

FRESENIUS KABI

- ▶ Strong sales growth in all regions.
- ▶ Excellent growth rates in operating profit.
- ▶ Globally unique, integrated portfolio of infusion therapies and clinical nutrition.

2006 was an excellent year for Fresenius Kabi. Strong sales growth was again achieved in all regions. Earnings reached a new record level. In addition, the company continued its growth initiatives in the fields of intravenously administered drugs and medical devices.

Fresenius Kabi is one of the few companies to offer infusion therapy, clinical nutrition, and related medical devices worldwide. Our products are used for the treatment and care of critically and chronically ill patients. Our portfolio covers all the main therapy areas for these patients.

In infusion therapy we offer products for fluid and blood volume replacement as well as generic intravenously administered (I.V.) drugs, infusion technologies, and infusion disposables.

In transfusion technology we have a range of products mainly used by blood banks and blood donation units to produce blood products.

In clinical nutrition we provide parenteral nutrition (administered intravenously) and enteral nutrition (administered as sip or tube feed via the gastrointestinal tract) as well as nutrition pumps and infusion disposables.

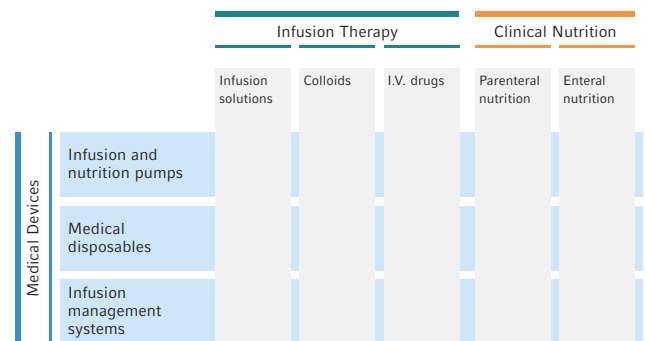
Our products encompass the entire patient process chain of medical care: in emergency cases, during operations, in intensive care, in hospital wards as well as in outpatient care.

In Europe we are the market leader in infusion therapy and clinical nutrition. In the growth regions of Asia-Pacific and Latin America we have a leading position in nearly all of our markets.

BUSINESS DEVELOPMENT

In 2006, Fresenius Kabi increased sales by 13 % to € 1,893 million (2005: € 1,681 million). Strong organic growth of 8 % was achieved. Acquisitions increased sales by 4 %. This is mainly attributable to the first-time consolidation of Clinico,

FRESENIUS KABI – INTEGRATED PRODUCT PORTFOLIO



a manufacturer of medical devices, and to our Australian joint venture Pharmatel Fresenius Kabi. We increased our stake in this joint venture to 50.1 % with effect from January 1, 2006. Currency translation had a positive effect on sales, contributing 1 %.

The table shows the sales development by region:

in million €	2006	2005	Change
Germany	427	405	5 %
Europe (ex Germany)	877	819	7 %
Asia-Pacific	258	183	41 %
Latin America	128	101	27 %
Other regions	203	173	17 %
Total	1,893	1,681	13 %

In Europe (ex Germany) we considerably increased sales by 7%. In Germany, sales grew by 5%.

In the dynamic regions of Asia-Pacific and Latin America we achieved excellent growth, and were able to sustain the high growth rates of the previous years. In the other regions we also achieved strong growth, especially in South Africa.

Sales by product segment were as follows:

in million €	2006	2005	Change
Infusion therapy	1,023	895	14 %
Clinical nutrition	753	674	12 %
Transfusion technology	117	112	4 %

We achieved excellent growth rates in earnings: EBIT rose by 24% to € 291 million (2005: € 234 million). The EBIT margin reached a new record level of 15.4% (2005: 13.9%). Our EBIT margin target of 15.0 to 15.5% for 2006 was therefore fully achieved.

All regions contributed to this excellent performance. In Europe we achieved an EBIT of € 256 million (2005: € 216 million). This corresponds to an increase of 19% and an EBIT margin of 19.6% (2005: 17.6%). Outside Europe, in the international segment, EBIT rose by 35% to € 100 million (2005: € 74 million). The EBIT margin increased to 17.0% (2005: 16.2%). Corporate costs and corporate research and development expenses were € 65 million (2005: € 56 million).

Fresenius Kabi's net income rose by 29% to € 143 million (2005: € 111 million). This already includes one-time expenses of € 11 million for the early redemption of the 2003 Euro Bond.

ACQUISITIONS

In September 2006, we signed an agreement to acquire the Argentinean pharmaceutical company Filaxis. Filaxis specializes in the development, production, and distribution of intravenously administered generic drugs. The company offers cytostatics, which are used to treat cancer. These are marketed mainly in Latin America. Filaxis achieved sales of € 12 million in 2006. It is planned to market the Filaxis products outside Latin America through our existing sales and distribution organization once the respective registration processes have been completed. The acquisition still has to be approved by Argentina's antitrust authorities.

This acquisition is another step forward in expanding our portfolio of intravenously administered generics for hospitals. With Filaxis' oncology products we now offer intravenously administered drugs for all main therapy areas: anesthesia, bacterial infections, pain therapy, gastrointestinal diseases, and oncology.

The integration of medical device manufacturer Clinico, acquired at the end of 2005, was successfully completed in 2006. Bad Hersfeld in Germany is now our centre of competence for the development of disposables for infusion therapy and clinical nutrition. The products are manufactured at the plants in Germany, Poland, and China.

INFUSION THERAPY

In the field of blood volume replacement we supply replacement solutions on the basis of hydroxyethyl starch (HES), which is made from maize starch. HES products are artificial colloids that can be used with any blood group. We are the world's largest producer of hydroxyethyl starch and are the international market leader in artificial colloids. The safety of the HES solutions is a key driver behind this success. While whole blood was used for volume replacement in the past, artificial colloids are mostly used today because blood products bear, for example, the risk of mixing up blood groups or of infection.

In 2006, we continued to extend the international distribution of our blood volume replacement solution Voluven® and, for example, introduced the product on the markets in Taiwan and Canada. Voluven® is currently available in more than 80 countries.

We supply our blood volume replacement products and infusion solutions – which are used to compensate for fluid loss and to stabilize blood circulation – in glass and plastic bottles as well as in infusion bags. It is our particular concern to insure the safety of the products in everyday hospital use. We therefore develop our container and port technologies ourselves. For instance, a sterile membrane in the port protects the pharmaceutical solution against bacterial contamination when a syringe is inserted. This insures maximum safety for patients. In 2006, we introduced our freeflex® bag with the new infusion and injection port technology in Belgium, Germany, Great Britain, France, Austria, and Switzerland.

KabiPac is a new container for infusion solutions that we also introduced in 2006. Safety in use was also a key priority for this new development. The cap on the infusion bottle features our proprietary DuoCap system. This consists of two separate, easily distinguishable ports for infusion and injection. The sterility of these ports is assured by an appropriately designed closure. With the new design, the bottle collapses and empties completely insuring that the patient receives the full amount of fluid.

In the field of intravenously administered generic drugs we continued the expansion strategy of our product portfolio and its further internationalization, and extended our market position in the hospital segment:

- ▶ We introduced our new product Ciprofloxacin Kabi in the Netherlands, Austria, and Germany. Ciprofloxacin Kabi is an antibiotic for severe and moderately severe infections. In 2006, in the Netherlands alone we achieved a market share of about 40 % in this product segment.

- ▶ We launched Ondansetron Kabi in Germany and Austria. This new product is mainly used in oncology, especially in association with chemotherapy or radiotherapy, to prevent sickness, nausea, and vomiting.
- ▶ Flumazenil Kabi is another new product. One of its uses is as an antidote for tranquillizer overdose. In 2006, we introduced this product in Great Britain, Portugal, the Netherlands, and Germany.

We continued the internationalization of our I.V. drugs already on the market, such as the anesthetic Propofol Fresenius. We now sell this anesthetic agent in more than 90 countries. We achieved high growth rates with this product in the Asia-Pacific region, where we became the second largest supplier in this product segment. The market roll-out of our new Propofol variety with medium-chain and long-chain fatty acids was also successfully continued in 2006.

In the medical devices segment our extensive product portfolio enables us to supply medical specialists with individual/single products as well as system solutions. Syringe pumps are used for the high-precision administration of medication even in minute quantities (0.1 ml to 200 ml per hour), while volumetric infusion pumps are used for the precise administration of larger quantities (1 ml to 1,500 ml per hour). Infusion management systems are primarily used in intensive care units. For example, patients who have undergone heart surgery can be connected up to 15 of these pumps simultaneously, each of which injects the precise quantity of a given medication into the vein.

In Europe we are one of the leading suppliers of syringe pumps, and we have been able to expand our market position. In 2006, we successfully launched our Injectomat Agilia pump in numerous countries in Asia-Pacific (including South Korea, China, India, Thailand, and Taiwan) and in Europe (Italy, Poland, Hungary, the Czech Republic, the Netherlands, and Austria, among others). Patient-specific data entered into the machine during the infusion can be transferred directly to the hospital's data processing systems, for example patient data management systems. We strengthened our Agilia

product family with a new product: the Volumat Agilia volumetric pump, for use both in the hospital and in outpatient care. It features a precise volumetric delivery rate and has a simple user interface. With the Injectomat MC and the Injectomat TIVA we have developed two new syringe pumps: the Injectomat MC has been designed for use in intensive care, while the Injectomat TIVA acts as an infusion manager for total intravenous anesthesia during surgery.

We presented the Volumat Agilia, Injectomat MC, and Injectomat TIVA at MEDICA in Düsseldorf, the world's largest trade fair for medical technology. We will start marketing them in 2007.

We have an extensive range of sterile disposable devices for administering infusions and medication, including products such as catheters as well as infusion systems and accessories. We have strengthened our distribution activities for these products and have been introducing them on the market in France, Spain, Denmark, Finland, and the Czech Republic. Our advantage is that we can offer our customers not only pharmaceutical products but also all the relevant medical devices for administering them. This has made us a full-line supplier for infusion therapies.

TRANSFUSION TECHNOLOGY

In transfusion technology, we offer disposable systems and medical devices for collecting, processing, and transporting blood products. In 2006, we enhanced our position as a leading supplier of blood bag systems with integrated leukocyte depletion filters in numerous markets in Europe. In Latin America, we are the market leader in Brazil, the biggest market for blood bag systems in that region. In addition, we increased our international distribution activities by employing our own sales organizations to push the further internationalization of this business. This will lead to a stronger market presence, especially in the growth regions of Asia-Pacific, Latin America, and the emerging markets in Eastern Europe. In 2006, success was already apparent in Asia: We achieved double-digit growth rates in China with our COM.TEC cell separator.

In the product area of therapeutic and preparative apheresis we have been able to win market share in Europe and Latin America with our improved stem cell collection therapy. Apheresis is a method for the extracorporeal collection of cells and plasma (e.g. stem cells) from the blood of a patient or donor. Our new process allows a faster collection of high-purity stem cell preparations.

CLINICAL NUTRITION

Fresenius Kabi has been a leading supplier of clinical nutrition worldwide for several decades and is one of the few companies to offer both forms of clinical nutrition – parenteral and enteral – internationally.

Parenteral nutrition is necessary if the stomach or intestine can no longer perform their functions as a result of illness or surgery. With parenteral nutrition, all the vital nutrients enter the blood stream directly via the veins in the form of their molecular constituents.

An enteral nutrition therapy is required if a patient's digestive system functions adequately but who cannot eat, or cannot eat properly (e.g. difficulty in chewing or swallowing, loss of appetite, weakness, neurological disorders, unconsciousness, or gastrointestinal diseases).

Clinical nutrition can improve the patient's general condition and accelerate the recovery process. In the case of critical diseases and chronic ailments that limit food intake, clinical nutrition can prolong life or even be life-saving.

In the segment of three-chamber bags for parenteral nutrition, we are a leading supplier in our markets. Our three-chamber bag contains all the vital nutrients – amino acids, lipids, glucose, and electrolytes – and therefore covers a patient's entire daily nutritional requirements. Immediately before infusion all vital nutrients are mixed in the bag simply by opening individual chambers. This reduces the risk of contamination and saves time when preparing the infusions.

In 2006, we launched a new three-chamber bag. Maximum convenience in everyday hospital use, combined with high hygiene and safety standards, were priorities in its development. For instance, arrow flags on the caps of the two ports instantly identify which is the infusion port and which is the injection port. Additives, such as vitamins, can be injected into the bag through the injection port. The infusion set is connected to the infusion port for administering the parenteral nutrition directly into the intravenous access. After removing the caps and prior to first use it is not necessary to disinfect the infusion and injection ports because their membranes are sterile. We have introduced the new three-chamber bag in Germany, Sweden, Great Britain, and other countries.

We continued further internationalization of our three-chamber bags already on the market: Kabiven® was introduced for instance in Kenya, New Zealand, and Russia. We introduced Kabiven® peripheral in countries such as Mexico, Brazil, Russia and Indonesia, and StructoKabiven® in Slovakia.

Lipid emulsions are not only an ingredient of our multi-chamber bags but are also infused as individual components. In this market our Intralipid® product is the world's foremost lipid emulsion. In 2006, we introduced SMOFlipid®, an innovative lipid emulsion consisting of four different lipid components, in South Korea, Brazil, Great Britain, and other countries.

In the area of enteral nutrition we offer tube and sip feed nutrition products for severely and chronically ill patients as well as medical devices for their application. We further strengthened our strong market position for these products in Europe and Latin America in 2006. About three years ago, we introduced the first enteral products in China; today we have become one of the leading suppliers in this market.

The ongoing advances in the methods of diagnosis and therapy, especially for severe and chronic diseases, are leading to improved therapy results and a better quality of life for patients. With Intestamin® we offer a tube feed nutrition product for the early enteral nutrition therapy of critically ill intensive care patients. It contains high doses of nutrients that act on the immune system. A study shows that early enteral nutri-

tion with the key substrates contained in Intestamin®, such as glutamine and antioxidants, leads to a more rapid improvement of organ functions in critically ill intensive care patients. In 2006, we started distributing Intestamin® in our EasyBag® nutrition bag. In doing so, we are replacing the glass bottle as the form of delivery and following the trend toward the increasing use of bags for nutrition therapy solutions.

We have enlarged our Fresubin® family of enteral products and broadened its international marketing. We launched the first Fresubin® product on the market in the 1970s; at that time using enteral nutrition in the treatment of severely ill patients was a groundbreaking development. Today, with the Fresubin® family, we have a range of tube and sip feed nutrition products, covering all the main therapeutic applications for the critically and chronically ill. In 2006, using the EasyBag®, we launched Fresubin® soya fibre, a tube feed enteral nutrition product especially for patients with milk protein intolerance.

In the medical devices segment for enteral nutrition we expanded our market leadership in Europe. The Applix Smart and Applix Vision enteral nutrition pumps and the related application systems contributed especially to this successful development. We are continuing successfully with our work to obtain regulatory approval for these pumps in Asia-Pacific and in Latin America. In addition, we have equipped our Applix pumps with new software. This software sets standards for maximum safety in the delivery of enteral nutrition. Alarm functions have been integrated that indicate blockages in the application systems even under mobile conditions. This insures that any deficiency in the supply of enteral nutrition to the patient can be prevented in time.