

## FRESENIUS KABI

- ▶ We grew strongly – in sales and earnings.
- ▶ New products in infusion therapy and clinical nutrition round out our portfolio.
- ▶ Our decentralized structure enhances our market position.

### INTERNATIONAL SALES, DISTRIBUTION AND R&D NETWORK



As at December 31, 2005

2005 was an exceptional year for Fresenius Kabi with significant increase in earnings and high organic sales growth in all regions. The successful integration of our 2005 acquisitions will foster our dynamic growth in our business units.

Fresenius Kabi is one of the few companies to offer infusion therapy, clinical nutrition, and related medical devices. Our market position is strong: We are the market leader in Europe and leading in almost all of our markets in Latin America and Asia-Pacific.

Fresenius Kabi offers an integrated product portfolio. We develop, manufacture, and market pharmaceutical products as well as medical devices and disposables for infusion and nutrition therapies. We focus on products for the treatment and care of critically and chronically ill patients.

In infusion therapy we offer products for fluid and blood volume replacement as well as generic intravenously administered drugs (IV drugs). We also supply infusion technologies, infusion disposables, and patient data management systems.

In clinical nutrition we provide parenteral (administered intravenously) and enteral nutrition (administered via the gastrointestinal tract). Other products include inpatient and outpatient infusion technologies, infusion disposables, and patient data management systems.

Our products are used in the entire network of medical care: in the emergency room, during operations, in intensive care, in regular hospital wards as well as in outpatient care.

A further business unit of Fresenius Kabi is transfusion technology, where we offer a range of products for use by blood banks and blood donation units to produce blood products.

## BUSINESS DEVELOPMENT

In 2005, Fresenius Kabi achieved a significant increase in sales of 13 % to €1,681 million (2004: €1,491 million). Organic growth rose by a strong 7 %. Acquisitions increased sales by 5 %, primarily due to Labesfal. Currency translation added 2 % to sales, divestments had a -1 % effect.

The table shows the development by region:

in million €	2005	2004	Change	Organic growth
Germany	<b>405</b>	401	1 %	1 %
Europe ex Germany	<b>819</b>	712	15 %	5 %
Asia-Pacific	<b>183</b>	157	17 %	15 %
Latin America	<b>101</b>	79	28 %	14 %
Other regions	<b>173</b>	142	22 %	18 %

In Europe we considerably increased sales and achieved organic growth of 4 %. In Germany, sales grew by 1 % despite cost-saving measures in the health care sector.

Outside Europe, in the international segment, we continued our usual high level of growth.

Sales by product segment were as follows:

in million €	2005	2004	Organic growth
Infusion therapy	895	759	7 %
Clinical nutrition	674	624	8 %
Transfusion technology	112	108	1 %

Fresenius Kabi significantly increased earnings. EBIT rose by 33 % last year to €234 million (2004: €176 million). Our EBIT margin was 13.9 % (2004: 11.8 %). We clearly exceeded the projected full-year EBIT margin target of >13.5 %, which was raised at the mid of 2005.

Our business developed extremely well in both Europe and the international segment. In Europe we achieved an EBIT of €216 million (2004: €172 million), corresponding to an increase of 26 % and an EBIT margin of 17.6 % (2004: 15.5 %). In the international segment, EBIT rose by 35 % to €74 million (2004: €55 million). The EBIT margin increased to 16.2 % (2004: 14.6 %). Corporate costs and corporate research and development expenses amounted to €56 million (2004: €51 million).

## ACQUISITIONS AND INTERNATIONAL EXPANSION

A key goal for 2005 was to broaden our international presence and our product portfolio – via acquisitions and through the foundation and strengthening of subsidiaries.

On January 1, 2005 we set up a subsidiary in the Philippines. It is an important step towards expanding of our business in this country. Previously, we were only represented by two distribution partners.

In March 2005 we closed our acquisition of Labesfal. This company produces and markets generic intravenously administered drugs for hospitals.

Halfway through the year we increased our stake in the Chinese joint venture Beijing Fresenius Kabi Pharmaceutical Co., Ltd. (BFP) from 65 % to 100 %, buying out 35 % from the Beijing Double Crane Pharmaceutical Co., Ltd. In 2005, BFP achieved sales of €46 million. The company's approximately 450 employees produce infusion solutions and IV anesthetics. Founded in 1994, the company is one of our most successful subsidiaries in the Asia-Pacific region. The BFP-produced blood volume replacement solution HAES-steril® and the anesthetic Propofol Fresenius rank among the seven most successful products recently introduced in China by foreign firms. Since 1982 we have also been active in China with another joint venture, the Sino Swed Pharmaceutical Co. Ltd. Last year, to maximize the opportunities offered by the dynamic development of the Chinese healthcare market, we founded a holding company based in Beijing to coordinate all of our subsidiaries' activities in the country.

In August 2005, we signed a contract to acquire a 25 % stake in E-Wha International, Inc., an owner-managed South Korean medical technology company. E-Wha, which is based in Seoul, develops, produces and markets disposable infusion systems. As a result, we have acquired the worldwide rights to market, distribute and further develop the E-Wha infusion systems. The company's main product group is disposable infusion pumps primarily used in outpatients for administering medication in cancer and for pain therapy.

On September 1, 2005, we established a subsidiary in Malaysia, where previously we had only been represented by our distribution partners.

In December 2005, we completed the acquisition of the business of Clinico GmbH, a German manufacturer of medical devices.

On January 1, 2006, Fresenius Kabi increased its stake in Pharmatel Fresenius Kabi Pty Ltd. from 25.1 % to 50.1 %. Launched in 2004, the Australian joint venture compounds intravenously administered drugs and is also active in parenteral nutrition.

## INFUSION THERAPY

In 2005, Fresenius Kabi strengthened its position as market leader in Europe and expanded its market presence in Asia-Pacific, Latin America, and South Africa.

Fresenius Kabi has been active in the field of blood volume replacement for several decades. Our replacement solutions contain hydroxyethyl starch (HES), which is made from maize. HES products are artificial colloids that can be used with any blood group. We are market leader in this field in Europe, Asia-Pacific, and Latin America. We have established a new generation of colloids with our product Voluven®, which we sell in approximately 70 countries. Its medical superiority and safety in use have won us widespread acceptance of this product. In Brazil for example, only one year after its introduction, Voluven® has become the blood volume replacement solution of choice and the leader in artificial colloids.

Propofol Fresenius is an anesthetic agent that we sell in more than 80 countries. We achieved high growth rates in Asia-Pacific, where we already rank among the largest sup-

pliers. We concluded the regulatory approval process for our new Propofol variety with medium-chain and long-chain fatty acids in 2005 and started their launch in the EU and Switzerland. Propofol Fresenius is a highly effective and easily controllable anesthetic. These properties have resulted in its increasing use in diagnostic procedures such as endoscopy.

In 2005, we introduced numerous new medical devices for infusion therapy. At MEDICA, the world's largest trade fair for medical technology, we presented the first product from our new Agilia line. The Injectomat Agilia is a high precision syringe pump for the intravenous administration of medication. Ease of use and safety were priorities in the pump's development. A simple menu enables it to be configured for use in general and intensive care, during surgery, and in emergency rooms. Data saved in the Injectomat Agilia – such as flow rate and volume – can be transferred directly to hospitals' data management systems.

We also introduced a new device for the instant diagnosis of blood parameters: EasyLab measures, monitors, and documents blood parameters such as electrolytes, pH-levels, oxygen, and carbon dioxide partial pressure, as well as hematocrit levels. The device can be used in intensive care and during surgery, but also in dialysis and by the general practitioner for monitoring lung function.

Another new product in 2005 was Ambix ANAPA, a disposable pump for administering medication that can be used for all types of infusions. Among the single-use pumps on the market, Ambix ANAPA is distinguished by its precision, safety, and easy handling. Designed especially for outpatient care, the pump is used primarily for cancer and pain therapies. Ambix ANAPA is a product of E-Wha infusion systems.

Fresenius Kabi makes substantial contributions to the training and education of the specialist medical community worldwide. Our scientific symposium FRACTA (Fresenius Kabi Advanced Course on Transfusion Alternatives) was held in India and Russia in 2005. The intensive, scientific discussion about current strategies for using infusions in volume therapies was greeted with very strong interest. The scarcity of blood will increasingly become an important topic in many emerging markets.

## CLINICAL NUTRITION

Clinical nutrition can improve the general condition of patients and accelerate the recovery process. We lead this field in most of our markets in Europe, Asia-Pacific, Latin America, and South Africa. In 2005, we were able to increase our market share, especially in growth regions.

In parenteral nutrition our multi-chamber bag portfolio continues to attract strong interest. Each bag contains all the patient's daily nutritional requirements. We offer nutrition in 1, 2 and 3-chamber bags to accord with the patient's individual need. In 2005, we introduced our 3-chamber bag Kabiven® in various countries, such as Australia, Brazil, Russia, and the Philippines.

We also successfully introduced our new product Structo-Kabiven® electrolyte-free, which was specially developed for the needs of dialysis patients receiving parenteral nutrition. We launched StructoKabiven® electrolyte-free in Great Britain at the end of 2005 and plan to introduce it in additional European countries in 2006.

SMOFlipid® is a lipid emulsion containing four different lipid components to combine all the advantages of various fatty acids. The correct balance of fatty acids is important in

the parenteral nutrition therapy of patients in intensive care and helps to shorten hospital stays. The high acceptance of SMOFlipid® by medical experts was confirmed during an international symposium for clinical nutrition held by the European Society of Intensive Care Medicine in 2005. Experts and opinion leaders are showing increasing interest in using special lipids in nutritional therapies for patients in intensive care. In 2005, we introduced this product in several more European countries.

Our expertise in clinical nutrition is based, among other things, on the fact that we offer both parenteral and enteral therapies. One of our priorities in 2005 was to further expand our enteral nutrition products internationally. South Korea was one of the countries where we launched our Fresubin® products as part of our strategy to enlarge our product range in the Asian markets.

We also launched the enteral sip feed Fresubin® protein energy Drink in several European countries and now market it in over 20 countries. Malnourished patients have increased protein and energy requirements. The dosage of the nutrients and the proven superior taste have enabled us to establish this product very successfully on the market. In 2005, we introduced Fresubin® protein energy Drink in Great Britain, Scandinavia, South Africa, and other countries.

Ketosteril® is used to treat chronic kidney disease. It contains all the amino acids essential for these patients. Studies show that a Ketosteril®-supplemented, low-protein diet helps to preserve residual renal function, thus slowing the disease's progress and delaying the start of dialysis.

Ketosteril® is registered in over 50 countries and is being successfully marketed in Asia, Latin America, and Eastern Europe. In 2005, we received regulatory approval for South Korea and began distributing the product there toward the end of the year.

In the field of medical devices for enteral nutrition, we also introduced a new transnasal feeding tube for use in the early stages of intensive care. To save patients from undergoing additional surgery, the feeding tube is placed via the mouth or nose. The new feeding tube Freka® Easy In consists of an intestinal tube and a gastric tube. The nutrition is administered via the intestinal tube, and secretions are removed via the gastric tube. In 2005, we introduced this product in Germany, Austria, and the Netherlands.

Fresenius Kabi's BodyScout is a new device for measuring body components (for example, fat mass, muscle mass, and intra- and extracellular water). Based on a new spectroscopic multifrequency measuring technique, the device determines and monitors the nutritional status and fluid levels of a patient. We introduced the product at MEDICA 2005.

We held our scientific symposium "Fresenius Kabi Advanced Nutrition Course" (FRANC) in Brazil, Germany, and Australia in 2005. Eminent physicians and nutritionists lectured on the latest developments in clinical nutrition therapy for seriously and chronically ill patients. Workshops on specialized topics provided participants with a platform for a vigorous exchange of ideas.

## TRANSFUSION TECHNOLOGY

In the area of transfusion technology, we offer disposable systems and medical devices for collecting and processing blood and blood products.

We consolidated our market leadership in in-line filter blood bag systems in Germany, Italy, Austria and Brazil and were able to expand our positions in Eastern Europe and Turkey. Last year we sold approximately 9.5 million blood bag systems worldwide. We made significant advances in intro-

ducing our devices for whole blood processing to international markets. Our mixing device Hemolight plus and Hemo-seal, a device for the disconnection of PVC-tubing, were successfully introduced in around 20 countries in Eastern Europe, the Middle East, and Asia-Pacific. Altogether, we now sell this product in 59 countries. CompoGuard, another mixing device model, also did well on the market. We were able to extend our leading market position in this product in Great Britain, Italy, France, and Spain in 2005.

Our COM.TEC cell separator was introduced in China and other markets in 2005. As a result of the very high acceptance of this product, we were able to achieve double-digit growth in sales.

We built a new production line for blood bag systems at our subsidiary Infusia in Horatev, near Prague in the Czech Republic. Its high quality of production and strategic location have provided us with the perfect platform for expanding our transfusion technology products business in Central and Eastern Europe.