##### Supervisory Board

Fresenius Vial S.A., Brézins, France (Chairman)

NPBI International B.V., Emmen, Netherlands (Chairman)

##### Board of Directors

Fresenius HemoCare Inc., Wilmington, Delaware, USA

(Chairman)

### RAINER HOHMANN

Bochum

Business segment Fresenius

ProServe

#### CORPORATE OFFICES

##### Supervisory Board

VAMED AG, Vienna, Austria

### DR. MATTHIAS SCHMIDT

Königstein

Business segment Fresenius Kabi

#### CORPORATE OFFICES

##### Supervisory Board

Fresenius Kabi Austria GmbH, Graz, Austria

Fresenius Kabi France S.A., Sèvres, France (Chairman)

### UDO WERLÉ

Lampertheim

Chief Financial Officer and

Labour Relations Director

#### EXTERNAL OFFICES

##### Supervisory Board

K & C Kremsner & Consultants

#### CORPORATE OFFICES

##### Supervisory Board

Fresenius Kabi AG

Fresenius Vial S.A., Brézins, France (Deputy Chairman)

## GLOSSARY

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### HEALTH CARE TERMS

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#### Acidosis

Disorder of the so-called acid-base status of the body. A condition where the body is no longer able to sufficiently eliminate acids caused by metabolism.

#### Apheresis

Process of obtaining blood from a donor or patient by which certain components (thrombocytes, plasma) are separated or removed and then the remainder is re-infused.

#### Autologous blood products

Blood products where the donor and recipient are identical.

#### Bi-specific antibodies

Whole, not fragmented, antibodies which bind different types of cell.

#### Blood component preparation

Procedure by which one or several of the following blood components are obtained: erythrocytes, thrombocytes, plasma, stem cells.

#### Blood volume substitution

Infusion solution to compensate blood loss.

#### Cell separator

A device to obtain blood components. Blood is donated by means of tube pumps and transported to a centrifuge. In the centrifuge, the desired components (e.g. red blood cells, plasma, thrombocytes) are enriched and collected. The components which are not required are returned to the donor.

#### Dialyser

Special filter which is used in haemodialysis for removing toxic substances and excess water from the blood.

#### Dialysis

A type of renal replacement therapy where a semi-permeable membrane – in peritoneal dialysis the peritoneum of the patient, and in haemodialysis the membrane of the dialyser – is used for solute transport.

#### Dialysis machine

The haemodialysis process is controlled by a dialysis machine which pumps blood, adds anti-coagulants, regulates the cleansing process, and controls the mixture of dialysate and its flow rate through the system.

#### Endotoxins

Products of the metabolism of bacteria cell walls.

#### Enteral nutrition

Application of liquid nutrition as tube or sip feed via the gastro-intestinal tract.

#### Epithelial tumours

Tumours which arise due to a malformation of surface cells.

#### Fibrinogen

Blood clotting factor.

#### Haemodialysis

Treatment mode for dialysis patients where the blood of the patient is purified using a dialyser. The solute exchange between blood and dialysate is dominated by diffusive processes.

#### Haemoperfusion

Extracorporeal blood cleansing process to remove toxic substances from the blood using adsorbants.

#### Homologous blood products

Blood products obtained from a donor (donor and recipient are not necessarily identical).

#### Human albumin

Protein which occurs in the blood of humans.

#### Hydroxyethyl starch solution

Infusion solution with the active ingredient hydroxyethyl starch. Fields of application: Treatment and prevention of blood volume deficiency and shock in connection with operations, injuries, infections, burns; therapeutic blood dilution; reducing the use of autologous blood in surgery.

#### Immune complexes

Connection between the defence substances of a person's own body (antibodies) and substances to be reduced (antigens).

#### Leukocyte filtration

Removal of white blood cells by means of filtration.

#### Medicare

A programme under the federal US Social Security Administration that reimburses health plans and providers for medical care given to qualifying individuals over 65 and the disabled.

#### Neurodegenerative disease

Fatal disease of the central nervous system, scarring of the cortex of the brain, cause not clarified, e.g. Creutzfeldt-Jakob-Disease in humans, BSE in cattle, scrapie in sheep.

#### Parenteral nutrition

Application of nutrients directly into the bloodstream of the patient (intravenously).

#### Peritoneal dialysis

Dialysis treatment method using the patient's peritoneum as a "filter" to cleanse his blood.

#### Peritoneal dialysis solution

Solution introduced into the abdominal cavity of the patient to adsorb toxins and excess water.

#### Sepsis

Blood poisoning through bacteria, fungi or viruses.

#### Thrombocytes

Blood platelets.

#### Uraemia

A complex of symptoms accompanying kidney failure characterised by highly-increased blood levels of urea and other substances.

#### Validation

Validation proves that the production plants and processes used to manufacture medications ensure safe drugs of constant high quality.

#### Vascular access

Mode of connecting the patient's blood circulation to the dialyser. The vascular access must allow sufficient blood flows and connections as often as necessary, normally three times weekly.

## FINANCIAL TERMS

### CAGR

Compounded Average Growth Rate.

### EBIT

Earnings before interest, interest for trust preferred securities, and taxes on income and profit.

### EBITDA

Earnings before interest, interest for trust preferred securities, taxes on income and profit, depreciation and amortization.

### I/B/E/S

Institutional Broker Estimate Systems.

### ROOA (Return On Operating Assets)

Calculated by:

$\text{EBIT} \times 100 : \text{operating assets (average)}$

Operating assets = balance sheet total + goodwill set off against equity

– deferred tax assets – trade accounts payable – payments received on account.

### ROIC (Return On Invested Capital)

Calculated by:

$(\text{EBIT} - \text{taxes} + \text{depreciation of goodwill}) : \text{Invested capital}$

Invested capital = balance sheet total + goodwill set off against equity + depreciation and amortization of goodwill (accumulated) – liquid assets – trade accounts payable – provisions (without pension provisions) – other liabilities not bearing interest.

### US GAAP

United States Generally Accepted Accounting Principles.

### Working capital

Current assets (including deferred assets) – provisions – trade accounts payable – other liabilities – deferred charges.

## PRODUCTS AND SERVICES

### Aminomix®

Amino-acid and carbohydrate solutions in dual-chamber bags.

### ATG-Fresenius (anti T-lymphocyte globulin)

Protein which suppresses T-lymphocytes.

### Blood Volume Monitor (BVM)

Module for haemodialysis machines to measure the relative blood volume and actively control fluid removal from the patient in order to reduce severe complications during dialysis treatment.

### Compleven®

Infusion solution for parenteral nutrition in a three-chamber bag which contains all the amino acids, fats and glucose which a patient needs for one day.

### Dipeptiven®

Glutamine dipeptide concentrate to substitute glutamine as part of a parenteral nutrition regimen.

### Endotoxin adsorber MATISSE®

Adsorber to treat patients with sepsis.

### Fresenius Polysulfone®-Dialyser

Dialyser containing Fresenius Polysulfone® capillaries.

### Glamin®

Amino-acid solution for parenteral nutrition.

### In-line filter blood bag systems

Blood bag systems with integrated filter for leukocyte filtration.

### Kabiven®

Parenteral nutrition solution in a three-chamber bag which contains all the amino acids, fats and glucose which a patient needs for one day.

### Omegaven®

Fat emulsion with a high proportion of omega-3 fatty acids.

### OnLine Clearance Monitor (OCM)

Optional component of a haemodialysis machine to measure online the effective in-vivo dialyser clearance for quality assurance purposes.

### Onlineplus™ System

A system for Fresenius Medical Care's 4008 range of haemodialysis machines to perform on-line haemodiafiltration and on-line haemofiltration. Infusion fluid is prepared from dialysate by filtration in a convenient and cost-effective way.

### Propofol 1% Fresenius

Anaesthetic for injection and infusion.

### sleep • safe®

Automated peritoneal dialysis (APD) system offering the full range of peritoneal dialysis options and a maximum of safety and comfort for the patient, physician and nurse.

### stay • safe® balance

Lactate-buffered peritoneal dialysis solution in a two-compartment bag offered in the *stay • safe®* system. By mixing the two solutions, the patient obtains a neutral fluid with a lower proportion of glucose degradation products.

### Voluven®

A new generation of hydroxyethyl starch for blood volume replacement.

## FINANCIAL CALENDAR

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Press release 1 <sup>st</sup> quarter 2001	May 3, 2001
Annual General Meeting	May 31, 2001
Payment of dividend	June 1, 2001
Interim report on the first six months 2001	July 31, 2001
Press release 1 <sup>st</sup> – 3 <sup>rd</sup> quarters 2001	October 30, 2001

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The German version of this Annual Report is legally binding.

On request, we shall be delighted to send to you the financial statements of Fresenius AG.

You will find further information and current news about our company on our website at:  
<http://www.fresenius-ag.com>

**Forward-looking statements:**

This Annual Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based not occur, or if risks should arise – as mentioned in the risk management report – the actual results could differ materially from the results currently expected.



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FRESENIUS MEDICAL CARE

Haemodialysis

Machines for

- Haemodialysis
- Haemodiafiltration
- Haemofiltration
- Acute dialysis
- Plasmafiltration

Low-Flux dialysers (Fresenius Polysulfone®)

High-Flux dialysers (Fresenius Polysulfone®)

Haemofilters

Plasmafilters

Dialysis fluid filters

Blood lines

Dialysis cannulae

Dialysis fluids

Dialysis concentrates (liquid, dry)

Substitution solutions

Irrigation solutions

Disinfectants

Water treatment systems

Analysis devices

Data management systems

Peritoneal dialysis

Machines and tubing systems for Automated

Peritoneal Dialysis (APD)

Peritoneal dialysis solutions

CAPD systems

CAPD double bag systems

Peritoneal dialysis catheters

Accessories

Dialysis care

Dialysis clinics for chronic haemodialysis treatment

Acute in-patient dialysis treatment

Training (haemodialysis and peritoneal dialysis)

Spectra Renal Management

Laboratory and diagnostic dialysis-related services

Data management

Managed care services for dialysis patients

FRESENIUS KABI

Infusion therapy

- Basic solutions
- Solutions for osmotic therapy
- Irrigation solutions
- Blood volume substitutes
- I.V. anaesthetics
- I.V. drugs and disinfectants
- Innovative I.V. packaging systems

Clinical medical products

- Application technology
- Technical equipment for irrigation systems
- Suprapubic drainage systems
- Infusion devices and accessories
- In-dwelling venous cannulae
- Central venous catheters
- Wound drainage systems
- Implantable port systems
- Portable drug pumps

Parenteral nutrition

Industrial All-In-One mixtures

(3 and 2 chamber bags, All-In-One bags)

Standard and special amino acid solutions

Lipid emulsions

Products for immunonutrition

Additives

Devices and support tools for mixing and administering parenteral nutrition

Training and education

Enteral nutrition

Nutritional products

- Standard diets
- Disease-specific diets
- Nutritional supplements

Application technology

- Transnasal tubes
- Percutaneous tubes
- Giving sets
- Feeding pumps

Accessories and dressing packs

Home enteral nutrition therapy

Scientific support and information; training and education

Calea – The Ambulatory Care Division

Management and provision of ambulatory therapies:

- Antiviral, antimyotic, antibiotic and cytostatic infusion therapies
- Enteral and parenteral nutrition therapies
- Respiratory therapies
- Ostomy care
- Wound care

FRESENIUS PROSERVE

VAMED

Worldwide projects and services for health facilities

- Feasibility studies
- Operational and organisational planning
- IT systems planning
- Architectural planning
- Planning of medical-technical equipment and packages
- Medical-technical maintenance
- Buildings technology planning
- Facility management
- Project development and management
- Turn-key projects
- Financial engineering
- General and technical management of health facilities

hospitalia international

Worldwide services and consultancy on all aspects of the hospital, turn-key realisation and modernisation of health facilities

- Feasibility studies
- Consultancy
- Project development, management and control
- Design
- Turn-key projects
- Complete medical and technical equipment for hospitals
- Installation
- Staff training
- Maintenance services

hospitalia activHealth

Ownership and professional management of hospitals worldwide

hospitalia care

Project development and ownership of private residential nursing homes; professional management for other operators

hospitalia kliniken

Ownership and management of hospitals in Germany

Pharmaplan

Worldwide engineering and plant design for the pharmaceutical and medical device industry

- Feasibility studies
- Consulting and engineering
- Turn-key projects
- Validation, qualification, quality management
- Logistics and warehousing
- Operations, support and maintenance services for pharmaceutical production
- GMP compliance services
- Training
- Start-up and maintenance management for pharmaceutical companies
- Supply, installation and maintenance of water systems/preparation systems for the pharma industry (Pharmatec)

FRESENIUS HEMOCARE

Infusion technology

Infusion and clinical fluid data management systems

Syringe pumps

I.V. anaesthesia and analgesia systems

Volumetric infusion pumps

Enteral feeding systems

Dedicated disposables and accessories

Patient data management system “PDMS”

Transfusion technology

Blood cell separators

Autotransfusion – C.A.T.S®

Automatic blood component processing systems

Leukocyte filters

Blood bag systems with integrated leukocyte filters

Blood bags

Transfer bags

Stem cell bags

Mixing devices

Sterile docking devices

Sealing devices

Donor couches

Cryopreservation bags

Cooling and transport systems

Processing solutions

Thrombocyte storage bags

Immune therapy

Immunosuppressive agent ATG-Fresenius S

Solutions and disposables for organ perfusion and preservation

Removall® – trifunctional antibodies for the treatment (purging) of stem cell transplants

Antibody sets and disposable sets

Adsorber technology

LDL apheresis:

- DALI® system

Immunoadsorption:

- Prosorba® system
- Immunosorba® system

BioCore

Services

- for therapeutic apheresis
- for cell and immune therapy

