

FRESENIUS KABI. We reached record levels in sales and earnings. Our business has grown in all regions and in all product segments. We achieved exceptionally strong growth in North America at APP Pharmaceuticals, driven by new products and also consistent quality and supply.

Fresenius Kabi specializes in the therapy and care of chronically and critically ill patients, providing intravenously administered generic drugs (IV drugs), infusion therapies, clinical nutrition, and related medical devices. Our products cover the full range of patient care: emergency cases, surgery, intensive care, hospital wards, and outpatient care.

Our **portfolio** of IV drugs includes anesthetics, analgesics, anti-infectives, and drugs for the treatment of oncological and other critical diseases. For infusion therapy, we provide blood volume substitution products and infusion solutions. In the area of clinical nutrition, we are one of the few companies worldwide that offer both parenteral and enteral nutrition products. To administer our products, we supply infusion pumps, infusion management systems, nutrition pumps, and disposables. For transfusion technology, we offer a range of products used by blood banks and blood donation units to produce blood products.

BUSINESS DEVELOPMENT

In 2010, Fresenius Kabi increased **sales** by 19% to €3,672 million (2009: €3,086 million). Excellent organic growth of 12% was achieved. Acquisitions contributed 1%. Currency translation had an effect of 6%.

The sales growth by **region** was as follows:

€ in millions	2010	2009	Change
Europe	1,702	1,566	9%
North America	975	728	34%
Asia-Pacific	593	482	23%
Latin America/Africa	402	310	30%
Total	3,672	3,086	19%

Excellent progress was achieved, especially in North America, where organic sales growth was 26%. APP Pharmaceuticals in the United States was the major contributor, with sales growth of 29% to US\$1,143 million, driven by new product launches and higher demand as a result of supply constraints at competitors. We also continued to achieve strong organic

growth in Asia-Pacific with 13% and in Latin America with 18%. China is our third largest market after the United States and Germany. We have achieved double-digit rates of organic growth there for years.

Sales by **product segment** were as follows:

€ in millions	2010	2009	Organic growth
Infusion therapy	843	712	6%
IV drugs	1,328	1,027	23%
Clinical nutrition	1,062	924	9%
Medical devices/ Transfusion technology	439	423	1%
Total	3,672	3,086	12%

We improved on the excellent **earnings progress** of past years. EBIT increased by 21% to €737 million (2009: €607 million), including investments of €20 million in ongoing efficiency improvements outside North America. The EBIT margin rose to 20.1% (2009: 19.7%). The strong margin improvement was especially due to the excellent progress in North America. EBIT at APP Pharmaceuticals increased to US\$391 million and the EBIT margin to 34.2%. Adjusted EBITDA¹ was US\$464 million. The APP acquisition was accretive to Group earnings per share in 2010.

All regions contributed to the growth in EBIT:

€ in millions	2010	2009	Change
Europe	359	335	7%
EBIT margin	21.1%	21.4%	
North America	335	216	55%
EBIT margin	34.4%	29.7%	
Asia-Pacific/Africa	183	151	21%
EBIT margin	18.4%	19.1%	
Administrative and corporate R & D expenses	-140	-95	-47%
EBIT	737	607	21%
EBIT margin	20.1%	19.7%	

Fresenius Kabi's net income² rose by 47% to €294 million (2009: €200 million).

INFUSION THERAPY

Infusion solutions are used widely in everyday hospital routines. Among other things, they are administered to patients suffering fluid loss or electrolyte deficiencies. They also serve as carrier solutions for intravenously administered drugs. We offer a comprehensive range of products in infusion bags and bottles that meet the high safety standards for use in hospitals and in outpatient care. The port technology on our freeflex® PVC-free infusion bag and KabiPac® plastic bottle, for instance, helps to prevent possible mistakes in the use of the infusion and injection ports.

For **blood volume substitution** we offer artificial colloids, which can be infused regardless of blood group. Our products contain hydroxyethyl starch (HES). We have been active in this market for decades, and have set standards in volume substitution and volume therapy with our innovative products. We offer a comprehensive portfolio of HES products and are the world leader in this market. Our main product Voluven® is distributed in about 100 countries, and in over half of these markets we are the leading supplier. In 2010, further progress was achieved in the marketing of this product, especially in the growth markets of Asia-Pacific and Latin America. We also successfully introduced our blood volume substitute Volulyte® in other markets, e. g. in England. Just three years after the product's initial launch, we are already selling Volulyte® in over 20 countries.

We achieved further successes with our **medical devices** for the application of infusion therapies and managed to expand our market presence. Our Agilia line has become especially successful established in our markets. With our products, we are one of the leading suppliers in Europe, Asia-Pacific, and Latin America. We also launched our new port canula system Ambix Intrastick Safe in Germany, for instance. There are frequent accidental needle stick injuries at clinics every day. Ambix Intrastick Safe has an integral safety mechanism that prevents contact with the syringe needle, thus preventing injuries through pricks, cuts, and scratches.

In **transfusion technology**, we are one of Europe's leading suppliers of blood bag systems and medical devices for collecting, processing, and transporting blood products. Our

¹ Non-GAAP financial measures—Adjusted EBITDA is a defined term in the indenture governing the Contingent Value Rights (CVR) relating to the APP Pharmaceuticals acquisition, however, it is not a recognized term under GAAP.

² Net income attributable to Fresenius Kabi AG

CompoFlow concept was launched in 2009 and is now being marketed in a number of European countries, including Germany and Italy.

INTRAVENOUSLY ADMINISTERED DRUGS

Fresenius Kabi is one of the world's top three suppliers of generic IV drugs. We have a comprehensive product portfolio for the therapy areas of anesthetics, analgesics, infectious diseases, oncology, and critical diseases. We not only manufacture the drug but also produce some of the active ingredients. For instance, we produce our own cytostatic agents and cephalosporin and penicillin group antibiotic agents and thus have the expertise to cover the entire pharmaceutical value chain – a factor of particular relevance for quality and price flexibility.

APP Pharmaceuticals is the second largest supplier of generic IV drugs in the United States. The company offers a broad portfolio of anesthetics, anti-infectives, oncology drugs, and products for critical diseases. In 2010, additional supplies of the anesthetic Propofol came from Fresenius Kabi plants in Europe to avoid shortages of anesthetics arising from product recalls of competitors. Together with APP's anesthetic Diprivan®, Fresenius Kabi was able to assure a more or less seamless supply of the U.S. market.

There were also supply constraints at competitors for other drugs in the United States in 2010. APP Pharmaceuticals' broad portfolio enabled it to make a significant contribution toward meeting the shortages in the market.

APP Pharmaceuticals has an extensive portfolio of products for the treatment of critical diseases and is the leading supplier of unfractionated heparin in North America. Heparin is used for the prophylaxis and treatment of blood clotting after surgery and in extracorporeal blood circulation, such as dialysis. In 2010, APP Pharmaceuticals continued its information campaign "Working Together for Patient Safety".

APP Pharmaceuticals also successfully launched new products in the market: Indomethacin, which is used for babies born with heart defects, Aztreonam, the first generic for this antibiotic, the virostatic drug Ganciclovir, and the oncology drugs Topotecan and Anastrozole. APP Pharmaceuticals also introduced the cytostatic drug Oxaliplatin, for which Fresenius

Kabi Oncology has marketing authorization. Under a license agreement with Sanofi-Aventis, the manufacturer of the original preparation, the sale of the product in the United States was only permitted until June 30, 2010 and thereafter only as of August 2012.

APP Pharmaceuticals and Fresenius Kabi Oncology received a total of ten new marketing authorizations from the FDA in 2010, seven of which were for APP Pharmaceuticals. There were 28 pending applications at the FDA at the end of 2010.

We also expanded our portfolio of IV generics **outside North America**. We launched five new products in the areas of antibiotics and anesthetics in various formulations and dosage forms in a number of European markets. Our goal is to roll out our product portfolio across Europe and the growth regions of Latin America and Asia-Pacific.

Fresenius Kabi Oncology specializes in generic drugs for cancer treatment. We successfully continued with the internationalization of these **oncology products** in 2010. The cytostatic drug Gemcitabine Kabi, for instance, was launched very successfully e.g. in South and Eastern Europe. This product is used, for example, in chemotherapy for pancreatic and bladder cancer. The cytostatic drug Irinotecan Kabi, which is used for the treatment of colon cancer, was also sold very successfully in numerous European markets in 2010. Further progress was also achieved with the introduction of Paclitaxel Kabi in Europe. This product is used for instance for the treatment of ovarian and breast cancer. We are already marketing a large number of oncology drugs in the Asia-Pacific region, where we were able to strengthen our market leadership in India, Thailand, and the Philippines.

Today, Fresenius Kabi is providing patients with a comprehensive range of products for cancer treatment. Our offering includes generic drugs as well as enteral and parenteral **nutrition products** for improving the nutritional condition of patients. We also supply medical devices for administering the solutions as well as patient-specific preparations (**compounding**) that can also be used in outpatient care.

CLINICAL NUTRITION

Clinical nutrition serves to supply patients who are unable to eat any (or sufficient) normal food. This applies especially to patients in intensive care units, to the severely and chronically ill, and to those who are malnourished. The use of clinical nutrition products is steadily increasing. Weight loss and deficiencies in essential nutrients can result in higher complication rates, longer recovery periods, a diminished quality of life, and elevated mortality rates.

Three-chamber bags are reference products for **parenteral nutrition therapy** in hospitals. One bag covers the entire required daily intake of amino acids, lipids, glucose, and electrolytes. In 2010, we were once again extremely successful in this product segment. Our pioneering bag design offers an impressively high level of safety in everyday hospital use. We also continued with the international rollout of this product and now sell the new bag design in about 70 countries.

Another growth driver for our business with three-chamber bags was the further marketing rollout of SmofKabiven®. We use our SMOFlipid® product as the lipid component in this new product and therefore offer a multi-chamber bag for parenteral nutrition with a balanced fatty acid profile and an optimized Omega-6 to Omega-3 fatty acid ratio. After the product's successful launch in Europe, we have now started also marketing SmofKabiven® in Chile, among other countries. The product is already sold in over 20 countries around the world. The individual lipid solution SMOFlipid® has also continued to successfully establish itself in our markets. We launched this product in a number of countries in the Asia-Pacific region in 2010.

Nutrition is also particularly important in pediatric care. Undeveloped or severe gastrointestinal defects at birth and acute ailments are indications for parenteral nutrition in pediatric patients. In 2010, we began marketing SMOFlipid® for use in pediatric care. SMOFlipid® can provide the fat component of a parenteral nutrition therapy supplying all nutrients necessary to prevent malnutrition and support the growth and development of pediatric patients.

In the field of **enteral nutrition therapy**, we offer a comprehensive range of sip and tube feed products. Enteral products are used, for instance, in geriatric, pediatric, and intensive care as well as in outpatient care. Enteral nutrition is also

acquiring growing importance as a supportive component of the overall therapy process, for instance in cancer treatment.

In other European countries, we conducted a successful 2010 launch of our high-calorie, high protein sip feed product Fresubin® 2kcal DRINK, which is for instance well suited for tumor patients. We have also broadened our range with the addition of another innovative alternative to sip feeds: Fresubin® YOcrème, a high-calorie, protein-rich, balanced nutrition product of a yoghurt-like creamy consistency that is ideal for patients who have heightened nutritional needs or are suffering from dysphagia. We also launched two additional high-calorie enteral sip feeds: Fresubin® 5kcal SHOT and Fresubin® juky DRINK. Fresubin® 5kcal SHOT has a very high energy density, with 5 kcal per milliliter, so patients can already cover a large part of their required energy intake with small quantities. The product is particularly well suited as an additional sip feed supplement for oncology patients or sufferers from liver or kidney diseases. Fresubin® juky DRINK provides patients with a high energy content in juice form.

We have introduced Fresubin® thickened, which is a high-calorie, protein-rich, pre-thickened sip feed, especially for dysphagia patients. Our products developed for this patient group can effectively combat malnutrition and dehydration. It is possible to choose between two consistencies depending on individual swallowing difficulty.

We hold a strong position with our enteral nutrition products not only in Europe but also in Asia-Pacific. We are for example one of the leading suppliers in China.

We are one of the leading suppliers in Europe in the field of medical devices for the application of clinical nutrition. In 2010, we continued with the regional expansion of our product portfolio.

For further information, please see Fresenius Kabi's website at www.fresenius-kabi.com. Please see page 113 and 114 of the Management Report for the 2011 financial outlook of Fresenius Kabi.