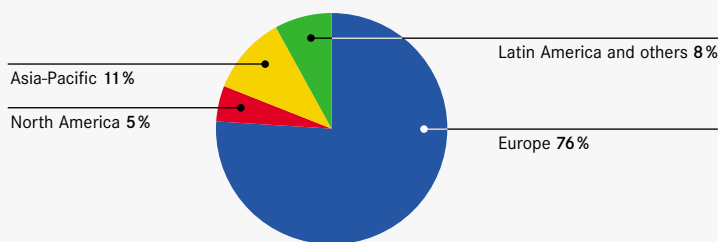


Fresenius Kabi

- Our task is the therapy and care of seriously-ill patients in the hospital and in the field of ambulatory care.
- We consolidated our market leadership in Europe, and currency-adjusted grew significantly in Asia-Pacific, in Latin America and in South Africa.
- The restructuring measures have made Fresenius Kabi more efficient.
- Our achievements in 2002 are the basis for maintaining earnings growth in the future.

Sales by region



2002: € 1,262 million

In 2002 Fresenius Kabi implemented a comprehensive restructuring programme and achieved substantial improvements in efficiency. At the same time we strengthened our leading market position in infusion and nutrition therapy in Europe and considerably expanded our market shares in growth markets.

The portfolio of Fresenius Kabi focuses on the therapy and care of severely-ill patients in the hospital as well as on follow-up care in the ambulatory field. Within this supply chain we operate in three business units:

- Infusion therapy, i.e. products for fluid and blood volume replacement and anaesthetic agents for general anaesthesia.
- Nutrition therapy consisting of parenteral and enteral products for patients who cannot eat any, or sufficient, normal food. Parenteral nutrition is administered to the patient intravenously, and enteral nutrition products are given as sip and tube feeds using the gastro-intestinal tract.
- In ambulatory care we offer the following therapy concepts: enteral nutrition therapies, incontinence, wound care and respiratory therapies as well as patient-individual drug and nutrition solutions.

Since January 1, 2003, infusion and transfusion technology products, which were previously part of the business segment Fresenius HemoCare, have been included in the portfolio. Now that these products are assigned to Fresenius Kabi, we can better meet the steadily growing demand for systems for the hospital, such as infusion solutions and application systems. We are in a stronger position to market products of infusion and transfusion technology via our international distribution network now that they are integrated into this business segment.

Sales of Fresenius Kabi amounting to € 1,262 million were approximately the same as the previous year (2001: € 1,277 million). Sales development was mainly influenced by declining sales of the company ProReha, which was sold as of August 1, 2002, and in the manufacturing

contract business. Organic growth of the core business amounted to 7%. This is a sound achievement in an environment marked by price pressure caused by the increasing number of purchasing co-operations, and by strong competition and cost savings in the health services. The changes in exchange rates, in particular of the Latin American currencies and the South African rand, had a strong negative impact of 3 percentage points on sales growth. The acquisition effect was 1 percentage point.

The breakdown between the hospital and ambulatory care businesses was as follows in 2002: The hospital business with € 959 million contributed 76% to total sales, and the ambulatory care business with € 303 million 24%.

Looking at the regions, we achieved significant growth in the Asia-Pacific region where we closed the reporting year very successfully with a sales plus of 14% (currency-adjusted: 20%). Growth was generated for the most part by the positive business development in China, Korea and India. In Latin America, we registered a sales decline of 11% in the year under report; however, on the basis of the exchange rates of the previous year the sales increase in this region was 10%. In South Africa we closed 2002 successfully with a sales rise of 4%, or 33% at constant exchange rates.

EBIT of Fresenius Kabi increased by 72% in the year under report to € 91 million (2001: € 53 million; adjusted for goodwill: € 63 million). This development was influenced by measures to increase the efficiency of our production plants and by losses and the sale of the company ProReha.

Restructuring measures in production successfully completed

The year 2002 was characterised by a comprehensive restructuring programme with the aim of increasing the profitability of Fresenius Kabi. In the Friedberg plant in Germany we were able to achieve a reduction in production costs for all products manufactured in this factory due to organisational changes and optimisation. As a result of these measures we significantly increased the production volume of freeflex®, our PVC-free bag for infusion solutions in the year under report. At the same time, the technology for manufacturing sterile solutions in PVC-free bags was optimised.

The restructuring measures were also successful in the plant in Uppsala, Sweden. Now that these organisational changes have been completed, this facility is concentrating on the manufacture of parenteral nutrition. The research and development activities for parenteral nutrition which were originally located there have been integrated into our research and development centres in Germany and Austria mid of 2002. Furthermore, quality control was re-organised, and work is proceeding on technical improvements within specific production steps.

The restructuring measures carried out in the year under report will make a substantial contribution towards the future development of our earnings.

Infusion therapy

In the field of infusion therapy we maintained our market leadership in Europe and expanded the market position of our most important products. Outside Europe we further strengthened our good market positions by launching new products and through intensive marketing and sales activities. For instance, in China we sold more than one million units of our hydroxyethyl starch HAES-steril®, which is used in cases of blood volume deficiency, in the year under report.

One of the key products in the segment blood volume replacement is Voluven®. Voluven® is an infusion solution used for the prevention and therapy of blood volume deficiency and shock, as well as a substitute for donor blood during surgery. In the year under report, we introduced this product in further markets which include South Africa and South Korea. We currently can sell Voluven® in more than 40 countries of the world, and we have applied for registration in a further 20. This international presence has made a major contribution towards achieving our target of expanding Voluven® to become a blood volume replacement product used all over the world.

HyperHAES® - another product in the blood volume replacement segment - helps to quickly compensate for high losses of blood volume without using donor blood, and is mainly used in emergency medicine. In June 2002 we concluded the registration process for this product in most of the countries of Europe, so that we can also intensify our international marketing efforts for HyperHAES®.

Our infusion solution bag freeflex® is at the leading edge of technology. It is PVC-free, extremely compatible with drugs and safe and simple in its handling. In the year under report we successfully launched freeflex® in various markets such as France and considerably expanded the international market presence of this product.

In the product segment anaesthetic drugs, Propofol Fresenius® developed very well compared to the previous year, generating double-digit sales growth rates. Propofol Fresenius® is sold in more than 60 countries and is one of our most successful infusion therapy products today.

Nutrition therapy

In the field of nutrition therapy, Fresenius Kabi is one of the few companies which offer both parenteral and enteral nutrition for seriously-ill patients. We are the European market leader with these products. In the year under report, we were able to further strengthen market leadership and we also achieved substantial success in the growth regions with our nutrition products.

In parenteral nutrition, we concentrated on establishing our traditional products in additional countries. For instance, we introduced the fat emulsion Structolipid® in South Africa and Poland. Structolipid® provides severely-ill patients with quickly-available energy thanks to medium-chain and long-chain fatty acids. Likewise, we successfully established our three-chamber bag Kabiven® in further markets. This bag provides all the parenteral nutrition which a patient needs for one day. Carbohydrates, amino acids, fats and electrolytes are kept in three separate chambers during storage for reasons of stability. All essential nutrients are mixed immediately before the infusion by simply opening the individual chambers, thus ensuring that no contamination occurs. In spring 2002, we were given the Worldstar Award for this bag system by the international World Packaging Organisation.

We strengthened our good market position in Europe in the field of enteral nutrition. The market for enteral nutrition grew on average at double-digit rates over the past years. Due to the high medical benefits and the increasing demand for disease-specific enteral nutrition, we expect good expansion opportunities for the future.

One of the products we introduced in 2002 was Intestamin®, a product developed specially for the initial enteral nutrition of intensive care patients. These patients have an increased requirement for certain key nutrients such as glutamine and antioxidants. At the same time, the patients can tolerate only certain volumes of enteral nutrition, thus increasing the risk of malnutrition. Fresenius Kabi developed this new special high-dose feed in order to improve the nutritional therapy of such patients.

We are the market leader in Europe in the field of enteral medical technology. In the year under report, we further expanded our market position and launched the feeding pump APPLIX Vision, among other products. APPLIX Vision contains various nutrition programmes and enables patient data to be transferred to a hospital information system due to an integrated data interface. We expanded our competence with regard to technology and production processes in the field of medical-technical products for infusion and nutrition therapy through the acquisition of V. Krütten Medizinische Einmalgeräte GmbH, Germany.

We expect substantial future growth in ambulatory health care. Increasing hospital costs, budget caps, new savings measures in the governmental health systems, and the ever closer links between the ambulatory care of patients and the care of patients on the ward, will further increase the demand for ambulatory therapy services. We have streamlined our product range in this business and now concentrate on therapy concepts in important fields of indication. In the year under report, we have applied ambulatory therapies to the areas enteral nutrition, incontinence, diabetes, wound care and respiratory therapy.

The field of ambulatory care with enteral nutrition developed positively in Germany in 2002; we expanded our market leadership. New products and therapy concepts contributed to this success, as well as the higher number of patients cared for. Germany is the largest market in Europe for the provision of enteral nutrition to patients at home.

In the field of parenteral ambulatory therapy service we succeeded in significantly increasing the number of patients under care. We focus on parenteral nutrition that is specially prepared according to the health condition of the patient, and offer medication for ambulatory and home therapies, including the training and care of patients. As well as nutrition, we also provide a home service for intravenous antibiotic, antimycotic and antiviral therapies, and a compounding service for cytostatic agents.

Transfusion and infusion technology

We have included the Transfusion and Infusion Technology businesses of Fresenius HemoCare at this point in order to give you a full picture of the future programme of Fresenius Kabi.

Transfusion technology

The business unit Transfusion Technology offers a complete range of products for blood banks and blood donor services for the production and processing of blood products. Blood products are blood components (e.g. erythrocytes, thrombocytes, plasma) gained from a patient's own blood, i.e. autologously, or from donor blood, i.e. homologously. They have now become essential to modern hospital medicine. We anticipate that the worldwide market for transfusion technology will continue to grow in the future due to the demographic development of the society and the increasing medical demand for therapeutic apheresis, i.e. the removal from the blood, or substitution of certain blood components (cells or plasma).

Our product programme ranges from complex disposable bag systems with integrated leukocyte depletion filters up to data management systems, blood component preparation systems and computer-controlled cell separators for performing therapeutic apheresis or multi-component blood donations.

We are the second leading company in the European market for transfusion technology. Here we succeeded in expanding our leading market position with the in-line filter blood bag systems, which are now mandatory in many countries – these are systems with integrated leukocyte filters. In South America, Eastern Europe and the Middle East we gained further market shares with our standard blood bag systems and achieved a good increase in sales. In South America we have been so far mainly active in Brazil. In 2002 we added locally-manufactured devices for the blood bank to our product portfolio. This enables us to sell our products in Central America based on our leading market position in South America combined with our competence in transfusion technology. We continued our intensive marketing activities in Asia in the year under report: We consider China to be a particularly promising market for the future.

Infusion technology

The business unit Infusion Technology offers technologically advanced products for infusion technology and infusion management. These products are mainly used in intensive care units and during surgery. We are one of the leading European specialists in this field.

In the 2002 financial year, we increased both sales and earnings in infusion technology. In the difficult European market, characterised by price pressure and delayed investments in the state health services, we maintained our position and generated a slight sales plus. We achieved double-digit growth rates in sales in the regions Africa and the Middle East, where we succeeded in substantially expanding our business. We have built up a distribution organisation in China, paving the way for future business expansion in Asia.

We gained market shares especially with the Orchestra® infusion workstation. The Orchestra® infusion system combines syringe pumps and volumetric infusion pumps in one central unit. Thus, doctors and nurses have the best possible control of all drugs being administered. The Orchestra® range of products was enhanced by the new syringe pump module DPS VISO and the new data station Base Intensive. In particular the DPS VISO module enables data from the Base Intensive to be displayed directly on the module. Orchestra® is thus an interactive and central infusion data management system without additional hard and software. All patient-related infusion data can be transferred to other systems from the Orchestra® configuration. This helps in making diagnoses and adjusting therapies. In the market segment volumetric pumps we

were also able to strengthen our market position through the introduction of the infusion pump series OPTIMA.

A reliable and efficient patient data management system is essential to ensure effective infusion management for the patient and optimum processes in the hospital. We are also active in this area. Our first patient data management system MONICA (Monitoring@Intensive Care) was installed in the year under report. This system makes it possible to manage and document electronically patient data on intensive care units. We are thus steadily pursuing our goal of expanding our leading position in infusion technology by means of new products together with advanced communication electronics. You can find more information on MONICA on pages 76 and 77 of our Annual Report.