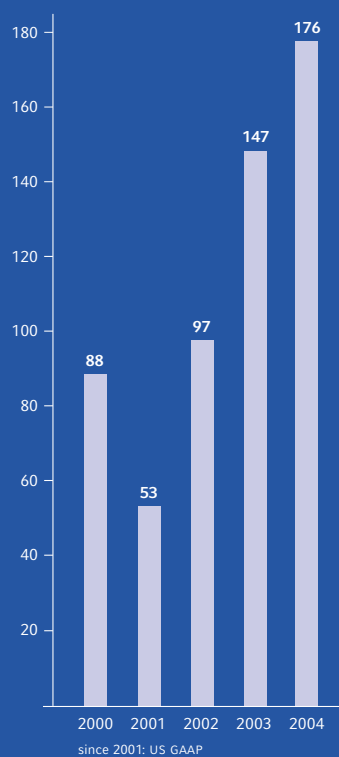


FRESENIUS KABI

- ▶ Fresenius Kabi significantly increased its profitability.
- ▶ The company continued to expand strongly in the growth markets Asia-Pacific and Latin America.
- ▶ We selectively strengthened our international presence and expanded our product portfolio through acquisitions.

DEVELOPMENT OF OPERATING INCOME (EBIT) IN MILLION €



2004 was an exceptional year for Fresenius Kabi with significant growth in earnings. Sales in Europe were influenced by decreases in Germany. High growth rates were reached in the Asia-Pacific region, and especially in China. The same is true for Latin America and South Africa.

With our products, we make a significant contribution to the treatment and care of critically and chronically ill people. Our portfolio comprises three business units:

▶ **Infusion therapy**

Products for fluid and blood-volume replacement as well as intravenously administered drugs, such as anesthetics for general anesthesia as well as medical devices for the administration of infusion therapies and for infusion management.

▶ **Clinical nutrition**

Parenteral (intravenous) and enteral (via sip and tube feeds) nutrition for patients who are unable or not allowed to eat any or sufficient normal food, as well as medical devices for the administration of nutrition therapies.

▶ **Transfusion technology**

A range of products for blood banks and blood-donation organizations for the production of blood products.

Our products are used in hospitals as well as in out-patient medical care. We are the market leader in infusion therapy and clinical nutrition in Europe, in most countries of Latin America and in our markets in the Asia-Pacific region.

BUSINESS DEVELOPMENT

In 2004 Fresenius Kabi adjusted its financial reporting to provide more transparency for investors: Sales are now reported according to region and product segment while

EBIT is divided into the segments Europe and International. This new reporting structure reflects the development of the Group regionally as well as in individual product markets.

Sales of Fresenius Kabi rose to € 1,491 million in 2004 (2003: € 1,463 million). Organic growth reached 5 %, currency translation effects reduced sales by 1 %, divestments had a -2 % effect.

The following figures show the regional development: In Europe we achieved sales of € 1,113 million (2003: € 1,122 million). Organic growth was 1 %. Cost-saving measures in the German health care sector created significant price pressure and led to a change in our product mix. Sales here fell to € 401 million (2003: € 427 million). Excluding the German market, we achieved European sales of € 712 million (2003: € 695 million) and a good increase in organic sales of 6 % compared to the previous year.

Outside Europe, in the International segment, we achieved sales of € 378 million (2003: € 341 million), an increase of 11 %. In the Asia-Pacific Region, sales rose 14 % to € 157 million (2003: € 138 million) while in Latin America sales totaled € 79 million (2003: € 80 million). The remaining regions, primarily South Africa and Canada, reached sales of € 142 million (2003: € 123 million). Our international activities realized excellent organic sales growth rates. In Asia-Pacific, our sales grew 22 %, in Latin America 11 % and in the remaining regions 12 %.

The following highlights sales according to product segment:

in million €	2004	2003	Organic growth
Infusion therapy	759	745	6 %
Clinical nutrition	624	620	2 %
Transfusion technology	108	98	11 %

The Clinical nutrition segment was particularly affected by lower prices in the German market as well as by divestments made during 2004.

We were able to significantly increase earnings in 2004. EBIT rose 20 % to € 176 Mio (2003: € 147 million). The excellent development of the operating business and further measures to increase profitability had a positive effect. The EBIT margin climbed to 11.8 %, an increase of 180 basis points over the 10.0 % of 2003.

In Europe we achieved EBIT of € 172 million (2003: € 157 million) while international EBIT amounted to € 55 million (2003: € 36 million). Corporate and corporate research and development costs amounted to € 51 million (2003: € 46 million).

ACQUISITIONS

Fresenius Kabi completed a number of acquisitions, further strengthening its presence in international markets and expanding its product portfolio:

In May 2004, we acquired Isotec Nutrition from the South African pharmaceutical group Alliance Pharmaceuticals. Isotec Nutrition specializes in the compounding and marketing of infusion solutions for parenteral nutrition and has worked together with our South African subsidiary in marketing and sales for several years. Isotech Nutrition achieved

sales of about € 10 million in 2003. The acquisition has strengthened our leading market position in parenteral nutrition and that as a full-service provider for nutrition and infusion therapy not only in South Africa but also in the entire southern region of the continent. With a total population of about 200 million, the area is one of the key international growth markets for Fresenius Kabi.

In September 2004, we launched a joint venture with the Australian pharmaceutical group Pharmatel to market our products and those of Pharmatel in Australia. Fresenius Kabi owns 25.1 % of the new company while Pharmatel holds 74.9 %. We will increase our stake to 50.1 % by 2006. Pharmatel is one of the market leaders in the compounding of intravenously administered drugs for cancer patients in Australia. The company had sales of around € 18 million in 2003. The company's two compounding facilities, located in Melbourne and Sydney, as well as its excellent reputation provide an opportunity for us to quickly gain access to the Australian compounding market for parenteral nutrition.

In January 2005, we bought Infusia, a company based in the Czech Republic. Infusia produces a comprehensive infusion therapy product program for the Czech Republic, Slovakia and other east European countries. The company posted sales of around € 10 million in 2003. Through the acquisition, Fresenius Kabi has become a leading infusion solution and clinical nutrition provider in the Czech Republic and Slovakia.

In January 2005, Fresenius Kabi signed an agreement to acquire the Portuguese company Labesfal – Laboratório de Especialidades Farmacêuticas Almiro S.A. Labesfal produces and sells intravenously administered generic drugs on the

domestic market, such as antibiotics, analgesics and local anesthetics as well as drugs for treating gastrointestinal diseases. Labesfal holds an excellent position on the Portuguese hospital market and had sales of €56 million in 2004. The purchase of Labesfal offers excellent growth opportunities in this highly attractive product segment. Fresenius Kabi plans to introduce Labesfal's products throughout Europe. The existing sales and marketing network of Fresenius Kabi allows for a fast market entry. The products are expected to receive European regulatory approval within the next two years.

INFUSION THERAPY

In 2004, we further consolidated our European market leadership and expanded our market presence in the growth markets Asia-Pacific and Latin America. The introduction of our key products in additional countries played a significant role.

Voluven® sets standards in the field of blood volume replacement and is sold in about 70 countries. Last year, we successfully introduced Voluven® to China, Malaysia and Singapore.

HyperHAES® is used predominantly in emergency medicine to quickly offset massive blood loss. We currently market HyperHAES® in Europe and were able to expand our market presence there with the introduction of HyperHAES® in Great Britain in 2004.

Our business with infusion solutions in the PVC-free freeflex® bag also developed positively last year. The bag offers excellent drug compatibility and is safe and easy to use. Last year we made progress in expanding the international presence of this product and now offer infusion solutions in this packaging in about 15 countries. We opened new markets for this packaging concept by introducing Voluven® in the freeflex® bag in China and New Zealand.

Propofol Fresenius is an anesthetic drug. The product is used in more than 80 countries and we are the market leader in injectable anesthetics in several European countries. Last year, we continued with the internationalization of our business in Asia with emphasis on Hong Kong and South Korea. In 2003, we broadened the Fresenius Propofol product program by introducing a variety with medium- and long-chain fatty acids. This product is currently sold in Germany, and regulatory approval procedures are under way in all European Union member countries as well as Switzerland. Approval is expected in 2005.

The internationalization of our medical devices for infusion therapy continued. After the successful introduction of Base Primea, an infusion platform for use by anesthetists, in some European countries in 2003, last year we introduced it to markets such as the Scandinavian countries, Italy, China, India and South Korea.

We consider it important to pass on new advances in infusion therapy. In 2004 we held our scientific symposium FRACTA (Fresenius Kabi Advanced Course on Transfusion Alternatives) in Beijing and Seville. We use scientific websites such as www.haes-info.de and interactive training programs such as "Volume Therapy from A to Z" to make new discoveries in the use of infusion therapies available to the medical community.

CLINICAL NUTRITION

Fresenius Kabi is one of the few companies worldwide that offers parenteral and enteral products for critically and chronically ill patients in hospitals as well as out-patient treatment. Both forms of clinical nutrition can, among other benefits,

improve the immune function of patients, increasing their chances of recovery. Severely ill patients in intensive care are not the only ones who can suffer from a lack of vital nutrients – those requiring nursing care or patients with congenital metabolic diseases, such as cystic fibrosis, can also be affected. Clinical nutrition helps to strengthen the immune system and maintain bodily functions.

In 2004, we improved our European market position in the field of clinical nutrition and were able to expand our strong market position in the key growth regions Asia-Pacific and Latin America.

In parenteral nutrition, we introduced a new generation of lipid emulsions last year. SMOFlipid® contains lipid components from four different oils, all of which have individual effects: Soy bean oil is a reliable source of essential fatty acids. Medium-chain triglyceride is won from filtered coconut oil and offers a quick energy source. Olive oil, with its simple unsaturated fatty acids, provides a balanced fatty acid content while fish oil contains omega-3 fatty acids that have anti-inflammatory effects. SMOFlipid® also contains Vitamin E as an antioxidant. This combination is especially important for patients in intensive care, and studies show that the use of SMOFlipid® can reduce a patient's hospital stay. Last year we successfully began the introduction of this innovative product in Germany, Denmark and Sweden.

Our 3-chamber bag is a trendsetting packaging concept for parenteral nutrition and contains all the daily nutritional requirements of a patient. By simply opening the chambers, all vital nutrients are mixed in the bag shortly before infusion without threat of contamination.

The StructoKabiven® 3-chamber bag contains both medium- and long-chain fatty acids, glucose and a special amino acid profile to provide a quick energy source for critically ill patients. Last year we significantly expanded the market presence of this product in most of Europe by launching it in France, Great Britain, Greece, the Netherlands, Austria, Scandinavia and Spain.

We introduced the Kabiven® 3-chamber bag in Italy, China, Taiwan and Australia in 2004 to extend the internationalization of the product.

In enteral nutrition we offer standard and special diets for sip and tube feeding and were able to once again strengthen our European market position and gain market shares in Asia-Pacific and Latin America. Last year, we successfully launched the new Fresubin® protein energy drink. Diseases can lead to an increase in the need for proteins which then raises the risk of protein deficiency. We developed this new protein and energy drink to counteract the shortfall and have already begun introducing the product in various countries in Europe such as Belgium, France, Austria and Switzerland.

Our Intestamin® is used as a supplement in the early enteral feeding of severely ill patients. Often the intestinal tolerance of a patient is limited during the first few days of critical illness, limiting the availability of essential substances. The full potential of traditional immunonutrition therapy concepts cannot be realized because of the patient's limited intestinal tolerance. The early enteral administration of nutrients has been shown by numerous studies to maintain the intestinal structure and function and reduce the risk of infection and complications. Just 500 ml Intestamin® provide a complete dose of key nutrients that support the intestines while helping to protect against deficiencies that could negatively

impact the course of the disease. We introduced Intestamin® in 2002 and now market it in more than 20 countries. Last year we continued the internationalization of the product through launches in further countries such as Denmark, Norway and the Czech Republic.

In the area of medical devices for the application of enteral feeding products, we were able to enter additional countries with the Freka® Pexact enteral feeding tube which was first introduced at the end of 2003 and is used for long-term enteral feeding. Freka® Pexact is now available in various countries including Norway, Sweden, Denmark and Switzerland.

The development of innovative application technologies is very important to us. In the mid-eighties we introduced the first percutaneous gastric feeding tube to the market. Percutaneous endoscopic gastrostomy (PEG) is a method of placing a feeding tube in the stomach through the abdominal wall with the help of an endoscope. Widespread out-patient nutrition therapy was first made possible by the discovery of this method. The percutaneous gastric feeding tube has become the method of choice, especially in mid- and long-term enteral nutrition therapy. The PEG feeding tube is only a minor discomfort to patients as it can remain in the body for long periods without having to be replaced. In Germany alone, about 120,000 percutaneous endoscopic gastric feeding tubes were placed in 2004.

Increasing awareness of clinical nutrition's role in treatment success is a key challenge for us. Our scientific symposium "Fresenius Kabi Advanced Nutrition Course" was held last year in Europe and Asia-Pacific.

TRANSFUSION TECHNOLOGY

Our transfusion technology segment offers products for the production of blood products. The market is characterized by continued consolidation of blood donation organizations and a stagnation of donor numbers. Last year we expanded our market position in Germany and France and strengthened our European position in in-line filter blood bag systems.