

Invitation to the Annual General Meeting of Fresenius AG on 18 June 1998**- Securities Identification No. 578 560 / 578 562 / 578 563 -**

[...]

Agenda

[...]

5. Resolution on a Conditional Increase of the Share Capital for the Purpose of Granting Subscription Rights to Members of the Management Board and/or Executives of Fresenius AG and Executives of Affiliated Undertakings on the Basis of a Stock Option Plan for Executives and on an Amendment of the Articles of Association.

The Management Board and the Supervisory Board propose that the following resolution be adopted:

- a. The Management Board is authorized, subject to approval by the Supervisory Board, to grant subscription rights once or several times over a period of 5 years to members of the Management Board and/or to executives of the Company and of undertakings affiliated with it (with the exception of Fresenius Medical Care AG and of undertakings affiliated with it in any way other than through the Company) – hereinafter referred to jointly as “FAG” –, conferring the right to subscribe in total to up to 450,000 ordinary bearer shares having a nominal value of DM 5 each and up to 450,000 non-voting preference bearer shares having a nominal value of DM 5 each. Executives for this purpose are the senior vice presidents (*Bereichsleiter*) and vice presidents (*Abteilungsleiter*) of the Company and of the undertakings affiliated with it as well as the members of management of the affiliated undertakings, in each case with the exception of Fresenius Medical Care AG and of the undertakings affiliated with it in any way other than through the Company.

The group of the members of the Management Board is granted subscription rights conferring the right to subscribe to up to 100,000 ordinary bearer shares having a nominal amount of DM 5 each and up to 100,000 non-voting preference

bearer shares having a nominal value of DM 5 each. The group of the executives is granted subscription rights conferring the right to subscribe to up to 350,000 ordinary bearer shares having a nominal value of DM 5 each and up to 350,000 non-voting preference bearer shares having a nominal value of DM 5 each. A subscription right in one group excludes the subscription right in another group. The right to subscribe to shares and the number of subscription rights shall be fixed for the executives by the Management Board and for the members of the Management Board by the Supervisory Board. The subscription rights are granted in each case on the first workday of the month of July; if the amendment of the Articles of Association resolved as Item 5 of this agenda is not entered into the commercial register before 1 July 1998, subscription rights shall be granted for the first time on the first workday of the calendar month following the entry. The number of subscription rights for ordinary bearer shares and preference bearer shares must in each case be equal.

The subscription rights to be granted are non-transferable; the subscription right may be exercised only as long as the holders of the subscription rights are in an employment or service relationship with FAG which has not been terminated. The exercise of subscription rights once granted will not be adversely affected by the beneficiary's death or retirement or by the conclusion of an employment contract with Fresenius Medical Care AG or an undertaking affiliated with it. The same applies in case Fresenius AG is taken over by another company. In special cases, the Supervisory Board can decide to issue special rules regarding the subscription rights for members of the Management Board, or the Management Board can issue such rules regarding the subscription rights for the executives of the Company.

The subscription rights confer the right for the duration of up to 10 years from the day on which they are granted to subscribe to ordinary bearer shares having a nominal value of DM 5 each and to subscribe to non-voting preference bearer shares having a nominal value of DM 5 each.

The subscription right can in each case be exercised no earlier than two years after the subscription right is granted ("two-year waiting period"). Furthermore, the exercise of the subscription right is possible in each case only within 15 workdays after the publication of the business figures of the Company and of the

undertakings affiliated with it for the preceding quarter (“exercise period”). Subscription rights for an ordinary bearer share and a non-voting preference share can be exercised in each case only jointly in an equal number.

Furthermore, the exercise of the subscription right is contingent upon an increase within the two-year waiting period of the consolidated result of the Company including the undertakings affiliated with it, before interest, before the payment of special dividends to the holders of special dividend rights (*Genusrechtskapital*) or similar securities (*genussscheinähnliche Wertpapiere*) and before taxes on income and earnings (“EBIT”) by at least 15%. To determine this minimum increase by 15%, the proportion between the EBIT in the full financial year preceding the granting of the subscription rights and the EBIT in the full financial year preceding the expiry of the two-year waiting period is to be determined as a basis. The EBIT and its change compared to the EBIT for the relevant comparative year shall be established, with binding effect regarding the question of the admissibility of the exercise of the subscription rights, by the auditors of the Company on the basis of the audited consolidated accounts submitted to the Supervisory Board, acting as expert arbitrators pursuant to Sections 317, 319 German Civil Code (*Bürgerliches Gesetzbuch – BGB*). The Management Board or, if the stock option plan for the Management Board is concerned, the Supervisory Board is authorized to impose further restrictions in the conditions governing the subscription right, in particular to set a higher percentage than 15 as a condition for the exercise of the subscription right.

The individual subscription rights are embodied in a single global certificate; no individual certificates will be issued.

Upon the exercise of the subscription right, the beneficiary must pay an exercise price to the Company per ordinary bearer share and per non-voting preference bearer share subscribed to. The exercise prices will in each case amount to the average standard quotation for the ordinary bearer shares or, as the case may be, the non-voting preference bearer shares of the Company at the Frankfurt stock exchange on the last 30 trading days preceding the granting of the subscription rights.

The exercise price will be reduced as more specifically set out in the conditions governing the subscription rights if, during the term of the subscription rights, the Company, granting a subscription right to its shareholders, either increases its capital or creates conversion, option or other subscription rights or conversion duties and does not grant a subscription right to the holders of the subscription rights on the basis of this resolution of the General Meeting. Section 9 para. 1 German Stock Corporation Act remains unaffected.

The Supervisory Board is authorized subject to approval by the Supervisory Board to determine the further details of the conditions governing the subscription right, the issue and features of the subscription rights as well as the procedure for the exercise of the subscription rights to be granted to the executives; the Supervisory Board is authorized to determine the details of the conditions governing the subscription right, the issue and features of the subscription rights as well as the procedure for the exercise of the subscription rights to be granted to the members of the Management Board.

- b.** The share capital of the Company is conditionally increased by up to DM 2,250,000 through the issue of up to 450,000 ordinary bearer shares having a nominal value of DM 5 each and by up to DM 2,250,000 through the issue of up to 450,000 non-voting preference bearer shares having a nominal value of DM 5 each to the beneficiaries of the subscription rights to be granted pursuant to lit. a. The ordinary bearer shares and the non-voting preference bearer shares are issued in each case for the exercise price set in accordance with lit. a. The conditional capital increase is to be carried out only insofar as the subscription rights are issued and the holders of the subscription rights exercise their subscription rights. The new ordinary bearer shares and non-voting preference bearer shares carry the right to a part of the profit from the beginning of the financial year in which they are issued.
- c.** The following para. 5 is added to Article 4 of the Articles of Association (share capital):

“(5) The share capital of the Company is conditionally increased by DM 2,250,000, divided up into 450,000 shares having a nominal value of DM 5 each through the issue of new ordinary bearer shares. The conditional capital increase is carried out

only insofar as subscription rights to ordinary bearer shares are granted in accordance with the stock option plan pursuant to the resolution of the General Meeting of 18 June 1998 and the holders of these subscription rights exercise their subscription rights. The new ordinary bearer shares carry a right to a part of the profit from the beginning of the financial year in which they are issued.

The share capital of the Company is conditionally increased by DM 2,250,000, divided up into 450,000 shares having a nominal value of DM 5 each through the issue of new non-voting preference bearer shares. The conditional capital increase is carried out only insofar as subscription rights to non-voting preference bearer shares are granted in accordance with the stock option plan pursuant to the resolution of the General Meeting of 18 June 1998 and the holders of these subscription rights exercise their subscription rights. The new non-voting preference bearer shares carry a right to a part of the profit from the beginning of the financial year in which they are issued."

The current para. *(4) of the Articles of Association – "In case of a capital increase, the profit participation can be set in a manner deviating from Section 60 German Stock Corporation Act." -, the number of which in the Articles of Association has so far not yet changed, will become para. (6).

- d. The Management Board is instructed to promptly file the amendments of the Articles of Association in lit. b and lit. c with the commercial register once the German Act on Control and Transparency in Business Undertakings (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG*) has entered into force and this Act allows the subscription rights to be granted to the members of management and to the employees of a stock corporation.

The Management Board and the Supervisory Board are instructed to exercise the power according to lit. a only once the German Act on Control and Transparency in Business Undertakings (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG*) has entered into force and this Act allows subscription rights to be granted to members of management and to the employees of a stock corporation and the conditional capital increase has been entered in the commercial register.

[...]

**Invitation to the Separate Meeting of Preference Shareholders of Fresenius AG
on 18 June 1998**

- Securities Identification No. 578 563 -

[...]

Agenda

Approval of a Resolution of the Annual General Meeting of the Same Date on a Conditional Increase of the Share Capital for the Purpose of Granting Subscription Rights to Members of the Management Board and/or Executives of Fresenius AG and Executives of Affiliated Undertakings on the Basis of a Stock Option Plan for Executives and on an Amendment of the Articles of Association.

The Management Board and the Supervisory Board propose to approve of the following resolution:

- a. The Management Board is authorized, subject to approval by the Supervisory Board, to grant subscription rights once or several times over a period of 5 years to members of the Management Board and/or to executives of the Company and of undertakings affiliated with it (with the exception of Fresenius Medical Care AG and of undertakings affiliated with it in any way other than through the Company) – hereinafter referred to jointly as “FAG” –, conferring the right to subscribe in total to up to 450,000 ordinary bearer shares having a nominal value of DM 5 each and up to 450,000 non-voting preference bearer shares having a nominal value of DM 5 each. Executives for this purpose are the senior vice presidents (*Bereichsleiter*) and vice presidents (*Abteilungsleiter*) of the Company and of the undertakings affiliated with it as well as the members of management of the affiliated undertakings, in each case with the exception of Fresenius Medical Care AG and of the undertakings affiliated with it in any way other than through the Company.

The group of the members of the Management Board is granted subscription rights conferring the right to subscribe to up to 100,000 ordinary bearer shares having a nominal amount of DM 5 each and up to 100,000 non-voting preference

bearer shares having a nominal value of DM 5 each. The group of the executives is granted subscription rights conferring the right to subscribe to up to 350,000 ordinary bearer shares having a nominal value of DM 5 each and up to 350,000 non-voting preference bearer shares having a nominal value of DM 5 each. A subscription right in one group excludes the subscription right in another group. The right to subscribe to shares and the number of subscription rights shall be fixed for the executives by the Management Board and for the members of the Management Board by the Supervisory Board. The subscription rights are granted in each case on the first workday of the month of July; if the amendment of the Articles of Association resolved as Item 5 of this agenda is not entered into the commercial register before 1 July 1998, subscription rights shall be granted for the first time on the first workday of the calendar month following the entry. The number of subscription rights for ordinary bearer shares and preference bearer shares must in each case be equal.

The subscription rights to be granted are non-transferable; the subscription right may be exercised only as long as the holders of the subscription rights are in an employment or service relationship with FAG which has not been terminated. The exercise of subscription rights once granted will not be adversely affected by the beneficiary's death or retirement or by the conclusion of an employment contract with Fresenius Medical Care AG or an undertaking affiliated with it. The same applies in case Fresenius AG is taken over by another company. In special cases, the Supervisory Board can decide to issue special rules regarding the subscription rights for members of the Management Board, or the Management Board can issue such rules regarding the subscription rights for the executives of the Company.

The subscription rights confer the right for the duration of up to 10 years from the day on which they are granted to subscribe to ordinary bearer shares having a nominal value of DM 5 each and to subscribe to non-voting preference bearer shares having a nominal value of DM 5 each.

The subscription right can in each case be exercised no earlier than two years after the subscription right is granted ("two-year waiting period"). Furthermore, the exercise of the subscription right is possible in each case only within 15 workdays after the publication of the business figures of the Company and of the

undertakings affiliated with it for the preceding quarter ("exercise period"). Subscription rights for an ordinary bearer share and a non-voting preference share can be exercised in each case only jointly in an equal number.

Furthermore, the exercise of the subscription right is contingent upon an increase within the two-year waiting period of the consolidated result of the Company including the undertakings affiliated with it, before interest, before the payment of special dividends to the holders of special dividend rights (*Genusrechtskapital*) or similar securities (*genussscheinähnliche Wertpapiere*) and before taxes on income and earnings ("EBIT") by at least 15%. To determine this minimum increase by 15%, the proportion between the EBIT in the full financial year preceding the granting of the subscription rights and the EBIT in the full financial year preceding the expiry of the two-year waiting period is to be determined as a basis. The EBIT and its change compared to the EBIT for the relevant comparative year shall be established, with binding effect regarding the question of the admissibility of the exercise of the subscription rights, by the auditors of the Company on the basis of the audited consolidated accounts submitted to the Supervisory Board, acting as expert arbitrators pursuant to Sections 317, 319 German Civil Code (*Bürgerliches Gesetzbuch – BGB*). The Management Board or, if the stock option plan for the Management Board is concerned, the Supervisory Board is authorized to impose further restrictions in the conditions governing the subscription right, in particular to set a higher percentage than 15 as a condition for the exercise of the subscription right.

The individual subscription rights are embodied in a single global certificate; no individual certificates will be issued.

Upon the exercise of the subscription right, the beneficiary must pay an exercise price to the Company per ordinary bearer share and per non-voting preference bearer share subscribed to. The exercise prices will in each case amount to the average standard quotation for the ordinary bearer shares or, as the case may be, the non-voting preference bearer shares of the Company at the Frankfurt stock exchange on the last 30 trading days preceding the granting of the subscription rights.

The exercise price will be reduced as more specifically set out in the conditions governing the subscription rights if, during the term of the subscription rights, the Company, granting a subscription right to its shareholders, either increases its capital or creates conversion, option or other subscription rights or conversion duties and does not grant a subscription right to the holders of the subscription rights on the basis of this resolution of the General Meeting. Section 9 para. 1 German Stock Corporation Act remains unaffected.

The Supervisory Board is authorized subject to approval by the Supervisory Board to determine the further details of the conditions governing the subscription right, the issue and features of the subscription rights as well as the procedure for the exercise of the subscription rights to be granted to the executives; the Supervisory Board is authorized to determine the details of the conditions governing the subscription right, the issue and features of the subscription rights as well as the procedure for the exercise of the subscription rights to be granted to the members of the Management Board.

- b.** The share capital of the Company is conditionally increased by up to DM 2,250,000 through the issue of up to 450,000 ordinary bearer shares having a nominal value of DM 5 each and by up to DM 2,250,000 through the issue of up to 450,000 non-voting preference bearer shares having a nominal value of DM 5 each to the beneficiaries of the subscription rights to be granted pursuant to lit. a. The ordinary bearer shares and the non-voting preference bearer shares are issued in each case for the exercise price set in accordance with lit. a. The conditional capital increase is to be carried out only insofar as the subscription rights are issued and the holders of the subscription rights exercise their subscription rights. The new ordinary bearer shares and non-voting preference bearer shares carry the right to a part of the profit from the beginning of the financial year in which they are issued.
- c.** The following para. 5 is added to Article 4 of the Articles of Association (share capital):

“(5) The share capital of the Company is conditionally increased by DM 2,250,000, divided up into 450,000 shares having a nominal value of DM 5 each through the issue of new ordinary bearer shares. The conditional capital increase is carried out

only insofar as subscription rights to ordinary bearer shares are granted in accordance with the stock option plan pursuant to the resolution of the General Meeting of 18 June 1998 and the holders of these subscription rights exercise their subscription rights. The new ordinary bearer shares carry a right to a part of the profit from the beginning of the financial year in which they are issued.

The share capital of the Company is conditionally increased by DM 2,250,000, divided up into 450,000 shares having a nominal value of DM 5 each through the issue of new non-voting preference bearer shares. The conditional capital increase is carried out only insofar as subscription rights to non-voting preference bearer shares are granted in accordance with the stock option plan pursuant to the resolution of the General Meeting of 18 June 1998 and the holders of these subscription rights exercise their subscription rights. The new non-voting preference bearer shares carry a right to a part of the profit from the beginning of the financial year in which they are issued."

The current para. *(4) of the Articles of Association – "In case of a capital increase, the profit participation can be set in a manner deviating from Section 60 German Stock Corporation Act." -, the number of which in the Articles of Association has so far not yet changed, will become para. (6).

- d. The Management Board is instructed to promptly file the amendments of the Articles of Association in lit. b and lit. c with the commercial register once the German Act on Control and Transparency in Business Undertakings (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG*) has entered into force and this Act allows the subscription rights to be granted to the members of management and to the employees of a stock corporation.

The Management Board and the Supervisory Board are instructed to exercise the power according to lit. a only once the German Act on Control and Transparency in Business Undertakings (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG*) has entered into force and this Act allows subscription rights to be granted to members of management and to the employees of a stock corporation and the conditional capital increase has been entered in the commercial register.

[...]

Report by the Management Board to the Annual General Meeting of Fresenius Aktiengesellschaft (Item 5 of the Agenda) and to the Separate Meeting of Preference Shareholders (on the only Item of the Agenda) on 18 June 1998

Regarding Item 5 of the Agenda of the Annual General Meeting

Regarding the only Item of the Agenda for the Separate Meeting of Preference Shareholders

Item 5 of the Agenda and the only item of the Agenda for the separate meeting of preference shareholders provide for the creation of a conditional capital and for the issue of rights to subscribe to shares to members of the Management Board and to executives of the Company and of the undertakings affiliated with it (with the exception of Fresenius Medical Care AG and its other affiliated undertakings) – “FAG” –. The shares necessary for the subscription rights are made available through the conditional capital increase. To leave the current proportion between ordinary shares and preference shares unchanged, the same number of subscription rights is issued for ordinary shares and preference shares. Subscription rights must also be exercised in each case for an equal amount of ordinary shares and preference shares. No payment need be made by the beneficiaries for the subscription rights as such. This possibility of granting subscription rights for shares to members of the Management Board and to executives is to be created by the German Act on Control and Transparency in Business Undertakings (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG*), which will enter into force soon.

The issue of subscription rights to shares is an important element of the remuneration for executives in many countries and increasingly also in Germany. The issue of subscription right ties a part of the remuneration for executives to the development of the stock exchange value of the Company and thereby promotes the entrepreneurial focus of management on the sustained growth of the value of the Company. A sustained growth of the value of the Company benefits the shareholders of the Company. The success-oriented nature of remuneration through subscription rights is in addition an important factor in the competition for internationally experienced executives. The possibility of the Company to win qualified executives and to retain them in the long term is especially significant in view of the increasing globalization of the business activities of the group. As the value of the subscription rights depends on the future success and on the development of the value of the Company, the executives who are among the beneficiaries are given an incentive to perform in this way apart from the additional sense of identification with Fresenius.

To enhance the focus of the executives on a sustained growth of the value of the Company and to strengthen their loyalty to the Company, it is planned to make the exercise of the subscription rights after the statutory waiting period of 2 years possible initially only in the amount of one third, and in the amount of one further third 3 and 4 years after the subscription rights are granted ("Longer Waiting Period"). In this way, the average waiting period amounts to three years.

The exercise of the subscription right is possible in each case only within 15 workdays after the publication of the business figures for the preceding quarter. This eliminates the problem of insider dealing.

Furthermore, the exercise of the subscription right is contingent upon an increase within the two-year waiting period of the consolidated result of the Company including the undertakings affiliated with it, before interest, before the payment of special dividends to the holders of special dividend rights (*Genussrechtskapital*) or similar securities (*genussscheinähnliche Wertpapiere*) and before taxes on income and earnings ("EBIT") by at least 15%. To determine this minimum increase by 15%, the proportion between the EBIT in the full financial year preceding the granting of the subscription rights and the EBIT in the full financial year preceding the expiry of the two-year waiting period is to be determined as a basis. Thus, if subscription rights are granted in the year 1998, their exercise is admissible only if the EBIT for the financial year 1999 rose by at least 15% over the EBIT for the financial year 1997. This precondition for the exercise of the subscription right applies also to subscription rights with a longer waiting period than two years; therefore, if the increase of the EBIT by at least 15% is not reached in the second year after the reference year preceding the granting of the right, the underlying subscription rights cannot be exercised even if the necessary increase of the EBIT by 15% is still reached before the end of the longer waiting period. A restriction of the subscription right thus tied to an internal performance target within the company also takes account of the fact that the fields of business of the Company are not adequately represented by a common sector index. The strong international alignment of the Company and its affiliated undertakings – 87% of the sales were achieved abroad in 1997, 89% of the employees worked abroad – as well as the listing of the shares in Fresenius Medical Care AG, its largest subsidiary, at the New York stock exchange also make a cross-sector index appear unsuitable for the subscription rights. Management believes that the restriction of the exercise of the subscription rights is a suitable means to exclude co-incidental stock market price increases not arising from a reasonable

improvement of the result of the Company for the exercise of the subscription rights. The necessary flexibility is enhanced by the possibility to raise the performance targets in order to take account of future developments. The achievement of the performance target is verified by the auditor.

The number of subscription rights to shares which an employee is to receive will depend on the executive's possibility to influence the value of the Company. Therefore, the beneficiaries are the members of the Management Board and the senior vice presidents (*Bereichsleiter*) and vice presidents (*Abteilungsleiter*) of the Company and of the undertakings affiliated with it as well as the members of the management of the affiliated undertakings. The number of subscription rights is divided up in the proposal for a resolution among the members of the Management Board and the executives. A further differentiation into groups of beneficiaries is not expedient as employees of the Company are frequently at the same time members of the management of subsidiaries and can therefore not be clearly classified as members of one of these groups. The members of the Management Board and the executives of Fresenius Medical Care AG and its affiliated undertakings are excluded as beneficiaries because this company issues its own subscription rights. Management Board members and executives with functions both within FAG and in Fresenius Medical Care will be considered on a pro rata basis.

A conflict of interests between personal interests and the interests of the Company is avoided by dividing up the power to grant subscription rights between the Management Board and the Supervisory Board.

It is planned to use the conditional capital to be created now to satisfy all subscription rights which are to be granted during a period of 5 years. The full use of the conditional capital in the total amount of DM 4,500,000 would result in an increase of the share capital by appr. 4.5% over several years. Therefore, a noteworthy dilution of the shareholders' participation rights is not to be expected. Moreover, the fact that the subscription rights can be exercised only once the performance targets have been reached ensures in principle that the watering-down effect is more than compensated for. The performance incentive for our executives intended to raise the value of the Company also ensures the conformity with the shareholders' interests.

The Management Board and the Supervisory Board therefore propose that the resolution be passed.