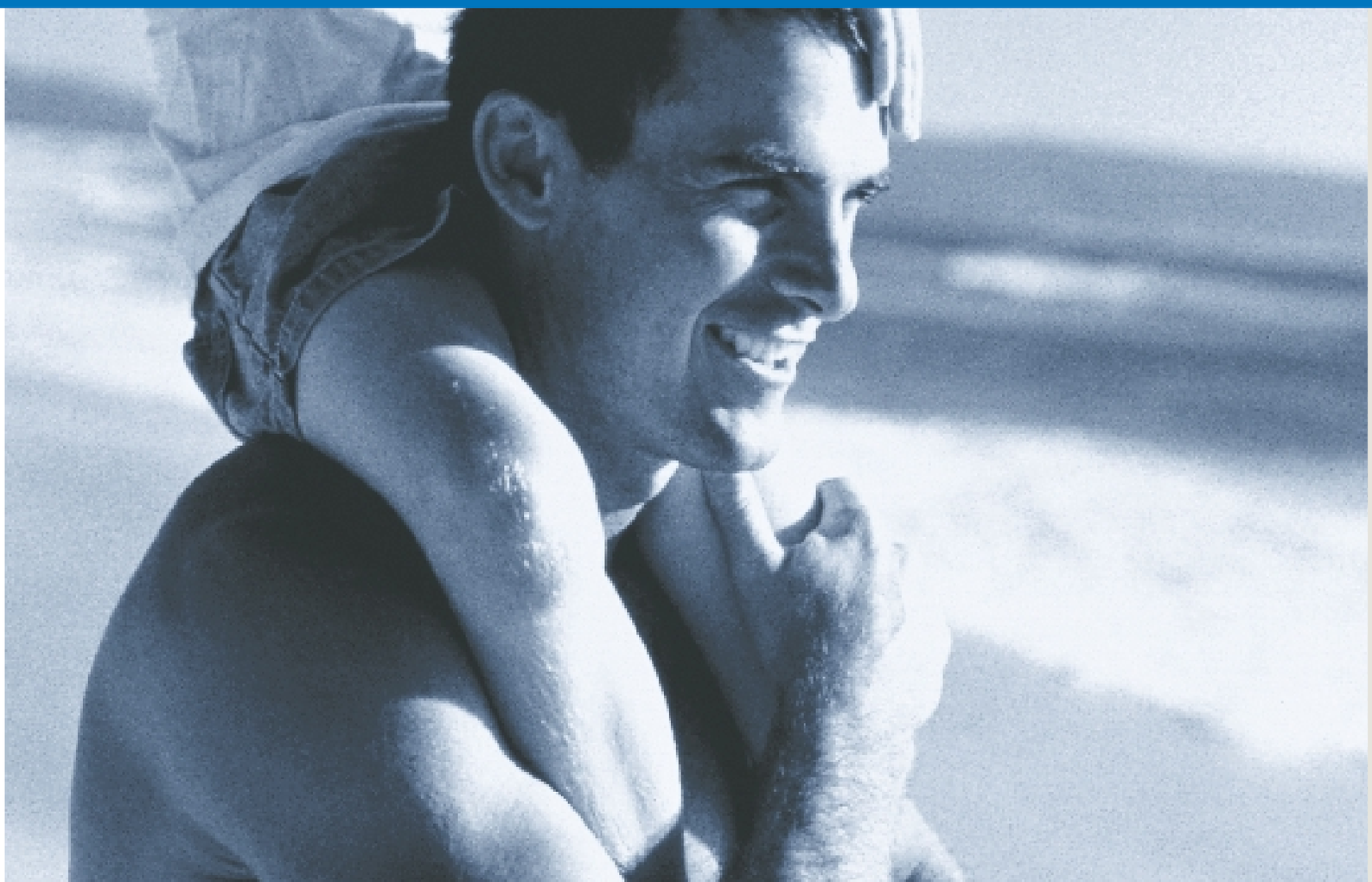
INNOVATING FOR A BETTER LIFE

2000 Annual Report

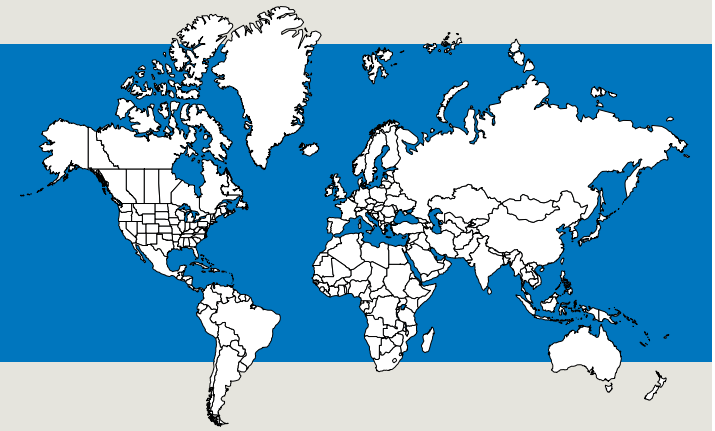
Fresenius Medical Care



MISSION

We set superior standards in renal patient care through our commitment to developing innovative dialysis products and therapies.

The unique position of Fresenius Medical Care in the dialysis field today builds on more than 25 years of experience and continual innovation. Accordingly, the focus of our research and development effort is to maintain the technological edge needed to create innovative products and enhanced therapies. Over 33,000 employees are united in their commitment to providing products of the very highest quality and bringing the best medical practices to renal patient care.



We provide the complete range of products for both treatment modalities, hemodialysis and peritoneal dialysis, and we are the world's largest full-service provider of dialysis care.

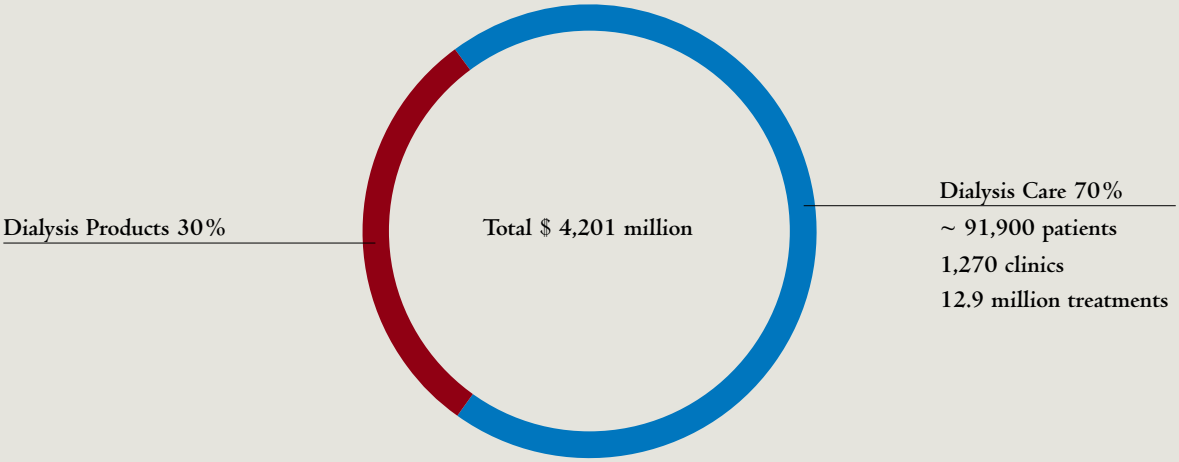
With operations in approximately 100 countries, we are a truly global company. Our rigorous performance targets promote added value throughout the group, while allowing our regional managers to focus on their specific markets and define their own expansion strategies.

The number of dialysis patients in the world today is exceeding one million. With the incidence of kidney failure increasing and thousands of people gaining access to life-saving dialysis treatment, the world dialysis patient population is expected to continue to grow at a rate of some 7% annually.

We at Fresenius Medical Care remain dedicated to improving the quality of life for dialysis patients and to strengthen our leadership in the industry.

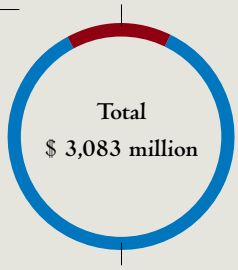
AT A GLANCE

TOTAL REVENUE BY BUSINESS



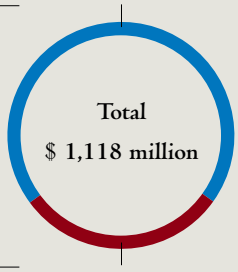
NORTH AMERICA

	2000	1999	1998
Revenue ($m)	3,083	2,807	2,563
EBITDA ($m)	646	611	549
Capital expenditure ($m)	113	81	75
Employees (full-time equivalents)	23,217	21,553	20,431
Patients treated (year-end)	67,900	62,000	58,600
Number of clinics (year-end)	920	849	782
Number of treatments (m)	9.6	8.9	8.2



INTERNATIONAL

	2000	1999	1998
Revenue ($m)	1,118	1,033	943
EBITDA ($m)	270	243	228
Capital expenditure ($m)	115	79	84
Employees (full-time equivalents)	10,099	7,765	6,992
Patients treated (year-end)	24,000	18,000	15,600
Number of clinics (year-end)	350	241	218
Number of treatments (m)	3.3	2.5	2.3



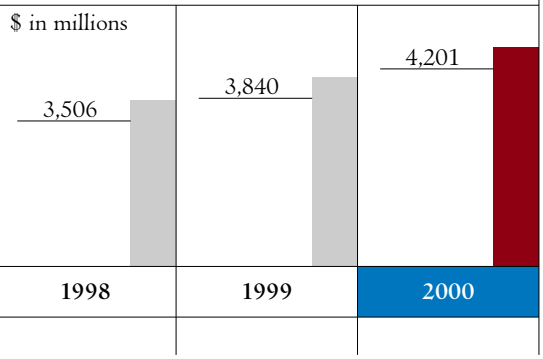
KEY FIGURES 2000

Operating data $ in millions	2000	1999[1]	1998	Change 2000 vs. 1999
Net revenue	4,201	3,840	3,506	9%
Earnings before interest and taxes, depreciation and amortization (EBITDA)	914	844	768	8%
Earnings before interest and taxes (EBIT)	621	560	489	11%
Earnings before taxes	405	342	269	18%
Net income	212	170	132	24%
Net cash flow from operating activities	391	355	268	10%
Free cash flow[2]	184	202	136	-9%
Capital expenditure	228	160	159	42%
Capital expenditure including acquisitons	516	271	424	90%
Data per share				
Earnings per ordinary share	2.37	2.15	1.62	10%
Earnings per ordinary ADS ($)	0.79	0.72	0.54	10%
Dividend per ordinary share (€)	0.78	0.69	0.59	13%
Dividend per preference share (€)	0.84	0.75	0.64	12%
Key ratios (in %)				
EBITDA margin	21.7	22.0	21.9	
EBIT margin	14.8	14.6	13.9	
Return on equity before taxes	15.1	17.1	11.4	
Equity to assets	44.8	34.8	41.5	
Other data				
Employees (full-time equivalents, Dec. 31)	33,316	29,318	27,423	14%

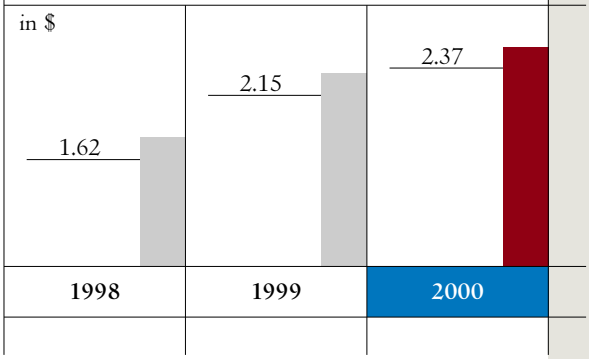
[1] Excluding divested businesses and special OIG charge
[2] Before acquisitions and dividends

All figures in this report are stated in U.S. $, if not indicated otherwise, and in conformity with U.S. GAAP.
Unless specified, all charts refer to fiscal year 2000.
For more detail refer to the 4-year summary at the back of the report.

Net Revenue



Earnings per Share



CONTENTS

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

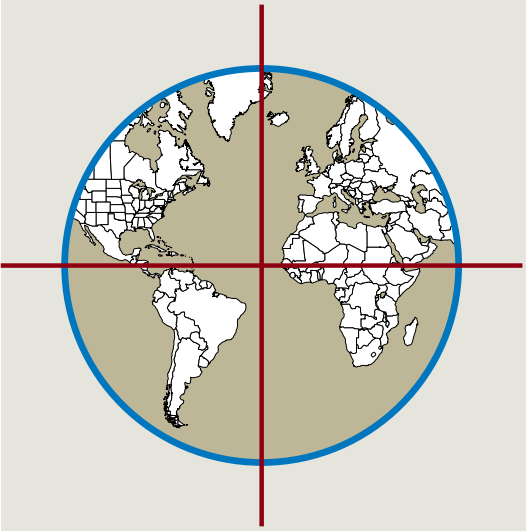
In 2000, we continued to build on the strength of our core businesses in both North America and International regions. Not only did we achieve record revenue but also record earnings. We have further developed our business segments around the world and have introduced in these markets innovative product technologies and therapies. Our vertically integrated model of providing patient care continues to build on the strength of our market leadership in both patient care and products. Our Company has grown by focusing on the same store business drivers coupled with the continued global growth in patient population and making acquisitions in key countries.

Undoubtedly, the earnings situation has further improved. Revenue increased by 9% and earnings after tax by 24%. The Management Board and the Supervisory Board will propose a dividend of € 0.78 per ordinary share and € 0.84 per preference share at the Annual General Meeting.

We have improved our capital structure by issuing additional preference shares, a clear step towards the development of our share price. In March 2000, we issued around 8.97 million preference shares. In July, we completed a successful public offering placing 5.75 million preference shares. We invested the proceeds in accretive acquisitions and reduced our debt.

The fundamentals of our markets remain sound in the world's healthcare systems. In this regard, it is particularly noteworthy that in the United States, our largest market, the government decided to continue to increase reimbursement, which it started in 1999. We view this step as an acknowledgement that spending more healthcare dollars to improve treatment outcomes leads to savings in the overall healthcare system.

Since the creation of the Company, the name Fresenius Medical Care has become synonymous with a globally recognized "quality brand" for innovative products and superior medical therapies. Over the years, our successful research has made blood purification more effective with fewer complications, and it has made treatment technology safer. We have succeeded in improving many aspects of dialysis treatment and want to achieve more in the future. For an even more comprehensive approach, we clearly see opportunities for our patients to become actively involved in the rehabilitation process, both physically and mentally.



"OUR VISION OF A BETTER LIFE"

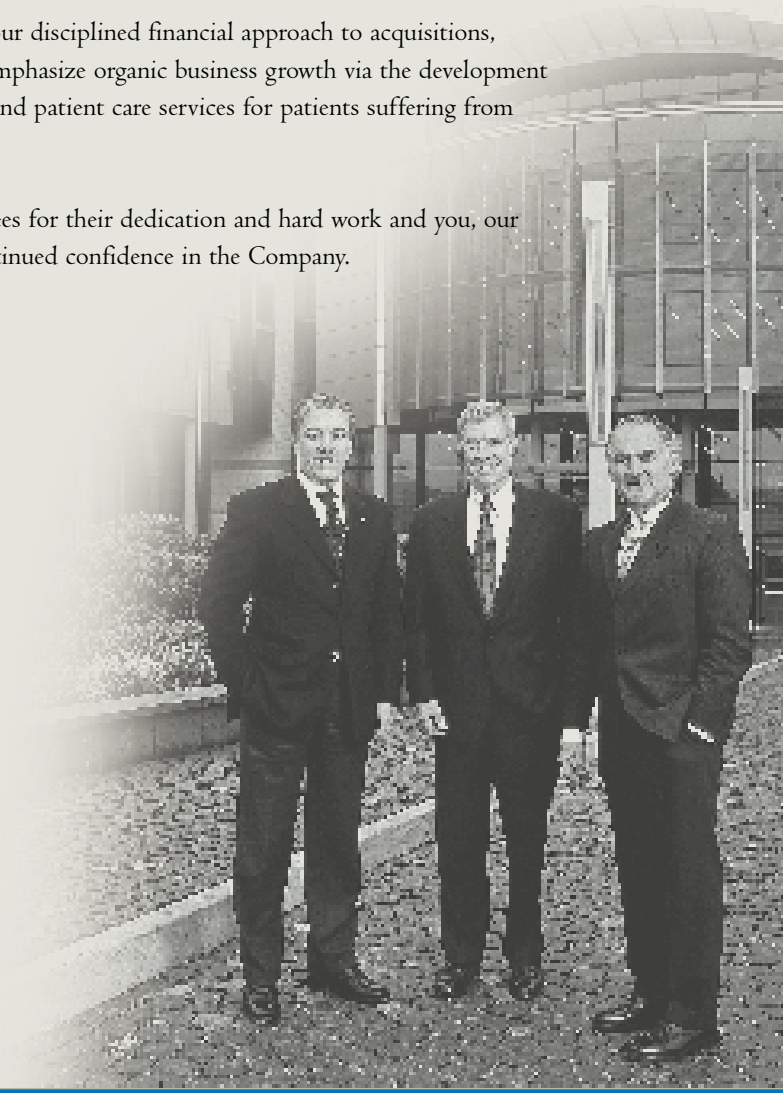
is very much in line with our strategy to evolve as a therapy company. In addition, we see opportunities to leverage off of our experience and expertise in dialysis and expand our service product portfolio within extracorporeal blood services, apheresis and hemoperfusion services to hospitals.

Our management team has longstanding experience in the industry and is well rooted in regional markets, and with the relentless dedication of more than 33,000 employees we are confident that

- we will successfully seize the tremendous opportunities that lie ahead and meet the targets that we have set ourselves. For 2001 we envisage double digit revenue growth and assume that our earnings after tax will increase by around 20%.
- we will continue to pursue opportunities to purchase patient care clinics around the world.
- we will maintain our disciplined financial approach to acquisitions, and continue to emphasize organic business growth via the development of new products and patient care services for patients suffering from renal disease.

We thank all our employees for their dedication and hard work and you, our Shareholders, for the continued confidence in the Company.
Yours truly,

Dr. Ben Lipps
Chief Executive Officer



Management Board members
from left to right

Dr. Emanuele Gatti
Europe/Latin America/ Middle East/Africa

Dr. Ben Lipps
Chief Executive Officer

Roberto Fusté
Asia-Pacific

THE FRESENIUS MEDICAL CARE SHARES[1]

CAPITAL MARKETS OF THE EXTREME

The year 2000 was characterized by extremely volatile stock markets. The upward trend for nearly all global stock markets lasted only for a very limited time: What started in October 1999 ended mid March 2000. Global financial markets were primarily driven by strong economic growth in the United States. In the first three months of the year this development led to record highs on the stock markets around the globe. The beginning of the year 2000 was predominately marked by a strong euphoria in the investment community mainly driven by the very sound performance of the Technology, Media and Telecommunication (TMT) growth industry worldwide. The DAX climbed to a high of 8,065 points on March 7, thus increasing 16% in less than three months. The Dow Jones Euro Stoxx 50 Index paralleled this performance and peaked at 5,464 points on March 6, with a performance of more than 11% since the beginning of the year. In the U.S., the Nasdaq Composite Index also reached its all-year high of 5,049 points on March 13, representing a 27% increase since the end of 1999.

The rest of the year was then dominated by profit warnings from TMT companies and several interest rate increases in the U.S. and Europe. The interest of the investment community was then mainly focused on defensive value stocks in the finance and banking, healthcare and the utility sectors. On the basis of some very sound financial data our stock profited from this positive mood towards the sector in the second half of the year. The DAX closed the year with a loss of 8% at 6,434 points on December 29. The Dow Jones Euro Stoxx 50 Index quoted a loss of 3% for the year and closed at 4,772 points. The Nasdaq Composite Index closed the year with a loss of 39% at 2,470 points.

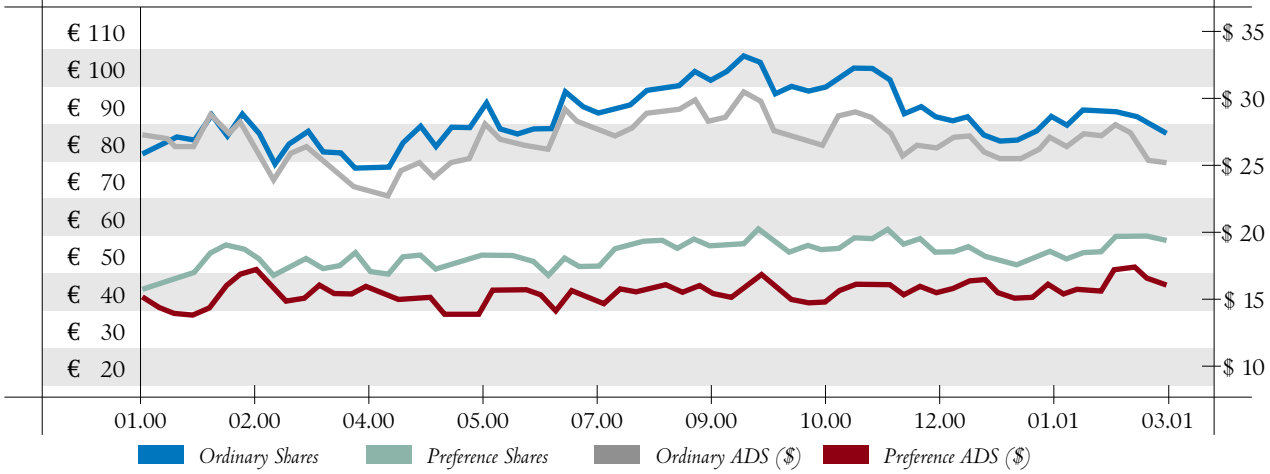
Substance, patience, energy – The genetics to grow …

STRONG PERFORMANCE OF BOTH SHARE CLASSES IN 2000

While the ordinary shares soared to nearly € 104 as per September 22, they closed the year at € 87, still representing a 1% increase for the year. In the DAX, only 13 stocks could quote a higher closing price than the closing price of the previous year. The ordinary shares therefore outperformed the DAX by 9%. In the first complete fiscal year of being included in the DAX we were even able to improve our position. In terms of turnover as well as market capitalization we moved up one place in the official rankings. By the end of 2000, we were ranked number 29 in terms of turnover and number 27 in terms of market capitalization respectively. Following 1999, this was again an impressive year for our ordinary shares especially in light of the very volatile capital markets.

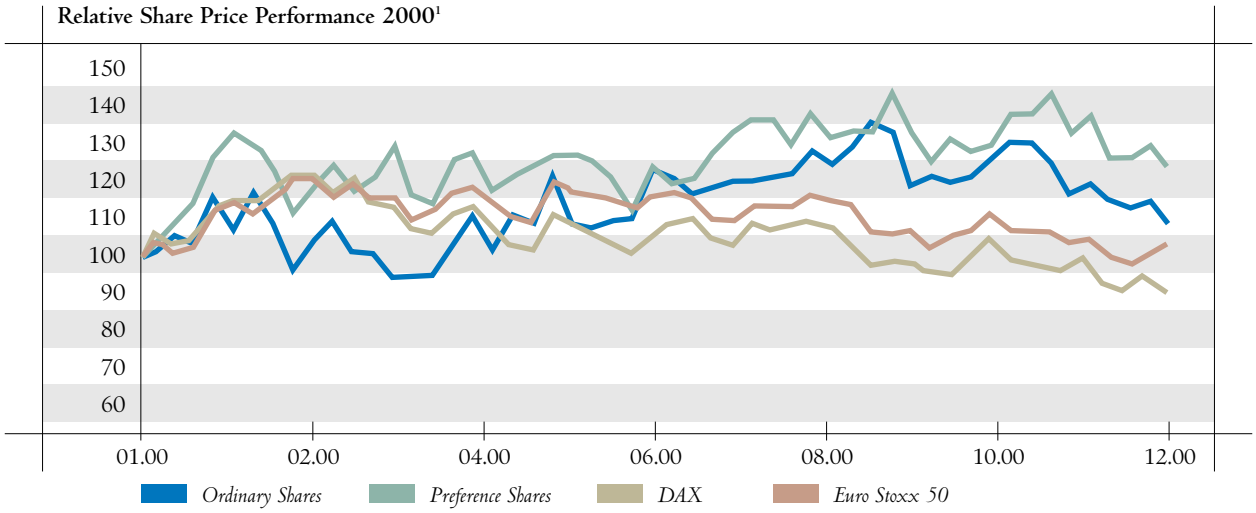
[1] *All performance data and stock quotes are based on Xetra closing data comparing the last trading day of the previous year with the last trading day of the fiscal year 2000.*

Absolute Share Price Performance January 2000 - March 2001[1]



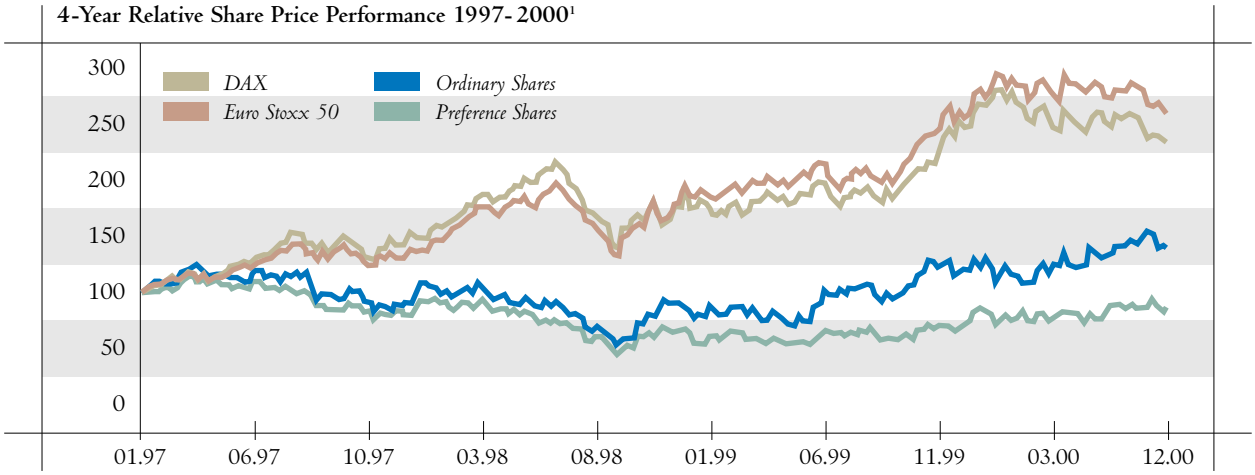
... and the space to be imaginative.

Relative Share Price Performance 2000[1]



[1]Based on average weekly stock data

4-Year Relative Share Price Performance 1997-2000[1]



[1]Based on average weekly stock data

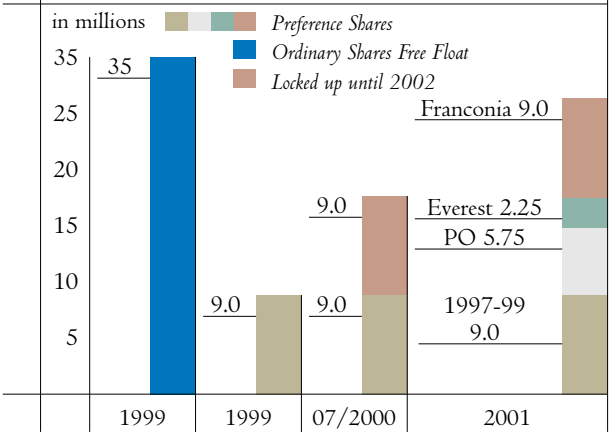
Unlike in 1999, preference shares, which were up 23% to nearly € 51 compared to the end of 1999, clearly outperformed the ordinary shares in 2000. The preference shares would have outperformed the DAX by more than 30% if it were not for the fact that preference shares are not included in the DAX. Considering the turbulent times of the capital markets in the second half of the year, both shares showed an extremely strong performance.

Our ordinary and preference shares are also traded on the New York Stock Exchange (NYSE) in the shape of American Depository Shares (ADS), where three ADS represent one share. The ordinary ADS peaked at $ 30.60 on September 25. They closed the year at $ 27, down 4% from the closing price in 1999. The preference ADS closed the year 2000 at $ 15.80, gaining almost 13% year over year. Since the Dow Jones Industrial Average Index closed at a year loss of 6% at 10,787 points, both ADS outperformed the respective index. Looking at the performance of the ADS one still has to take into account that the U.S. $ currency appreciated against the Euro by approximately 13% on average during the year.

PREFERENCE SHARE LIQUIDITY PROGRAM IN 2000

In 1999, we were neither satisfied with the performance of the preference shares nor with the price gap to the ordinary shares of more than 50%. After evaluating various measures, we strengthened our capital structure using different capital measures. At first, we acquired Franconia Acquisition LLC by issuing 8.97 million preference shares in March 2000. For this capital increase in kind, we utilized our existing authorized capital II to

Capital Structure



ence shares will rise to 68% of the Free Float of the ordinary shares (1999: 25.5%). The Free Float of the ordinary shares is around 34.4 million shares, while 50.8% of the 70 million ordinary shares outstanding are owned by Fresenius AG. The average daily trading volume for the preference shares is now already more than five times greater than in 1999. The spread between the preference and the ordinary shares narrowed to around 40% in 2000.

increase the liquidity of the preference shares in the mid term, since the shares issued have a lock-up period until March 2002. Additionally in July 2000, we increased the liquidity of the preference shares short term by issuing 5.75 million shares in a public offering (PO). In total we therefore increased the number of outstanding preference shares by approximately 14.7 million shares in 2000. Both capital measures were very well received by the global capital markets, and around 50% of the shares were placed in the U.S.

In addition, we issued 2.25 million preference shares in January 2001 to finance part of the acquisition price for Everest Healthcare Services Corporation. The total number of preference shares outstanding in 2001 amounts therefore to 26 million shares.

With the end of the lock-up period for the 8.97 million Franconia shares, the Free Float of the prefer-

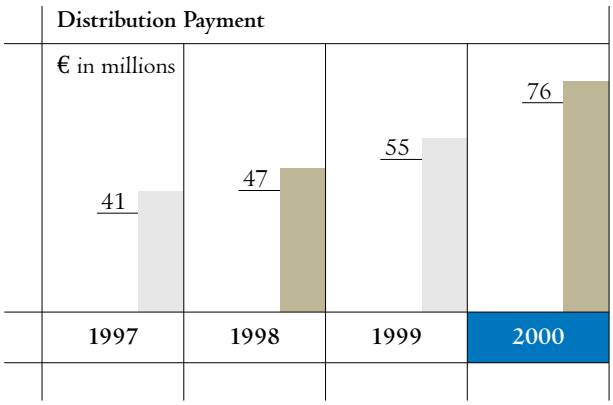
Dividend per Share and Distribution Amount

	2000	1999	1998	1997
Ordinary Share (€)	0.78	0.69	0.59	0.51
Preference Share (€)	0.84	0.75	0.64	0.56
Total Distribution Amount (€m)	76	55	47	41

FURTHER INCREASE OF DIVIDENDS

As in the past, we continue to follow an earnings driven dividend policy. The Management Board and the Supervisory Board will propose to the Annual Stockholders' Meeting on May 23, 2001 that a dividend of € 0.78 (1999: € 0.69) per ordinary share and € 0.84 (1999: € 0.75) per preference share will be paid. This again reflects the strong performance of our underlying

businesses in 2000. Domestic stockholders will also receive a tax credit of 0.33 € per ordinary share and 0.36 € per preference share. The dividend is to be paid out of the unconsolidated operating profits which total some € 121 million, generated by Fresenius Medical Care AG, the holding company which determines the ability to distribute earnings. The dividend increase will raise the total amount distributed to our stockholders by 39% to € 76 million (1999: € 55 million). This calculation is based on 70 million ordinary shares and 26.0 million preference shares outstanding in 2000. The shares we issued in connection with the acquisition of Everest Healthcare Corporation in the U.S. are also entitled to a dividend in 2000 and are consequently included in the total distribution amount.



SHAREHOLDER VALUE

Shareholder value or Value-Based Management is a management approach which upholds the philosophy of increasing and maximizing the continuous long-term sustainable value for the shareholder of a company. It is about creating a value culture within the global organization.

We build on an empowered regional management while corporate-wide performance targets promote the creation of value throughout the Company. Our value-based management is focused on:

- establishing a maximization of economic value as the overriding objective of the organization by focusing on our core competencies
- setting global standards to increase earnings and free cash flow
- establishing corporate-wide, uniform assessment criteria for all our investments to ensure compliance with our hurdle rates
- defining and implementing strategies which provide the highest potential for creating value added
- maintaining our performance measurement systems for the regions and incentive compensation plans for the management
- enhancing medical outcomes as drivers for future growth

Our corporate controlling system provides transparency for internal as well as external reporting. It therefore reduces complexities and strengthens the decentralized operations.

CORPORATE GOVERNANCE

Corporate governance describes the legal and factual regulatory framework for managing and supervising a company. In Germany especially, this has been the subject of intense discussion throughout the year. We looked very closely at the formulated guidelines of the German Code of Corporate Governance which is designed to highlight the standards of good management and supervision for companies. Since we are also listed on the New York Stock Exchange and therefore have followed U.S. GAAP accounting, SEC disclosure and corporate governance rules since 1996, we fulfill almost all the criteria for transparency and auditing standards as well as stockholder rights and company management by the Management and Supervisory Board. We always believe that there is room for even further improvement although we think that we have lived these standards already for quite a while. We achieved a high rating of 70% on the DVFA Scorecard for German Corporate Governance.

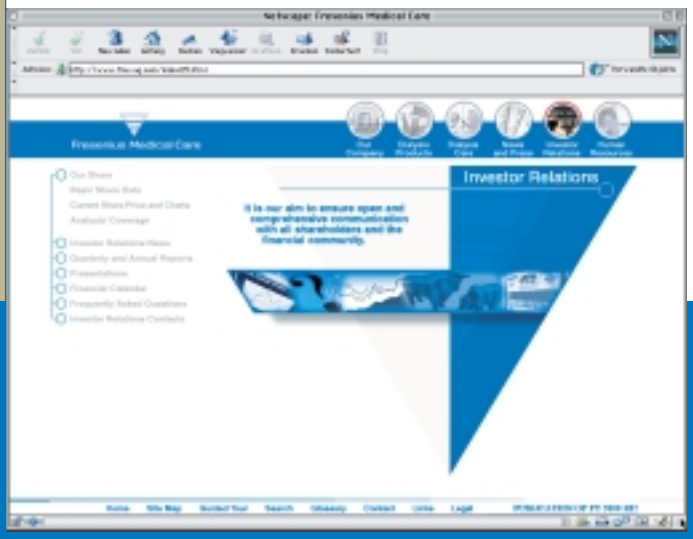
INVESTOR RELATIONS ACTIVITIES

In 2000, we further intensified our communications with our investors. It is the declared objective of our Management and our worldwide investor relations activities to ensure a timely, open, comprehensive, consistent and fully transparent dialogue with all our shareholders and the financial community. Only if we are able to help investors better understand the long-term strategic vision and goals of our Company, we will be successful and consequently able to more effectively compete for capital in the capital marketplace. All information issued to the institutional community like investors and analysts via e-mail and fax is simultaneously available on the Internet so that private as well as potential shareholders have equal access to all released Company information (SEC Fair Disclosure Rules).

LAUNCH OF NEW INTERNET SITE WWW.FMC-AG.COM

Investor Relations best practice has gone through some radical changes in recent times – much of it brought on by the Internet. In 2000 we launched our new Internet appearance with a new layout and significantly enhanced information for private and institutional investors. Since the Internet is one of the most efficient interfaces to the external world, we added more information on the Company and its stock as well as the possibility to

order all publications like press releases, quarterly and annual reports. In addition, investors have had the possibility to download most recent presentations as well as to listen to Conference Calls realtime via the



Being in the DAX-30 category for the first time we have been ranked 11. For 2000 we therefore have been the highest ranked new entry in this category.

The Manager magazine issued the yearly ranking of annual reports. In the DAX-30 category we have been ranked number 14. On a comparable basis we improved our position from rank 22 to 14 within one year. Again since this was the first year of competing in the DAX-30 category we consider this a substantial improvement.

Our target is to join the top 10 DAX companies in 2001 in both surveys.

www.fmc-ag.com/
Investor Relations

Internet. We would like to encourage you to make use of the e-mail features we have on our site and communicate any suggestions and questions you might have. In 2000 we had more than 2.2 million page-visits (on an annualized basis) which compares to 0.54 million in 1999. Currently we have more than 190,000 page visits per month and rising.

RANKING INVESTOR RELATIONS ACTIVITIES AND ANNUAL REPORT

Like in previous years the Capital magazine together with the DVFA (German organization of financial analysis and asset management) and the University of Vienna evaluated the investor relations activities of 237 companies. The contemporary nature, the credibility and the quality of the information issued were measured.

INVESTOR CONTACT INCREASED SUBSTANTIALLY

We have further intensified our contacts with the financial community. In more than 170 one-on-one discussions we personally answered investors' questions. About 50% of these meetings were conducted at the Board of Management level. Moreover, we presented our Company at 20 investment conferences worldwide. During the roadshow for our public offering of 5.75 million preference shares we have additionally seen the top 50 investment accounts in Europe and the U.S. We are strongly committed to further enhancing this program in 2001.

Key Data of the Fresenius Medical Care Shares

		2000	
Frankfurt Stock Exchange (FSE)		**Ordinary**	**Preference**
Ticker Symbol		FME	FME3
Security Codes	Local ID/WKN	578580	578583
	ISIN	DE 0005785802	DE 0005785836
New York Stock Exchange (NYSE), ADS			
Ticker Symbol		FMS	FMS_p
CUSIP No.		358029106	358029205
		Dax Ranking	
Position		December 29, 2000	February 28, 2001
Turnover		29	29
Market Capitalization		27	29
Weight in Dax		0.83%	0.87%

Key Data of the Fresenius Medical Care Shares

		2000		1999		1998	
		Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Number of shares (no-par value)[1]	million	70	23.75	70	9.02	70	9.02
Share price (Xetra)							
high	€	103.60	58.00	88.70	43.50	73.37	58.03
low	€	72.40	38.00	44.55	30.30	30.73	25.56
year-end	€	87.00	50.50	86.90	41.00	60.33	38.35
Average daily trading volume		**162,151**	**38,181**	**129,228**	**14,038**	**98,263**	**14,517**
ADS Share Price (NYSE)							
high	$	30.62	16.91	28.38	16.75	26.88	21.00
low	$	22.56	13.25	15.81	11.25	12.50	12.13
year-end	$	27.19	15.80	28.38	14.00	23.50	16.13
Market capitalization	€ bn	**7.29**		**6.45**		**4.57**	

[1] *As from August 30, 1999; before nominal value DM 5*

FISCAL YEAR 2000

ECONOMIC ENVIRONMENT

WORLD ECONOMY

The growth of the world economy has continued to expedite the general upward surge in 2000. Overall economic production worldwide increased by 3.9%. The economic development in the industrialized countries was generally positive. In addition both the developing and threshold countries and the majority of the reforming countries in Central and Eastern Europe recorded yet another fast rate of growth in produced goods. In Latin America especially there was a clear improvement in the state of the national economies. At the same time, countries in East Asia managed to continue on their way to economic recovery. This was particularly noticeable in the increase in world trade expansion.

Know what falls on fertile soil ...

EUROPE

Although the economies of Europe cooled down in the second half of the year 2000 there were signs of growth. All in all, the gross domestic product for the entire trading area for the euro-countries grew by 3.4% against last year. Exports and investments were the largest sources of impetus. Growth in consumer expenditure in private households diminished, however, as a result of high oil prices and a weak euro exchange rate which led to a drop in real income and consequently lower purchasing power. Germany achieved its highest growth increase since the reunification, recording a rate of increase of 3.1% in the year 2000. The key driving forces behind this rise were booming exports and investments in equipment.

NORTH AMERICA

In the U.S. the economic dynamics that had characterized the economy for almost ten years slowed down dramatically in the summer of the year 2000. The long-awaited economic slowdown together with the fall in public spending is largely responsible for the plunge in capital expenditure on house building and the moderate growth rate in commercial and industrial investment. However, private consumption, which was plummeting in spring, began to rise again. For the first time in many years, exports also rose far faster than imports in the course of the year resulting in an insignificant rise in the foreign trade deficit. All in all, gross domestic product in the U.S. grew by 5.1%.

ASIA

The overall economic trend in Asia was positive although developments in the individual countries took very different turns. Following the crisis in Asia the national economies in this region have recovered and are now on course for further growth. In the year 2000 the Southeast Asian countries grew at a rate of between

4% and 9%. After years of falling growth rates, the economy in China has also begun to pick up again: Gross domestic product rose by 8% in the year under report. Large- scale foreign investment is expected in the future as a consequence of China's upcoming accession to the World Trade Organization. In Japan, on the other hand, there does not appear to be an end to the downward trend. Gross domestic product increased a mere 2% here.

more than 300 new patients per million inhabitants. Dialysis prevalence ranges from less than 100 to more than 1,000 patients per million population with a global average approaching 200.

Due to the scarcity of available organ donors, transplantation remains a treatment alternative for only a limited number of patients. Relief through the availability of xenotransplants is not expected to have an impact on ESRD treatment within the next 10-15 years.

Healthcare systems and reimbursement structures vary widely. In most developed countries healthcare is paid for by governments and financed through taxes

... and then use it for the benefit of all.

DIALYSIS MARKET

Over the past few years the dialysis market has been characterized by relatively consistent growth. The global dialysis patient population has now surpassed one million while growing at a rate of around 7% per annum. This trend is expected to continue due to the increase in general life-expectancy, a rise in the incidence of illnesses that can lead to chronic kidney failure (e.g. diabetes and hypertension), and enhanced treatment methods. The rates of incidence and prevalence of chronic kidney failure vary considerably by region and country mainly due to genetics, differences in lifestyle, transplant policies and financial constraints of the healthcare systems. The incidence of End-Stage Renal Disease (ESRD) has continuously increased since the introduction of dialysis as a routine therapy and ranges today from a global average of approximately 50 to

and/or social security contributions, or private health plans. In many developing countries, where only limited subsidization from government or charitable institutions is available, dialysis patients are obliged to finance their treatment partially or almost entirely on their own or insure themselves privately. In the developed economies of Europe, Asia and Latin America healthcare spending is absorbing an ever-increasing portion of GDP, ranging from 5-14%. Hence, dialysis markets are characterized by measures to reduce and transfer costs from the public to the private sector. In this context, however, there is a growing awareness that better care quality reduces overall healthcare spending for dialysis patients, as it reduces the need for supplementary treatment. Expenditure on healthcare in emerging markets is expected to grow as

these economies create more wealth, allowing an increasing number of patients to gain access to life-saving dialysis treatments. In the U.S. about 80% of our patients are covered through the Medicare program. After an increase of the Medicare composite rate for dialysis services of 1.2% for 2000, a further 2.4% increase for 2001 was approved in December 2000. This resulted in an additional $ 9 million in our revenue in 2000. The base rate for services furnished in 2002 will be reset at the equivalent 2001 increase. Today, the three biggest providers of dialysis care in the U.S., all privately run chains, treat over 50% of total patients.

In Europe we expect the share of private chain providers to increase from current levels of about 7% to around 30%. No major changes in reimbursement structure or level can be reported for the major International markets in 2000. In general, the reimbursement situation may be viewed as stable.

In the future, changing markets and new concepts such as Disease State Management will create further business opportunities adding to the growth dynamics of this segment of the healthcare market and sustaining the challenge of providing high quality treatment to a fast growing ESRD population globally.

Growth opportunities within the context of an increasingly comprehensive approach to addressing renal disease management is underlined by consideration of current expenditures within different segment of this market. In 2000, approximately $ 6 billion were allocated to products required for chronic dialysis provision whereby more than $ 25 billion were spent to provide additional care aspects and services (e.g. pharmaceuticals, nursing care, medical/surgical intervention) for the dialysis patients.

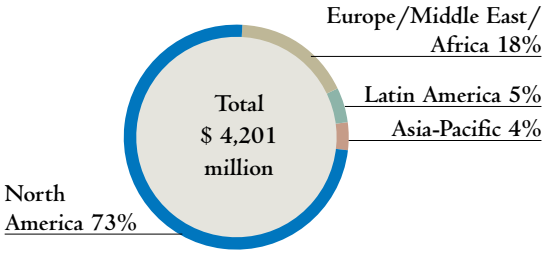
BUSINESS PERFORMANCE

ACHIEVED REVENUE AND EARNINGS TARGETS FOR 2000[1]

Our revenue rose in 2000 by 9% up to $ 4,201 million. The currency-adjusted increase of 12% showed the actual strength of our business. This is consistent with our targets and guidance during 2000. This development was mainly driven by a strong underlying organic growth of 8% and a contribution of 4% from acquisitions. The growth in Dialysis Care revenue by 13% to $ 2,945 million (15% currency-adjusted) was based on a 10% organic revenue growth and 5% due to acquisitions. With the acquisition of the international business of DaVita (formerly known as Total Renal Care) we added about $ 57 million to our International Dialysis Care revenue, as this business was only consolidated since mid 2000.

[1] All pervious year figures stated in this section represent operating results before the special OIG charge.

Revenue by Region

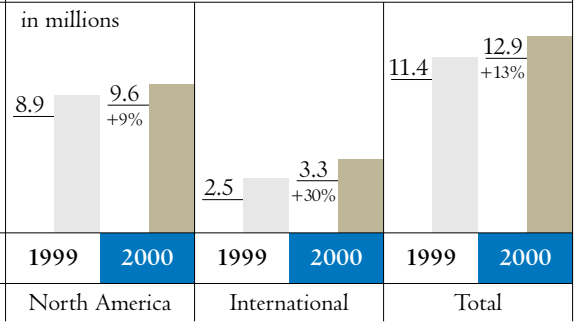


$ 1,563 million, an 3% increase (9% currency adjusted) over 1999. The regional revenue breakdown remained unchanged with 73% of the sales generated in the U.S. and 27% contributed by the International segment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) went up by 8% (12% currency-adjusted) to $ 914 million. As a percentage of revenues, EBITDA was at 21.7% compared to 22.0% in 1999. The decrease in the EBITDA margin is mainly impacted by the appreciation of the U.S. dollar versus the euro. As Europe enjoys higher EBITDA margins than other regions, the appreciation reduced the weight of Europe in our EBITDA margin. This resulted in an overall lower EBITDA margin. At constant rates the EBITDA margin would have been at previous year's level of 22.0%. As by moving even more into the Dialysis Care business (acquisition of DaVita's international business) this development was anticipated and was basis for the guidance in 2000. We still expect the EBITDA margin to be stable around 22% in the years going forward.

Revenues of Dialysis Products to third parties increased by 1% to $ 1,257 million. On a currency-adjusted basis, the increase of nearly 8% was again above the market growth rate. Including sales of products used in our own dialysis clinics, product sales totaled

Number of Treatments Performed

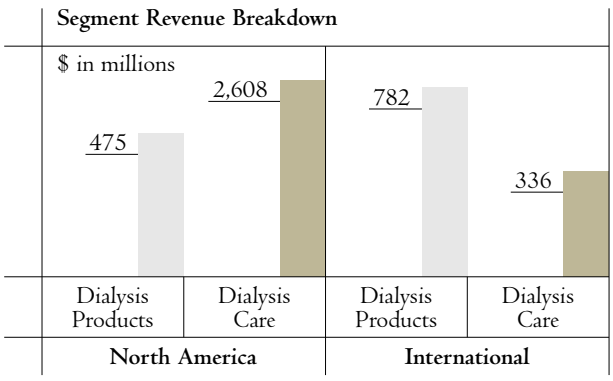


We increased earnings before interest and taxes (EBIT) by $ 61 million to $ 621 million, equating to a 11% gain over 1999 (nearly 16% currency-adjusted). As mentioned during 2000 our target was to improve the EBIT margin based on a stable EBITDA margin. For the year 2000 we again delivered what we have promised. The EBIT margin improved from 14.6% to 14.8% in 2000 mainly due to higher average revenue per treatment in North America and a further decline

in selling, general and administrative expenses (SG&A) as a percentage of revenue. SG&A expenses as a percentage of total revenue decreased from 20.4% in 1999 to 19.4% in the year 2000. The gross profit margin decreased from 35.9% in 1999 to 34.9% in 2000. This was mainly due to some delayed procurement as well as the price increase for Epogen and higher labor costs in the U.S.

Based on an interest result of $ 216 million and a lower effective tax rate of 46.9% (1999: 49.5%) the earnings after tax (EAT) increased over-proportionally by 24% up to $ 212 million. The lower tax rate was a result of the lower impact of non-tax deductible goodwill amortization of the NMC acquisition in 1996 and the capitalization of tax loss carry forwards. This result was fully in line with market expectations during 2000. On a currency-adjusted basis the EAT would have increased by 34% up to $ 228 million. Since we reached a settlement of the OIG-investigation in January 2000 we had to carry $ 30 million on additional interest after taxes. Adjusted for the OIG settlement the EAT would have increased by 33% to $ 227 million.

Based on the higher average number of shares outstanding the earnings per share (EPS) were up 10% to $ 2.37 from $ 2.15 in 1999. Excluding the additional OIG related interest the respective EPS were $ 2.54 which represents an increase of 18%. Due to the capital measures during 2000 we had on average 89 million shares outstanding versus 79 million shares in 1999. The pre-tax return on equity was 15.1% compared to 17.1% in 1999.



CASH FLOW

Net cash provided by operating activities increased strongly by 10% to $ 391 million (1999: $ 355 million). Net capital expenditure for 2000 totaled $ 207 million being up 35% compared to the previous year (1999: $ 153 million). The money was spent mainly for maintaining existing clinics and equipping new ones ($ 103 million) as well as expanding production facilities ($ 74 million) including some major investments mainly in North America, Japan and Germany. As expected capital expenditure is in the range of 4-5% of total revenues. For the year 2001 we expect capital expenditure to be in the range of 6-7% of total revenue. We will continue to expand our production capacities in North America and complete the pro-duction plant in Japan in 2001.

For acquisitions we spent $ 275 million in 2000. The major part was spent for the acquisition of DaVita's (formerly known as Total Renal Care) international operations for $ 145 million. The remainder was spent for several acquisitions in New York and New Mexico (USA) as well as Spain. Total net cash spending for acuisitions and capital expenditure therefore was $ 482 million in 2000 (1999: $ 254 million). Of the total capital spending 44% was allocated in North America and 56% in International. This geographical split is exected to remain unchanged in the future. The free cash flow defined as cash flow from continuing operations less capital expenditures decreased by 9% to $ 184 million compared to the previous year (1999: $ 202 million). The main reasons for this decrease were higher capital expenditures as mentioned above and an increase in accounts receivable of 28% up to $ 174 million in 2000. Of the free cash flow $ 51 million was dedicated to pay dividends of which $ 29 million was distributed to our shareholders and $ 22 million to our parent company Fresenius AG. Holding 50.8% of the ordinary shares Fresenius AG is our major shareholder. Since we incured the debt related to the OIG settlement, there was no remainder for debt retirement.

Abbreviated Statement of Earnings

$ in millions, except share data	2000	1999[1]	Change
Net revenue	4,201	3,840	9%
Cost of revenue	2,734	2,463	11%
Gross profit	1,467	1,377	7%
in % of revenue	34.9	35.9	–
Selling, general and administrative	814	785	4%
in % of revenue	19.4	20.4	–
Research and development	32	32	–
Operating income	621	560	11%
Interest (net)	216	218	-1%
Earnings before income taxes	405	342	18%
Net income	212	170	24%

[1] *Before special OIG charge*

OIG IMPACT IN 2000

On January 18, 2000 we executed definitive agreements with the U.S. Government. These settlement agreements resolved the matters covered by the investigation of the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services into the activities of National Medical Care, Inc. (NMC) and its subsidiaries. The settlement required a payment of $ 486 million to the U.S. Government less installment payments by the U.S. Government over an 18 months period for the IDPN receivable claims totalling $ 59 million. During 2000 $ 387 million were paid to the U.S. Goverment. Due to this payment we incurred approximately $ 30 million on additional interest in 2000. Only as a result of the proceeds from our capital measures during 2000 we have been able to achieve a net interest result which was stable compared to the previous year. Excluding the extraordinary impact from the OIG charges the interest result would amount to $ 186 million being down 15% compared to 1999.

ACQUISITIONS/OFFERINGS

After evaluating various measures we strengthened our capital structure by different capital measures during 2000. First, we acquired Franconia Acquisition LLC by issuing 8.97 million preference shares in March 2000. For this capital increase in kind, we utilized our authorized capital II to increase the liquidity of the preference shares in the mid term, since the shares issued have a lock-up period until March 2002. The net proceeds out of this offering have been $ 344 million.

Second, in July 2000, we increased the liquidity of the preference shares in the short term by issuing 5.75 million shares in a public offering. Net proceeds from this offering amounted to $ 213 million. In total we raised more than $ 557 million of which we spent $ 275 mil-

Abbreviated Statement of Cash Flows

$ in thousands	2000	1999	Change
Cash at the beginning of the year	34,760	31,867	9%
Cash from operating activities	391,266	350,975	11%
Cash used in investing activities	(481,843)	(254,472)	89%
Cash from financing activities	155,632	(79,318)	–
Effect of exchange rate on cash	(35,238)	(14,292)	147%
Cash at the end of the year	64,577	34,760	86%
Free cash flow from continuing operations	183,953	201,611	-9%

lion for acquisitions in 2000.

In total we therefore increased the number of outstanding preference shares by approximately 14.7 million shares in 2000. Both capital measures were extremely well accepted by the global capital markets and around 50% of the shares were placed in the US.

In addition we issued 2.25 million preference shares in January 2001 to finance part of the price for the acquisition of Everest Healthcare Services Corporation. The total number of preference shares outstanding in 2001 amounts to 26 million shares.

all strategy to broaden our base in the international area. With the DaVita acquisition we added 87 clinics to our global clinical network, the majority of which are located in Latin America, namely Argentina. Additionally we made some more minor acquisitions in the U.S., Spain, Romania, Colombia, Italy and the Slowak Republic. Overall the acquisition spending was, as predicted, above our usual target range of half of the free cash flow. With the closing of the acquisition of Everest Healthcare Corporation at the beginning of 2001 the acquisition spending will be above that range this year as well.

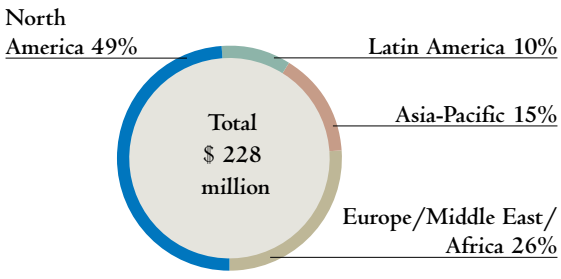
During 2000 we acquired approximantely 130 clinics globally, adding more than 7,500 patients. Through the acquisition of DaVita's international operations the main focus for acquisitions was in Europe and Latin America in 2000. This was fully in line with our over-

Overall cash acquisition spending amounted to $ 275 million (1999: $ 101 million). Non-cash acquisitions for 2000 were valued at $ 14 million (1999: $ 10 million).

Statement of Earnings excluding OIG interest impact

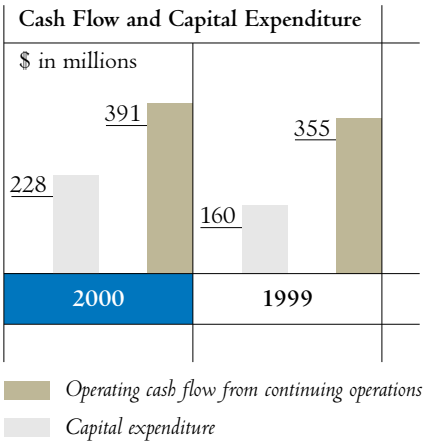
$ in millions		2000	1999	Change
EBITDA	before OIG	914	844	8%
	after OIG	914	243	–
EBIT	before OIG	621	560	11%
	after OIG	621	(41)	–
Net income/loss	before OIG	227	170	33%
	after OIG	212	(249)	–
Earnings per share	before OIG	2.54	2.15	18%
	after OIG	2.37	(3.15)	–

Capital Expenditure by Region



FURTHER INCREASE OF DIVIDENDS

Like in the past we continue to follow an earnings driven dividend policy. The Management Board and the Supervisory Board will propose to the Annual Stockholders' Meeting on May 23, 2001 that a dividend of € 0.78 (1999: € 0.69) per ordinary share and € 0.84 (1999: € 0.75) per preference share will be paid. This reflects again the strong performance of our underlying businesses in 2000. Domestic stockholders will also receive a tax credit of € 0.33 per ordinary share and € 0.36 per preference share. The dividend is to be paid out of the unconsolidated operating profits of € 121 million, generated by Fresenius Medical Care AG, the holding company which determines the ability to distribute earnings. The dividend increase will raise the total amount distributed to our stockholders by 39% to € 76.5 million (1999: € 55 million). Calculated at an exchange rate of $/€ 1.074 the total amount distributed will be $ 71 million. Based on net income of $ 212 million this will be equivalent to a dividend payout ratio of 34% which is in line with the forecast made in 1999 of 30-40%. This calculation is based on 70 million ordinary shares and 26 million preference shares outstanding in 2000. The shares we issued in connection with the acquisition of Everest Healthcare Corporation in the US are also entitled to a dividend in 2000 and are consequently included in the total distribution amount.

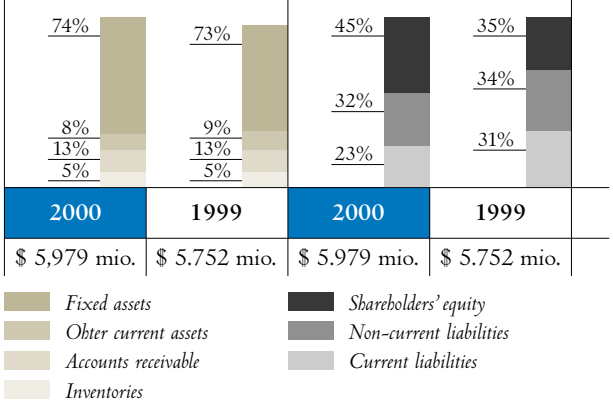


BALANCE SHEET REMAINS VERY SOLID

As of December 31, 2000 total assets amounted to $ 5.98 billion (1999: $ 5.75 billion). Total assets include $ 2.92 billion of goodwill, of which approximately $ 2.20 billion relates to the formation of Fresenius Medical Care AG. Total liabilities as of December 31, 2000 were $ 3.30 billion, down from $ 3.75 billion at the end of 1999. The proceeds from the capital increases amounting to $ 557 million and the free cash flow of $ 184 million more than offset the capital requirements for the settlement of the OIG investigation of $ 486 million, acquisitions of $ 288 million and the dividend payments of $ 51 million.

Due to the issuance of the 8.97 million preference shares for the interest in Franconia Acquisition LLC, the issuance of 5.75 million preference shares within a public offering and the net income generated in 2000, the shareholders' equity increased by $ 676 million to $ 2,679 million in 2000. The equity ratio improved from 35% in 1999 to 45% in 2000 accordingly. Working Capital was $ 770 million up from $ 731 million in 1999 mainly due to the increase of accounts receivable. The increase was $ 86 million compared to 1999. More than 50% of this was contributed by the acquisition of DaVita's international operations.

Balance Sheet Structure as at December 31, 2000



Value Added Statement

$ in millions		2000		1999[1]	
Creation	Company output	4,179	100%	3,867	100%
	Materials and services purchased	(2,278)	55%	(2,058)	53%
	Gross value added	**1,901**	**45%**	**1,809**	**47%**
	Depreciation and amortization	(293)	7%	(284)	8%
	Net value added	**1,608**	**38%**	**1,525**	**39%**
Distribution[2]	Employees	978	61%	957	63%
	Government	190	12%	169	11%
	Lenders	226	14%	226	15%
	Shareholders and minority interest holders	74	5%	59	4%
	Earnings retention	140	9%	114	7%
	Net value added	**1,608**	**100%**	**1,525**	**100%**

[1] *Before special OIG charge*

[2] *Assuming that the proposal for the allocation of profits for 2000 is accepted.*

PURCHASING

The purchase of raw materials for our dialysis product business at the best possible conditions is essential if we are to guarantee constant supply and highly competitive pricing.

Our International Purchasing Consulting Center (PCC) continued its strategy of coordinating supplies and reaching global commercial agreements. During 2000, our purchasing volume reached $ 305 million.

Markets were characterized by significant price-pressure due to the dollar/euro exchange rate as well as higher oil and paper prices. We were able to offset part of this development through intensive negotiations and the optimization of our supply distribution.

Of the 51 supply projects started in 1998 and 29 started one year ago, we have completed fixed agreements in 42 cases. In 2000, we started 31 additional projects mainly in the field of plastic granulates, packaging materials, injection mouldings, clinical materials and consulting. An interactive information system connects all global projects to ensure standardization and monitoring by PCC.

In 2001 PCC will focus on global contract pooling with external partners. In this respect, a strategical re-evaluation of all supplier contracts will be initiated. Our top suppliers will be rewarded for good performance with the aim of assuring a long lasting relationship based upon fair pricing, good quality and guaranteed involvement in new projects.

The Material Management Department of our Dialysis Products Division in the U.S. is responsible for planning and procuring of $ 220 million worth of material annually from 150 suppliers. It provides production plans to the manufacturing locations and manages inventory levels in the distribution network that delivers supplies to clinics and home patients. In 2000, we established a procurement task force together with the manufacturing and distribution departments in order to consolidate our group of suppliers and gain pricing synergies and economies of scale. As a result of our efforts, we were able to maintain our procurement costs in 2000 in a climate where suppliers applied pressures to increase costs. More importantly, through the renegotiation of our supplier contracts, we anticipate reducing procurement costs in 2001 by 3%.

Production Fresenius Polysulfone® hollow fibres

PRODUCTION

The continuous development of proprietary processes, technologies and manufacturing equipment at our centers of competence has set the basis for a sustainable competitive edge and will enable us to expand our global production network.

In our Schweinfurt facility (Germany) we manufacture hemodialysis and peritoneal dialysis machines for our International segment as well as core components for dialysis machines for the North American market. The year 2000 was again governed by a remarkable growth in volume. The number of 4008 series HD machines

rose by 30% from 9,000 machines in 1999 to 11,700 in 2000. Additionally, we increased our output of the PD cycler *sleep·safe*™ by 250%. Investments in manufacturing equipment provided the necessary capacity and helped to increase our efficiency. Cost-cutting measures resulted in a reduction in total manufacturing costs of 2.4%. The Schweinfurt facility also received the German award for "Global Excellence in Operations" in a contest organized by the weekly journal 'Produktion' and ATKearney – an outstanding recognition of the innovative restructuring process started in 1998. The analyzed criteria comprised the whole supply chain from development and production to customer and supplier relationship and logistics. In addition, underlying management practices were also part of the ranking. Special credit was given to the organizational structure of the facility as well as its clear strategy and vision.

Our ongoing project Clinical Management System (CMS), which connects dialysis clinics by utilizing the internet as a communication channel, was awarded a prize in the category of E-business concepts. It lays the grounds for sustainable therapeutical and economical improvements in patient care and services.

Activities in St. Wendel (Germany) primarily focused on the expansion of our production capacity. We added another polysulfone hollow fiber spinning line to satisfy the growing demand for the core component of our dialyzers. With the new line in operation we were able to achieve throughput increases of 25%. The optimization of subsequent production processes has also had a significant impact on the manufacturing costs of our dialyzers. Total output of dialyzers rose by 20% in 2000. To achieve the necessary capacity for the production of our newly developed FX-class dialyzers, the following three-step program was implemented

1. Expansion and optimization of the existing production technology
2. Semi-automation
3. Introduction of a two and three-shift production.

In response to the growing demand for the FX dialyzers we are currently developing a fully-automated production line to assure sufficient production in the future. Polysulfone dialyzer production was also enhanced at our subsidiaries in France (SMAD, Lyon), Saudi Arabia and Belarus, with SMAD being the second facility after St. Wendel to be able to produce the complete series of classic polysulfone dialyzers.

The significant rise in demand for foils and tubings made of our Biofine® material led to an increase in production of 77% in Biofine® foil and 63% in tubings. Production of PD solution bags was expanded by more than 50% and dry concentrates by 35%.

In 2000, we commenced production of bloodline systems in Antalya (Turkey). A mandatory audit that was performed to obtain CE certification was successfully passed and will enable the integration of this faci-

lity into our European network in 2001.

Another major project is the construction of a production plant in Japan which will start operation in the middle of 2001 and mainly produce peritoneal dialysis solutions and other dialysis products for the Asian-Pacific rim.

In North America, the expansion and construction of several production sites began in 2000. The Ogden (Utah) facility operates as a fully integrated manufacturing and R&D facility for polysulfone dialyzers. The site is currently under expansion with the addition of spinning and dialyzer assembly lines. This initiative is a result of the continued growth in our dialyzer product line. When completed, the Ogden facility will continue to maintain its position as the low cost dialyzer manufacturer in North America.

To implement our strategy of providing the best customer service, while at the same time improving our distribution costs, a new regional manufacturing facility for liquid concentrate was constructed in Coppell (Texas). In addition to our new liquid concentrate plant, we expanded our Perrysburg (Ohio) site to increase the production capacity of our dry concentrate, Granuflo. Further activities in the U.S. include the general reduction of production costs, as well as ISO 9001 certifitation for our hemodialysis machine manufacturing facility in Walnut Creek (California). Our Reynosa (Mexico) and Ogden factilities continue to hold ISO certification.

QUALITY MANAGEMENT

During 2000, our continuous improvement efforts within the International Quality Management especially focused on the management of electronic data. We implemented computerized tools to streamline the handling of customer complaints. The results of related investigations and measures are stored automatically in a central electronic database. Thus, information to monitor or even improve the high quality of our dialysis products can be retrieved from this database at any time. In 2000, we expanded the electronic complaint system to our operations in Asia-Pacific and started to establish it in

Our Global Quality Policy

For the patients	Our objective is the realization of Bio-Adequate Patient Care in the most biocompatible way in order to increase life expectancy and improve the quality of life of patients with end-stage renal disease.
For our employees	Our objective is to bind qualified employees to the Company and promote their professional development.
For our shareholders	Our objective is to ensure the continuous development of the Company by means of attractive returns for the shareholders.
For the community	Our objective is to fulfill our various social responsibilities, follow the legal requirements and safety standards and contribute to the conservation of our environment.

South America. The documentation of our Corporate Management System was also put on an electronic platform, making all the required information easily accessible and rendering the related paper work obsolete. Our organizational units successfully completed all their regulatory audits in 2000.

Within our program of establishing an integrated management system, our Legal Department was certified under the ISO 9001 international quality norm. In the course of 2000, additional clinics in Spain and new units in Italy were organized in line with the ISO 9002 quality standard. With 44 certified clinics in five countries by the end of 2000 compared to 37 clinics in 1999 we thus extended our lead in this field. In 2001, we will continue to have our facilities in Italy, France, Turkey and Hungary accredited.

During 2000, Quality Management initiatives for the North America Dialysis Products Division manufacturing plants demonstrated sustained positive results. Key indicators such as yields, scrap and non-conformances, and customer complaints experienced significant improvements compared to prior years, as a result of our continuous quality improvement programs. One example: our Ogden manufactured dialyzers demonstrated a 28% decrease in product complaints per million units produced in 2000 vs. 1999.

Another indicator of the robustness of the North American quality programs was the successful completion of inspections by the U.S. FDA and/or ISO Registrars in four of the seven manufacturing locations, with no significant citations. This is particularly noteworthy, given the rigorous regulatory environment in the U.S. We continue to hold ISO9001/EN46001 certifications at our Ogden Dialyzer/Peritoneal Dialysis Solution facility and ISO9002/EN46002 certification at our Reynosa Bloodline facility. We anticipate obtaining ISO9001 certification for our hemodialysis machine manufacturing facility in Walnut Creek in 2001.

A number of operational efficiencies were achieved during 2000. Most notably, the Reynosa Quality & Operations management team reduced bloodline manufacturing cycle times by validating a new ethylene oxide (ETO) sterilization facility, with advanced processing and aeration capabilities. This, in addition to the validation of new biological testing methods, have more than halved the overall manufacturing cycle from an average of 25 days to 12 days, and resulted in annualized cost savings of $100,000.

The Regulatory Affairs Department maintained a focus on rebuilding relationships with the U.S. FDA during 2000 through a concerted effort of communication and cooperation with the agency. In turn, the U.S. FDA granted nine 510K approvals over the course of the year. Among these were 510K approvals for: the new Optiflux reuse and non-reuse dialyzer series; the new 2008K hemodialysis machine; the new single-needle bloodline series; the new low volume bloodline series; and approval for a new E-Beam dialyzer sterilization process.

In 2001, we intend to maintain our leadership in quality management to ensure our patients' health and well-being through innovative programs and initiatives.

ENVIRONMENTAL MANAGEMENT

The protection of the environment is in line with our commitment to developing innovative dialysis products and therapies for the well-being of our patients. It is our goal to continuously and actively promote the protection of the environment in our operations and in doing so we work closely with our customers and suppliers.

Intelligent management structures ...

The certification of our Corporate Environmental Management System (EMS) in accordance with ISO 14001 and the EU Eco Audit in our St. Wendel plant clearly demonstrate this approach. A surveillance audit of the EMS was successfully performed at corporate level in Bad Homburg and at the plant in Schweinfurt by the TÜV Product Service Authority. We will also begin the process of securing ISO14001 certification for our operations in North America and thus continue our global efforts to improve the environmental compatibility of our products, production sites and dialysis clinics.

Additionally, we implemented a reporting system for the collection of environmental data in the certified units enabling us to retrieve the relevant performance indicators as well as to identify further improvement potential.

A survey in our European clinics showed significant saving possibilities and provided input for further projects in the field of water consumption, for example. The results of this "Eco-controlling system" will now set the basis for future targets which should result in savings in environmentally related costs of approximately 40% during the next few years combined with positive impacts for the protection of our environment. Our research and development efforts equally focus on environmental compatibility. With our newly developed FX-class dialyzer generation the environmentally related supply chain will be significantly improved. Compared to the current F-series, the new dialyzer generation can offer a weight and volume reduction of 54% and 33% respectively and an environmentally improved material composition. In addition, it has been possible to reduce incineration emission products such as CO_2 by more than 50%. Further environmentally related improvements resulting from a reduction in dialysate consumption (meaning less fresh-water and electricity consumption etc.) have also set new standards. Another important project in 2000 was the development and integration of an environmental management system, based on ISO 14001, into our overall clinic quality management system. A current pilot project is generating the first implementation experience, and in 2001 we plan to expand the integration process of this EMS to all our dialysis clinics. We initiated a total of 13 environmentally related projects in our production plant in

St. Wendel which resulted, for example, in a 10% reduction in steam and a 63% weight reduction in polyethylene (PE) plastic foil consumption. Combined with the environmental impact improvement, related cost savings amounted to more than € 260,000. All of our projects are tracked and their progress is periodically reviewed. In our plant in Schweinfurt a major project was centered around the reduction of the water consumption. We achieved a reduction of 10% in 2000 and expect further improvements in 2001 due to production developments. In addition, a new packaging system using material made of fully recyclable paper was implemented.

Environmentally related efforts in the U.S. focused on continual waste minimization programs involving solid, medical and hazardous waste. In dialysis services, this has been accomplished via quarterly monitoring all medical waste costs related to the generation of medical waste and proper segregation and disposal. Regulatory compliance in the environmental area is accomplished through our internal Environmental Health and Safety Compliance Audit Program conducted at our locations. Furthermore, we have taken the initiative of promoting environmentally friendly schemes in the community and intend to dedicate even stronger focus on waste minimization initiatives in our dialysis clinics and our production plant in Ogden.

... are closely linked to team spirit.

EMPLOYEES

BUILDING A GLOBAL TEAM TO SUPPORT OUR AMBITIOUS GOALS

Our dynamic growth towards becoming a global player and market leader in the field of dialysis has only been possible with the commitment and dedication of our employees. It started with a vision that convinced both the Management and employees alike and created a company culture that is reflected in the philosophy of the "entrepreneurs within the enterprise". To guarantee our future success we have to attract, develop and retain the right people through attractive benefits and the possibility of developing.

In North America, the growth of our workforce through de novo clinics as well as key acquisitions has necessitated a continued emphasis on the training and development of employee skills.

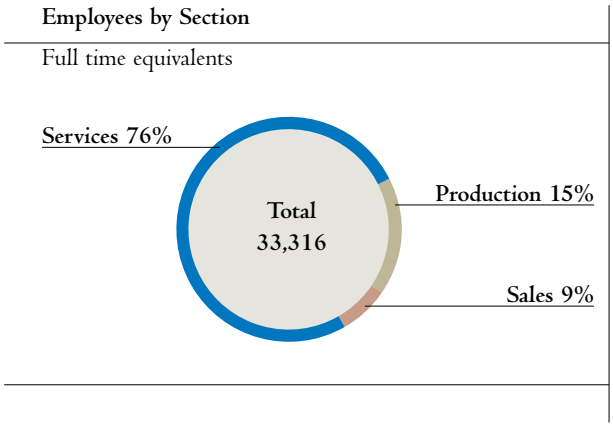
One important element in our remuneration policy is our profit sharing and Stock-Option-Plan because

Employees by Region

Full-time equivalents	2000	1999	Change
North America	23,217	21,553	8%
Europe	7,009	6,052	16%
Rest of the world	3,090	1,713	80%
Total	**33,316**	**29,318**	**14%**

Employees by Section

Full time equivalents



STOCK-OPTION-PLAN

In 1998, we established a performance-based Stock-Option-Plan for managerial personnel. In line with our long-term goal of value enhancement, the number of options granted is based on individual achievements and the degree of responsibility in the company. Before the first options can be exercised, EBIT must have risen by a defined percentage during the first 2 years' vesting period after the options were issued.

identifying oneself with the Company means participating in its success.

PROFIT SHARING FOR OUR EMPLOYEES IN GERMANY

As in the previous year, non-managerial employees participated in the corporate success by receiving € 869 out of 1999 profits, which exceeds last year's sum by 21%. Two-thirds were granted as preference shares. The remaining third could either be paid out in cash or used to finance additional preference shares. In 1999, a high percentage of eligible employees (54%) opted to invest further in the Company by purchasing additional shares with their own funds.

LEADERSHIP TRAINING

Special executive programs and leadership training are part of the development of our managerial staff. Additionally, a Financial Management Program has been developed in co-operation with INSEAD, Fontainebleau (France).

HR MARKETING/GRADUATE DEVELOPMENT PROGRAM

In the year 2000, we intensified our participation in recruiting events and other marketing activities at universities and colleges to attract the right people. Furthermore, we continued our International "Graduate Development Program" which addresses university and college graduates. In North America, a similar effort is underway in 2001 to establish partnerships with universities in developing programs that can train our reservoir of talented employees.

RISK MANAGEMENT

Our comprehensive risk management system is part of our corporate strategy and enables management to recognize risks which could endanger the going concern of the Company at an early stage. The monitoring systems in the various regional businesses are the backbone of the risk management as they monitor the business inherent risks. Responsible risk managers prepare reports twice a year for the Management Board and inform it immediately of new risks.

Compliance with product regulations is surveyed through our quality management systems according to ISO 9001, ISO 9002 and similar standards. The operation of dialysis facilities is monitored by quality management systems following the same standards. On-site facility surveys, which cover all aspects of regulatory requirements from facility governance and administration, clinical and technical services to patient satisfaction, are conducted on a regular basis.

The Corporate Compliance Program in the U.S. promotes high ethical standards through a written code of business conduct and annual audits by an independent review organization in connection with a Corporate Integrity Agreement with the U.S. Government.

In our highly regulated business environment changes in regulation, including reimbursement, can have a significant impact on the company. Accordingly, regulatory activities are not only closely monitored but also proactively approached in cooperation with the public health authorities. In-depth involvement with the medical and scientific community enable us to address and promote technological innovation which has historically been a competitive factor in the dialysis product business. Another focus of the risk management system is also the dependence on major suppliers and customers.

Our risk management is supported by corporate risk controlling and management information systems. Detailed financial reports provide monthly and quarterly information and analysis of the earnings and assets status as well as variances to budgets or forecasts. We are continuously improving the risk management system to ensure our ability to identify risks and adequately respond to changing requirements in the marketplace.

The risk management system was part of the audit of the 2000 financial statements to ensure compliance with the legal requirements. At year-end, no particular issues were identified in respect to general business risks, risks associated with internal organization or with the external environment.

MANAGEMENT OF CURRENCY AND INTEREST RATE RISKS

We actively manage interest rate and foreign currency exposures. The exposures are managed centrally on the basis of strategies which have been defined in close co-ordination with the Management Board. Guidelines have been established for the various steps in the risk management process which define clear responsibi-

lities for the determination of exposures, the application of financial instruments for hedging purposes, and the reporting routines. The use of derivative instruments is restricted to the hedging of exposures which arise in the ordinary course of our business. All transactions are done in cooperation with highly rated financial institutions as approved by the Management Board.

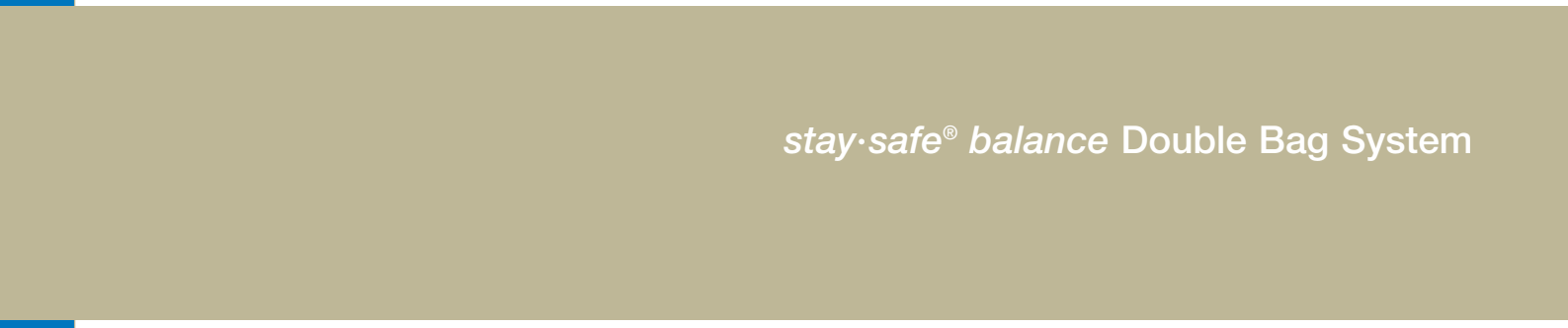
On a considerable portion of the total debt, we pay interest on a floating-rate basis which means that we are exposed to the risk of rising U.S. dollar short-term money market rates. This exposure has been actively managed from the beginning by means of various interest rate hedging instruments. The nominal value of the respective hedge contracts was $ 1.05 billion as of December 31, 2000. These swap agreements fix the dollar interest rates for the variable-rate borrowings to 6.52%. The contracts expire on various dates up to November 2007.

Foreign currency exposures are created mostly by inter-company financings and intra-group sales and purchases between companies in different countries, reporting in different currencies. Sales from Germany to international subsidiaries have always been a major source of transaction exposures. The nominal value of foreign currency contracts as of December 31, 2000 was $ 569 million, primarily for the purchase of euro against U.S. dollar and various other currencies.

COURSE OF BUSINESS SINCE JANUARY 2001/OUTLOOK

MAJOR ACQUISITION IN THE U.S.

On January 9, 2001 we announced the acquisition of Everest Healthcare Services Corporation (Everest), Oak Park, Illinois. The operations acquired for an agreed purchase price of US$ 343 million consist of 70 clinic facilities providing therapy to approximately 6,800 patients in the eastern and central United States. Everest also provides additional services like apheresis and hemoperfusion services to around 100 hospitals in the U.S.



About 1/3 of the purchase price was consummated by the issuance of an additional 2.25 million Preference shares derived from approved capital II. The remaining part of the acquisition was financed out of the proceeds from the capital offerings carried out in 2000. We expect the acquisition to be earnings enhancing within the first twelve month after the acquisition.

NO MAJOR CHANGES IN THE ECONOMIC OR BUSINESS CLIMATE

Since the beginning of the year 2001 there have been no major changes in the economic or business climate in which we operate. Our growth should continue to be supported by favorable trends including overall growth in the number of patients requiring dialysis treatment as well as the ongoing consolidation of our industry. The development of our business to date is in line

with our expectations. At this point in time we do not foresee any major changes of the organization, administration, legal structure of the Company nor in the area of human resources.

POSITIVE OUTLOOK FOR 2001

The positive market trends of 2000 continue to prevail in 2001. Currently we do not foresee any major Company-specific risks. Provided there are no significant changes, we reiterate our targets of double-digit revenue growth and earnings after tax growth of around 20%, all of which are in line with the overall objective to increase the value of the Company.

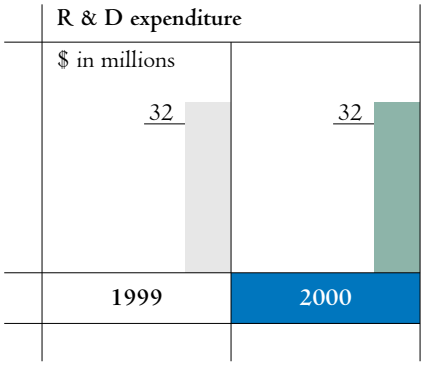
RESEARCH & DEVELOPMENT

RESEARCH, TECHNOLOGY, EXPERIENCE: AN ESSENTIAL COMBINATION FOR SIGNIFICANT PROGRESS

The principal focus of all our activities is on providing the very best in renal healthcare and improving the life of our patients through personal attention and advances in therapy and technology. Innovation from research & development is the source of optimizing therapy outcome in line with the specific needs of the individual patient. Our commitment to research and development places the very best equipment at patients' disposable today and helps to shape the standards of tomorrow. Before starting any product development comes the question: What can we do better? In the development process our R&D team builds on our long-term expertise in dialysis, is in close contact to renowned external experts and makes use of best equipped laboratories.

In 2000, 220 employees were working in R&D worldwide. Approximately two-thirds of our R&D activities are based in Germany and one third in North America. We hold rights under 997 patents and patent applications relating to dialysis technology in major markets and our own trademarks throughout the world. R&D expenditure of $ 32 million accounted for 3% in Dialysis Product revenue in the year under review.

Know what is important ...



In 2001, the percentage of spending will remain in the range of 2-3%.

With the development of the FX-class, we have set new standards in dialyzer technology. The new polysulfone-based Helixone membrane exhibits significant increases in clearance by the Nano Spinning technology. Other novel features of the FX-class are the revolutionary design and functionality, which simplify handling and make treatment more secure. The FX-class have added economic and environmental benefit as a result of the materials used and weight reduction of 54% which contribute to significant improvements in waste management, logistics and handling. For the North American market we developed the Optiflux series. Optiflux polysulfone fibers are engineered to deliver small and middle molecular weight solute clearance also using the Nano Spinning technology. Both these dialyzers have an out-

standing biocompatibility which follows our path of providing adequate and enhanced patient care in the most biocompatible way. Another development in the field of hemodialysis is the 4008 3mix™ machine which aimed at achieving an optimized composition of dialysis fluid in combination with further advancements in concentrate safety, handling and environmental friendliness. As the dialysis fluid is central to the treatment, the chemical and microbiological composition of the fluid is incremental to its success. The 4008 3mix™ is capable of handling three different concentrate components instead of the traditional two:

- sobag™ containing dry sodium chloride granulate which allows an individual adjustment of sodium,
- indibag™ holding a highly concentrated solution of electrolytes and glucose and
- bibag® containing sodium bicarbonate.

The desired sodium and bicarbonate concentrations are selected directly at site. It also offers a high standard in patient safety through enhanced conductivity monitoring and specifically coded connectors. Environmental aspects have been considered inasmuch that less and fully recycable packaging material (Biofine®) has been used. In 2000, we also launched the On-line Clearance Monitor (OCM), an optional module designed for use with dialysis machines in the 4008 series. Just as On-line clearance does for the 2008 series in North America, OCM provides immediate and online information on urea clearance and dialysis dose. The clear and visible picture of the treatment efficacy allows for immediate adjustments to be made.

The ability to determine a dialysis patient's blood flow rate using the Online Clearance (OLC) Monitor was developed for the 2008 series machines to access flow rate without additional expensive equipment and specially trained personnel. With the introduction of the 2008K-hemodialysis machine, other innovative elements were incorporated to improve the operator interface. Logically designed displays present information in a simplified format that includes graphical displays of trends. Improved blood pump, level detector, and heparin pump modules were also developed for this machine. Sudden drops in blood pressure and related problems are frequent complications of hemodialysis. The development of a new machine module to measure the degree of fluid removal in combination with a feedback control mechanism (BVM™ UF Control) reduces the frequency of intradialytic complications and improves the well-being of patients. Wireless downloading of data on completion of a dialysis treatment is now also possible through our Infrared Data Acquisition (IRDA). With a receiver/transmitter unit the data is sent to a small hand-held computer and can then be transferred to a PC or PC-Network for further data processing or immediate analysis of the treatment.

… and then tread your path.

Another innovation in dialysis machines, the 2008K, incorporating a heparin pump, blood pump and level detector modules was successfully launched in the North American market.

Our R&D team also successfully addressed the area of peritoneal dialysis with major improvement results. *stay·safe*® balance presents a more biocompatible PD solution compared to the conventional PD fluids due to its neutral pH and the lack of glucose by-products, so-called glucose degradation products (GDP). The new solution is provided in a dual chamber bag. Both compartments must be mixed prior to use in order to obtain a pH-neutral solution. This new development on top of the successful *stay·safe*® system may translate into a much longer preservation of the peritoneum as a natural dialysis membrane. Furthermore the new welding technology ensures that patients only receive mixed solutions which sets a new standard in patient safety. The registration and market authorization of bicarbonate-buffered PD fluids, CAPD Bic solutions, are ongoing and are expected to be completed in the course of 2001. In the U.S. market, the Premier™ Plus Double Bag was

FX-class dialyzers

Major Developments:	
FX-class dialyzer	Helixone membrane with a high capillary density for optimal flow patterns New housing and potting technology for safe connections Spiral formed blood inlet for homogenous blood flow Latest laser welding technology for a perfect seal
4008 3mix™	Individualized sodium Glucose as standard Bicarbonate dialysis fluid without any acetate High standard in patient safety
Online Clearance Monitor (OCM)	Monitor patient access flow rate without the need for additional expensive equipment or specially trained personnel
Optiflux Dialyzer family	Superior small (Urea) and middle molecular weight solute clearance through the use of Microcrimp™ technology Superior membrane composition and biocompatibility
2008K Hemodialysis Machine	Improved operator interface Logically designed displays and information presentation Modular design allows easy upgrading Flexible treatment options
IQcard™ program	Records peritoneal dialysis treatment information on a credit card-sized card Allows timely therapy assessment and treatment adjustments Enhances patient education

For more detailed information on all presented products, please refer to our brochures which are available upon request.

launched in early 2000, and quickly realized market acceptance, growing over 300% during the year. The Premier™ Transfer set, which works with the Premier™ Plus Double Bag to improve the ease of clamping the extension tubing of a peritoneal dialysis patient's catheter, was also released in 2000. For automated peritoneal dialysis cycling therapy, the Freedom™ Cycler PD+ was upgraded to include a compliance-tracking tool called IQcard™. In 2000, the IQcard™ program was upgraded to a Windows™-based format, which offers many enhancements. Utilization of the IQcard™ program improves therapy and patient compliance. Further enhancements are planned for 2001.

Therapy planning is supported by new software known as the Clearance Calculation Tool. By either directly comparing treatments or graphically visualizing the changing treatment parameters, it is possible to evaluate the optimal treatment conditions for a specific patient. The software is also an invaluable tool for educational purposes. A Clinical Management System (CMS) has been designed with the aim of providing our dialysis clinics with more service. Its installation in the first quarter of 2001 will bring about benefits with respect to streamlined processes, reduced administration efforts and relief from routine tasks. CMS will also allow for the consolidation of data on different levels and has the capability to systematically analyze therapeutical and economical data.

In North America, we have concentrated our business development activities on expanding our product business in three main areas:

1. pharmaceutical products utilized in treating our renal patient base
2. innovative products to improve the vascular access outcomes for our renal patients
3. products and technologies which leverage our core competencies to provide extracorporeal therapies to treat other diseases.

TARGETING THE INTERNATIONAL SCIENTIFIC COMMUNITY

Our scientific service and consulting activities during 2000 focused on product-related scientific issues and in this respect providing consultation to the nephrology community. With more than 200 scientific presentations, abstracts and publications during the year 2000, the modern perception of dialysis as a BioAdequacy™ approach in conjunction with the innovative achievements of feedback systems for the analysis of treatment results was promoted at international conferences, symposia and workshops. The publishing of a new book series entitled "Good Dialysis Practice" enables us to address current issues and problem-solving support in today's daily dialysis practice. The new FX dialyzer generation was promoted at the Annual Meeting of the European Dialysis and Transplantation Association

(EDTA) in Nice (France), the PD-cycler *sleep·safe*™ was the focal point at the EURO-PD Congress (Madrid, Spain) and feedback systems at the Annual European Nurses Conference (EDTNA-Lisbon, Portugal).

In order to promote the exchange of new ideas in nephrology and dialysis and to strengthen our role in the international scientific community, we have established the "International Exchange Program for Young Nephrologists". With our financial support and close scientific cooperation young scientists from all around the world are given the opportunity to work at renowned European Research Institutions. All these activities are a clear indication of the high quality and international acceptance of our scientific knowledge.

On top of that we closely work together with international experts in writing treatment recommendations for the most important topics in chronic and end-stage renal failure. At the beginning of 2000 we published a treatment recommendation on renal anemia. This was followed by a publication on renal osteodystrophy and cardiovascular risk factors in the renowned journal "Nephrology, Dialysis, and Transplantation" in autumn 2000. These recommendations will be translated into different languages and distributed to our customers. Further topics, such as nutrition and vascular access, are dealt with at the moment and will be published in 2001.

Online Clearance Monitor

Comprehensive Product Portfolio

Equipment, Disposables and Accessories	
Dialysis Machines for acute and chronic treatments, Standard and On-line Hemodiafiltration	Fresenius Polysulfone® Dialyzers – High- and Low-Flux (steam sterilized)
FINESSE™ (computer supported dialysis)	Bloodlines, Catheters, Fistula Needles
Reverse Osmosis and Water Treatment	Peritoneal Cyclers, *sleep·safe*™
DIASAFE® (for dialysis purification)	On-line Clearance
Dialysis Chairs	Rinsing and Saline Solutions
Measuring Modules – Blood Temperature – Blood Volume – Blood Pressure	Dialysis Concentrates
	HF and HDF Solutions
	PD Solutions
	Na/UF Profiles

RESEARCH &
DEVELOPMENT

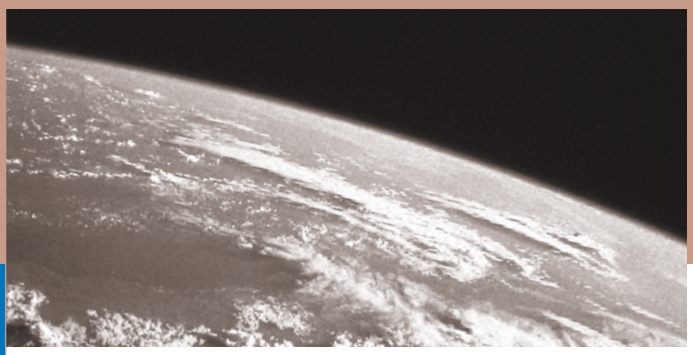
GLOBAL OPERATIONS

NORTH AMERICA

Fresenius Medical Care North America is committed to being the market leader in each of our principal areas of business. We continue to set superior standards in renal care through our commitment to the development of innovative products and therapies, the continuous improvement in the quality of our products and services and a steadfast commitment to exceeding the expectations of our patients and clients. In 2001, the organization will maintain a disciplined financial approach to our current operations as we pursue opportunities for continued growth.

North America	
Market Data	
Total number of patients	~274,000
Patient growth p.a.	6%

Company Data	2000
Number of patients (year-end)	67,900
Number of clinics (year-end)	920
Number of treatments (m)	9.6



A global commitment to medicine ...

DIALYSIS CARE

Through our network of 920 clinics we provided more than 9.6 million dialysis treatments during 2000 and now treat about 25% of all dialysis patients in the U.S. The acquisition of Everest Healthcare Services Corporation represented another major step towards increasing our presence in key regions of the United States. The acquired operations consist of approximately 70 clinic facilities, providing therapy to about 6,800 patients in the Eastern and Central United States. Everest also brings an extracorporeal blood and acute dialysis business, delivering acute dialysis, apheresis and hemoperfusion services to approximately 100 hospitals. The contribution of the extracorporeal blood technology with our hospital contract services business will further our strategy to evolve as a therapy Company.

During 2000, we continued our efforts to find new and better methods of improving the quality of life and outcomes for dialysis patients:
We have improved the delivery of PD services through a regional program focus as well as the delivery of in-center hemodialysis with innovative services such as our Adequacy Monitoring Program (AMP), Urea Kinetic Modeling (UKM) and our ability to perform on-line access flow measurements. We continue to run one of the best patient travel referral services in the industry. Our call volume was up over 20% from last year.

Additional services include patient case management services, preESRD case management, vascular access case management and anemia management services. We are actively advancing our efforts in Disease State Management (DSM) to meet the changing requirements of the healthcare system and address for the transition from

traditional fee-for-service reimbursement to fully capitated risk-sharing arrangements. Our extensive Knowledge Center contains a wealth of clinical information on our dialysis patients that is invaluable to DSM and the declared aim of improving the quality of care and related costs. After increasing the Medicare composite rate for dialysis services by 1.2% for 2000, the U.S. Congress increased the composite rate for dialysis services by an additional 2.4% for 2001.

PD Services has fostered increased awareness of peritoneal dialysis as a viable therapy option for renal patients. PD programs have been regionalized under nurse managers with a sharpened focus on patient education to improve quality. The program was implemented in Q3 of 2000 in 20% of our clinics and achieved a 9.2% peritoneal dialysis patient growth compared to a decline of 3% annually for PD therapy in the U.S. during the past 4 years. A key initiative of the program was the launch of a pre-ESRD patient education program entitled Kidney Options™. Kidney Options' empowers pre-ESRD patients to work with their nephrologists to choose the best treatment option for themselves and their families. The Kidney Options website at www.kidneyoptions.com, provides a comprehensive educational resource for these patients. Patient education is provided by our staff on a personalized basis. Since November 2000, nearly 1,000 pre-ESRD patients have been enrolled in this program and of those starting dialysis, 50% have opted for PD.

PreESRD Case Management will be an area of development during the coming year. Over the past year we have learned how this program benefits patients and will work with insurance companies to provide care for patients before their kidneys fail. Patents are identified through the Kidney Options Program and ultimately this early identification and case management of their care will result in improved patient care as well as savings to insurance payers.

… pointing the way for everybody involved.

The Adequacy Monitoring Program (AMP) pilot program was started this year. Over 50 facilities have now initiated the service. It is a revolutionary way to optimize the effectiveness of every treatment and is available exclusively at facilities of Fresenius Medical Care. Elegant in its simplicity, AMP incorporates a brilliantly colored light that signals if satisfactory treatment adequacy is achieved throughout each treatment run. It gives both patients and caregivers the assurance that each patient is getting the best of every minute of treatment. Until this development, adequacy was monitored monthly.

Urea Kinetic Modeling (UKM) has been made easier this year as well. Our Urea Kinetic Modeling Program is now available in the Proton Clinical Computer System. The new module provides an easy and accurate way to calculate and report kinetic modeling data.

Clinical modules allow clinicians to calculate and review this data for trend analysis and to identify treatment prescriptions.

www.kidneyoptions.com

On-Line Access Flow has been tested and is in a pilot phase. In the past, special ultrasound imaging equipment was required to identify problems with patient access flow. On-line access uses new technology to monitor the access flow during the dialysis treatment more cost-effectively.

Hemodialysis Case Management Services continues to be a major area of interest to insurance companies. This program offers a range of services from full intensive case management through less rigorous care monitoring programs.

Vascular Access Case Management Services has been an area of development this past year. We have opened our first fully accredited and licensed access center in Dallas (Texas). The program will allow us to perform sophisticated access imaging and surgery. Now when a patient from the area has an identified access problem they can be sent directly to our own access center. The patient does not have to wait for available operating room space at a local hospital. We can immediately schedule the access revision and have the surgeon waiting for the patient to arrive. We plan to expand this program in other parts of the country.

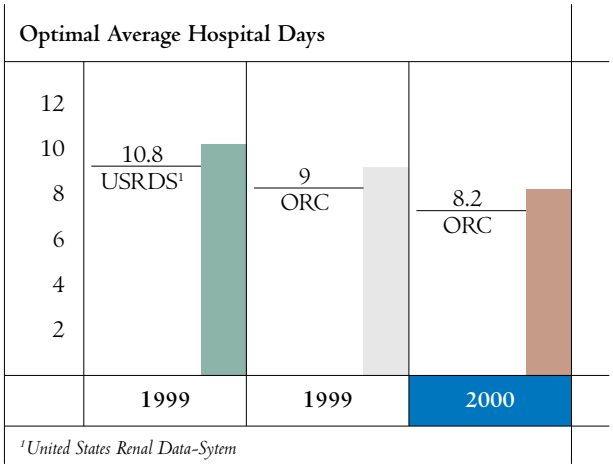
Extracorporeal Services have become a significant part of our new therapies. We now can perform perfusion services. Cardiovascular perfusion is required during open-heart surgery to replace the function of the heart and lungs using mechanical devices. This technique maintains relatively normal physiologic equilibrium during surgery by providing adequate circulation and oxygenation. The patient's blood is routed through a system of disposable extracorporeal circuits that oxygenate, filter, adjust temperature and then return the blood to the patient.

Apheresis Services continued to grow in our base business. We have utilized our existing inpatient hospital dialysis contracts to secure additional business in Apheresis Services. During 2000, treatments grew by 14% and revenues grew by 30%. We were successful in opening our first physician office based Prosorba Apheresis program in 2000. The program allows us to reach more patients and is more convenient for rheumatologists.

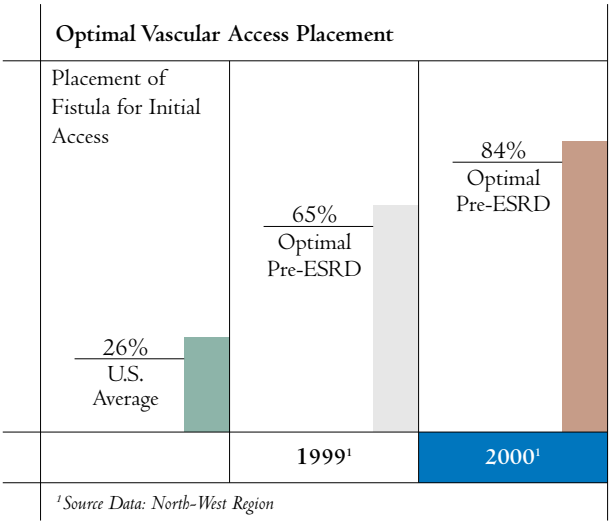
Patient Travel Services continue to be a favorite service for our patients. This year our volume of calls from patients increased by 20%. We are known in the industry as one of the best referral services by patients

and patient advocate groups. This service allows us to assist patients who want to travel to other geographic locations and also helps us to know where to build new dialysis facilities.

Optimal Renal Care (ORC), a joint venture with a division of the largest HMO in the U.S., Kaiser Permanente, complements our expertise in providing the highest-quality patient care with their clinical and health plan experience. Optimal Renal Care is dedicated to managing ESRD with the aim of making the healthcare system more effective for the patient while reducing the associated overall costs. To achieve this goal Optimal has a care



team approach including expertise in nursing, dietary, social work and pharmacy. This approach provides the opportunity to control blood pressure, treat comorbidities, manage anemia and bone disease and prepare patients for dialysis and transplant. A sophisticated computerized tracking system is utilized in providing results from the initiation of Pre-ESRD education onward. Optimal Renal Care offers its program to health plans throughout the U.S. under full-risk contracts, and after three years in operation already provides services to over 1,400 ESRD and Pre-ESRD patients.



Renaissance Health Care is a joint venture with leading nephrologists across the country dedicated to improving hemodialysis patient care through the development and operation of outpatient vascular access treatment and diagnostic facilities. Vascular access failure remains an enormous problem for patients with ESRD resulting in frequent hospitalization with annual costs of over $1 billion, amounting to approximately $ 8,000 per patient and representing about 14% of total ESRD

spending. In recognition of this problem we are developing a comprehensive access management program that will be incorporated into our ongoing Quality Initiatives. Key components of this program include increasing the use of AV fistulas, developing and deploying better diagnostic tools to further identify patients at risk as well as the establishment of Vascular Access Centers. Our first center opened in Dallas during the second quarter of 2000. In partnership with our nephrologists, nurses, and technicians we intend to lead the effort to improve access outcomes for our patients.

During 2000, RRI and its affiliates produced some 45 publications and many abstracts related to research sponsored by RRI. Of the 26 ASN abstracts dealing with technical issues including: hemodialysis vascular access, dialysis fluid and water quality, the delivered dose of therapy, and clinical issues including patient well being during and between therapy, inflammation and its long term effects, cardiovascular, diabetes, nutrition, rehabilitation, hospitalization, amyloidosis and other long term complications of dialysis, six were given as oral presentations. In addition to these the principal investigators of RRI research projects gave over forty presentations in the year 2000. RRI publishes a bi-monthly newspaper, "Dialysis Times", which is sent to every nephrologist and dialysis facility in North America and Europe with a circulation of over 8,000 recipients. RRI owns or has administrative service agreements with over 60 dialysis facilities encompassing over 6,000 patients in six states. Many of these factilities function as beta sites for the various research projects. RRI held its third annual "International Conference on Dialysis" in Miami Beach in January 2001 attended by over 800 participants from around the world, predominately nephrologists.

Renal Research Institute (RRI), formed as a partnership with the Beth Israel Medical Center in New York, conducts collaborative research with these premier academic centers. In addition, the RRI Dialysis Laboratory pursues research in a variety of new and promising areas including segmental bioimpedance analysis (SBIA), on-line monitoring of ultrafiltration during peritoneal dialysis, dry weight estimation in hemodialysis patients by SBIA; blood volume-blood temperature monitoring and hypotension, validation of on-line blood temperature monitoring in continuous hemodialysis for acute renal failure, chronic inflammation, oxidant stress and vascular access monitoring. The Dialysis Laboratory has also formed a relationship with Lawrence Livermore National Laboratory in Livermore (California) to work on technological developments of mutual interest.

Laboratory Services continued to be a fundamental and vital part of our dialysis care activities in North America. Operating from laboratories in California, New Jersey and Illinois, Spectra Renal Management performed over 36 million tests in 2000, representing a leading market share of 40% for ESRD patients in the U.S. Spectra

Renal Management provided high quality laboratory services to over 100,000 patients in over 1,540 dialysis clinics nationwide, a record high for the organization. The laboratory services division continued to pursue standardization efforts and increase automation within the laboratories. In addition, automation of laboratory systems was introduced at the clinic level with Visual LabWorks, a remote order entry system for laboratory test ordering. Visual LabWorks promises to enhance the clinics' ability to order tests efficiently and to interface with Spectra's laboratory reporting system, Lia®. Best Medical Practices and the Facility Report Card were key quality initiatives in 2000. Best Medical Practices provides individual clinics with laboratory testing utilization. Utilizing Best Medical Practices, nephrologists can compare test utilization against the organization's mean as well as the test utilization patterns recommended by a panel of nephrology experts. The Facility Report Card program tracks specimen integrity in five specific areas and provides corrective action plans for clinics.

2008K-Hemodialysis Machine

DIALYSIS PRODUCTS

The Dialysis Products Division continues to maintain the leadership position in the North American marketplace and delivered a number of innovative new products to our customers. This coincided with the Q4 2000 launch of the next-generation 2008K Hemodialysis Machine. The new 2008K Machine makes advanced therapy easier than ever, and its unique modular design allows easy upgrading. Coupled with features like Blood Temperature Monitoring and On-Line Clearance, the 2008K offers flexibility in treatment options to meet specific patient treatment requirements: standard dialysis; nocturnal dialysis; CRRT and pediatric dialysis. The overwhelming market acceptance of the 2008K resulted in all 2008K machines manufactured being sold before year-end.

The rollout of the next-generation Optiflux dialyzer family represents the new metric by which other dialyzers will be judged, based on its exceptional clearance performance. Optiflux Polysulfone fibers are engineered to deliver superior small (Urea) and middle molecular weight solute clearance through the use of Microcrimp™ technology, coupled with superior membrane composition and biocompatibility.

Following the completion of successful product trials and clearance from the FDA in 1999, the Premier™ Plus Double Bag for CAPD patients was released in early 2000. By integrating Safe-lock™ connectology and Snap™ disconnect features, the Premier™ Plus Double Bag is superior to competitive peritoneal dialysis systems. These product features result in fewer connections for the patient and a commensurate lower risk of infection. Sales for the product increased over 300% during the year 2000.

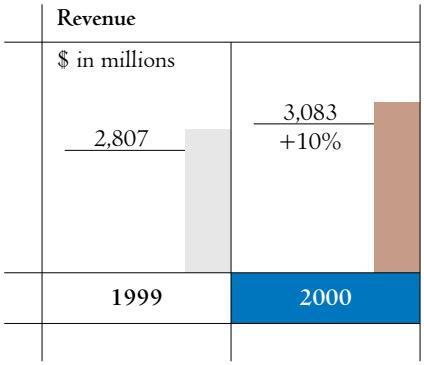
Also in 2000, the Freedom™ Cycler PD+ was upgraded to include a compliance tracking system, IQcard™. The IQcard™ system allows the cycler to record patient treatment information on a small credit-card sized card. It is estimated that patient non-compliance with prescribed peritoneal dialysis therapy varies from 11% - 80%. Lack of compliance may be the most significant cause of inadequate dialysis and poor clinical outcomes. With the IQcard™ system, the physician has a tool for assessing patient compliance and making adjustments to the prescription to meet therapy goals. Clinicians can also use the data to provide timely patient education.

Another significant milestone was the 510K approval for electron beam sterilized dialyzers. Competitive dialyzer manufacturers in North America do not, at this time, have approval for this method of sterilization.

INTERNATIONAL

The breadth of our product line in combination with our expertise in superior services has established a basis on which our future growth in International markets will be founded.

Finally, North American Operations achieved several significant milestones supporting the new product launches, and continued reduction in production costs. Spinning line capacity was increased 30% at the Ogden, Utah manufacturing site in anticipation of the projected growth of our single-use high performance Optiflux dialyzers.



EUROPE/MIDDLE EAST/AFRICA

Operations in Central Europe were again characterized by our strong market position in the product business. Increased market shares, especially in Belgium, the Netherlands and Switzerland, as well as continued volume growth throughout the region further consolidated our leadership role in the field of hemodialysis products. The newly introduced On-line Clearance Monitor (OCM) demonstrated once more our innovative contributions towards improving treatment quality. The GENIUS® hemodialysis system repeatedly meets with an increasing degree of acceptance on the German market which can be seen by the fact that the number of treatments performed with this alternative system grew by approximately 35% in 2000. Moving forward, we expect this number to continue to grow. In order to gain a foothold in the important market segment of acute

renal failure and continuous renal replacement therapies, we established a specialized sales force in January 2000 to address intensive care units in hospitals. The new FX dialyzer generation will lead to growing market shares in the high flux segment. In the field of CAPD we continued penetrating the market with our CAPD *stay·safe*® system and the pH-neutral solution *stay·safe*® balance. The clinical evaluation of the *sleep·safe*™ cycler for APD treatments is still pending. By actively marketing this new cycler technology we expect a positive impact on our 2001 performance in the field of peritoneal dialysis. The existing product group of nephrological drugs was also strengthened through the successful introduction of two innovative products, Phosphosorb® and Carenal®.

Overall, the total market for dialysis products increased by approximately 2% in the region, a trend we also anticipate for 2001.

The integration of our Dialysis Care and Dialysis Product business continued to be our main focus in Western European countries. The fundamentals of the markets remained sound despite wide-spread price pressures which we were able to offset by our product mix and reputation as a provider of excellent patient care. Our Dialysis Care business has been significantly strengthened by numerous acquisitions resulting from the takeover of the international business from DaVita, Inc. and was consolidated under the new brand name NephroCare. A major impact resulted from the acquisition of 24 clinics in Italy and 7 clinics in Great Britain. With a total of 19 clinics, we are now the largest provider of Dialysis Care in the U.K. In line with our commitment to provide high quality care, both our ISO accreditation and the introduction of our European Clinical Database (EuCliD), which stores and administers detailed patient and treatment data, have now also commenced in these newly acquired clinics in Great Britain. Together with the introduction of the ONLINE *plus*™ system in Italy we have taken parallel actions to promote the implementation of the innovative On-line HDF technology.
One such activity is our web-site www.vision-fmc.com which offers a forum for information exchange and the possibility to address issues with experts. In Italy NephroCare raised the standard of treatment quality by increasing the number of treatments performed with High-Flux dialyzers to about 80% compared to 20% in 1999. Whereas the Dialysis Care business in Western Europe was generally characterized by constant or just slightly increasing reimbursement rates, reimbursement in Italy rose significantly due to a regional increase of 13.71%. Projects to expand our activities in Dialysis Care are currently in the throes of planning and expected to be completed in 2001. Besides further acquisitions we plan to increase the number of patients at our own clinics and grow in corresponding business fields, such as patient transportation. We have also succeeded in improving the dialysis treatment by implementing a certified quality system at currently 7 clinics in Portugal. This project will be extended within the next 2 to 3 years to incorporate

all the 24 clinics we operate in Portugal. With 2,600 patients we are now the largest provider of dialysis care in Portugal. In Spain similar steps to improve treatment quality have been taken by introducing High-flux dialysis to about 45% of our 3,400 patients (market average 20%).

Holiday Dialysis International (HDI) is a free service for all patients who wish to book dialysis sessions anywhere in the world and require the high quality of our equipment and disposable products. Now in its third year of operations, HDI more than doubled the number of holiday dialysis bookings during the year. Through its website www.hdi-travel.com HDF is able to make on-line bookings at over 1,000 clinics worldwide and to arrange local travel, transport and medical services according to individual patients' needs. In 2000 over 20,000 brochures offering specific resorts and package offers were mailed to hospitals, clinics and individual patients in Europe, USA and Japan.

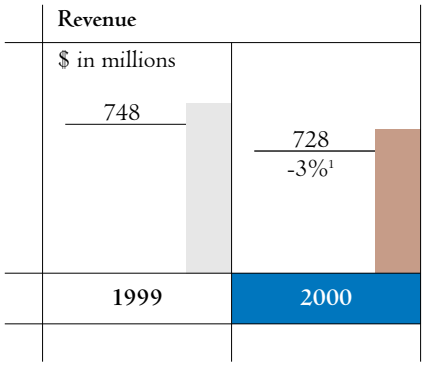
In the product business, 2000 marked the launch of the new FX dialyzer which will have a positive impact on our 2001 results. Further activities concentrated on market penetration and the product training already introduced in 1999, such as the ONLINE *plus*™ technique and the *sleep·safe*™ cycler. The shift from single product sales to packages including dialysis machines and disposables has been used to meet specific market requirements and thus open up new markets. Additional services and products related to water treatment will provide further growth potential in these countries.

Our comprehensive product range helped to maintain or even increase our dominant market presence in most Eastern European markets. The ONLINE *plus*™ system and the *sleep·safe*™ cycler were met with overwhelming acceptance on the markets resulting in significant sales levels. Results from the new FX dialyzer are expected to be equally positive for 2001.

In the Middle East, the slight overall price decrease was mainly covered by entering new markets and signing long-term contracts, e.g. with the local healthcare authority in Libya. Co-operation agreements with a local manufacturer in Algeria should open up opportunities in this country. Business in all other Northern African countries continued at prevailing high levels. In order to consolidate our market position in South Africa, particularly in PD, and to establish a foothold in Dialysis Care, we envisage a change in our sales and service organization.

International-Europe/Middle East/Africa	
Market Data	
Total number of patients	291,000
Patient growth p.a.	5%

Company Data	**2000**
Number of patients (year-end)	11,900
Number of clinics (year-end)	180
Number of treatments (m)	1.7



1 +12% currency-adjusted

dialysis units throughout the region and offers a web page which can be accessed at www.nephrocareasia.com.

In Japan, the most significant market in the region, we operate through two corporate entities: Fresenius Medical Care Japan, our fully-owned subsidiary and Fresenius Kawasumi, a joint venture with our partner, Kawasumi Laboratories. Together, they serve the market with a complete range of Fresenius Polysulfone® dialyzers which are either produced domestically or imported from Germany. Despite increasing price competition from domestic market participants we continued to increase our dialyzer sales, with Fresenius Polysulfone® products becoming the most widely used synthetic membrane dialyzer in Japan. In line with our plans for further expansion, we started preparations for increasing the production of hollow fiber membranes which will more than double our current output. The 4008 hemodialysis system completes the portfolio of HD products. In the field of peritoneal dialysis, Fresenius Medical Care Japan introduced a full range of CAPD products, such as the *stay·safe*® system during 2000. In addition, the Company is constructing a second plant in Southern Japan (Buzen) which will start operation in the middle of 2001 and mainly produce peritoneal dialysis solutions and other dialysis products for the Asian-Pacific rim.

ASIA-PACIFIC

Activities in the Asian-Pacific were aimed at developing a more service-oriented organization emphasizing pre- and after-sales services, clinical training and dialysis care. Due to the different development phases of the markets within the four operating regions of Japan, Greater China, Central and South Asia Pacific, our strategic approach is generally defined on a country or sub-regional basis. All regions performed well and grew significantly above the market growth which allowed us to gain market shares in almost every market segment. During 2000, the Dialysis Care activities were concentrated under a newly developed brand known as NephroCare Asia Pacific. NephroCare has specialized in providing the most advanced dialysis therapies and a complete range of customized management services for dialysis service providers in Asia. Today, it operates and manages independent

In Greater China, product sales remained the dominant part of our business in 2000 with continued volume growth and increased market shares in Taiwan, China and Hong Kong. Despite the depreciation of

the Euro, we achieved a growth rate of nearly 10% in sales in 2000 and were able to increase profitability significantly. Taiwan contributed almost half of the sales revenue to the region of which approximately two-thirds were derived from hemodialysis products. By year-end, the newly established business unit - Nephrocare Ltd. Taiwan Branch - offered management services for clinics treating approximately 500 dialysis patients. In Mainland China we achieved a sales growth of more than 30% last year. Strengthening the capabilities of our distributors through training and marketing support has served to maintain our market leadership in this region. In Dialysis Care, we continue to focus on the implementation of our high quality standards in all the clinics that we operate together with our Chinese joint venture partners with the aim of providing our patients with the best possible care. In Hong Kong, the high percentage of peritoneal dialysis treatment, which currently stands at some 80%, provides us with the potential to expand our leadership role by increasing our hemodialysis services.

Central Asia-Pacific has continued to grow 2-3 times faster than the average market growth of 10% p.a. The main market is South Korea where we have successfully integrated the hemodialysis business of Kolon Pharmaceuticals into Fresenius Medical Care's organization. During 2000 and beyond, we will proceed with the development of the organization and focus on peritoneal dialysis now that we have acquired regulatory approval for the *stay·safe*® balance and the *sleep·safe*™ systems. As a consequence, we expect to provide service to more than 1,000 PD patients in Korea in early 2001. The completion of our PD product portfolio and a customer-focused service organization should enable us to attain significant sales and profit results. FMC Thailand has also been successfully restructured and thus achieved significant sales and profit increases despite the economic fluctuation and slow down that materialized during the second half of the year.

Continuous training and education programs for our employees will further improve our competitiveness on the Thai market. By mid February 2001, we plan to open a new office in New Delhi in order to provide marketing and service backup to our customers and distributors and create greater awareness among the respective government institutions as continuous chronic dialysis treatments and general quality standards for dialysis are unfortunately still the exception in India. In addition to this, we have established an exclusive distribution network in all remaining markets in Central Asia Pacific which has reaped very promising results so far.

In the countries of the South Asian Pacific, our strategy is to develop into a full service provider for both hemodialysis and peritoneal dialysis. By amending our product range to include services such as the education

A successful management team that shares a common goal.

of staff, facility management and technical service we envision establishing owned and managed clinics. At the beginning of 2000 we established an affiliate and larger office in Malaysia which continues to be one of our growth markets. We have also opened a representative office in Jakarta (Indonesia) and offered our help and services for the redevelopment of dialysis services in the country with strong support by local nephrologists as well as the Ministry of Health. In all countries within the region we have started strong business development activities for our services division NephroCare. Australia has since seen the opening of a new clinic.

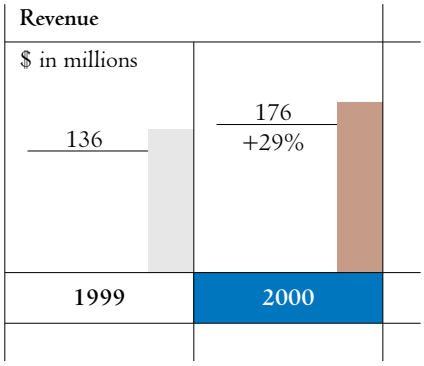
International-Asia Pacific

Market Data	
Total number of patients	~320,000
Patient growth p.a.	~8%

Company Data	2000
Number of patients (year-end)	700
Number of clinics (year-end)	15
Number of treatments	69,300

In other countries we have put in tenders for managing complete operations of dialysis facilities. In peritoneal dialysis we have now entered the markets in Malaysia, Singapore and Australia.

For 2001 and beyond, we intend to serve more peritoneal dialysis patients throughout the Asian-Pacific and make significant progress with regard to the number of clinics owned and/or managed by our NephroCare division. The launch of the CAPD product ANDY Disc™ is planned for the second quarter in 2001 and should improve our competitive situation in this market segment. In addition, selective acquisitions, both in our product and, if possible, in dialysis care business, form part of our growth strategy. Therefore, we will continue to observe the regulatory environment in great detail and build up organizations to take advantage of any changes that might lift limitations and make it possible for us to further increase our NephroCare business in this part of the world. Until this time, we will continue to enter into management agreements and local partnerships to manage dialysis clinics.



LATIN AMERICA

Our business in Latin America continued to develop very positively at an above-average strong growth rate for this market. The number of patients treated in dialysis clinics owned and operated by the Company increased from 7,700 in 1999 to 11,400 by the end of 2000. Overall sales grew by 44% to $ 214 million.

Major advances have been achieved through the acquisition of 48 clinics with ~3,000 patients from DaVita Inc. in Argentina. Open discussions and consultations with the Social Insurance Authorities are nurturing confidence in the future of the health care system in the country. In Brazil, we restructured our sales organization and initiated different e-commerce projects. Sales in the product business increased by 25%. Especially remarkable was a 130% increase in the number of machine sales to 1,100 units (market share approximately 60%). The clinics administrated by the Company in franchising continued to increase patient numbers and evolved financially positive in 2000. Even though we are confronted with one of the lowest reimbursement rates in the world, we were able to deliver high quality and benefit financially from our presence in profitable niches in the provider business. For the year 2001 we expect an increase in the reimbursement rate of the public sector, which covers around 90% of the dialysis patients in Brazil. Thanks to a new distributor, we were able to increase our sales in Chile by more than 300%. At the beginning of the year, the Company set up a new subsidiary in Peru, Fresenius Medical Care del Peru S.A., and succeeded in establishing a strong market position for the HD product business. In Mexico, our HD product business was equally successful with a sales increase of 40% and a resulting market share of 50%. In Dialysis Care, the Company has identified startup and acquisition projects which will be initiated at the beginning of 2001. It is expected that the new government will further promote the privatization process, including that of the Mexican health care sector, preparing the ground for the treatment of more patients with hemodialysis in the coming years. In Colombia, we opened four new dialysis clinics during the year with an increase of 30% of patients treated in our clinics. The number of PD patients receiving treatment with the A.N.D.Y. PLUS® double bag system grew at the same rate, reaching a total of 680. Thanks to a restructuring and cost-reduction program, which started in 1999 and was finalized during the first 6 months of 2000, the profitability of the Colombian operations increased substantially.

One additional dialysis clinic was opened, and by the end of 2000 two clinics were acquired in Venezuela, adding 130 patients to our operations. Sales in Dialysis Care showed an 18% increase. The new government has also started to implement programs to improve the access of patients to medical treatment which should serve as the basis for future growth in the country.

Bear responsibility for improving health ...

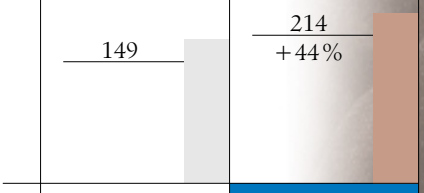
International-Latin America	
Market Data	
Total number of patients	109,000
Patient growth p. a.	11%

Company Data	2000
Number of patients (year-end)	11,400
Number of clinics (year-end)	155
Number of treatments (m)	1.5

Though the region is always subject to political instability, the general outlook for the year 2001 is positive. We expect to further expand our leading position in line with the strong growth of the market and intend to establish new subsidiaries in Latin America during the year 2001.

Revenue

$ in millions



FINANCIAL STATEMENTS

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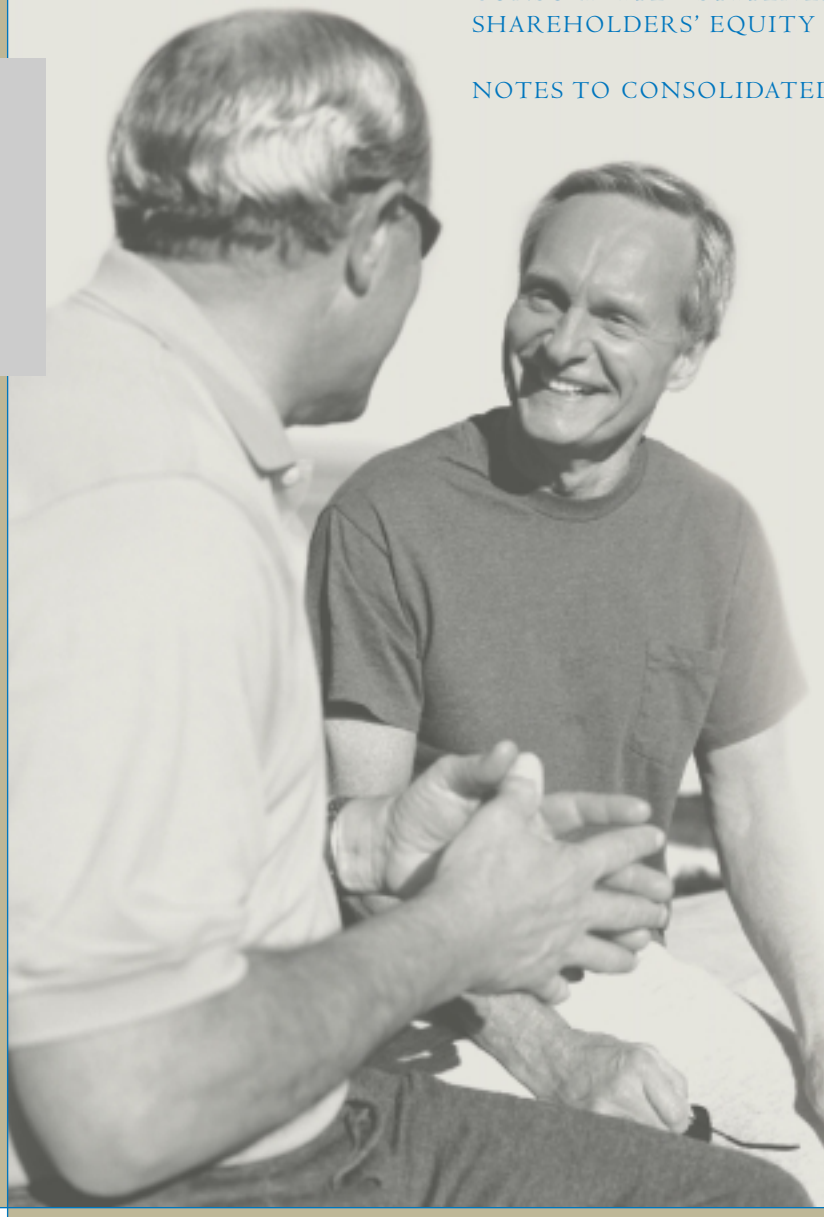


The financial statements of Fresenius Medical Care AG will be included in the consolidated financial statements of Fresenius AG. Fresenius Medical Care AG is therefore not required to prepare consolidated financial statements under German GAAP. Fresenius Medical Care filed an annual report under Form 20-F with the Securities and Exchange Commission (SEC) with additional information on the Company. Fresenius Medical Care's annual report on Form 20-F may be obtained from the Company or by shareholders in the United States by writing to:

ADR Service Center/P.O. Box 8205/ Boston, MA 02266/USA/Tel. (800) 997 89 70

The audited financial statements of the Group's holding company, Fresenius Medical Care Aktiengesellschaft, will be published in the German Federal Gazette (Bundesanzeiger) and can be obtained from the Company.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

OUR BUSINESS

We are the world's largest kidney dialysis company engaged in both providing dialysis care and manufac-turing dialysis products, based on publicly reported revenues and patients treated. We provide dialysis treatment to over 91,900 patients at our 1,270 clinics located in 18 countries. In the U.S., we also provide inpatient dialysis services, therapeutic apheresis, hemoperfusion and other services under contract to hospitals. We also develop and manufacture a complete range of equipment, systems and disposable products, which we sell to customers in over 100 countries. We are able to use the information we gain when treating patients in developing new and improved products. We believe that our size, our activities in both dialysis care and dialysis products and our concentration in specific geographic areas allow us to operate more cost-effectively than many of our competitors. For the year ended December 31, 2000, we had revenues of $ 4.2 billion, an increase of 9.4% over 1999 revenues. We derived 73% of our revenues in 2000 from North America operations and 27% from our International operations.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of the results of operations of Fresenius Medical Care in conjunction with our historical consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competitive and financial conditions include forward-looking statements. Because such statements involve risks and uncertainties, actual results may differ materially from the results which the forward looking statements express or imply. The table below, "Segment Data", present disaggregated information for our Company. We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance. This section contains forward-looking statements. We made these forward-looking statements based on our management's expectations and beliefs concerning future events which may affect us, but we cannot assure that such events will occur or that the results will be as anticipated.

Our businesses operate in highly competitive markets and are subject to changes in business, economic and competitive conditions. Our business is subject to:

- intense competition;
- foreign exchange rate fluctuations;
- varying degrees of acceptance of new product introductions;
- changes in reimbursement rates;
- technological developments in our industry;
- uncertainties in litigation or investigative proceedings and regulatory developments in the health care sector; and
- the availability of financing.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

OVERVIEW

Effective January 1, 1998, we adopted Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information issued by the U.S. Financial Accounting Standards Board. Commencing with the period ended March 31, 1999, we identified three operating segments, North America, International, and Asia Pacific, that we determined based upon how we manage our businesses. For reporting purposes, we have aggregated the International and Asia Pacific segments as "International". We aggregated these segments due to their similar economic characteristics. These characteristics include same services provided and same products sold, same type patient population, similar methods of distribution of products and services and similar economic environments.

Each segment engages primarily in providing kidney dialysis services and manufacturing and distributing products and equipment for the treatment of end-stage renal disease. Additionally the North America segment engages in performing clinical laboratory testing and renal diagnostic services. Our Management Board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the operating segments are the same as those we apply in preparing our consolidated financial statements under accounting principles generally accepted in the United States of America.

Our management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. Our management believes the most appropriate measure in this regard is earnings before interest and taxes, or EBIT, which measures our source of earnings. Financing is a corporate function which segments do not control. Therefore, we do not include interest cost as a segment measurement. We also regard taxes to be outside the segment's control. In addition to EBIT, our management also believes that earnings before interest, taxes, depreciation and amortization, or EBITDA, is helpful for investors as a measurement of the segment's and our company's ability to generate cash and to service our financing obligations. EBITDA is also the basis for determining compliance with certain covenants contained in our senior credit agreement and the indentures relating to our outstanding trust preferred securities.

You should not consider EBITDA to be an alternative to net earnings determined in accordance with generally accepted accounting principles or to cash flow from operations, investing activities or financing activities or as a measure of cash flows. We believe our EBIT calculation is the functional equivalent of operating income. Because all companies do not calculate EBITDA and EBIT consistently, the presentation herein may not be comparable to other similarly titled measures of other companies.

We obtained approximately 40% of our worldwide revenue for 2000 from sources subject to regulations under U.S. government health care programs. In the past, U.S. budget deficit reduction and health care reform measures have changed the reimbursement rates under these programs, including the Medicare composite rate, the reimbursement rate for EPO, and the reimbursement rates for other dialysis and non-dialysis related services and products, as well as other material aspects of these programs, and they may change in the future.

We also obtain a significant portion of our net revenues from reimbursement by non-government payors. Historically, these payors' reimbursement rates generally have been higher than government program rates in their respective countries. However, non-governmental payors are imposing cost containment measures that are creating significant downward pressure on reimbursement levels that we receive for our services and products.

Our discussions relating to our consolidated financial condition and results of operations for 1999 reflect the effects of our agreement to settle with the U.S. government and the resulting special charge for the settlement costs (hereafter **"the special charge"**). The discussion of disaggregated result of operations of the North America segment excludes the effect of the special charge.

OPERATING RESULTS

The following tables summarize our financial performance and certain operating results by principal business segment for the periods indicated. Inter-segment sales primarily reflect sales of medical equipment and supplies from the International segment to the North America segment.

2000 COMPARED TO 1999

Segment Data

$ in millions	2000	1999
Total revenue		
North America	3,085	2,811
International	1,155	1,076
Totals	**4,240**	**3,887**
Inter-segment revenue		
North America	2	4
International	37	43
Totals	**39**	**47**
Total net revenue		
North America	3,083	2,807
International	1,118	1,033
Totals	**4,201**	**3,840**
EBITDA		
North America	646	611
International	270	243
Special charge for Settlement	–	(601)
Corporate	(2)	(10)
Totals	**914**	**243**
Amortization and depreciation		
North America	223	217
International	69	65
Corporate	1	2
Totals	**293**	**284**
EBIT		
North America	423	394
International	201	178
Special charge for Settlement	–	(601)
Corporate	(3)	(12)
Totals	**621**	**(41)**
Interest income	9	8
Interest expense	(196)	(226)
Interest expense on obligation related to Settlement	(30)	–
Income tax (expense) benefit	(190)	13
Minority interest	(3)	(2)
Net income (loss)	**212**	**(249)**

Net revenue for the year ended December 31, 2000 increased by 9% (12% at constant exchange rates) to $ 4,201 million from $ 3,840 million for the comparable period in 1999. Net income for the year was $ 212 million as compared to a net loss of $ 249 million in 1999. The net loss of $ 249 million in 1999 was a result of the special charge of $ 601 million ($ 419 million after tax) relating to the Settlement. Excluding the effects of the special charge during 1999, net income for the year 2000 increased by 24% (34% at constant exchange rates) or $ 42 million.

Earnings per Ordinary share in 2000 were $ 2.37 compared to a loss per Ordinary share of $ 3.15 in the prior year. Excluding the effects of the special charge, earnings per Ordinary share increased by 10% from $ 2.15 in 1999.

At December 31, 2000 we owned, operated or managed 1,270 clinics compared to 1,090 clinics at the end of 1999. During the year 2000 we acquired 133 clinics with a total of 7,594 patients, opened 67 clinics and disposed of 20 clinics.

The number of patients treated in clinics that we own, operate or manage increased from approximately 80,000 in 1999 to 91,900 at the end of 2000. Approximately 12,900,000 treatments were provided in the year 2000; an increase of 13% from 11,400,000 treatments for the comparable period in 1999. Average revenue per treatment remained stable at $ 228.

The following discussions pertain to our business segments and the measures we use to manage these segments. **The North America segment discussion excludes the effects of the special charge in 1999.**

NORTH AMERICA SEGMENT REVENUE

Net revenue for the North America segment for 2000 grew by 10% from $ 2,807 million to $ 3,083 million. Dialysis Care revenue increased by 12% to $ 2,608 million, 9% attributable to base business revenue growth and 3% to acquisitions. The increase in Dialysis Care revenue resulted primarily from a $ 201 million (9%) increase in the number of treatments, reflecting both base business growth and the impact of 1999 and 2000 acquisitions. Revenue was also favorably impacted by an increase in revenue per treatment of approximately $ 72 million (3%) as a result of higher revenue from disease state management programs and increased Medicare reimbursement rates, higher revenues in other pharmaceuticals compared to 1999. For the years 2000 and 1999 EPO represented approximately 28% of dialysis care revenue or approximately 22% of total revenue. The 1.2% increase of the Medicare composite rate for dialysis services (59% of dialysis care revenue in 2000 resuled from Medicare's ESRD program) generated an additional $ 9 million in revenue in 2000. We expect that an additional 2.4% increase, approved in December 2000, will have a positive impact on our revenues for 2001. Laboratory testing revenue increased as a result of higher patient volume.

At the end of 2000 approximately 67,900 patients were treated in 920 clinics that we own, operate or manage in the North America segment compared to approximately 62,000 patients treated in 849 clinics at the end of 1999. The average revenue per treatment excluding laboratory testing revenue increased from $ 253 in 1999 to $ 261 in 2000. Including laboratory testing the average revenue per treatment increased from $ 264 in 1999 to $ 272 in 2000.

Dialysis Products revenue increased 1% to $ 475 million. Dialysis Product volume revenue increased approximately $ 8 million or 2% as a result from increased sales of hemodialysis products, partially offset by decreased sales of peritoneal products. Product revenue growth was slightly (1%) affected by decreasing prices. The consolidation process in the dialysis care business also affected product business growth. As integrated product and service provides aquire stand alone dialysis clinics, the external market for products decreases. The lower revenue in peritoneal products is also a result of a decreasing external market.

EBITDA

EBITDA for the North America segment grew by 6% due to increased treatment volume, improved treatment rates, higher earnings in other pharmaceuticals, increased earnings from laboratory testing and net foreign currency transaction gains. These increases were partially offset by costs to develop new therapies, costs to develop disease state management methodologies, higher personnel costs due to the tight labor market for medical personnel in the U.S. and an industry-wide price increase for Epogen, the key drug in anemia management.

AMORTIZATION AND DEPRECIATION

Amortization and depreciation decreased slightly as a percentage of revenue in 2000. This is mainly due to the impact of internal revenue growth while amortization and depreciation has remained fairly constant at $ 222 million.

EBIT

EBIT for the North America segment increased by 7% due to the increase in EBITDA and the positive impact of the decreased percentage of amortization and depreciation to revenue as previously mentioned.

INTERNATIONAL SEGMENT REVENUE

In 2000 the appreciation of the U.S. dollar against the Euro significantly impacted our International segment. Net revenue for the International segment increased by 8% (19% at constant exchange rates) from $ 1,033 million in 1999 to $ 1,118 million in 2000. Acquisitions, primarily Total Renal Care, contributed $ 88 million, approximately $ 30 million in the European region, $ 46 million in the Latin America region and $ 12 million in the Asia Pacific region. Base business growth

during the period was 10% at constant exchange rates. Including the effects of acquisitions, Asia Pacific region revenue increased $ 39 million or 29% (26% at constant exchange rates), and Latin America region revenue increased $ 65 million or 44% (49% at constant exchange rates) due to the appreciation of the U.S. dollar against the Euro mentioned above. European region revenue decreased by 3% from $ 748 million in 1999 to $ 728 million in 2000 (12% increase at constant exchange rates) due to the appreciation of the U.S. dollar against the euro mentioned above.

Total Dialysis Care revenue increased by 27% (40% at constant exchange rates) from $ 265 million in 1999 to $ 336 million in 2000. Base business growth consisted of approximately $ 27 million (10%) increase in the number of Dialysis Care treatments, offset by approximately $ 35 million (13%) due to exchange rate fluctuations. Average revenue per treatment increased by approximately 3% or $ 9 million before the impact of currency fluctuations. Acquisitions, primarily Total Renal Care, contributed approximately $ 70 million (26%) to total Dialysis Care revenue.

At the end of 2000 approximately 24,000 patients were treated at 350 clinics that we own, operate or manage in the International segment compared to 18,000 patients treated in 241 clinics at the end of 1999.

Total Dialysis Product revenue for 2000 increased by 2% (12% at constant exchange rates) to $ 782 million. Product volume increased by approximately $ 121 million (16%) which was offset by lower average pricing of approximately $ 48 million (6%) due to the competitive nature of the market. The increase in product revenues was further offset by approximately $ 78 million (10%) due to exchange rate fluctuations. Acquisitions contributed approximately $ 18 million (2%) to total product revenue.

EBITDA

EBITDA for the International segment for 2000 grew by 11% (25% at constant exchange rates) from $ 243 million to $ 270 million primarily due to the increased revenue noted above.

EBIT

EBIT for the International segment for 2000 increased by 13% (27% at constant exchange rates) from $ 179 million to $ 201 million due to the increased EBITDA mentioned above and stable depreciation and amortization as a percentage of revenue.

CORPORATE

We do not allocate "corporate costs" to our segments in calculating segment EBIT and EBITDA. These corporate costs primarily relate to certain headquarter overhead charges including accounting and finance, professional services, legal fees, etc.

Total corporate EBIT was $ (3) million in 2000 compared to $ (12) million in 1999. EBIT in 2000 was primarily affected by net foreign currency transaction gains of $ 12 million related to intercompany financing. Excluding these net gains, corporate costs would have increased by approximately $ 3 million, resulting primarily from increased compensation expense relating to our international stock option plan.

The following discussions pertain to our total Company costs, excluding the effects of the special charge in 1999.

COST OF REVENUE AND OPERATING EXPENSES

Cost of revenue increased as a percentage of revenue mainly due to costs to develop new therapies, costs to develop disease state management methodologies, higher personnel cost in the U.S. and an industry-wide price increase for EPO. However, the resulting decrease of our gross profit margin was more than offset by decreased selling, general and administrative expenses as a percentage of revenue, mainly due to effective general cost controls and net foreign currency transaction gains.

INTEREST

Interest expense for 2000 remained relatively constant compared to the same period in 1999. Interest expense related to the note payable associated with the Settlement amounted to approximately $ 30 million. This additional interest expense was offset by the reduced interest expense related to lower other borrowings, resulting from the use of the $ 557 million net proceeds received from the Preference share offerings completed during 2000. We anticipate higher interest expenses in 2001 due to the debt increase in connection with the acquisition of Everest Healthcare Services Corporation (see "Liquidity and Capital Resources").

INCOME TAXES

The effective tax rate for the year decreased from 49.5% in 1999 to 46.9% in 2000 due to the capitalization of tax loss carry forwards and because non-deductible amortization of goodwill relating to acquisitions was lower, as a percentage of taxable income, for 2000 compared to the same period in 1999.

LIQUIDITY AND CAPITAL RESOURCES

We generated cash from operating activities of $ 391 million in 2000 and $ 355 million from continuing operations in the comparable period in 1999. A net increase in our accounts receivable balance reduced net cash provided by operating activities. The primary reason was a significant increase in days sales outstanding resulting from slower payment patterns from third parties outside of Germany, specifically from managed care plans in the U.S. Days sales outstanding were also negatively impacted by the slowdown of the certification process for newly opened clinics in the U.S. Furthermore acquisitions, mainly outside Germany and the U.S., and base business growth in countries where we experience higher days sales outstanding contributed to this increase. Cash on hand was $ 65 million at December 31, 2000 compared to $ 35 million, at December 31, 1999.

On January 18, 2000, we executed definitive agreements with respect to the Settlement. The agreements require net settlement payments totaling approximately $ 427 million, of which $ 14 million had been paid prior to January 1, 2000. This net amount reflects payments to us of approximately $ 59 million for Medicare receivables from the U.S. government. During the year 2000 after court approval of the Settlement, we made payments of $ 387 million, including initial cash payments of $ 286 million, and we received $ 54 million from the U.S. government for our outstanding Medicare receivable claims for intradialytic parenteral nutrition therapy rendered on or before December 31, 1999. We wrote off $ 94 million of these receivables at December 31, 1999 in anticipation of a final settlement.

Under the definitive agreements with the U.S. government, we entered into a note payable for the remainder of the settlement obligation. Installment payments under the note will accrue interest at 6.3% on approximately $ 51 million of the obligation and at 7.5% annually on the balance, until paid in full.

The note payable is payable in six quarterly installments which began in April 2000 and end in July 2001. The first four quarterly installments have been paid in the amount of approximately $ 35 million each, including interest at 7.5%. The first three of these four payments were made in April, July and October 2000 and the fourth installment was made in January 2001. The final two installments of approximately $ 28 million each, including interest at 6.3%, will be paid in April and July 2001. At December 31, 2000, the note payable balance was approximately $ 86 millon. The U.S. government has agreed to remit the balance of our outstanding Medicare receivables in four quarterly payments of approximately $ 5 million each, plus interest at 7.5%. We received the first three quarterly payments in May, August and October 2000 and the final payment in February 2001.

We amended the letter of credit that National Medical Care has delivered to the U.S. government in 1996 from $ 150 million to $ 190 million and, under the agreement, the letter of credit will be reduced as we continue to make installment payments to the government. At December 31, 2000, the letter of credit was reduced to $ 89 million.

In December 1999, we and the lenders under our senior credit facility amended the financial ratios in the senior credit facility to accommodate our obligations under the settlement agreements and to enable us to continue in compliance with our senior credit facility as we fulfill the settlement obligations. On September 21, 2000 the National Medical Care Credit Agreement was amended in order to increase the facility for accounts receivable securitization and some other credit facilities. The lenders also agreed that the proceeds of the Preference share offerings during 2000 do not trigger repayment obligations on the term loan portion of the facility but may be used for capital expenditures and acquisitions.

On March 2, 2000, we issued 8,974,359 non-voting Preference shares to a limited number of institutional and other accredited investors in exchange for the investors' interests in Franconia Acquisition LLC, an entity formed to acquire dialysis clinics and other related businesses. Franconia's principal asset at the time of this transaction was $ 350 million in cash. For financial reporting purposes, the transaction, which generated net proceeds of $ 344 million, has been accounted for as a financing at fair value. The investors have agreed not to effect sales or transfers of the Preference shares for a period of 24 months after issuance, except as permitted by the contribution agreement. After this time, the investors will have the right to require, under specified conditions, that we register the Preference shares for sale under the Securities Act of 1933, as amended, and provide them with assistance in connection with public offerings of their Preference shares outside the United States.

On May 31, 2000, we paid a cash dividend of $ 51 million for 1999 in the amount of € 0.75 on each Preference share, excluding the Preference shares issued on March 2, 2000, and € 0.69 on each Ordinary share. In 1999 we paid dividends per Preference share of € 0.64 and € 0.59 per Ordinary share for an aggregate amount of $ 48 million. Our Management Board and our Supervisory Board have proposed dividends for 2001 of € 0.84 per Preference share and € 0.78 per Ordinary share. These dividends are subject to approval by our shareholders at our annual general meeting to be held on May 23, 2001. Under the terms of our senior credit agreement we are restricted as to the level of dividends we may pay in any calendar year, which was $ 78 million for 2000. Annual dividend distributions by our subsidiary, National Medical Care, in any year, may not exceed 50% of its consolidated net income of the preceding year as defined in our senior credit agreement. These payment restrictions do not apply to any of our other subsidiaries.

On June 19, 2000, we purchased substantially all of the international and non-continental U.S. operations business of Total Renal Care Holdings, Inc. for $ 142 million in cash. Additionally, we made a non-refundable deposit, not included in the purchase price noted above, towards the purchase of the Puerto Rico operations. The purchase of the Puerto Rico operations is pending, subject to regulatory approval and third party consents.

On July 26, 2000, we completed a public offering of 5,000,000 Preference shares for net proceeds of approximately $ 185 million. In addition, on July 28, 2000, the underwriters of the public offering exercised options to purchase an additional 750,000 Preference shares increasing the total net proceeds from the public offering of approximately $ 213 million.

On October 26, 2000, we increased our accounts receivable facility from $ 360 million to $ 500 million, and extended its maturity to October 25, 2001. Under the terms of the amended facility, the interst rate is based upon the commercial paper rate, which was approximately 6.59% at December 31, 2000. At December 31, 2000, we had received $ 445 million, and at December 31, 1999, $ 335 million, pursuant to sales of our receivables under the facility, which are reflected as reductions to accounts receivable. Under the terms of the facility, we sell new interests in accounts receivable as collections reduce previously sold accounts receivable. We expense the cost related to these sales as we incur them and record the costs as interest expense and related financing costs.

On January 5, 2001, we acquired Everest Healthcare Services Corporation ("Everest"), Oak Park, Illinois through a merger of Everest into a subsidiary of the company for $ 343 million including Everest's outstanding debt. One third of the purchase price was paid

through the issuance of 2,250,000 Preference shares on January 5, 2001. The remaining part of the acquisition was financed out of the proceeds from the Preference share offerings completed during 2000.

Acquisitions during the year 2000 totaled $ 275 million (excluding International segment non-cash acquisitions of $ 14 million), $ 116 million in the North America segment and $ 159 million in the International segment. Acquisitions for the comparable period in 1999 were $ 101 million (excluding International segment non-cash acquisitions of $ 10 million), $ 65 million for the North America segment and $ 36 million for the International segment.

We believe that an increasing percentage of our dialysis care growth will be derived from worldwide markets and we envision making acquisitions in selected international markets. In the U.S., we generally intend to continue to enhance our presence in the market by focusing our expansion on the acquisition of individual or small groups of clinics, expansion of existing clinics, and opening of new clinics. Nevertheless, we will consider large acquisitions in the U.S. if suitable opportunities, such as Everest, become available to us.

In addition, capital expenditure for property, plant and equipment were $ 228 million for the year 2000 and $ 160 million in 1999. In 2000, capital expenditures in the North America segment were $ 113 million and $ 115 million for the International segment. In 1999, capital expenditures in the North America segment were $ 81 million and $ 79 million in the International segment. The majority of our capital expenditures were used for improvements to existing clinics, equipment for new clinics and expansion of production facilities.

Total long-term debt, net of current portion at December 31, 2000, increased to $ 658 million from $ 654 million at year-end 1999. We reduced our short-term borrowings from related parties from $ 330 million to $ 218 million at December 31, 2000. Short-term borrowings from third parties increased from $ 96 million in 1999 to $ 107 million in 2000. As of December 31, 2000, the unused portion of our senior credit facility was approximately $ 698 million.

In January 2000, dollar interest rate swap agreements with a notional amount of $ 850 million expired as scheduled. In November 2000, we entered into additional dollar interest rate swap agreements with a notional amount of $ 450 million. At the same time, a dollar interest rate collar agreement with a notional amount of $ 150 million was closed out. As of December 31, 2000, the notional volume of dollar interest rate hedging contracts totalled $ 1,050 million. Those swap agreements, which expire at various dates between 2003 and 2007, effectively fix our variable interest rate exposure on the majority of our dollar-denominated revolving loans and outstanding obligations under the accounts receivable securitization program at an interest rate of 6.52%. Under our senior credit agreement, we have agreed to maintain at least $ 500 million of interest rate protection. In March 2000, we entered into a yen interest rate swap agreement with a notional amount of Japanese Yen 400 million, in line with a yen-denominated floating-rate borrowing of our Japanese subsidiary. In September 2000, both the bank borrowing and the notional amount of the interest rate swap agreement were increased as scheduled to Yen 1,000 million. The bank borrowing and the notional amount of the swap agreement will always coincide until March 2009 when the bank debt is completely repaid and the swap expires.

We believe that our existing credit facilities, cash generated from operations and other current sources of financing are sufficient to meet our foreseeable needs. If cash flows from operations or availability under existing banking arrangements fall below expectations, we may have to consider other alternatives to maintain sufficient liquidity. We cannot assure that we will be able to do so on satisfactory terms, if at all.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, which establishes accounting and reporting standards for financial derivative instruments, including cer-

tain derivative instruments embedded in other contracts and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The statement also provides the criteria for determining whether a derivative may be specifically designated as a hedge of a particular exposure with the intent of measuring the effectiveness of that hedge in the statement of operations. In June 2000, the Financial Accounting Standards Board issued SFAS No. 138, which amended certain provisions of SFAS No. 133, including amendments allowing foreign-currency denominated assets and liabilities to qualify for hedge accounting, permitting the offsetting of certain inter-entity foreign currency exposures that reduce the need for third party derivatives and redefining the nature of interest rate risk to avoid sources of ineffectiveness. We are adopting SFAS 133, and the corresponding amendments under SFAS 138 effective as of January 1, 2001.

After adoption, gains and losses in fair value of recognized assets and liabilities and firm commitments of operating transactions as well as gains and losses on derivative financial instruments designated as fair value hedges of these recognized assets and liabilities and firm commitments will be recognized currently in selling, general and administrative expenses.

After adoption, changes in the value of foreign currency forward contracts designated and qualifying as cash flow hedges of forecasted transactions will be reported in accumulated other comprehensive income. These amounts will subsequently be reclassified into earnings, as a component of the forecasted transaction, in the same period as the forecasted transaction affects earnings. Changes in the fair value of interest rate swaps designated as hedging instruments of variability of cash flows associated with variable-rate long-term debt will also be reported in accumulated other comprehensive income. These amounts will subsequently be reclassified into interest income or expense, respectively, as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings.

The adoption of SFAS 133, as amended by SFAS 138, results in the recording of assets related to forward currency contracts of approximately $ 13,072 and a liability for interest rate swaps of approximately $ 25,146. The offset to each of these transition adjustments will be recorded to other comprehensive income.

In December 1999, the United States Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements ("SAB 101"). SAB 101 provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues, as well as examples of how the SEC staff applies revenue recognition guidance to specific circumstances. In June 2000, SAB 101B was issued by the SEC further delaying the implementation date for SAB 101 until the fourth quarter of the fiscal year beginning after December 15, 1999. The impact of the adoption of SAB 101 is not significant.

In May 2000, the Emerging Issues Task Force ("EITF") issued EITF 00-014, Accounting for Certain Sales Incentives, which establishes accounting for point of sales coupons, rebates, and free merchandise. This EITF requires that an entity report these sales incentives that reduce the price paid to be netted directly against revenues. EITF 00-014 is effective no later than the fourth quarter of the fiscal year beginning after December 15, 1999. The impact of the adoption of EITF 00-014 is not significant.

In March 2000, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion 25. The effects of applying this interpretation are required to be recognized on a prospective basis from July 1, 2000. The application of this interpretation did not have a material effect on our financial position or results of operations.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which replaces SFAS No. 125. SFAS No. 140 provides the accounting and reporting standards for securitizations and other transfers of financial assets

and collateral. These standards are based on consistent application of a financial-components approach that focuses on control. This Statement also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for transfers after March 31, 2001 and is effective for disclosures about securitizations and collateral for fiscal years ending after December 15, 2000. There is no impact for the adoption of SFAS No. 140.

EURO CONVERSION

Germany, our country of domicile, is one of the eleven members of the European Union who have adopted the euro as their currency. We have changed our functional currency to euro effective January 1, 1999, but will continue using the U.S. dollar as our reporting currency. In addition, at our general meeting on June 2, 1999, our shareholders approved the currency conversion of our share capital to euro from Deutsche Mark. All internal reporting entities situated in the eleven member states are submitting their reports in euro. The euro conversion may affect cross-border competition by creating cross-border price transparency. In our business, patients may not have the luxury to "shop" cross-border due to the nature of their illness, the type of reimbursement program they are enrolled in and the fact that they maintain a medical relationship with their supplier, a doctor or clinic.

CONTINGENCIES

We are a plaintiff in litigation against the U.S. federal government with respect to the implementation of the Omnibus Budget Reconciliation Act of 1993. We are also a defendant in significant commercial insurance litigation relating to the same alleged practices that were the subject of the recently settled government investigations and in litigation alleging that the transactions in which we were formed and acquired National Medical Care constituted a fraudulent transfer. An adverse outcome in any of these matters could have a material adverse effect on our business, financial condition and results of operations. Because of the significant complexities and uncertainties associated with these proceedings, we cannot provide either an estimate of the possible loss or range of loss we may incur in respect of such matters, and a reserve based on any such estimate cannot be reasonably made.

INFLATION

The effects of inflation during the periods covered by the consolidated financial statements have not been significant to our results of operations. However, most of our net revenues from dialysis care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK MANAGEMENT OF CURRENCY AND INTEREST RATE RISKS

We are primarily exposed to market risk from changes in foreign currency exchange rates and changes in interest rates. In order to manage the risks from these foreign currency exchange rate and interest rate fluctuations, we enter into various hedging transactions with investment grade financial institutions as authorized by the management board. We do not contract for financial instruments for trading or other speculative purposes.

We conduct our financial instrument activity under the control of a single centralized department. We have established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on

one side and administration, accounting and controlling on the other.

FOREIGN CURRENCY EXPOSURE

We conduct our business on a global basis in several major international currencies, although our operations are located principally in Germany and the United States. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar, the euro and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Foreign Currency Risk

December 31, 2000 $ in thousands, except average contract rates		2001	2002	2003	Total	Fair Value Dec. 31, 2000
Foreign Currency Forwards						
Purchases of currencies against U.S. dollar						
Euro	NotionalAmount	51,509	321,273	116,856	489,638	22,172
	Average Contract Rate	0.8820	0.9172	0.8998		
Singapore Dollar	Notional Amount	800			800	2
	Average Contract Rate	1.7235				
Total		**52,309**	**321,273**	**116,856**	**490,438**	**22,174**
Sales of currencies against U.S. dollar						
Canadian Dollar	Notional Amount	4,000			4,000	77
	Average Contract Rate	1.4699				
Euro	Notional Amount	2,501			2,501	(2)
	Average Contract Rate	0.9300				
Singapore Dollar	Notional Amount	335			335	(1)
	Average Contract Rate	1.7255				
Total		**6,836**	**0**	**0**	**6,836**	**74**
Other sales of currencies against euro						
British Pound	Notional Amount	19,942	3,955		23,897	1,261
	Average Contract Rate	0.5942	0.5960			
Japanese Yen	Notional Amount	11,163	4,634		15,797	1,633
	Average Contract Rate	92.9869	95.1100			
Swiss Franc	Notional Amount	8,230	675		8,905	44
	Average Contract Rate	1.5057	1.4910			
Australian Dollar	Notional Amount	7,763			7,763	160
	Average Contract Rate	1.6459				
New Zealand Dollar	Notional Amount	2,947			2,947	(12)
	Average Contract Rate	2.1246				
Singapore Dollar	Notional Amount	1,696			1,696	63
	Average Contract Rate	1.5516				
Total		**51,741**	**9,264**	**0**	**61,005**	**3,149**
Other purchases of currencies against euro						
Swiss Franc	Notional Amount	6,756			6,756	(87)
	Average Contract Rate	1.5014				
Japanese Yen	Notional Amount	4,607			4,607	(38)
	Average Contract Rate	106.0397				
Australian Dollar	Notional Amount	612			612	(3)
	Average Contract Rate	1.6714				
Total		**11,975**	**0**	**0**	**11,975**	**(128)**

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases, lendings and borrowings. We sell significant amounts of products from our manufacturing facilities in Germany to our other international operations. In general, our German sales are denominated in euro. Consequently, our subsidiaries are exposed to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. We employ, to a limited extent, forward contracts and options to hedge our currency exposures. Our policy, which has been consistently followed, is that forward currency contracts and options be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

The table Foreign Currency Risk' provides information about our foreign exchange forward contracts at December 31, 2000. The information is provided in U.S. dollar equivalent amounts. The table presents the notional amounts, the weighted average contractual foreign currency exchange rates, and the fair values of the contracts, which show the unrealized net gain (loss) on existing contracts as of December 31, 2000. All contracts expire within 36 months after the reporting date.

A summary of the high and low exchange rates for the Deutsche Mark to U.S. dollars and the average exchange rates for the last five years is set forth below. As the Deutsche Mark ("DM") was replaced by the euro ("€ ") in the foreign exchange markets since the beginning of 1999, the table includes the respective rates for the Euro/Dollar quotations which were applied to calculate the respective 1999 Deutsche Mark/Dollar values, using a fixed conversion rate of DM 1.95583 = € 1.

Year ending December 31	Year's High	Year's Low	Year's Average	Year's Close
1996 $ per DM	0.6979	0.6395	0.6650	0.6432
1997 $ per DM	0.6468	0.5299	0.5764	0.5580
1998 $ per DM	0.6256	0.5395	0.5685	0.5977
1999 $ per DM	0.6028	0.5121	0.5449	0.5136
1999 $ per €	1.1790	1.0015	1.0658	1.0046
2000 $ per DM	0.5311	0.4219	0.4722	0.4758
2000 $ per €	1.0388	0.8252	0.9236	0.9305

INTEREST RATE EXPOSURE

We are exposed to changes in interest rates that affect our variable-rate based borrowings. We enter into debt obligations and into accounts receivable financings to support our general corporate purposes including capital expenditures and working capital needs.

Our subsidiary, National Medical Care, has entered into dollar interest rate swap agreements with various commercial banks for notional amounts totaling $ 1,050 million as of December 31, 2000. National Medical Care entered into all of these agreements for purposes other than trading.

The dollar interest rate swaps effectively change National Medical Care's interest rate exposure on the majority of its variable-rate loans under our senior credit agreement ($ 733 million outstanding as of December 31, 2000), loans extended to us by Fresenius AG ($ 209 million outstanding as of December 31, 2000), and the drawdowns under our receivables financing facility (drawn as of December 31, 2000, $ 445 million) to a fixed interest rate of 6.52%. Our accounts receivable financing facility has been reflected in our consolidated financial statements as a reduction to accounts receivable.

The dollar interest rate swap agreements expire at various dates between November 29, 2003 and November 29, 2007. At December 31, 2000, the fair value of these agreements is $ (24.62) million.

The table below presents principal amounts and related weighted average interest rates by year of maturity for the various dollar interest rate swap agreements and for our significant fixed-rate long-term debt obligations.

Our subsidiary FMC Japan has entered into a Yen interest rate swap agreement with a commercial bank for a notional amount of JPY 1,000 million as of December 31, 2000. This swap changes FMC Japan's interest rate exposure on ist variable-rate bank loan (JPY 1,000 million outstanding as of December 31, 2000) to a fixed interest rate of 3.10%. The Yen interest rate swap agreement expires on March 13, 2009. At December 31, 2000, the fair value of this agreement is $ (0.53) million. The terms of the Yen interest rate swap agreement, especially the notional amounts outstanding at any specific point of

Dollar Interest Rate Exposure

December 31, 2000 $ in millions	2001	2002	2003	2004	2005	There-after	Totals	Fair Value Dec. 31, 2000
Principal payments on Senior Credit Agreement	**150**	**150**	**433**	**0**	**0**	**0**	**733**	**733**
Variable interest rate = 7.63%								
Interst rate swap agreements								
Notional amount			600	250		200	1,050	(25)
Average fixed pay rate = 6.52%			6.58%	6.32%		6.61%		
Receive rate = 3-month $ LIBOR								
Company obligated mandatorily redeemable preferred securities of subsidiaries Fresenius Medical Care Capital Trusts								
Fixed interest rate = 9%						360	360	346
Fixed interest rate = 7.875%						450	450	410
Fixed interest rate = 7.375% (denominated in DM)						143	143	143

time, match the terms of the bank loan which has been borrowed from the same bank that is counterparty in the swap agreement.
The bank borrowing and the notional amount of the swap agreement will always coincide until March 2009 when the bank debt is completely repaid and the swap expires.

COMPENSATION OF OUR MANAGEMENT BOARD AND OUR SUPERVISORY BOARD

For the year ended December 31, 2000, we paid aggregate compensation to all members of the Management Board of € 2,949,237. The aggregate fees paid to all members of the Supervisory Board was € 315,000 including compensation to Dr. Krick for his duties as Chairman of the Supervisory Board. We pay an annual retainer fee of $ 40,000 to each member of the Supervisory Board, with the Chairman paid twice that amount and the Deputy Chairman paid 150% of that amount. We reimburse Supervisory Board members for their reasonable travel and accommodation expenses incurred with respect to their duties as Supervisory Board members. The aggregate compensation reported above does not include amounts paid as fees for services rendered by certain business or professional entities with which some of the Supervisory Board members are associated.

During 2000 we awarded 83,000 options under the FMC 98 Plan 2 at an exercise price of € 47.64 to members of the Management Board. At December 31, Management Board members held options to acquire 282,600 Preference shares of which options to purchase 49,933 Preference shares were exercisable at a weighted average exercise price of € 36.81.

At December 31, 2000, a loan granted to a member of our Management Board in the principal amount of $ 2,000,000, bearing interest at 6% per annum, was outstanding.

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Fresenius Medical Care Aktiengesellschaft,
Hof an der Saale, Germany

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care Aktiengesellschaft and subsidiaries (the "Company") as of December 31, 2000 and 1999 and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Frankfurt am Main, Germany
March 23, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2000 and 1999 $ in thousands, except share data	Note	2000	1999
Net revenue			
Dialysis Care	1i)	2,944,625	2,599,688
Dialysis Products		1,256,713	1,240,741
		4,201,338	**3,840,429**
Cost of revenue			
Dialysis Care		2,040,627	1,776,604
Dialysis Products		693,966	686,551
		2,734,593	**2,463,155**
Gross profit		**1,466,745**	**1,377,274**
Operating expenses			
Selling, general and administrative		813,997	784,572
Research and development	1j)	31,935	32,488
Special charge for Settlement		–	601,000
Operating income (loss)		**620,813**	**(40,786)**
Other (income) expense			
Interest income		(9,411)	(8,094)
Interest expense		195,569	226,218
Interest expense on obligation related to Settlement		29,947	–
Income (loss) before income taxes and minority interest		404,708	(258,910)
Income tax expense (benefit)	1k)	189,772	(12,744)
Minority interest		2,861	2,378
Net income (loss)		**212,075**	**(248,544)**
Basic income (loss) per Ordinary share		**2.37**	**(3.15)**
Fully diluted income (loss) per Ordinary share		**2.36**	**(3.15)**
Basic income (loss) per Preference share		**2.43**	**(3.15)**
Fully diluted income (loss) Per preference share		**2.42**	**(3.15)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

For the years ended December 31, 2000 and 1999 $ in thousands, except share data	Note	2000	1999
Assets			
Current assets			
Cash and cash equivalents	1c), 20	64,577	34,760
Trade accounts receivable, less allowance for doubtful accounts of $ 111,185 in 2000 and $ 101,262 in 1999	5,20	753,674	667,739
Accounts receivable from related parties	3	46,117	49,129
Inventories	6	320,234	301,302
Prepaid expenses and other current assets		214,526	179,392
IDPN accounts receivable	2	5,189	53,962
Deferred taxes	11	177,094	254,925
Total current assets		**1,581,411**	**1,541,209**
Property, plant and equipment, net	1e), 7	738,993	642,121
Intangible assets, including goodwill, net	1f), 8	3,475,056	3,438,756
Deferred taxes	1k), 11	27,205	25,121
Non-current IDPN accounts receivable		–	5,189
Other assets		156,288	99,987
Total assets		**5,978,953**	**5,752,383**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		203,374	193,120
Accounts payable to related parties	3	77,823	89,453
Accrued expenses and other current liabilities	9	391,640	415,061
Accrued Settlement	2	–	386,815
Note payable related to Settlement		85,920	–
Short-term borrowings	10	106,592	96,383
Short-term borrowings from related parties	3b)	218,333	330,000
Current portion of long-term debt and capital lease obligations	10	168,231	147,484
Income tax payable	1k), 11	117,572	78,438
Deferred taxes	1k), 11	20,967	33,438
Total current liabilities		**1,390,452**	**1,770,192**
Long-term debt and capital lease obligations, less current portion		657,832	653,776
Accrued Settlement		–	85,920
Other liabilities		31,464	24,686
Pension liabilities	12	69,970	61,578
Deferred taxes	1k), 11	176,487	168,037
Company-obligated mandatorily redeemable preferred securities of subsidiary Fresenius Medical Care Capital Trusts holding solely Company-guaranteed debentures of subsidiary	13	952,727	964,103
Minority interest	14	21,271	21,774
Total liabilities		**3,300,203**	**3,750,066**
Shareholders' equity			
Preference shares, no par, € 2.56 nominal value, 45,497,700 shares authorized, 23,765,093 issued and outstanding		63,644	27,623
Ordinary shares, no par, € 2.56 nominal value, 70,000,000 shares authorized, issued and outstanding		229,494	229,494
Additional paid-in capital		2,634,606	2,097,480
Retained deficit		(56,024)	(216,870)
Accumulated other comprehensive loss		(192,970)	(135,410)
Total shareholders' equity	15	**2,678,750**	**2,002,317**
Total liabilities and shareholders' equity		**5,978,953**	**5,752,383**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2000 and 1999 $ in thousands	Note	2000	1999
Operating Activities			
Net income (loss)		212,075	(248,544)
Adjustments to reconcile net income (loss) to cash flows provided by (used in) operating activities			
Depreciation and amortization		292,854	284,208
Write-off of IDPN accounts receivable		–	94,349
Change in deferred taxes, net		76,934	(89,925)
(Gain) loss on sale of fixed assets		(289)	991
Compensation expense related to stock options	1r), 16	3,980	
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	5	(174,333)	(136,262)
Inventories	6	(23,007)	(15,754)
Prepaid expenses, other current and non-current assets		(8,285)	(36,718)
Accounts receivable from/payable to related parties		(18,801)	(14,946)
Accounts payable, accrued expenses and other current and non-current liabilities		(20,689)	488,696
Income taxes payable	1k), 11	50,827	28,662
Net cash provided by operating activities of continuing operations		391,266	354,757
Net cash provided by operating activities		391,266	350,975
Investing Activities			
Purchases of property, plant and equipment	1e), 7	(228,037)	(160,276)
Proceeds from sale of property, plant and equipment	1e), 7	20,724	7,130
Acquisitions and investments, net of cash acquired	4,20	(274,530)	(101,326)
Net cash used in investing activities of continuing operations		(481,843)	(254,472)
Net cash used in investing activities		(481,843)	(254,472)
Financing Activities			
Proceeds from short-term borrowings	10	38,416	79,580
Repayments of short-term borrowings	10	(32,609)	(80,946)
Proceeds from short-term borrowings from related parties	3b)	26,000	270,000
Repayments of short-term borrowings from related parties	3b)	(141,000)	–
Proceeds from long-term debt	10	255,224	26,895
Principal payments of long-term debt and capital lease obligations	10	(221,739)	(310,476)
Payments on obligation related to Settlement	2	(386,815)	–
Retirement of convertible investment securities		–	(47,664)
Proceeds from issuance of preference shares	15	556,958	–
Proceeds from increase of accounts receivable securitization program	5	111,402	29,400
Proceeds from exercise of stock options	16	885	1,719
Dividends paid	15	(51,229)	(48,404)
Change in minority interest		139	578
Net cash provided by (used in) financing activities of continuing operations		155,632	(79,318)
Net cash provided by (used in) financing activities		155,632	(79,318)
Effect of exchange rate changes on cash and cash equivalents		(35,238)	(14,292)
Cash and Cash Equivalents			
Net increase (decrease) in cash and cash equivalents		29,817	2,893
Cash and cash equivalents at beginning of period		34,760	31,867
Cash and cash equivalents at end of period		**64,577**	**34,760**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, 2000 and 1999 $ in thousands, except share data	Note	Ordinary Shares Number of Shares	Ordinary Shares No par Value	Preference Shares Number of Shares	Preference Shares No par Value
Balance at December 31, 1999		**70,000,000**	**229,494**	**9,023,341**	**27,623**
Issuance of preference shares	15			14,724,359	35,980
Proceeds from exercise of options	16			17,393	41
Compensation expense related stock options					
Dividends paid					
Comprehensive income					
Net income					
Foreign currency translation adjustment					
Comprehensive income					
Balance at December 31, 2000		**70,000,000**	**229,494**	**23,765,093**	**63,644**

For the years ended December 31, 2000 and 1999 $ in thousands, except share data	Note	Convertible investment securities	Additional paid in capital	Retained Earnings (Deficit)	Accumulated other comprehensive loss	Total
Balance at December 31, 1999		–	**2,097,480**	**(216,870)**	**(135,410)**	**2,002,317**
Issuance of preference shares	15		532,302			568,282
Proceeds from exercise of options	16		844			885
Compensation expense related stock options	16		3,980			3,980
Dividends paid	15			(51,229)		(51,229)
Comprehensive income						
Net income				212,075		212,075
Foreign currency translation adjustment	1h)				(57,560)	(57,560)
Comprehensive income						154,515
Balance at December 31, 2000		–	**2,634,606**	**(56,024)**	**(192,970)**	**2,678,750**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

in thousands, except share data

1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fresenius Medical Care AG and subsidiaries ("FMC" or the "Company"), is an integrated provider of kidney dialysis products and dialysis care. Fresenius Medical Care AG ("FMC AG") was created by conversion of Sterilpharma GmbH, a limited liability company incorporated in 1975, into a stock corporation (Aktiengesellschaft). The resolutions for this conversion were adopted by a shareholder meeting on April 17, 1996. On September 30, 1996, Fresenius Medical Care AG initiated a series of transactions to consummate an Agreement and Plan of Reorganization entered into on February 4, 1996 by Fresenius AG and W. R. Grace & Co. ("W. R. Grace") Pursuant to that Agreement, Fresenius AG contributed Fresenius Worldwide Dialysis or FWD, its global dialysis business, including its controlling interest in Fresenius USA, Inc. ("FUSA"), in exchange for Fresenius Medical Care AG ordinary shares. Thereafter, FMC acquired:

(i) all of the outstanding Common stock of W. R. Grace, whose sole business at the time of the transaction consisted of National Medical Care, Inc., its global dialysis business, in exchange for Ordinary share; and

(ii) the publicly-held minority interest of Fresenius USA, Inc., in exchange for ordinary shares.

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. ("U.S. GAAP").

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include all material companies in which the Company has legal or effective control. All significant intercompany transactions and balances have been eliminated. The equity method of accounting is used for investments in associated companies (20% to 50% owned). All other investments are accounted for at cost.

For business combinations accounted for under the purchase accounting method, all assets acquired and liabilities assumed are recorded at fair value. An excess of the purchase price over the fair value of net assets acquired is capitalized as goodwill and amortized over the estimated period of benefit on a straight-line basis.

b) Classifications

Certain items in prior years' consolidated financial statements have been reclassified to conform with the current year's presentation.

c) Cash and Cash Equivalents

Cash and cash equivalents represent cash and certificates of deposit with original maturity dates of three months or less at origination.

d) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or market value.

e) Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease. The cost and accumulated depreciation of assets sold or otherwise disposed are removed from the accounts, and any resulting gain or loss is included in income when the assets are disposed.

Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years for buildings and improvements with a weighted average life of 11 years and 3 to 15 years for machinery and equipment with a weighted average life of 7 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2000 and 1999 was $ 1,205 and $ 224, respectively.

f) Intangible Assets

The Company has adopted the following useful lives and amortizes intangible assets using the straight-line method: goodwill – 20 to 40 years with weighted average life of 37 years; tradename and patents – 6 to 40 years with weighted average life of 33 years; patient relationships, distribution rights and other intangible assets – over the estimated period to be benefited, generally from 5 to 40 years with a weighted average life of 8 years.

g) Derivative Financial Instruments

The Company utilizes derivative financial instruments including forward currency contracts and interest rate swaps.

Forward currency contracts – Gains and losses on forward currency contracts that are designated and effective as hedges of existing assets or liabilities are included in the carrying amount of those hedged items. Foreign currency forward contracts hedging firm commitments are deferred and recognized along with the effects of the hedged transaction. Gains and losses on other forward currency contracts not qualifying for hedge accounting are recognized as selling, general and administrative expenses or cost of revenues in the period in which the gain or loss occurs.

Interest rate swaps – Interest rate agreements that are designated as a hedge of a debt or other long-term obligations are accounted for on an accrual basis. That is, the interest payable and interest receivable under the terms of the swaps are accrued and recorded as an adjustment to the interest or related expense of the designated liability or obligation.

Amounts due from and payable to the counterparties of interest rate swaps are recorded on an accrual basis at each reporting date on amounts computed by reference to the respective interest rate swap contract. Realized gains and losses that occur from the early termination or expiration of contracts are deferred and recorded in income over the remaining period of the original swap agreement. Gains and losses arising from interest differential on contracts that hedge specific borrowings are recorded as a component of interest expense over the life of the contract. In the event the hedged asset or liability is terminated, sold, or otherwise disposed of, the timing of the gain or loss on the interest rate swap would be matched with the offsetting gain or loss of the related item. For information regarding the adoption of SFAS 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS 138, see "s) Recent Pronouncements and Accounting Changes".

h) Foreign Currency Translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. The Company follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 52, Foreign Currency Translation. Substantially all assets and liabilities of the Company and all Non-U.S. subsidiaries are translated at year end exchange rates, while revenues and expenses are translated at exchange rates prevailing during the year. Adjustments for foreign currency translation fluctuations are excluded from earnings and are included in other comprehensive income.

Gains and losses resulting from the translation of intercompany borrowings, which are not considered equity investments, are included in selling, general and administrative expense. Translation gains (losses) amounted to $ 18,370, $ 2,299 for 2000 and 1999, respectively.

i) Revenue Recognition Policy

Health care revenues are recognized on the date services and related products are provided and the payor is obligated to pay at amounts estimated to be received under reimbursement arrangements with these third party payors. Medicare and Medicaid programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Most non-governmental payors, including contracted managed care payors, are billed at our standard rates for services net of contractual allowances to reflect the estimated amounts to be received under reimbursement arrangements with these payors.

Product revenues are recognized when title to the product passes to the customers either at the time of shipment, upon receipt by the customer or upon any other terms that clearly define passage of title. As pro-

duct returns are not typical, no return allowances are established. In the event a return is required, the appropriate reductions to sales, accounts receivables and cost of sales are made.

j) Research and Development expenses

Research and development expenses are expensed as incurred.

k) Income Taxes

In accordance with SFAS No. 109, Accounting for Income Taxes, deferred tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Prior to the German tax law change in 2000 deferred taxes in Germany were calculated using the "undistributed earnings" tax rate. (see Note 11)

l) Impairment

In accordance with Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, the Company reviews the carrying value of its of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. The Company considers various valuation factors including discounted cash flows, fair values and replacement costs to assess any impairment of goodwill and other long lived assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

m) Debt Issuance Costs

Costs related to the issuance of debt are amortized over the term of the related obligation.

n) Self Insurance Programs

A major subsidiary of the Company is self-insured for professional, product and general liability, auto and worker's compensation claims up to predetermined amounts above which third party insurance applies. Estimates are made for both reported and incurred but not reported claims.

o) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

p) Concentration of Credit Risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to health care providers throughout the world, and in providing of kidney dialysis treatment, clinical laboratory testing and other medical ancillary services. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

A significant percentage of the Company's health care services revenues are paid by and subject to regulations under governmental programs, primarily Medicare and Medicaid, health care programs administered by the United States government.

q) Earnings per preference share and ordinary share

Basic net income (loss) per preference share and basic net income (loss) per ordinary share for all years presented have been calculated using the two-class method required under U.S. GAAP based upon the weighted average number of ordinary and preference shares outstanding. Basic earnings per share are computed by dividing net income less preference amounts and distributions earned by convertible investment securities by the weighted average number of ordinary shares and preference shares outstanding during the year. Diluted earnings per

share include the effect of all potentially dilutive ordinary shares and preference shares that would have been outstanding during the year.

The awards, granted under the FMC stock incentive plans (see Note 16), are potentially dilutive equity instruments.

r) Stock Option Plans

The Company accounts for its stock option plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense is recorded only if the current market price of the underlying stock exceeds the exercise price on the measurement date. For stock incentive plans which are performance based, the Company recognizes compensation expense over the vesting periods, based on the then current market values of the underlying stock. In addition, the Company has adopted the disclosure only provisions required by SFAS No. 123, Accounting for Stock-Based Compensation.

s) Recent Pronouncements and Accounting Changes

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which establishes accounting and reporting standards for financial derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The statement also provides the criteria for determining whether a derivative may be specifically designated as a hedge of a particular exposure with the intent of measuring the effectiveness of that hedge in the statement of operations. In June 2000, the Financial Accounting Standards Board issued SFAS No. 138, which amended certain provisions of SFAS 133, including allowing foreign-currency denominated assets and liabilities to qualify for hedge accounting, permitting the offsetting of certain inter-entity foreign currency exposures that reduce the need for third party derivatives and redefining the nature of interest rate risk to avoid sources of ineffectiveness. The Company is adopting SFAS 133, and the corresponding amendments under SFAS 138 effective as of January 1, 2001.

After adoption, gains and losses in fair value of recognized assets and liabilities and firm commitments of operating transactions as well as gains and losses on derivative financial instruments designated as fair value hedges of these recognized assets and liabilities and firm commitments will be recognized currently in selling, general and administrative expenses.

After adoption, changes in the value of foreign currency forward contracts designated and qualifying as cash flow hedges of forecasted transactions will be reported in accumulated other comprehensive income. These amounts will subsequently be reclassified into earnings, as a component of the forecasted transaction, in the same period as the forecasted transaction affects earnings. Changes in the fair value of interest rate swaps designated as hedging instruments of variability of cash flows associated with variable-rate long-term debt will also be reported in accumulated other comprehensive income. These amounts will subsequently be reclassified into interest income or expense, respectively, as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings.

The adoption of SFAS 133, as amended by SFAS 138, results in the recording of assets related to forward currency contracts of approximately $ 13,072 and a liability for interest rate swaps of approximately $ 25,146. The offset to each of these transition adjustments will be recorded to other comprehensive income.

In December 1999, the United States Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101, *Revenue Recognition in Financial Statements* ("SAB 101"). SAB 101 provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues, as well as examples of how the SEC staff applies revenue recognition guidance to specific circumstances. In June 2000, SAB 101B was issued by the SEC further delaying the implementation date for SAB 101 until the fourth quarter of the fiscal year beginning after December 15, 1999. The impact of the

adoption of SAB 101 is not significant.

In May 2000, the Emerging Issues Task Force ("EITF") issued EITF 00-014, *Accounting for Certain Sales Incentives*, which establishes accounting for point of sales coupons, rebates, and free merchandise. This EITF requires that an entity report these sales incentives that reduce the price paid to be netted directly against revenues. EITF 00-014 is effective no later than the fourth quarter of the fiscal year beginning after December 15, 1999. The impact of the adoption of EITF-00-14 is not significant.

In March 2000, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, an interpretation of APB Opinion 25. The effects of applying this interpretation are required to be recognized on a prospective basis from July 1, 2000. The application of this interpretation did not have a material effect on our financial position or results of operations.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, which replaces SFAS No. 125. SFAS No. 140 provides the accounting and reporting standards for securitizations and other transfers of financial assets and collateral. These standards are based on consistent application of a financial-components approach that focuses on control. This Statement also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for transfers after March 31, 2001 and is effective for disclosures about securitizations and collateral for fiscal years ending after December 15, 2000. There is no impact for the adoption of SFAS No. 140.

2. SPECIAL CHARGE FOR SETTLEMENT

On January 18, 2000, Fresenius Medical Care Holdings, Inc. ("FMCH"), National Medical Care, Inc. and certain other affiliated companies executed definitive agreements with the United States Government to settle (i) matters concerning violations of federal laws then under investigation and (ii) National Medical Care, Inc.'s claims with respect to outstanding Medicare receivables for intradialytic parenteral nutrition therapy (collectively, the "Settlement").

Under the Settlement with the U.S. government, FMCH made initial cash payments of approximately $ 286 million and entered into a note payable for the remainder of the payment obligations. Interest on installment payments to the U.S. government will accrue at 6.3% on approximately $ 51 million of the obligation and at 7.5% annually on the balance, until paid in full. The note payable to the U.S. government and the amounts due to the Company for the outstanding Medicare receivables have been classified in the balance sheet based on their expected settlement dates.

Under the terms of the note payable, the remaining obligation is payable in six quarterly installments that began in April 2000 and end in July 2001. The first four quarterly installments were paid in the amount of approximately $ 35 million each, including interest at 7.5%. The first three of these four payments were made in April, July and October 2000 and the fourth installment was made in January 2001. The final two installments of approximately $ 28 million each, including interest at 6.3%, will be paid in April and July 2001, respectively. In addition, the Company received approximately $ 59 million from the U.S. government related to the Company's claims for outstanding Medicare receivables. The Company received $ 54 million in 2000 and a final payment of $ 5 million in February 2001.

In connection with the Settlement, the Company amended the letter of credit that National Medical Care delivered to the U.S. government in 1996 from $ 150 million to $ 190 million and, under the Settlement, the letter of credit will be reduced as installment payments are made to the Government. At December 31, 2000, the letter of credit was reduced to $ 89 million.

3. RELATED PARTY TRANSACTIONS

a) Shared Services

Fresenius AG, the majority shareholder, historically

provided services to and incurred costs on behalf of the Company. The Company entered into service agreements with Fresenius AG and certain affiliates of Fresenius AG to continue to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, legal and environmental consultation and administration insurance, central purchasing, tax services, treasury services, and accounting and reporting. In the opinion of management such expenses are indicative of the actual expenses that would have been incurred if the Company had been operating as an independent entity.

For the years 2000 and 1999, amounts charged from Fresenius AG to FMC under the terms of the agreement are $ 19,947 and $ 16,387, respectively. FMC also provides certain services to FAG and certain affiliates of FAG, including research and development, plant administration, patent administration and warehousing. FMC charged amounts of $ 9,984 and $ 6,821 for services rendered to Fresenius AG in 2000 and 1999, respectively.

Related party transactions pertaining to services performed between affiliated entities are recorded as accounts receivable or payable to related parties. At December 31, 2000 and 1999 FMC had accounts receivable from related parties of $ 46,117 and $ 49,129, respectively. The FMC accounts payable to related parties at December 31, 2000 and 1999 were $ 77,823 and $ 89,453, respectively.

Under operating lease agreements entered into in conjunction with the formation of Fresenius Medical Care, FMC will pay Fresenius AG approximately DM 16,800 (€ 8,590) per year. The lease amounts escalate annually, based upon published indices in Germany. Converted to USD, this amounts to approximately, $ 9,472 and $ 10,642 during 2000 and 1999, respectively. The leases expire in 2005 with options for renewal.

b) Financing Provided by Fresenius AG

At December 31, 2000, the Company had short-term loans outstanding of $ 215,934, of which $ 209,000 bore interest at rates varying between 7.35% and 7.38%. The remaining loans bore interest at a rate of approximately 4%. At December 31, 1999, the Company had short-term loans outstanding of $ 330,000 at varying interest rates between 7.06% and 7.44%. The funds were used primarily to reduce long-term debt. At December 31, 2000, the loans are due at various dates throughout the first quarter of 2001 and have subsequently been extended to various dates through June 6, 2001. Interest expense on these borrowings was, $ 18,571 and $ 13,037 for the years 2000 and 1999, respectively.

c) Products

During the years ended December 31, 2000 and 1999, the Company recognized sales of $ 28,076 and $ 28,563, respectively, to non-FMC businesses of Fresenius AG. During 2000 and 1999, the Company made purchases from Fresenius AG and affiliates in the amount of $ 25,547 and $ 30,056, respectively.

d) Other

During 1999, the Company granted to a member of the Management Board a five year unsecured loan of $ 2,000 with interest at 6.0% per annum. Only interest is due during the first four years of the term, with both principal and interest due in the fifth year. The Company may call the loan at any time and can be repaid without penalty, at any time during the period of the loan.

A member of the Company's Supervisory board is a partner in a law firm which provided services to the Company. The Company paid the law firm approximately $ 580 and $ 107 in 2000 and 1999, respectively.

A member of the Company's Supervisory Board is the chairman of the Management Board of a bank that served as one of two joint global coordinators of a public offering of preference shares conducted by the Company in 2000. The Company paid the bank a total of $ 10,438 in underwriting discounts and commissions.

The Chairman of the Company's Supervisory Board and former Chief Executive Officer of FMC are members of the Management Board of Fresenius AG, the majority shareholder of FMC's Ordinary shares.

4. ACQUISITIONS

The Company acquired certain health care facilities and clinical laboratories for a total consideration of $ 288,144 and $ 110,788 in 2000 and 1999, respecti-

vely. In 2000, consideration consisted of cash of $ 274,530 and notes for $ 13,614. Acquisitions in 2000 include the purchase of substantially all of the international and non-continental U.S. operations business of Total Renal Care Holdings, Inc. ("TRC"). The purchase price for these operations was $ 145,000 and the Company also assumed approximately $ 3,000 of debt. Additionally the Company agreed to acquire TRC's Puerto Rico operations. That acquisition is subject to regulatory approval and third party consents. In connection with the Puerto Rico acquisition the Company paid a $ 10 million non-refundable deposit. In 1999, consideration consisted of cash of $ 101,326 and notes for $ 9,462. These acquisitions have been accounted for as purchase transactions and, accordingly, are included in the results of operations from the dates of acquisition. The excess of the total acquisition costs over the fair value of the tangible net assets acquired was $ 196,000 and $ 94,000 for 2000 and 1999, respectively.

5. SALE OF ACCOUNTS RECEIVABLE

National Medical Care, Inc. ("NMC"), a subsidiary of the Company, has an asset securitization facility (the "accounts receivable facility") whereby receivables of NMC and certain affiliates are sold to NMC Funding Corporation (the "Transferor"), a wholly-owned subsidiary of NMC, and subsequently the Transferor transfers and assigns percentage ownership interests in the receivables to certain bank investors. NMC Funding Corporation is not consolidated as it does not meet the control criteria of SFAS 125. The amount of the accounts receivable facility was last amended on October 26, 2000, when the Company increased accounts receivable facility to $ 500,000, and extended its maturity to October 25, 2001.

At December 31, 2000 and 1999, $ 445,000 and $ 335,000 respectively, had been received pursuant to such sales and are reflected as reductions to accounts receivable. The Transferor pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The effective interest rate was approximately 6.59% at year-end 2000. Under the terms of the agreement, new interests in accounts receivable are sold as collections reduce previously sold accounts receivable. The costs related to such sales are expensed as incurred and recorded as interest expense and related financing costs. There were no gains or losses on these transactions.

6. INVENTORIES

As of December 31, inventories consisted of the following:

$ in thousands	2000	1999
Raw materials and purchased components	73,244	61,624
Work in process	22,231	21,834
Finished goods	160,358	168,193
	255,833	**251,651**
Health care supplies	64,401	49,651
Inventories	**320,234**	**301,302**

Under the terms of certain (unconditional) purchase agreements, the Company is obligated to purchase approximately $ 165,000 of materials of which $ 90,000 is committed at December 31, 2000 for fiscal year 2001. The terms of these agreements run 2 to 5 years. Inventories as of December 31, 2000, include approximately $ 25,800 of EPO which is supplied by a single source supplier in the United States. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of the Company. In 2000, revenues from EPO accounted for approximately 22% of total revenue in the North America segment and approximately 23% of dialysis care revenue world-wide.

7. PROPERTY, PLANT AND EQUIPMENT

For the years 2000 and 1999, property, plant and equipment consisted of the following:

	Acquisition or Manufacturing Costs						
$ in thousands	Balance at January 1, 2000	Currency change	Acquisitions/ disposals of businesses	Additions	Reclassi-fications	Disposals	Balance at December 31, 2000
Land and improvements	9,717	(392)	6,347	5,416	493	(103)	21,478
Buildings and improvements	336,782	(4,733)	12,321	44,382	8,394	(10,579)	386,567
Machinery and equipment	620,024	(27,267)	35,680	95,248	10,144	(42,222)	691,607
Machinery, equipment and rental equipment under capitalized leases	24,001	(1,203)	835	5,588	(2,368)	(9,347)	17,506
Construction in progress	48,832	(1,790)	1,186	61,004	(17,856)	(1,192)	90,184
Property, plant and equipment	**1,039,356**	**(35,385)**	**56,369**	**211,638**	**(1,193)**	**(63,443)**	**1,207,342**

	Depreciation/Amortization						
$ in thousands	Balance at January 1, 2000	Currency change	Acquisitions/ disposals of businesses	Additions	Reclassi-fications	Disposals	Balance at December 31, 2000
Land and improvements	1,148	(46)	–	44	(568)	(48)	530
Buildings and improvements	78,134	(1,185)	1,161	32,389	(354)	(7,437)	102,708
Machinery and equipment	299,590	(17,012)	11,752	93,826	1,223	(35,840)	353,539
Machinery, equipment and rental equipment under capitalized leases	16,012	(728)	171	3,931	(368)	(8,780)	10,238
Construction in progress	2,350	(84)	–	88	–	(1,018)	1,336
Property, plant and equipment	**397,234**	**(19,055)**	**13,084**	**130,278**	**(67)**	**(53,123)**	**468,351**

	Book Value	
$ in thousands	Balance at December 31, 2000	Balance at December 31, 1999
Land and improvements	20,948	8,569
Buildings and improvements	283,859	258,648
Machinery and equipment	338,068	320,434
Machinery, equipment and rental equipment under capitalized leases	7,268	7,989
Construction in progress	88,848	46,482
Property, plant and equipment	**738,991**	**642,122**

Depreciation and amortization expense for property, plant and equipment, amounted to, $ 130,278 and $ 131,623 for the years ended December 31, 2000 and 1999, respectively.

Included in property, plant and equipment as of December 31, 2000 and 1999 were, $ 36,853 and $ 36,015 respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases. Identification of the rental income from the Company's leasing activities is not practicable as the Company's return on the machines is received through contractual arrangements whereby a premium is charged for other support equipment sold during the life of the lease.

Accumulated depreciation related to machinery, equipment and rental equipment under capital leases was $ 7,358 and $ 14,330 at December 31, 2000 and 1999, respectively.

8. INTANGIBLE ASSETS

For the years 2000 and 1999, intangible assets consisted of the following:

Acquisition or Manufacturing Costs

$ in thousands	Balance at January 1, 2000	Currency change	Acquisitions/ disposals of businesses	Additions	Reclassi-fications	Disposals	Balance at December 31, 2000
Goodwill	3,114,063	(28,429)	136,992	12,275	1,811	15,624	3,252,336
Patient relationships	180,067	–	19,615	(1,535)	–	–	198,147
Tradename and patents	252,923	(590)	–	3	–	–	252,336
Distribution rights	4,349	(376)	–	3,457	188	–	7,618
Other	354,400	(2,973)	35,892	2,126	(1,502)	(356)	387,587
Intangible assets	**3,905,802**	**(32,368)**	**192,499**	**16,326**	**497**	**15,268**	**4,098,024**

Depreciation/Amortization

$ in thousands	Balance at January 1, 2000	Currency change	Acquisitions/ disposals of businesses	Additions	Reclassi-fications	Disposals	Balance at December 31, 2000
Goodwill	253,873	(1,835)	66	84,983	(3)	(114)	336,970
Patient relationships	87,169	1	–	31,675	–	(1,214)	117,631
Tradename and patents	27,825	(503)	–	7,769	–	–	35,091
Distribution rights	2,081	(163)	–	1,353	188	–	3,459
Other	96,099	(1,079)	1,893	34,823	(163)	(1,756)	129,817
Intangible assets	**467,047**	**(3,579)**	**1,959**	**160,603**	**22**	**(3,084)**	**622,968**

Book Value

$ in thousands	Balance at December 31, 2000	Balance at December 31, 1999
Goodwill	2,915,366	2,860,190
Patient relationship	80,516	92,898
Tradename and patents	217,245	225,098
Distribution rights	4,159	2,268
Other	257,770	258,301
Intangible assets	**3,475,056**	**3,438,755**

Amortization expense for intangible assets amounted to $ 160,604 and $ 151,735 for the years ended December 31, 2000 and 1999, respectively.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

As at December 31, accrued expenses and other current liabilities consisted of the following:

$ in thousands	2000	1999
Accrued operating expenses	49,012	68,599
Accrued legal and compliance costs	3,314	12,991
Accrued insurance	47,074	54,518
Accrued salaries and wages	87,016	75,163
Accounts receivable credit balances	38,215	48,932
Accrued interest	26,926	25,429
Accrued restructuring	3,450	2,472
Accrued physician compensation	17,649	17,721
Bonus and incentive plan compensation	2,489	2,746
Withholding tax and VAT	24,138	17,294
Commissions	12,231	10,406
Deferred Income	6,764	5,770
Bonuses and Rebates	7,331	9,303
Accrued other costs related to the Settlement/	4,986	20,577
Other	61,045	43,140
Total accrued expenses and other current liabilities	**391,640**	**415,061**

10. DEBT AND CAPITAL LEASE OBLIGATIONS

Short-term borrowings from third parties of $ 106,592, and $ 96,383 at December 31, 2000, and 1999, respectively, represent amounts borrowed by certain of the Company's subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2000, and 1999 was 6,0% and 4.6%, respectively. For information regarding short-term borrowings from affiliates, see Note 3b.

Excluding amounts available under the senior credit agreement (as described below), at December 31, 2000, FMC had $ 24,291 available under such commercial bank agreements. These lines of credit are generally secured by the Company's accounts receivable and contain various covenants including, but not limited to, requirements for maintaining defined levels of working capital, net worth, capital expenditures and various financial ratios.

As of December 31, long-term debt and capital lease obligations consisted of the following:

Long-Term Debt and Capital Lease Obligations

$ in thousands	2000	1999
Senior credit agreement	732,500	738,150
Capital leases	6,808	8,067
Other	86,755	55,043
	826,063	**801,260**
Less current maturities	(168,231)	(147,484)
	657,832	**653,776**

SENIOR CREDIT AGREEMENT

The Company is party to a bank agreement dated September 27, 1996 (hereafter "senior credit agreement") with the Bank of America, N.A., The Bank of Nova Scotia, The Chase Manhattan Bank, Dresdner Bank Aktiengesellschaft and certain other lenders (collectively, the "Lenders"), as amended, pursuant to which the Lenders have made available to the Company and certain subsidiaries and affiliates an aggregate of $ 2,000,000 billion through two credit facilities:

- a revolving credit facility of up to $ 1,000,000 (of which up to $ 250,000 is available for letters of credit, up to $ 450,000 is available for borrowings in certain non-U.S. currencies, up to $ 50,000 is available as swing lines in U.S. dollars and up to $ 20,000 is available as swing lines in certain non-U.S. currencies) for up to seven years expiring on September 30, 2003
- and a term loan facility of $ 1,000,000 for up to seven years, also expiring September 30, 2003. The terms of the senior credit agreement relating to the term loan facility require payments that permanently reduce the term loan facility. The repayment began in the fourth quarter of 1999 and will continue quarterly until the final maturity of the agreement in 2003.

Loans under this senior credit agreement bear interest at a base rate determined in accordance with the agreement, or at LIBOR plus in either case an applicable margin.

A fee is payable to the Lenders equal to a percentage per annum (initially 0.375%) of the portion of the senior credit agreement not used.

In addition to scheduled principal payments, the senior credit agreement will be reduced by certain portions of the net cash proceeds from certain sales of assets, sales of accounts receivable and the issuance of subordinated debt and equity securities. Prepayments are permitted at any time without penalty, except in certain defined periods. The senior credit agreement contains customary affirmative and negative covenants with respect to the Company and its subsidiaries and other payment restrictions, mainly related to dividends. Under the terms of the agreement the Company is restricted as to the level of dividends that can be paid in any calendar year, which was $ 78,000 in 2000. The Company's dividend distribution in 2000 was $ 51,229. Dividends from Fresenius Medical Care Holdings, Inc., a wholly owned subsidiary, are limited as a result of a restriction on dividends from its subsidiary, National Medical Care, Inc, and its subsidiaries. The restriction limits National Medical Care dividends to 50% of its consolidated net income of the preceding year. National Medical Care had losses in 1999 as a result of a special charge (see Note 2).

In December 1999, the Company amended certain covenants including, among other things, financial ratios contained in its senior credit facility that would have been affected by the impact of the Settlement (see Note 2). At December 31, 2000 the Company was in compliance with all such covenants.

On September 21, 2000 the senior credit agreement was amended in order to increase the facility for accounts receivable securitization and some other facilities. The Lenders also agreed that the proceeds of the preference share offerings during 2000 (see Note 15) did not trigger repayment obligations on the term loan, but may be used for capital expenditures and acquisitions.

At December 31, 2000, the Company had approximately $ 698,000 of additional borrowing capacity available under the revolving credit facility of the senior credit agreement including approximately $ 103,000, for additional letters of credit. No further borrowings are available under the term loan facility.

On January 18, 2000, the Company increased the amount of the letter of credit that National Medical Care delivered to the U.S. Government in 1996 from $ 150,000 to $ 190,000. Under the settlement agreement, the letter of credit will be reduced as installment payments are made to the government. At December 31, 2000, the letter of credit was $ 89,000.

Aggregate annual payments applicable to the senior credit agreement, term loan, capital leases and other borrowings for the five years subsequent to December 31, 2000 (excluding borrowings underlying the Company's trust preferred securities see Note 13) are ($ in thousands):

2001	168,231
2002	159,474
2003	439,950
2004	8,100
2005	7,632
Thereafter	42,676
	826,063

11. INCOME TAXES

Income (loss) before income taxes and minority interest is attributable to the following geographic locations:

Income Taxes

$ in thousands	2000	1999
Germany	106,475	93,653
United States	220,176	(408,060)
Other	78,058	55,497
	404,708	**(258,910)**

Income tax expense (benefit) for the years ended December 31, consisted of the following:

$ in thousands	2000	1999
Current		
German corporation and trade income taxes	66,754	43,876
United States income taxes	23,132	12,088
Other income taxes	29,971	28,797
	119,857	**84,761**
Deferred		
Germany	(14,902)	791
United States	81,553	(92,907)
Other income taxes	3,264	(5,389)
	69,915	**(97,505)**
	189,772	**(12,744)**

In 2000, the German government enacted new tax legislation which, among other changes, will reduce the Company statutory corporate tax rate for German companies from 40% on retained earnings and 30% on distributed earnings to a uniform 25%, effective for the Company year beginning January 1, 2001. In 1999, various changes to the German corporation tax law were made effective, including the reduction of the tax rate applied to undistributed earnings from 45% to 40%. The effects of the reductions in the tax rate and other tax law changes on the deferred tax assets and liabilities of the Company German companies were recognized in the year of enactment and resulted in deferred tax benefit for 2000 and 1999 of $ 2,227 and $ 850, respectively.

Prior to the 2000 tax law changes becoming effective, German corporation tax law applied a split rate imputation system to the income taxation of a corporation and its shareholders. Upon distribution of retained earnings in the form of a dividend, shareholders subject to German tax receive a credit for corporation taxes paid by the corporation on such distributed earnings. In addition, the corporation received a tax refund to the extent such earnings had been initially subjected to a corporation income tax in excess of 30%. The tax refund was also distributable to the shareholder.

In general, prior to 2001 retained (undistributed) German corporate income was initially subject to a federal corporation income tax currently at a rate of 40% for 2000 (40% for 1999) plus a surcharge of 5.5% for each year on federal corporate taxes payable. Giving effect to the surcharge, the federal corporate tax rate was 42.2% for 2000 (42.2% in 1999). Upon distribution of certain retained earnings generated in Germany to stockholders, the corporate income tax rate on the earnings was adjusted to 30%, plus a solidarity surcharge of 5.5%, for a total of 31.65% for each year, by means of a refund for taxes previously paid. Under the new German corporate tax system, during a 15 year transition period beginning on January 1, 2001, the Company will continue to receive a refund or pay additional taxes on the distribution of retained earnings which existed as of December 31, 2000.

The income tax expense reflects the actual amount of distribution of that year's earnings of the German operations. As such, the refund of tax described above is reflected in the income tax expense reconciliation presented below.

For the years ended December 31, 2000 and 1999, income tax expense differed from the amounts computed by applying the German federal corporation income tax rate of 42.2% for both 2000 and 1999, to income before income taxes and minority interest as a result of the following:

$ in thousands	2000	1999
Computed "expected" income tax (benefit) expense at the undistributed earnings rate	170,786	(109,260)
Compensation expense related to stock options		–
Dividend distributions credit	(9,077)	–
Trade income taxes, net of German federal corporation income tax benefit	12,688	8,758
Amortization of non-tax deductable Goodwill	28,380	28,057
Foreign tax rate differential	(20,811)	(2,687)
Non-deductible portion of special charge for settlement of investigations and related costs	–	71,622
Other	7,805	(9,234)
Provision for Income Taxes	**189,772**	**(12,744)**
Effective Tax Rate	**46.9%**	**(4.9%)**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31 are presented below:

$ in thousands	2000	1999
Deferred tax assets		
Accounts receivable, primarily due to allowance for doubtful accounts	28,083	27,844
Inventory, primarily due to additional costs capitalized for tax purposes, and inventory reserve accounts	23,479	21,427
Accrued expenses and other liabilities for financial accounting purposes, not currently tax deductible	119,439	141,123
Capital leases, principally due to capitalization of costs for tax purposes	955	1,839
Government settlement	5,302	92,469
Net operating loss carryforwards	30,546	21,807
Other	5,821	1,895
Total deferred tax assets	**213,625**	**308,404**
Less valuation allowance	(9,292)	(6,360)
Net deferred tax assets	**204,333**	**302,044**
Deferred tax liabilities		
Accounts receivable, primarily due to allowance for doubtful accounts	3,526	4,553
Inventory, primarily due to inventory reserve accounts for tax purposes	5,329	6,262
Accrued, expenses and other liabilities deductible for tax prior to financial accounting recognition	31,037	40,365
Plant and equipment, principally due to differences in depreciation	154,605	169,813
Other	2,991	2,480
Total deferred tax liabilities	**197,488**	**223,473**
Net deferred tax asset	**6,845**	**78,571**

During 2000 and 1999, the valuation allowance increased by $ 2,932 and $ 1,020, respectively, primarily attributable to losses, principally arising in Japan and partially offset by utilization of operating losses.

At December 31, 2000 the Company had approximately $ 83,607 of net operating losses, of which $ 3,568 will expire in 2001, $ 4,395 in 2002, $ 5002 in 2003, $ 4,387 in 2004, $ 13,746 in 2005, $ 14,336 in 2018, $ 3,812 in 2019 and $ 3,352 in 2020. Substantially all of the remaining $ 31,009 of net operating losses are not subject to an expiration period.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2000.

Provision has been not been made for additional taxes on approximately $ 102,000 undistributed earnings of foreign subsidiaries. The majority of these earnings have been, and will continue to be, reinvested. The earnings could become subject to additional tax if remitted or deemed remitted as dividends. The Company estimates that the distribution of these earnings would result in $ 6,396 of additional withholding and corporation income taxes.

12. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PENSION PLANS

Plan benefits are generally based on employee years of service and final salary. Consistent with normal business custom in the Federal Republic of Germany, FMC's pension obligations in Germany are unfunded. In the United States, substantially all U.S. employees are covered by National Medical Care's non-contributory, defined benefit pension plan. Each year, National Medical Care contributes to this plan at least the minimum amount required by law. Plan assets consist principally of publicly traded common stock, fixed income securities and cash equivalents. In addition, National Medical Care also sponsors a supplemental executive retirement plan to provide

certain key executives with benefits in excess of normal pension benefits.

The following provides a reconciliation of benefit obligations, plan assets, and funded status of the plans. Benefits paid as shown in the reconciliation of plan assets include only benefit payments from the Company's funded benefit plans.

In addition to the principal pension plans, certain of the Company's other subsidiaries offer separate retirement plans. The total accrued pension cost for these plans was $ 7,095, and $ 5,499 at December 31, 2000 and 1999, respectively. The Company does not provide any postretirement benefits to its employees other than those provided under its pension plans and supplemental executive retirement plan.

Defined Benefit Pension Plans

$ in thousands	2000	1999
Change in benefit obligation		
Benefit obligation at beginning of year	111,753	111,832
Translation loss (gain)	(1,748)	(3,611)
Service cost	11,465	10,040
Interest cost	8,148	7,300
Amendments	–	(5)
Transfer of plan participants	(6)	3,706
Actuarial loss (gain)	5,940	(15,826)
Divestitures	–	–
Benefits paid	(3,103)	(1,683)
Benefit obligation at end of year	**132,451**	**111,753**
Change on plan assets		
Fair value of plan assets at beginning of year	86,794	77,019
Actual return on plan assets	(2,098)	11,179
Benefits paid	(2,748)	(1,404)
Fair value of plan assets at end of year	**81,948**	**86,794**
Funded Status	(50,503)	(24,961)
Unrecognized net gain	(12,593)	(31,441)
Unrecognized prior service cost	(4)	(4)
Unrecognized transition obligation	226	326
Accrued benefit costs	**(62,875)**	**(56,079)**
Weighted – average assumptions as of December 31,		
Discount rate	7.30%	7.28%
Expected return of plan assets	9.70%	9.70%
Rate of compensation increase	4.60%	4.60%
Components of net period benefit cost		
Service cost	11,465	10,040
Interest cost	8,148	7,300
Expected return on plan assets	(8,345)	(7,401)
Amortization of transition obligation	75	87
Amortization unrealized losses	–	61
Amortization of prior service cost	(1)	(1)
Recognized net (gain)/loss	(2,429)	(520)
Curtailment net gain	–	–
Net periodic benefit costs	**8,913**	**9,566**

DEFINED CONTRIBUTION PLANS

National Medical Care and FUSA sponsor defined contribution plans. Total contributions for the year ended December 31, 2000 and 1999 were $ 8,786 and $ 7,298, respectively.

13. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES

In November 1996, the Company, through Fresenius Medical Care Capital Trust (the "1996 Trust"), a statutory business trust organized under the laws of the State of Delaware, issued $ 360,000 of 9% Trust Preferred Securities (the "Trust Securities"). FMC owns all of the common securities of the 1996 Trust. The sole asset of the Trust is $ 360,500 aggregate principal amount of 9% Senior Subordinated Debentures due 2006 of FMC Trust Finance S.à.r.l. Luxembourg, a wholly owned subsidiary of the Company ("Luxco"), and related guarantees by the Company, Fresenius Medical Care Deutschland GmbH ("D-GmbH") and Fresenius Medical Care Holdings, Inc. ("FMCH"), D-GmbH and FMCH being the "Subsidiary Guarantors". (See Note 23 "Supplemental Condensed Combining Information.") The Trust Securities are guaranteed by FMC through a series of undertakings by the Company and the Subsidiary Guarantors.

The Trust Securities entitle the holders to distributions payable at an annual rate of 9% of the stated amount and are mandatorily redeemable on December 1, 2006. The holders of the Trust Securities are entitled upon liquidation of the 1996 Trust to a distribution equal to the stated amount of the Trust Securities. Except in limited circumstances, the holders of the Trust Secu-

rities have no voting rights.

Luxco has the right to redeem the 9% Senior Subordinated Debenture, in whole or in part, at any time or from time to time after December 1, 2001, at specified redemption prices plus accrued and unpaid interest. In connection with any such redemption, the 1996 Trust must redeem a like amount of Trust Securities.

In February, 1998, the Company, through Fresenius Medical Care Capital Trust II ("Trust II") and Fresenius Medical Care Capital Trust III ("Trust III", and collectively with Trust II, "the 1998 Trusts"), statutory business trusts created under the laws of the State of Delaware, issued $ 450,000 of 7 7/8% USD Trust Preferred Securities (the "Trust II Securities") and DM 300,000 of 7 3/8% DM Trust Preferred Securities (the "Trust III Securities" and, together with the Trust II Securities, the "Trust Preferred Securities"). FMC owns all of the common securities of the 1998 Trusts. The sole asset of Trust II is $ 450,450 aggregate principal amount of Luxco 7 7/8% USD Senior Subordinated Debentures due 2008 and related guarantees by the Subsidiary Guarantors. The sole asset of Trust III is DM 300,300 aggregate principal amount of Luxco 7 3/8% DM Senior Subordinated Debentures due 2008 and related guarantees by the Subsidiary Guarantors. The Trust Preferred Securities are guaranteed by FMC through a series of undertakings by the Company and the Subsidiary Guarantors.

The Trust II and Trust III Securities entitle the holders to distributions payable at the annual rate of 7 7/8% and 7 3/8%, respectively, of the stated amount, and are mandatorily redeemable on February 1, 2008. The holders of the Trust Preferred Securities are entitled, upon liquidation of the 1998 Trusts, to a distribution equal to the stated amount of the Trust Preferred Securities. Except in limited circumstances, the holders of the Trust Preferred Securities have no voting rights.

14. MINORITY INTERESTS

At December 31, minority interests were as follows:

$ in thousands, except share data	2000	1999
FMCH Preferred Stock		
Preferred Stock, $ 100 par value		
– 6% Cumulative; 40,000 shares authorized; 36,460 outstanding	3,646	3,646
– 8% Cumulative Class A; 50,000 shares authorized; 16,176 outstanding	1,618	1,618
– 8% Noncumulative Class B; 40,000 shares authorized; 21,483 outstanding	2,148	2,148
Preferred Stock, $ 0.10 par value		
– Noncumulative Class D; 100,000,000 shares authorized; 89,062,316 outstanding	8,906	8,906
Sub-total FMCH minority interest	**16,318**	**16,318**
Other minority interest	4,953	5,456
Total minority interest	**21,271**	**21,774**

In conjunction with the formation of FMC, each holder of W.R. Grace common stock received one share of a Class D Preferred stock of Fresenius Medical Care Holdings for each share of stock previously held. The Class D Preferred stock entitles the holder to receive, a one-time special dividend if (but only if) the cumulative adjusted cash flow to ordinary shareholders (defined as net income plus depreciation and amortization) from January 1, 1997 through December 31, 2001 exceeds $ 3.7 billion. If cumulative adjusted cash flow meets that threshold, 44.8% of any amount exceeding $ 3.7 billion will be distributed as a special dividend on the Fresenius Medical Care Holdings Class D Preferred Shares. Fresenius Medical Care Holdings must make a public announcement of the amount, if any, of the special dividend by May 1, 2002. Payment of a special dividend on the Class D Preferred Shares would commence in October 2002. For the period from January 1, 1997 through the end of 2000, cumulative adjusted cash flow for the purpose of the Class D Preferred Shares special dividend calculation was approximately $ 1.2 billion. Based upon the Company's cumulative adjusted cash

flow at December 31, 2000 and its historical trend, the Company believes that it is unlikely that any special dividend will be paid. The Company has no obligation to contribute any amount to Fresenius Medical Care Holdings to enable it to pay any special dividend.

15. SHAREHOLDERS' EQUITY

By resolution of the general meeting on June 10, 1998, our share capital was conditionally increased by up to DM 12,500, divided into 2,500,000 new non-voting Preference shares. This conditional capital increase may be effected only upon exercise of subscription rights granted under the FMC 98 Plan 2.

The Company requested and received approval from its shareholders at the annual shareholder meeting on June 2, 1999, to change the currency of the Company's share capital from Deutsche Mark (DM) to euro to prepare for the transition by the European Community to euro which began January 1, 1999 and is scheduled for completion by mid 2002. The exchange rate for DM to euro was set at DM 1.95583 to € 1. As a result, the per share nominal value of the Company's Preference shares and Ordinary shares changed from DM 5 per share to € 2.55646 per share. For convenience, shareholders approved an increase to the nominal value to € 2.56 resulting in a Capital Stock increase of € 280 ($ 290). The increase in value of Capital Stock was offset by a decrease in additional paid in capital. No new shares were issued for this revaluation. The effect of the conversion has been recognized retroactively in the shareholders' equity accounts on the balance sheets as of December 31, 1997 and in the consolidated financial statements. Shareholders' equity accounts have been restated to reflect the reclassification of an amount equal to the nominal value of the increase in Ordinary shares from additional paid in capital.

In addition, the Company's shareholders approved a change in the dividend premium for the Preference shares from a percentage of the nominal value per share to an absolute amount. If dividends are declared, the Preference shareholder will receive € 0.06 per share more than the dividend for an Ordinary share, but no less than € 0.12 per share. In another matter approved by the shareholders, the Company's shares have been changed to no par value.

On March 2, 2000, the Company issued 8,974,359 non-voting Preference shares to a limited number of institutional and other accredited investors in exchange for the investors' interests in Franconia Acquisition LLC, an entity formed to acquire dialysis clinics and other related businesses. For financial reporting purposes, the transaction, which generated net proceeds of approximately $ 344,000, has been accounted for as a financing at fair value. The investors have agreed not to effect sales or transfers of the Preference shares for a period of 24 months after issuance except as permitted by the contribution agreement. After this period, the investors will have rights to require, under specific conditions, that the Company register these Preference shares for sale under the Securities Act of 1933, as amended, and that the Company provide assistance to them in connection with public offerings of their Preference shares outside the United States.

After giving effect to the issuance of 8,974,359 non-voting Preference shares in the Franconia transaction our remaining Approved Capital II amounted to € 29,533.

By resolution of the annual general meeting on May 30, 2000, the authorization of the remaining Approved Capital I and Approved Capital II described above was revoked, however, the Management Board, with the approval of the Supervisory Board, was authorized to increase share capital by a maximum amount of:

- € 30,720,000, corresponding to 12,000,000 Preference shares, by issuing new non-voting Preference shares for cash, new Approved Capital I.
- € 20,480,000, corresponding to 8,000,000 Preference shares, by issuing new non-voting Preference shares for cash or against contributions in kind, new Approved Capital II.

The authorizations of our new Approved Capital I and Approved Capital II are effective until May 29, 2005. Statutory preemptive rights will generally be available in connection with the issuance of Preference shares utilizing Approved Capital I, except for fractional amounts required to provide for a round issue amount and a sub-

scription ratio without fractional amounts. The Company may exclude statutory preemptive rights in connection with the issuance of Preference shares using Approved Capital II if the shares are issued against a contribution in kind to acquire a company or an interest in a company or if the shares are issued for cash and the issue price is not materially lower than the price of the shares on the stock exchange.

Under the German Stock Corporation Act, the shareholders of a stock corporation may empower the Management Board to issue shares in a specified aggregate nominal value not exceeding 50% of the issued share capital at the time of the passing of the resolution, in the form of Conditional Capital (bedingtes Kapital) or Approved Capital (genehmigtes Kapital). The authorization for the issuance of Approved Capital is limited for a period not exceeding five years from the date the shareholders' resolution becomes effective.

On July 26, 2000, the Company completed a public offering of 5,000,000 Preference shares for net proceeds of approximately $ 185 million. In addition, on July 28, 2000, the underwriters of the public offering exercised options to purchase an additional 750,000 Preference shares, resulting in total net proceeds from the public offering of approximately $ 213 million.

At December 31, 2000, after giving effect to the issuance of 5,750,000 Preference shares in the offering described above the remaining Approved Capital II amounted to € 5,760. After giving effect to the issuance of 2,250,000 Preference shares in the Everest acquisition (see Note 21) no additional Preference shares are available for issuance under Approved Capital II.

Cash dividends of $ 51,229 million for 1999 in the amount of € 0.75 on each Preference share, excluding the Preference shares issued on March 2, 2000, and € 0.69 on each Ordinary share, were paid on May 31, 2000.

Under the German Stock Corporation Act, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius Medical Care AG as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch).

If no dividend is declared for two consecutive years after the year for which the Preference shares are entitled to dividends, then the holders of such Preference shares will be entitled to the same voting rights as holders of Ordinary shares until all arrearages are paid. In addition, the payment of dividends by FMC is subject to limitations under the senior credit agreement (see Note 10).

The following table is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations. Stock options granted under the FMC 98 Plan 2 are subject to performance criteria. At December 31, 1999, the performance criteria for the 1998 and 1999 stock options granted had not been met. Therefore, the stock options granted have been excluded from the diluted earnings per share computations.

On May 30, 2000, the Company's shareholders approved a change to the FMC 98 Plan 2 whereby the impact of the special charge for the Settlement (see Note 2) was excluded from the Company's performance criteria relative to the EBIT growth requirements in the plan. Therefore, at December 31, 2000, the performance criteria had been met and the stock options granted are included in the diluted earnings per share computation for 2000.

Shareholders' Equity

$ in thousands, except share data	2000	1999
Numerators		
Net income (loss)	**212,075**	**(248,544)**
less		
Preference on Preference shares	(1,056)	–
Income (loss) available to Preference shares only	(1,056)	–
Income (loss) available to all class of shares	**211,019**	**(248,544)**
Denominators		
Weighted average number of		
Ordinary shares outstanding	70,000,000	70,000,000
Preference shares outstanding	19,002,118	9,023,341
Total weighted average shares outstanding	89,002,118	79,023,341
Potentially dilutive Preference shares	302,824	–
Total weighted average shares outstanding assuming dilution	89,304,942	79,023,341
Total weighted average Preference shares outstanding assuming dilution	19,304,942	9,023,341
Basic income (loss) per Ordinary share	2.37	(3.15)
Plus preference per Preference share	0.06	0.00
Basic income (loss) per Preference share	2.43	(3.15)
Fully diluted income (loss) per Ordinary share	2.36	(3.15)
Plus preference per Preference share assuming dilution	0.06	0.00
Fully diluted income (loss) per Preference share	2.42	(3.15)

16. STOCK OPTIONS

In connection with the formation of Fresenius Medical Care in 1996, certain options outstanding under stock option plans of W. R. Grace and FUSA were exchanged, for equivalent options with respect to FMC ordinary shares (the "FMC Rollover Plan").

The resulting total number of shares issuable upon exercise of options under the FMC Rollover Plan at the formation of FMC, September 30, 1996, was approximately 333,000. No additional Ordinary shares are available for granting of options under the FMC Rollover Plan. The Ordinary shares issuable upon exercise of FMC Rollover options were issued to Fresenius AG which is holding the shares pending exercise of the options. Fresenius AG has agreed, with respect to the Ordinary shares underlying options related to W. R. Grace common stock, to not exercise voting power over such Ordinary shares and to return any dividends paid. Upon exercise of any of the FMC Rollover options, the exercise price will be paid to the Company and Fresenius AG will deliver the Ordinary shares to the option holder. Upon cancellation or expiration without exercise of options formerly relating to W. R. Grace common stock, the underlying Ordinary shares held by Fresenius AG will be transferred to FMC at no cost to it. Upon cancellation or expiration without exercise of options formerly relating to FUSA common stock, the underlying ordinary shares will revert to Fresenius AG.

During the year ended December 31, 2000, 34,337 FMC Rollover Plan options were exercised by employees. In connection therewith, Fresenius AG transferred 11,446 Ordinary shares to employees and remitted $ 247 to the Company. During the same period, 7,643 options were canceled. At December 31, 2000, the $ 247 has been accounted for as a capital contribution within additional paid in capital. Rollover plan options for 182,006 Ordinary ADSs were exercisable as of December 31, 2000 at an weighted average exercise price of $ 7.88.

FMC PLAN

Immediately prior to the formation of Fresenius Medical Care, FMC adopted a stock incentive plan (the "FMC Plan") for FMC's key management and executive employees. Under the FMC Plan, eligible employees will have the right to acquire Preference shares of the Company. Awards under the FMC Plan are evidenced by a non-transferable convertible bond and corresponding non-recourse loan to the employee, secured solely by the bond with which it was made. The Company has the right to offset its obligation on a convertible bond against the employee obligation on the related loan; therefore, the convertible bond obligations and employee loan receivables are not reflected the Company's consolidated financial statements. The bonds mature in ten years and are generally fully convertible after three or five years. Each convertible bond, which is DM denominated, entitles the holder thereof, upon payment of a conversion price equal to the fair market value of the Preference shares on the award date, to convert the bond into a number of ADSs representing Preference shares equal to the face amount of the bond divided by the preference shares' nominal value (DM 5 per Preference share). The following table shows the number of Preference shares available and the average price range (in $) for the FMC Plan.

	Shares in thousands	Average price range in $
FMC Plan		
Balance at December 31, 1997	827	55.59-78.33
Forfeited	723	55.59-78.33
Balance at December 31, 1998	104	55.59-78.33
Forfeited	10	55.59-78.33
Balance at December 31, 1999	94	55.59-78.33
Forfeited	26	55.59-78.33
Balance at December 31, 2000	68	55.59-78.33
Exercisable at December 31, 2000	68	55.59-78.33

FMC 98 PLAN 1 AND PLAN 2

During 1998, the Company adopted two new stock incentive plans ("FMC 98 Plan 1" and "FMC 98 Plan 2") for FMC's key management and executive employees. Under FMC 98 Plan 1, eligible employees have the right to acquire Preference shares of the Company. Grants for these rights (the "Grants") under FMC 98 Plan 1 will be evidenced by a non-transferable convertible bond and corresponding non-recourse loan to the employee, secured solely by the bond with which it was made. The Company has the right to offset its obligation on a convertible bond against the employee obligation on the related loan; therefore, the convertible bond obligations and employee loan receivables are not reflected in the Company's consolidated financial statements. The bonds mature in ten years and are generally fully convertible after three years. Each convertible bond, which is DM denominated, entitles the holder thereof, upon payment of a conversion price equal to the fair market value of the Preference shares one day after the grant date, to convert the bond into a number of Preference shares equal to the face amount of the bond divided by the Preference shares' nominal value (DM 5 per Preference share). FMC 98 Plan 1 was subsequently amended 1999 and 2000 to increase the number of Preference shares available for issuance pursuant to grants under FMC 98 Plan 1 by 450,000 and 660,000 shares, respectively. The maximum number of Preference shares that may be issued under this plan is 2,443,333 less any shares issued, or subject to issue, under the FMC Plan. Any shares available due to forfeiture of Grants under the FMC Plan would be considered available under FMC 98 Plan 1 as long as the total Preference shares issued under both plans does not exceed the 2,443,333 shares noted above.

Under FMC 98 Plan 2, eligible employees have the right to acquire Preference shares (the "Options") of the Company. The share price of the Preference share shall be equal to the average of the official daily quotation prices of the Preference shares on the Frankfurt Stock Exchange on the thirty days (30) of trading immediately prior to the date of grant of the award. One third of an option vests on each of the second, third and fourth

anniversary of the award date, provided that the Company achieves certain performance criteria for the full fiscal year following the grant date in comparison to its performance for the full fiscal year preceding the grant date. On May 30, 2000, the Company's shareholders approved a change to the FMC 98 Plan 2 where by the impact of the special charge for the Settlement (see Note 2) was excluded from the Company's performance criteria relative to the EBIT growth requirements in the plan. The term of FMC 98 Plan 2 is five years and not more than 20% of the total options available under the plan may be issued in any year. Options granted under FMC 98 Plan 2 have a 10-year term. The maximum number of Preference shares that may be issued under this plan is 2,500,000 shares, of which 500,000 are designated for Management Board members and 2,000,000 are for other managerial staff. Each option is exercisable into one Preference share. The following table shows the number of Preference shares available and the average price range (in € and $) for FMC 98 Plan 1 and FMC 98 Plan 2.

Proceeds totaling $ 638 from exercise of 17,393 shares under FMC 98 Plan 1 and FMC 98 Plan 2 in 2000 was recorded as a capital contribution.

	Shares in thousands	Average price range in €	Average price range in $
FMC 98 Plan 1			
Balance at Dec. 31, 1997	–		
Granted	1,024	42.44-56.24	39.49-52.33
Balance at Dec. 31, 1998	1,024	42.44-56.24	39.49-52.33
Granted	572	32.90	30.61
Forfeited	140	32.90-56.24	30.61-52.33
Balance at Dec. 31, 1999	1,456	32.90-56.24	30.61-52.33
Granted	653	40.70-49.00	37.87-45.59
Exercised	10	32.90-42.44	30.61-39.49
Forfeited	303	32.90-56.24	30.61-52.33
Balance at Dec. 31, 2000	1,796	32.90-56.24	30.61-52.33
Exercisable at December 31, 2000	660	32.90-56.24	30.61-52.33
FMC 98 Plan 2			
Balance at Dec. 31, 1997	–		
Granted	258	44.66	41.56
Balance at Dec. 31, 1998	258	44.66	41.56
Granted	297	32.41	30.16
Forfeited	5	32.41-44.66	30.16-41.56
Balance at Dec. 31, 1999	550	32.41-44.66	30.16-41.56
Granted	321	47.64	44.33
Exercised	7	44.66	41.56
Forfeited	40	32.41-47.64	30.16-44.33
Balance at Dec. 31, 2000	824	32.41-47.64	30.16-44.33
Exercisable at December 31, 2000	78	44.66	41.56

FAIR VALUE STOCK OPTIONS

The per share weighted-average fair value of stock options granted during 2000, 1999 and 1998 was $ 16.76, $ 13.06 and $ 14.20, respectively, on the date of the grant using the Black-Scholes option-pricing model with the weighted average assumptions presented below.

Weighted-average assumptions

	2000	1999	1998
Expected dividend yield	1.50%	1.00%	1.75%
Risk-free interest rate	5.50%	5.56%	4.26%
Expected volatility	40.00%	35.00%	35.00%
Expected life of option	5.3 years	5.3 years	5.3 years

The Company applies APB Opinion No. 25 in accounting for stock compensation and, accordingly, recognized compensation expense of approximately $ 3,980 for stock options granted in 2000, 1999 and 1998. No compensation cost has been recognized in 1998 and 1997 for its stock options in the consolidated financial statements. Prior to 1998, no stock options had been granted which would have resulted in significant compensation costs under SFAS No. 123. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated below:

$ in thousands, except share data	2000	1999
Net income (loss)		
As reported	212,075	(248,544)
Effect of FMC Plan benefit (expense)	(295)	(247)
Effect of FMC 98 Plans (expense)	(3,851)	(2,253)
Effect of 1999 Option grants	(25)	(615)
Effect of 2000 Option grants	(4,242)	
Pro forma	203,982	(251,659)
Basic net income (loss) per Ordinary share		
As reported	2.37	(3.15)
Pro forma	2.28	(3.19)
per Preference share		
As reported	2.43	(3.15)
Pro forma	2.34	(3.19)
Fully diluted net income (loss) per Ordinary share		
As reported	2.36	(3.15)
Pro forma	2.27	(3.19)
per Preference share		
As reported	2.42	(3.15)
Pro forma	2.33	(3.19)

17. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2010. Rental expense recorded for operating leases for the years ended December 31, 2000 and 1999 was $ 192,910 and $ 160,624, respectively.

In September 2000, FMCH entered into an amended operating lease agreement with a bank that covers approximately $ 65,165 of equipment in its dialyzer manufacturing facility in Ogden, Utah. The agreement has a basic term expiration date of January 1, 2010, renewal options and a purchase option at the greater of 20% of the original cost or the fair market value.

Future minimum rental payments under noncancelable operating leases for the five years succeeding December 31, 2000 are ($ in thousands):

Operating Leases	
2001	129,883
2002	109,491
2003	96,331
2004	122,673
2005	57,534
Thereafter	110,935
	626,847

LEGAL PROCEEDINGS

Commercial Insurer Litigation

In 1997, FMCH, NMC and certain named NMC subsidiaries were served with a civil complaint filed by Aetna Life Insurance Company in the U.S. District Court for the Southern District of New York. The lawsuit alleges inappropriate billing practices for nutritional therapy, diagnostic and clinical laboratory tests and misrepresentations. In April 1999, Aetna amended its complaint to include its affiliate, Aetna U.S. Healthcare, Inc., as an additional plaintiff, and to make certain other limited changes in its pleading. The amended complaint seeks unspecified damages and costs. In February 2000, the FMCH was served with a similar complaint filed by Connecticut General Life Insurance Company, Equitable Life Assurance Society for the United States, Cigna Employee Benefits Services, Inc. and Guardian Life Insurance Company of America, Inc. (*Connecticut General Life Insurance Company et al v. National Medical et al, 00-CIV-0932*) seeking unspecified damages and costs. However, the Company

FMCH, NMC and its subsidiaries believe that there are substantial defenses to the claim asserted, and intend to vigorously defend both lawsuits. Other private payors have contacted FMCH and may assert that NMC received excess payment and similarly, may join either lawsuit or file their own lawsuit seeking reimbursement and other damages. FMC has filed counterclaims against the plaintiffs in these matters based on inappropriate claim denials and delays in claim payments. Although the ultimate outcome on the Company of those proceedings cannot be predicted at this time, an adverse result could have a material adverse effect on the Company's business, financial condition and results of operations.

OBRA 93

The Omnibus Budget Reconciliation Act of 1993 affected the payment of benefits under Medicare and employer health plans for dual-eligible ESRD patients. In July 1994, the Health Care Financing Administration issued an instruction to Medicare claims processors to the effect that Medicare benefits for the patients affected by that act would be subject to a new 18-month "coordination of benefits" period. This instruction had a positive impact on National Medical Care's dialysis revenues because, during the 18-month coordination of benefits period, patients' employer health plans were responsible for payment, which was generally at rates higher than those provided under Medicare.

In April 1995, the Health Care Financing Administration issued a new instruction, reversing its original instruction in a manner that would substantially diminish the positive effect of the original instruction on National Medical Care's dialysis business. The Health Care Financing Administration further proposed that its new instruction be effective retroactive to August 1993, the effective date off the Omnibus Budget Reconciliation Act of 1993.

National Medical Care ceased to recognize the incremental revenue realized under the original instruction as of July 1, 1995, but it continued to bill employer health plans as primary payors for patients affected by the Omnibus Budget Reconciliation Act of 1993 through December 31, 1995. As of January 1, 1996, National Medical Care commenced billing Medicare as the primary payor for dual eligible ESRD patients affected by the act, and then began to re-bill in compliance with the revised policy for services rendered between April 24 and December 31, 1995.

On May 5, 1995, National Medical Care filed a complaint in the U.S. District Court for the District of Columbia [*National Medical Care, Inc. and Bio-Medical Applications of Colorado, Inc. d/b/a Northern Colorado Kidney Center v. Shalala*, C.A. No.95-0860 (WBB)] seeking to preclude the Health Care Financing Administration from retroactively enforcing its April 24, 1995 implementation of the Omnibus Budget Reconciliation Act of 1993 provision relating to the coordination of benefits for dual eligible ESRD patients. On May 9, 1995, National Medical Care moved for a preliminary injunction to preclude the Health Care Financing Administration from enforcing its new policy retroactively, that is, to billing for services provided between August 10, 1993 and April 23, 1995. On June 6, 1995, the court granted National Medical Care's request for a preliminary injunction and in December of 1996, National Medical Care moved for partial summary judgment seeking a declaration from the Court that the Health Care Financing Administration's retroactive application of the April 1995 rule was legally invalid. The Health Care Financing Administration cross-moved for summary judgement on the grounds that the April 1995 rule was validly applied prospectively. In January 1998, the court granted National Medical Care's motion for partial summary judgment and entered a declaratory judgment in favor of National Medical Care, holding the Health Care Financing Administration's retroactive application of the April 1995 rule legally invalid. Based on its finding, the Court also permanently enjoined the Health Care Financing Administration from enforcing and applying the April 1995 rule retroactively against National Medical Care. The Court took no action on the Health Care Financing Administration's motion for summary judgement pending completion of the outstanding discovery. On October 5, 1998, National Medical Care filed its own motion for summary judgement requesting that the Court

declare the Health Care Financing Administration's prospective application of the April 1995 rule invalid and permanently enjoin the Health Care Financing Administration from prospectively enforcing and applying the April 1995 rule. The Court has not yet ruled on the parties' motions. The Health Care Financing Administration elected not to appeal the Court's June 1995 and January 1998 orders. The Health Care Financing Administration may, however, appeal all rulings at the conclusion of the litigation. If the Health Care Financing Administration should successfully appeal so that the revised interpretation would be applied retroactively, National Medical Care may be required to refund the payments received from employer health plans for services provided after August 10, 1993 under the Health Care Financing Administration's original implementation, and to re-bill Medicare for the same services, which would result in a loss to National Medical Care of approximately $ 120 million attributable to all periods prior to December 31, 1995. Also, in this event, the business, financial condition and results of operations would be materially adversely affected.

OTHER LITIGATION AND POTENTIAL EXPOSURES

From time to time, the Company is a party to or may be threatened with other litigation arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters. The ultimate outcome of these matters is not expected to materially affect the Company's financial position, results of operations or cash flows.

The Company, like other health care providers, conducts its operations under intense government regulation and scrutiny. The Company must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. The Company must also comply with the U.S. anti-kickback statute, the False Claims Act, the Stark Law, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's or the manner in which the Company conduct its business. In the U.S., enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "whistle blower" actions. By virtue of this regulatory environment, as well as our corporate integrity agreement with the government, the Company expects that its business activities and practices will continue to be subject to extensive review by regulatory authorities and private parties and continuing inquiries, claims and litigation relating to its compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Company operates a large number of facilities throughout the U.S. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliate companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees, deliberately or inadvertently, have submitted inadequate or false billings. The actions of such persons may subject the Company and its subsidiaries to liability under the False Claims Act, among other laws, and the Company cannot predict whether law enforcement authorities may use such information to initiate further investigations of the business practices disclosed or any of the its other business activities.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice,

product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been subject to these suits due to the nature of its business and the Company expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, the Company cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon the Company and the results of its operations. Any claims, regardless of their merit or eventual outcome, also may have a material adverse effect on the Company's reputation and business. The Company has also had claims asserted against it and has had lawsuits filed against it relating to businesses that it has acquired or divested.

These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has asserted its own claims, and claims for indemnification. Although the ultimate outcome on the Company cannot be predicted at this time, an adverse result could have a material adverse effect upon the Company's business, financial condition, and results of operations.

Contingent Non-NMC Liabilities of W. R. Grace & Co. (Now Known as Fresenius Medical Care Holdings, Inc.)

The Company was formed as a result of a series of transactions pursuant to the Agreement and Plan of Reorganization (the "Merger") dated as of February 4, 1996 by and between W. R. Grace & Co. ("Grace") and Fresenius AG. In connection with the Merger, W. R. Grace & Co.-Conn. ("Grace Chemicals") agreed to indemnify the Company and NMC against all liabilities of the Company and its successors, whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC operations. The Company may be contingently liable for certain liabilities with respect to pre-Merger matters that are not related to NMC operations. Grace Chemicals has announced that it is reviewing the strategic and operational issues associated with a possible reorganization under Chapter 11 of the U.S. Bankruptcy Code. If Grace Chemicals' indemnity obligation is terminated or limited as a result of bankruptcy proceedings, and the Company is held liable for pre-Merger obligations of Grace Chemicals, the Company's business, financial condition, and results of operations may be adversely affected.

On September 28, 2000, *Mesquita, et al. v. W. R. Grace & Company, et al.* (Sup. Court of Calif., S.F. County, #315465) was filed by plaintiffs claiming to be creditors of Grace Chemicals as class action against Grace Chemicals, certain U.S. affiliates of the Company, and other defendants, principally alleging that the Merger was a fraudulent transfer, violated the uniform fraudulent transfer act, and constituted a conspiracy. An amended complaint was filed subsequently with substantially similar allegations (*Abner et al. v. W. R. Grace & Company, et al.*). The Company believes that the Merger did not violate any of these provisions. The Company has requested indemnification from Grace Chemicals pursuant to the Merger agreement. If the Merger is determine to have been a fraudulent transfer, material damages are proved by the plaintiff, and if the Company is not able to collect, in whole or in part, on the indemnity, it would have a material adverse effect on the Company's business, the financial condition of the Company and its results of operations.

Were events to violate the tax-free nature of the Merger, the resulting tax liability would be the obligation of the Company. Subject to representations by Grace Chemicals, the Company and Fresenius AG, Grace Chemicals has agreed to indemnify the Company for such a tax liability. If the Company was not able to collect on the indemnity, the tax liability would have a material adverse effect on the Company's business, the financial condition of the Company and the results of operations.

18. FINANCIAL INSTRUMENTS

MARKET RISK

The Company is exposed to market risk from changes in interest rates and foreign exchange rates. In order to manage the risk of interest rate and currency exchange

rate fluctuations, the Company enters into various hedging transactions with investment grade financial institutions as authorized by the Company's Management Board. The Company does not use financial instruments for trading purposes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Company conducts business on a global basis in several international currencies. As such, it is exposed to movements in foreign currency exchange rates. The Company enters into foreign exchange forward and option contracts to reduce certain currency exposures. The Company hedges only those currency exposures associated with certain nonfunctional currency assets and liabilities.

Gains and losses on the contracts are included in selling, general and administrative expenses and offset foreign exchange gains or losses from the revaluation of intercompany balances or other assets and liabilities denominated in currencies other than the functional currency of the reporting entity. The Company's forward currency contracts generally range from 1 to 36 months in original maturity. Foreign exchange contracts outstanding, their unrealized gains and losses and the related credit exposure of all contracts with unrealized gains as of December 31, 2000 are summarized as follows:

Foreign Exchange Risk Management

$ in thousands	Contract Amount	Unrealized Gain/ (Loss)	Credit Exposure
Purchases of currencies against U.S. dollar	490,438	22,174	22,174
Sales of currencies against U.S. dollar	6,836	74	77
Sales of other currencies against euro	61,005	3,149	3,180
Purchases of other currencies against euro	11,975	(128)	1
Total	**570,254**	**25,269**	**25,432**

The Company's foreign exchange contracts contain credit risk in that its bank counterparties may be unable to meet the terms of the agreements. The potential risk of loss with any one party resulting from this type of credit risk is monitored. Management does not expect any material losses as a result of default by other parties.

INTEREST RATE RISK MANAGEMENT

The Company enters into derivatives, particularly interest rate swaps, to protect interest rate exposures arising from long-term and short-term borrowings and accounts receivable securitization programs at floating rates by effectively swapping them into fixed rates. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount.

Interest rate hedging contracts outstanding as of December 31, 2000 and 1999 are summarized in the following table.

	2000		1999	
$ in thousands	Nominal Amount	Credit Exposure	Nominal Amount	Credit Exposure
U.S. dollar interest rate swaps	1,050,000	0	1,350,000	3,766
Forward starting dollar interest rate derivatives	0	0	250,000	7,612
Yen interest rate swap	8,703	0	0	0

The notional amounts of derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of credit exposure. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

FMC is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments but does not expect any counterparties to fail to meet their obligations. The current credit exposure of derivatives is represented by the fair value of contracts

with a positive fair value at the reporting date.

The Company had receive-variable/pay-fixed swaps with nominal amounts of $ 1,050,000 and Japanese Yen 1,000,000 with average pay rates of 6.52% and 3.10%, respectively, as of December 31, 2000.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Company's financial instruments at December 31, 2000 and 1999. FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	2000		1999	
$ in thousands	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivatives				
Assets				
Cash and cash equivalents	64,577	64,577	34,760	34,760
Receivables	753,674	753,674	667,739	667,739
IDPN receivables	5,189	5,189	59,151	59,151
Liabilities				
Accounts payable	281,197	281,197	282,573	282,573
Income taxes payable	117,572	117,572	78,438	78,438
Debt	826,063	826,063	801,260	801,260
Trust Preferred Securities	952,727	897,827	964,103	944,044
Derivatives				
Foreign exchange contracts	12,197	25,269	(4.384)	(14,783)
U.S. dollar interest rate hedges	0	(24,619)	0	9,242
Yen interest rate hedges	0	(527)	0	0

The carrying amounts in the table are included in the statement of financial position under the indicated captions, except for derivative asset amounts, which are included in other assets.

ESTIMATION OF FAIR VALUES

The significant methods and assumptions used in estimating the fair values of financial instruments are as follows:

Short-term financial instruments are valued at their carrying amounts included in the statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash and cash equivalents, receivables, accounts payable and income taxes payable.

Because the company's long-term bank debt which represents borrowings from a syndicated bank credit facility, the long-term bank debt is valued at its carrying amount because the actual drawings under the facility carry interest on a variable basis which reflects actual money market conditions, plus specific margins which represent Company-related performance ratios was well as the entire set of terms and conditions including covenants as determined in the credit agreement.

The fair value of the Trust Preferred Securities is based upon market quotes.

The fair value of derivatives generally reflects the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotes are available for all of the Company's derivatives.

19. BUSINESS SEGMENT INFORMATION

Effective January 1, 1998, Fresenius Medical Care AG 1) reorganized its reporting structure to conform to the manner in which the Company is managed and 2) adopted SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. SFAS No. 131 establishes the standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evalua-

ted regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. FMC's chief operating decision maker is the Chief Executive Officer. The accounting policies of the operating segments are the same as those the Company uses in preparing its consolidated financial statements.

Commencing with the period ended March 31, 1999, the Company has identified three segments, North America, International, and Asia Pacific, which were determined based upon how the Company manages its businesses. All segments are primarily engaged in providing kidney dialysis and manufacturing and distributing products and equipment for the treatment of end-stage renal disease. Additionally the North America segment engages in performing clinical laboratory testing and retnal diagnostic services. The Company has aggregated the International and Asia Pacific operating segments as "International". The segments are aggregated due to their similar economic characteristics. These characteristics include the same products sold, the same type patient population, similar methods of distribution of products and services and similar economic environments.

Management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. Management believes that the most appropriate measure in this regard is earnings before interest and taxes (EBIT). In addition to EBIT, management believes that earnings before interest, taxes, depreciation and amortization (EBITDA) is helpful for investors as a measurement of the segment's and the Company's ability to generate cash and to service its financing obligations. EBITDA is also the basis for determining compliance with certain covenants contained in the Company's principal senior bank credit agreement and indentures relating to the Trust Preferred Securities. Management has excluded the effects of the special chage in the calculation of EBIT and EBITDA in 1999.

EBITDA should not be construed as an alternative to net earnings determined in accordance with generally accepted accounting principles or to cash flow from operations, investing activities or financing activities or as a measure of cash flows. The Company believes its EBIT calculation is the functional equivalent of operating income. Because EBITDA and EBIT are not calculated consistently by all companies, the presentation herein may not be comparable to other similarly titled measures of other companies.

Approximately 40% of the Company's worldwide revenue is derived from sources subject to regulations under U.S. governmental programs.

Information pertaining to the company's two business segments is set forth below:

$ in thousands	North America	International	Corporate	Total
2000				
Net revenue external customers	3,083,095	1,118,243	–	4,201,338
Inter - segment revenue	2,226	36,677	(38,903)	
Total net revenue	**3,085,321**	**1,154,920**	**(38,903)**	**4,201,338**
EBITDA	**645,549**	**269,943**	**(1,825)**	**913,667**
Depreciation and amortization	(222,495)	(68,733)	(1,626)	(292,854)
EBIT	**423,054**	**201,210**	**(3,451)**	**620,813**
Segment assets	4,571,069	1,375,526	32,358	5,978,953
Capital expenditures and acquisitions (1)	228,177	274,290	100	502,567
1999				
Net revenue external customers	2,807,186	1,033,243	–	3,840,429
Inter - segment revenue	4,195	42,853	(47,048)	–
Total net revenue	**2,811,381**	**1,076,096**	**(47,048)**	**3,840,429**
EBITDA	611,478	243,373	(10,429)	844,422
Depreciation and amortization	(217,584)	(64,674)	(1,950)	(284,208)
EBIT	393,894	178,699	(12,379)	560,214
Segment assets	4,653,058	1.064,108	35,217	5,752,383
Capital expenditures and acquisitions (2)	146,498	114,774	330	261,602

(1) International acquisitions exclude $ 13,614 of non-cash acquisitions for 2000.
(2) International acquisitions exclude $ 9,462 of non-cash acquisitions for 1999.

$ in thousands	2000	1999
Reconciliation of measures to consolidated totals		
Total EBITDA of reporting segments	915,492	854,851
Total depreciation and amortization	(292,854)	(284,208)
Special charge for Settlement	–	(601,000)
Corporate expenses	(1,825)	(10,429)
Interest expense	(195,569)	(226,218)
Interest expense on obligation related to Settlement	(29,947)	–
Interest income	9,411	8,094
Total income (loss) before income taxes and minority interest	**404,708**	**(258,910)**
Total EBIT of reporting segments	624,264	572,593
Special charge for Settlement	–	(601,000)
Corporate expenses	(3,451)	(12,379)
Interest expense	(195,569)	(226,218)
Interest expense on obligation related to Settlement	(29,947)	–
Interest income	9,411	8,094
Total income (loss) before income taxes and minority interest	**404,708**	**(258,910)**
Depreciation and amortization		
Total depreciation and amortization of reporting segments	291,228	282,258
Corporate depreciation and amortization	1,626	1,950
Total depreciation and amortization	**292,854**	**284,208**

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in the table below:

$ in thousands	Germany	United States and Canada	Rest of the world	Total
2000				
Net revenue external customers	193,857	3.083,095	924,386	4,201,338
Long-lived assets	79,670	520,614	294,997	895,281
1999				
Net revenue external customers	213,209	2,807,186	820,034	3,840,429
Long-lived assets	83,384	483,872	180,041	747,297

20. SUPPLEMENTARY CASH FLOW INFORMATION

The following additional information is provided with respect to the Consolidated Financial Statement of Cash Flows:

$ in thousands	2000	1999
Supplementary cash flow information		
Cash paid for interest	222,826	215,836
Cash paid for income taxes, net	44,715	27,954
Supplementary schedule of non-cash investing and financing activities		
Issuance of debt	13,613	9,462
Supplemental disclosures of cash flow information		
Details for acquisitions		
Assets acquired	346,378	124,598
Liabilities assumed	52,843	13,186
Notes issued in connection with acquisition	13,613	9,462
Cash paid	279,922	101,950
Less cash acquired	5,392	624
Net cash paid for acquisitions	**274,530**	**101,326**

21. SUBSEQUENT EVENTS

On January 5, 2001, the Company acquired Everest Healthcare Services Corporation ("Everest"), Oak Park, Illinois through a merger of Everest into a subsidiary of the Company for $ 343 million including Everest's outstanding debt. One third of the purchase price was paid by the issuance of 2,250,000 Preference shares on January 5, 2001. The remainder of the purchase price was paid using the proceeds from the Preference share offerings completed during 2000.

REPORT OF THE SUPERVISORY BOARD

The Management Board informed the Supervisory Board regularly both in writing and orally about the progress of the business activities, the situation of the Company and important business transactions. On the basis of written and oral reports of the Management Board, the Supervisory Board held a total of 8 meetings, in some cases consulting members of the Boards who were not present in person via video and telephone conferences, and adopted several resolutions by way of circular written procedure. In particular, transactions requiring approval were reviewed by the Supervisory Board and discussed with the Management Board. The main topics were the construction of a factory in Japan for peritoneal dialysis products and the expansion of the production facility in Ogden/U.S.A. In particular, the Supervisory Board dealt intensely with the acquisition of a total of 87 dialysis clinics from the Total Renal Care Group especially in Argentina, Italy and the United Kingdom and other dialysis centers, and with the financing of such acquisition via the Franconia Acquisition Company. The Supervisory Board also reviewed the issue, and the admission to the stock exchange, of new preference shares as well as the acquisition of the Everest Healthcare Services Corporation, Illinois with about 70 dialysis clinics. The Supervisory Board approved the definitive agreement to resolve the legal issues covered by an investigation by the Office of the Inspector General into past business activities of National Medical Care, Inc. and its subsidiaries which were acquired in 1996.

The Supervisory Board did not establish any committee during the reporting period.

The Supervisory Board examined the financial statements, the management report and the proposal for the appropriation of the net profit for the year, in each case for the 2000 financial year. A representative of the auditor was present when the Supervisory Board dealt with these documents. Since the financial statements of the company are part of the consolidated financial statements of Fresenius Aktiengesellschaft, Bad Homburg v. d. H., and the latter are deemed to be exempting consolidated financial statements pursuant to Section 291 HGB (German Commercial Code), the Company was not obligated to prepare (partially) consolidated financial statements in accordance with the provisions of German commercial law. The accounting, the financial statements and the management report of Fresenius Medical Care AG for the 2000 financial year were audited by KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, elected as auditors by resolution of the shareholders' meeting of May 30, 2000 and commissioned by the Supervisory Board; they bear the unqualified audit certificate. The auditor's reports were submitted to the Supervisory Board. The Supervisory Board noted the auditor's findings with approval. No objections are to be made to the financial statements of Fresenius Medical Care AG, even according to the final result of the review by the Supervisory Board itself.

In its meeting of March 19, 2001, the Supervisory Board approved the financial statements of Fresenius Medical Care AG for the 2000 financial year as submitted by the Management Board, which thereby became final.

In accordance with Section 312 AktG (German Stock Corporation Act), the Management Board prepared a report for the 2000 financial year on the relations with affiliated companies. The report contains the Management Board's final statement that Fresenius Medical Care AG in the transactions mentioned in the report has received adequate consideration under the circumstances known to the Management Board at the time when such transactions were carried out and that no other measures within the meaning of Section 312 AktG were taken or omitted. The Supervisory Board has reviewed this report and concurs with the auditor who added the following audit certificate to the report:

"Following our proper review and judgement, we confirm that (1) the factual statements made in the report are correct, that (2) with respect to the transactions mentioned in the report, the consideration made by the Company was not disproportionate or that any disadvantages have been offset and that (3) regarding the measures reported, no major objections are to be raised to the Management Board's judgement."

According to the final result of the review by the Supervisory Board, no objections are to be raised to the Management Board's final statement as contained in the subordinate status report.

The Supervisory Board thanks the Management Board and all the employees for their efforts and achievements in 2000.

Bad Homburg v. d. H., March 19, 2001

The Supervisory Board

Dr. Gerd Krick
Chairman

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

DR. GERD KRICK

Chairman
Chief Executive Officer of Fresenius AG
Bad Homburg v. d. H. (Germany)

Corporate Offices

Supervisory Board

- Fresenius Kabi AG (Chairman)
- Fresenius Kabi Austria GmbH
- Vamed AG (Chairman)

Other mandates

- Vereinte Krankenversicherung AG (Supervisory Board)
- HDI Haftpflichtverband der deutschen Industrie V.a.G. (Advisory Board)
- Dresdner Bank Luxembourg S.A. (Administrative Board)
- Adelphi Capital Europe Fund, Grand Cayman (Board of Directors)
- Donau Universität Krems (Board of Trustees)

STEPHEN M. PECK

Private Investor
New York (USA)

Other mandates

Supervisory Board

- Harnischfeger, Inc.
- OFFIT Investment Funds
- Banyan Strategic Realty Trust
- Grand Union Co. (Chairman)

Advisory Board

- Torrey Fund
- Brown Simpson Asset Management

Board of Trustees

- Mount Sinai/NYU Health (Chairman)
- Mount Sinai School of Medicine
- New York University
- Jewish Theological Seminary

DR. DIETER SCHENK

Vice Chairman
Attorney and Tax Advisor
Munich (Germany)

Other mandates

Supervisory Board

- Fresenius AG
- Greiffenberger AG (Vice-Chairman)
- Schmidt Bank KGaA
- Feintechnik Eisfeld GmbH

DR. BERND FAHRHOLZ

Chief Executive Officer of Dresdner Bank AG
Frankfurt a. M. (Germany)

Other mandates

Supervisory Board

- BMW AG
- BNP-Paribas S.A.
- Reuschel & Co.
- Dresdner Kleinwort Benson North America, Inc.

WALTER L. WEISMAN

Former Chairman of the Board and Chief Executive Officer of American Medical International, Inc.
Los Angeles (USA)

Other mandates

Management Board

- California Institute of Technology (Vice Chairman)
- Sundance Institute (Chairman)

Board of Trustees

- Los Angeles Country Museum of Art (Chairman)
- Public Broadcasting Service
- Samuel H. Kress Foundation
- Los Angeles Opera

DR. THEO SPETTMANN

Spokesman of the Management Board of Südzucker AG
Mannheim (Germany)

Other mandates

Supervisory Board

- Berentzen-Group AG (Chairman)
- Gerling Industrie Service AG
- Karlsruher Versicherungen AG
- VK Mühlen AG
- Schöller Holding GmbH & Co. KG

MANAGEMENT BOARD

DR. BEN LIPPS

Chairman and Chief Executive Officer for North America
Boston, Massachusetts (USA)

DR. EMANUELE GATTI

Chief Executive Officer for Europe, Latin America,
Middle East and Africa
Bad Homburg (Germany)

Corporate Offices

Supervisory Board

- Fresenius Medical Care France S.A.
- Centre d'Hémodialyse du Languedoc Mediterranéen S.A.
- Centre Néphrologique d'Occitanie S.A.
- NephroCare France S.A.
- Fresenius Medical Care Magyárorzag Egézségügyi Kft.
- Fresenius Medical Care Dializis Center Egézségügyi Kft.
- Magyar-Med Egézségügyi Kft.

Management Board

- COMEF S.r.l.
- Tecnobiomedica S.p.A.
- Fresenius Medical Care MDF S.A.

ROBERTO FUSTÉ

Chief Executive Officer for Asia-Pacific
Hong Kong (China)

DR. WERNER BRANDT

Chief Financial Officer ***until December 31, 2000***
Bad Homburg (Germany)

Corporate Offices

Supervisory Board

- Fresenius Medical Care France S.A.
- Centre d'Hémodialyse du Languedoc Mediterranéen S.A.
- Centre Néphrologique d'Occitanie S.A.
- NephroCare France S.A.

Other mandates

Advisory Board

- Dresdner Bank AG

GLOSSARY

PRODUCTS AND SERVICES OF FRESENIUS MEDICAL CARE

A.N.D.Y. *PLUS*®

Disposable CAPD system: a-non-disconnect-Y-double bag peritoneal dialysis system.

bi*bag*®

Flexible bag containing dry bicarbonate powder to support online production of dialysis fluid with high microbiological quality.

Bicarbonate concentrate

Basic concentrate for bicarbonate hemodialysis.

BioAdequacy™

Approach designed to give dialysis patients the best possible care on the basis of biocompatible products and procedures. BioAdequacy™ aims to increase the life expectancy and improve the quality of life of patients with kidney failure.

Biofine®

Polyolefine material developed by Fresenius Medical Care, used to produce foils, tubings and other components.

Blood Volume Monitor™ (BVM™)

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

Carenal®

Medical supplement for the substitution of water soluble vitamins, vitamin E and trace elements.

Freedom™ Cycler PD+

Automated cycling machine used to provide peritoneal dialysis therapy; can be used with the IQcard™.

Fresenius Polysulfone® dialyzer

Dialyzer containing the unique Fresenius Polysulfone® membrane.

FX-class

A new class of dialyzers with increased performance and outstanding biocompatibility. Helixone capillaries, with their special three-dimensional microwave structure, are built in high capillary density into a specifically designed housing, which e.g. leads to an optimized flow distribution within the dialyzer.

GENIUS®

Innovative hemodialysis system based on a single pass batch system. The dialysate is prepared as one batch individually for each treatment.

Helixone

An advanced high-flux dialyzer membrane for the FX-class dialyzers, which has been developed on the basis of the Fresenius Polysulfone® membrane. Helixone has an optimized pore size distribution which enables the removal of larger uremic toxins.

indi*bag*™

Flexible bag containing a highly concentrated solution of electrolytes and glucose, used for the production of individualized dialysis fluid.

IQcard™

IQcard™ is used with the Fresenius Freedom™ Cycler PD+ to monitor every minute of automated peritoneal dialysis therapy. Provides integrated data for patient evaluation and research models.

Lia® (Laboratory Information Access)

The most advanced ESRD laboratory data management system in the dialysis industry, applying computer technology to the delivery and analysis of laboratory results.

Nano Spinning Technology

Special technology used for the production of the helixone membrane.

On-line Clearance (OLC)/On-line Clearance Monitor (OCM)

Optional component of a hemodialysis machine to measure online the effective in vivo dialyzer clearance for quality assurance purposes.

ONLINE *plus*™ system

A newly introduced system for our 4008 series hemodialysis machines to perform online hemodiafiltration and online hemofiltration. Infusion fluid is prepared from dialysate by filtration in a convenient and cost-effective way.

Phosphosorb® Magnesium

Phosphate binder on the basis of calcium acetate and magnesium carbonate.

Premier™ Plus Double Bag

System of CAPD in which the solution bag and the tubing are pre-attached, resulting in fewer connections and easier interface for the patient.

Safe-Lock®

Disposable freedom set connectology for peritoneal dialysis. Reduces the potential for touch contamination by use of a recessed, sterile fluid pathaway.

sleep·safe™

New automated peritoneal dialysis system offering the full range of peritoneal dialysis options and a maximum of safety and comfort for the patient, physician and nurse.

Snap®

Provides a safe, simple method of disconnection without the use of sealing caps or scissors for peritoneal dialysis.

sobag™

Flexible bag containing dry sodium chloride granulate, which is dissolved on-line during the treatment for the production of dialysis fluid.

stay·safe®

Polyolefine based peritoneal dialysis system which is user friendly due to a sophisticated connectology, biocompatible, safe and environmentally-friendly.

stay·safe®*balance*

Lactate-buffered peritoneal dialysis solution in a two-compartment bag which is offered in the *stay·safe*® system. After mixing of the two compartments, the ready-to-use solution has a physiological pH and a highly reduced amount of glucose degradation products.

Vascular Access Flow (Q) Program

An adequate vascular access is a prerequisite for hemodialysis. Compromised vascular access flow has been recognized as the single most sensitive indicator of pending access failure. The main cause of compromised access flow is blockage or stenosis at the venous anastomosis. The (Q) program was developed to incorporate measurement of volume flow (Q) as well as visualization of the venous anastomosis using mobile ultrasound technology.

HEALTHCARE AND DIALYSIS RELATED TERMS

Anemia

Reduced oxygen transport capacity of the blood, measured as reduced content of hemoglobin in the blood.

Arterio-venous (AV) fistula

An arterio-venous fistula is a direct, surgically created communication between an artery and a vein of the patient. This communication forms a large blood vessel to continuously supply an increased blood flow for performing hemodialysis.

Automated Peritoneal Dialysis (APD)

Machine (cycler)-supported version of peritoneal dialysis treatment usually performed during the night.

Biocompatibility

Ability of a material, device, or system to perform without an undesired clinically significant host response.

Bloodlines

System of tubes connecting the patient's blood circulation with the device (e.g. dialyzer) during extracorporeal dialysis treatment procedures.

CE certification

Mark which signifies compliance with the directives of the European Union for medical devices.

Clearance

A quantitative parameter to describe dialyzer performance in terms of uremic toxin removal.

Composite rate

Medicare reimbursement rate for dialysis treatment.

Continuos Ambulatory Peritoneal Dialysis (CAPD)

A treatment method of peritoneal dialysis. The peritoneal dialysis solution is exchanged manually, generally four times per day.

Dialysate

Fluid used in the process of dialysis.

Dialysis

Form of renal replacement therapy, where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer – is used for the selective solute removal.

Dialyzer

Special filter used in hemodialysis for removing toxic substances and excess water from the blood. It is sometimes referred to as the 'artificial kidney'.

Disease State Management (DSM)

Holistic concept of patient care taking into account all medical aspects in connection with an illness.

ESRD (end-stage renal disease)

Terminal kidney failure accompanied by long-term complications such as renal anemia, hypertension and other cardiovascular problems, bone disease, loss of appetite and malnutrition (see also Kidney failure, chronic).

Erythropoietin (EPO)

Protein that stimulates red blood cell production. Recombinant human EPO is commonly prescribed to patients on dialysis who suffer from anemia.

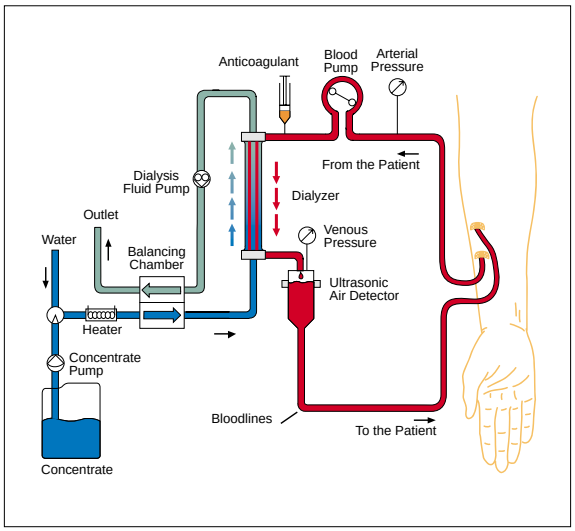
FDA

U.S. Food and Drug Administration

Health Maintenance Organization (HMO)

Special form of private health insurance in the U.S. where the insured persons are members, and the treatments are provided by contracted physicians (or member physicians) of the organization.

Hemodialysis (HD)



Treatment mode for ESRD where the blood of the patient flows outside the body through disposable bloodlines into a special filter, the dialyzer. Dialysis solution carries away waste products and excess water, and the cleaned blood is returned to the patient. The process is controlled by a hemodialysis machine, which pumps blood, adds anticoagulants, regulates the purification process and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.

Hemodiafiltration (HDF)

Special mode of ESRD treatment, combining advantages of hemodialysis and hemofiltration, i.e. high elimination rates for small and large molecular weight substances via diffusive and convective mechanisms, respectively.

Hemofiltration (HF)

ESRD treatment mode, where no dialysate is used. The solutes are removed following convective forces by filtering plasma water through a semi-permeable membrane. The volume removed by filtering is balanced by substitution fluid.

High-flux dialyzers

Dialyzers containing highly permeable membranes allowing the effective removal of water and large uremic toxins such as ß2-microglobulin.

Incidence

The incidence rate is the number of patients who are newly diagnosed with a specific disease during a certain time interval.

ISO

International Organization for Standardization

510 (K)

Pre-market regulatory submission made to the U.S. FDA in order to gain the ability to market specific devices.

Kidney failure, acute

Acute loss of renal function. There is a good chance for the recovery of renal function if the cause of acute kidney failure can be eliminated. Depending on the severity of renal function loss, intermittent or continuous dialysis treatment may be necessary.

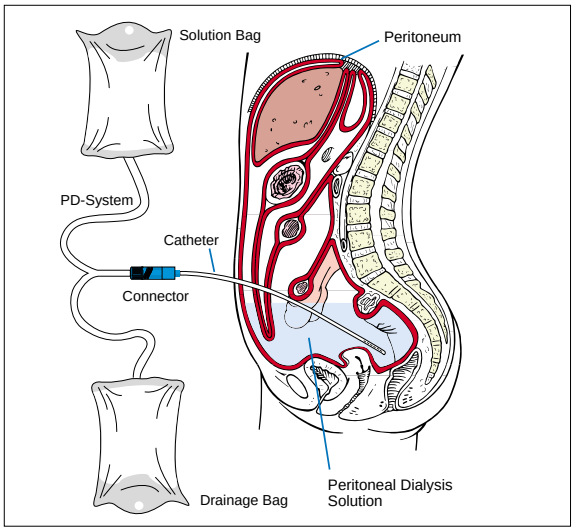
Kidney failure, chronic

Chronic loss of renal function, also referred to as end-stage renal disease. The recovery of renal function is not possible, thus the patient has to be treated with renal replacement therapy, i.e. kidney transplantation or dialysis.

Medicare

A program under the federal U.S. Social Security Administration that reimburses health plans and providers for medical care given to qualifying individuals over 65, those with ESRD and the disabled.

Peritoneal dialysis



Dialysis treatment method using the patients' peritoneum, the tissue which covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for the purification of the blood. A sterile dialysis solution is introduced and removed through a surgically implanted catheter into and from the abdominal cavity of the patient to absorb toxins and excess water. Most treatments are selfadministered by the patients in their homes or workplaces several times a day or during the night supported by a machine, the cycler.

Polyolefines

Polymer materials, containing only carbon and hydrogen.

Polysulfone (Psu)

A polymer from which dialyzer membranes are produced. It is characterized by an extreme thermal stability, chemical resistance and blood compatibility.

Prevalence

The prevalence rate is the number of all patients who have a specific disease during a certain time interval.

Ultrafiltration rate

Rate of fluid removal from the patient's blood circulation. This rate has to be chosen carefully. If the rate is too high, the cardiovascular stability of the patient is put at risk; if it is too low, the excess water cannot be removed from the patient.

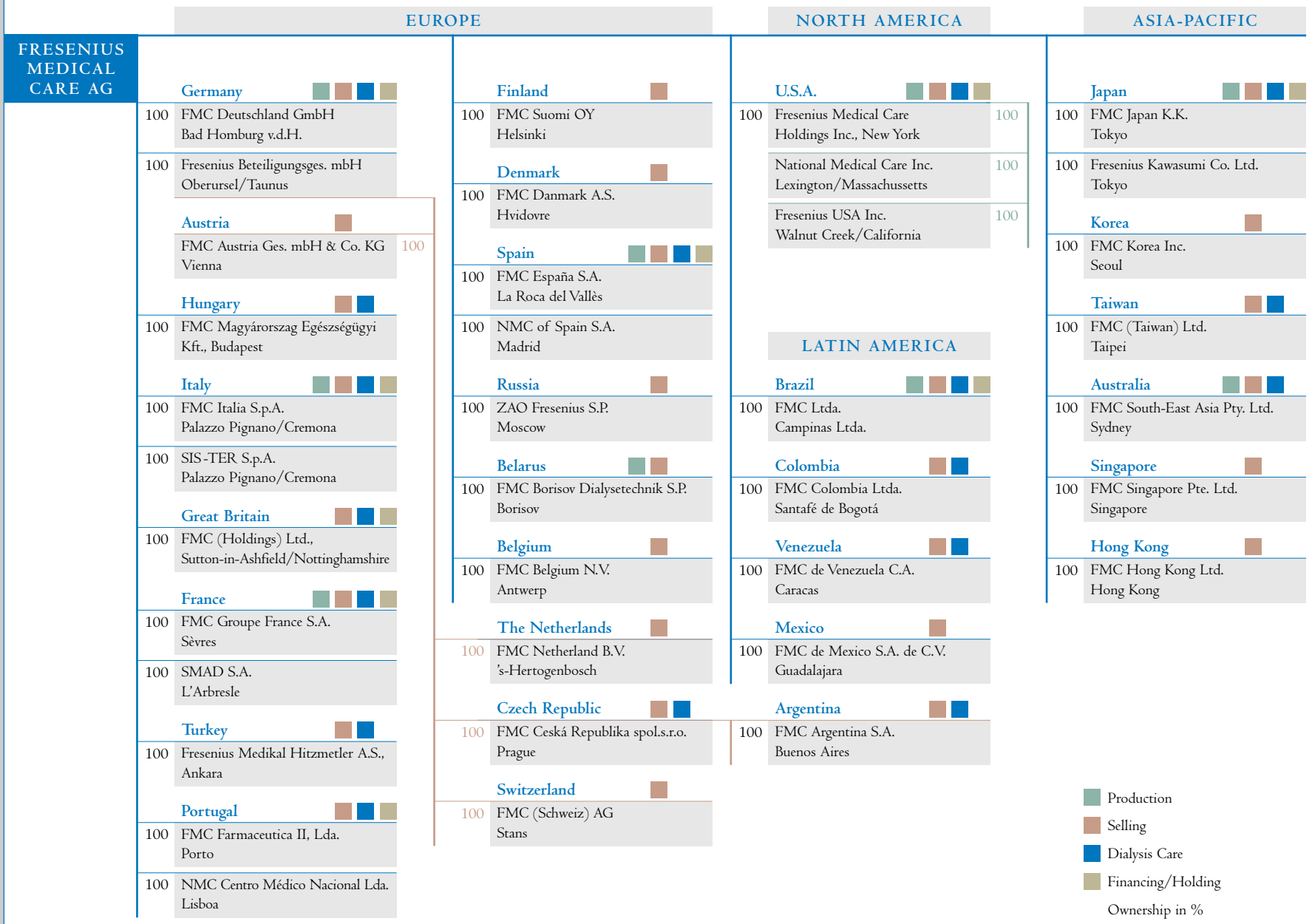
Vascular access

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

Xenotransplants

Transplantation of tissues or organs between two different species.

REGIONAL ORGANIZATION



MAJOR SUBSIDIARIES

Name and location $ in millions, except employees		Ownership[1] in %	Revenue 2000[2]	Net income/ (loss) 2000[2]	Equity Dec. 31, 2000[2]	Employees (full-time equivalents) Dec. 31, 2000
Europe						
Germany	FMC Deutschland GmbH, Bad Homburg	100	599.8	0	118.7	2,133
Austria	FMC Austria GmbH & Co KG, Vienna	100	9.9	1.4	20.1	17
Hungary	FMC Magyarorszag Egeszsegügyi Kft., Budapest	100	11.6	2.3	12.0	27
Italy	FMC Italia S.p.A., Palazzo Pignano/ Cremona	100	43.2	0.7	10.4	102
	SIS-TER S.p.A., Palazzo Pignano/Cremona	100	28.3	0.7	2.7	191
Great Britain	FMC (UK) Ltd., Sutton - in-Ashfield/ Nottinghamshire	100	42.7	3.4	8.0	135
France	FMC France S.A., Sèvres	100	47.7	2.4	12.5	97
	SMAD S.A., L'Arbresle	100	30.5	1.9	11.9	262
Turkey	Fresenius Medikal Hitzmetler A.S., Ankara	100	13.6	-0.2	1.1	68
Portugal	FMC Portugal Lda., Porto	100	19.8	0.1	0.2	41
	NMC Centro Medico Nacional, Lda., Lisbon	100	39.3	1.2	-5.7	1,187
Finland	FMC Suomi OY, Helsinki	100	4.8	0.9	1.9	11
Denmark	FMC Danmark A.S., Hvidovre	100	4.8	0.5	1.0	13
Spain	FMC España S.A., La Roca del Vallés	100	38.3	2.2	7.4	151
	NMC of Spain S.A., Madrid	100	38.1	0.0	12.9	614
Russia	ZAO Fresenius S.P., Moscow	100	12.8	1.8	1.6	79
The Netherlands	FMC Nederland B.V., 's Hertogenbosch	100	12.0	0.8	4.1	22
Belgium	FMC Belgium N.V., Antwerp	100	16.1	1.3	6.7	50
Czech Republic	FMC Ceska Republika spol. s.r.o., Prague	100	7.7	0.6	1.8	25
Switzerland	FMC Schweiz AG, Stans	100	16.1	3.3	4.9	35
North America						
USA	FMC Holdings Inc.[3]	100	3,089.2	105.3	1,726.0	23,217
Latin America						
Brazil	FMC Ltda., Campinas	100	34.1	2.2	14.4	114
Colombia	FMC Colombia S.A., Santafé de Bogota	100	43.6	1.7	25.7	424
Venezuela	FMC de Venezuela C.A., Caracas	100	7.3	0.6	6.6	200
Argentina	FMC Argentina S.A., Buenos Aires	100	78.1	4.4	26.7	784
Asia-Pacific						
Japan	FMC Japan K.K., Tokyo	100	14.2	-7.7	-7.7	160
	Fresenius-Kawasumi Co. Ltd., Tokyo	70	73.0	7.4	14.1	102
Korea	FMC Korea Ltd., Seoul	100	31.5	1.4	9.5	65
Taiwan	FMC Taiwan Co. Ltd., Taipei	100	5.5	-1.0	-1.1	30
Australia	FMC Australia Pty. Ltd., Sydney	100	18.6	0.3	5.3	75
Singapore	FMC Singapore Pte. Ltd., Singapore	100	3.4	0.3	0.4	11
Hong Kong	FMC Hong Kong Ltd., Hong Kong	100	13.2	0.2	-1.1	35

[1] *Direct and indirect interest*

[2] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the Consolidated Financial Statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*

[3] *These figures represent the Consolidated Financial Statements published in the Form 10-K.*

4-YEAR SUMMARY

Statements of Earnings ($ in thousands, except share data)	2000	1999	1998	1997
Net revenue	4,201,338	3,840,429	3,505,676	2,974,369
Cost of revenue	2,734,593	2,463,155	2,242,938	1,886,486
Gross profit	1,466,745	1,377,274	1,262,738	1,087,883
Selling, general and administrative	813,997	784,572	742,610	674,811
Research and development	31,935	32,488	31,150	22,136
Operating income before special charge (EBIT)	620,813	560,214	488,978	390,936
Interest expenses, net	216,105	218,124	219,541	183,548
Income tax expense, net	189,772	169,256	135,366	101,472
Income from continuing operations before cumulative effect of accounting change and special charge	212,075	170,456	131,617	103,945
Loss from discontinued operations and cumulative effect of accounting change	–	–	(112,486)	(13,783)
Special charge for settlement of investigations and related costs, net of taxes	–	419,000	–	
Net income (loss)	**212,075**	**(248,544)**	**19,131**	**90,162**
Basic income from continuing operations before cumulative effect of accounting change and before special charge				
per ordinary share	2.37	2.15	1.62	1.34
per preference share	2.43	2.21	1.78	1.39
Basic net (loss) income per ordinary share	2.37	(3.15)	0.20	1.16
Basic net (loss) income per preference share	2.43	(3.15)	0.36	1.21
Personnel expenses	977,780	956,609	865,156	719,086
Depreciation	130,278	131,623	130,628	120,540
Amortization	162,576	152,585	148,356	129,848
thereof amortization of goodwill	84,983	80,807	79,665	64,703
Earnings before interest and taxes, depreciation and amortization (EBITDA)	913,667	844,422	767,961	641,324
Balance Sheet ($ in thousands)				
Current assets	1,581,411	1,541,209	1,424,094	1,418,908
Non-current assets	4,397,542	4,211,174	4,255,325	4,122,125
Total assets	**5,978,953**	**5,752,383**	**5,679,419**	**5,541,033**
Short-term debt	579,076	573,867	214,758	169,771
Other current liabilities	811,376	1,196,325	760,872	700,257
Current liabilities	1,390,452	1,770,192	975,630	870,028
Long-term debt	1,610,559	1,617,879	2,069,984	2,000,991
Other non-current liabilities	299,192	361,995	276,839	224,049
Non-current liabilities	1,909,751	1,979,874	2,346,823	2,225,040
Total liabilities	3,300,203	3,750,066	3,322,453	3,095,068
Shareholders' equity	2,678.750	2,002,317	2,356,966	2,445,965
Total liabilities and shareholders' equity	**5,978,953**	**5,752,383**	**5,679,419**	**5,541,033**
Total debt incl. accounts receivable securitization program	2,639,009	2,529,945	2,590,342	2,370,762
Credit Rating				
Standard & Poor's				
Corporate credit rating	BB	BB	BB	BB
Subordinated debt	B+	B+	B+	B+
Moody's				
Corporate credit rating	Ba1	Ba1	Ba1	Ba1
Subordinated debt	Ba3	Ba3	Ba3	Ba3
Cash Flow ($ in thousands)				
Net cash provided by operating activities[1]	391,266	354,757	268,257	215,888
Capital expenditure, net	207,313	153,146	132,516	208,079
Free cash flow	183,953	201,611	135,741	7,809
Acquisitions and investments, net of cash acquired	274,530	101,326	222,935	424,599
Share Data				
Year-end share price Frankfurt (€)				
Ordinary shares	87.00	84.90	60.08	61.10
Preference shares	50.50	41.30	39.63	49.59
Year-end ADS share price New York ($)				
Ordinary shares	27.000	28.375	23.500	21.750
Preference shares	15.800	14.000	16.125	18.000
Average number of ordinary shares	70,000,000	70,000,000	70,000,000	70,000,000
Average number of preference shares	19,002,118	9,023,341	9,023,341	9,023,341
Total dividend amount (€ in thousands)	76,455	55,068	46,911	40,855
Dividend per ordinary share (€)	0.78	0.69	0.59	0.51
Dividend per preference share (€)	0.84	0.75	0.64	0.56
Employees (full-time equivalents), Dec. 31	**33,316**	**29,318**	**27,423**	**n.a.**
Operational ratios				
before discontinued operations, cumulative effect of accounting change and special charge (in %)				
EBITDA margin	21.7	22.0	21.9	21.6
EBIT margin	14.8	14.6	13.9	13.1
EPS growth	10	33	21	163
Organic revenue growth (currency-adjusted)	8.0	9.6	11.4	n.a.
Return on invested capital (ROIC)	7.9	7.6	6.8	5.9
Return on operating assets (ROOA)	11.6	10.7	9.4	7.9
Return on equity before taxes	15.1	17.1	11.4	8.5
Return on equity after taxes	7.9	8.5	5.6	4.2
Cash flow return on invested capital (CFROIC)	15.9	15.6	14.8	13.9
Leverage ratio (total debt/EBITDA[2])	2.9	3.0	3.3	3.6
Gearing [(total debt - cash)/equity]	1.0	1.2	1.1	1.0
EBITDA/Interest expenses	4.2	3.9	3.5	3.5
Cash from operating activities in percent of sales (%)	9.3	9.2	7.6	7.3
Equity ratio (equity/total assets)	44.8	34.8	41.5	44.1
Working capital[3]	770,035	731,544	663,222	718,651
Dialysis Care Data				
Treatments (millions)	12.9	11.4	10.5	9.1
Patients treated	91,900	80,000	74,200	68,000
Number of clinics	1,270	1,090	1,000	908

The table shows figures for the full years of operations since the formation of the Company in 1996.

[1] From continuing operations

[2] Correction of non-cash charges of 2.5 million per quarter

[3] Current assets less current liabilities (excluding current debt)

FINANCIAL GLOSSARY

AMERICAN DEPOSITORY SHARE (ADS)

Share certificate traded at the New York Stock Exchange, representing (parts of) shares of a foreign company.

EBIT

Earnings before interest and taxes – corresponding to operating income.

EBITDA

Earnings before interest, taxes, depreciation and amortization – corresponding to cash flow before taxes.

FREE CASH FLOW

Net cash provided by operating activities less capital expenditure (purchases of property, plant and equipment, net of proceeds from sale of property, plant and equipment).

GROSS DOMESTIC PRODUCT (GDP)

Total final value of goods and services produced in a national economy over a particular period of time, usually one year.

MARKET CAPITALIZATION

Number of shares multiplied by the share price.

NET OPERATING PROFIT ADJUSTED FOR TAXES (NOPAT)

Earnings before interest and taxes (EBIT) plus goodwill amortization less taxes.

NO-PAR SHARE

Stock issued with no-par or nominal value.

OPERATING MARGIN

Earnings before interest and taxes (EBIT) divided by revenues.

ORDINARY AND PREFERENCE SHARES

The capital stock of the company is divided in ordinary and preference shares. Both are bearer shares. Preference shares are non-voting, but are entitled to a dividend that exceeds that for the ordinary shares, and the distribution of the minimum dividend on the preference shares has precedence over the distribution of a dividend on the ordinary shares.

RETURN ON OPERATING ASSETS (ROOA)

EBIT divided by average operating assets. Operating assets consists of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses and other current assets, non-current assets, less non-current deferred tax assets and accounts payable (including those due to related parties).

RETURN ON INVESTED CAPITAL (ROIC)

NOPAT divided by average invested capital. Invested capital consists of current and non-current assets plus accumulated goodwill amortization less cash and cash equivalents, deferred tax assets, accounts payable (including those due to related parties), accrued expenses and current liabilities and income tax payable.

SECURITIES AND EXCHANGE COMMISSION (SEC)

A federal agency that regulates the U.S. financial markets.

U.S. GAAP

United States Generally Accepted Accounting Principles.

WORKING CAPITAL

Current assets minus current liabilities.

CALENDAR 2001

Publication First Quarter 2001 Results	**May 03**
Annual General Meeting, Marriott Hotel, Frankfurt (Germany)	**May 23**
Dividend Payment	**May 24**
Publication Second Quarter 2001 Results	**July 31**
Publication Third Quarter 2001 Results	**October 30**

This annual report is also available in German and may be obtained from the Company upon request.

Dieser Geschäftsbericht liegt auch in deutscher Sprache vor.

Annual reports, interim reports and further information on the Company are also available on the Internet.
Fresenius Medical Care AG online: www.fmc-ag.com

For printed material please contact Investor Relations.

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