Annual General Meeting of Fresenius SE on May 12, 2010

Speech of Dr. Ulf M. Schneider, Chairman of the Management Board

The spoken word has precedence.

Chart: Welcome

Good morning, ladies and gentlemen. On behalf of the Management Board, I would like to welcome you to the Annual General Meeting of Fresenius SE. We are very pleased that so many of you could attend and appreciate your interest in our Company. I would also like to welcome the members of the press, our guests, and everyone who has joined us on the Internet.

Chart: Agenda

I will begin by highlighting the Fresenius Group's financial results in 2009. I will then move on to the development of the Fresenius share price, the first quarter of the current year, and the outlook for the full year 2010. I will close with the proposed conversion of preference shares into ordinary shares in combination with a change of the Company's legal form into a KGaA – a partnership limited by shares.

Chart: 2009 – A very successful year for Fresenius

Fresenius achieved record sales and earnings in 2009 despite a challenging macroeconomic environment. All business segments and regions contributed to these financial results. We had an excellent cash flow and were able to significantly improve our debt ratios after the acquisition of the generics company APP Pharmaceuticals in the United States. The net debt/EBITDA ratio was 3.0 at the end of 2009, so we reached our 2010 target range of 2.5 to 3.0 one year ahead of time.

You will recall that Fresenius SE and Fresenius Medical Care were two of the very few companies that provided a sales and earnings outlook at the beginning of 2009. We did so not just for the Group, but for all four business segments. I would like to point out that we met or exceeded all of our goals for the fiscal year 2009. And we have provided a detailed outlook for 2010. I will go into more detail on this later.

Chart: Fresenius Group: Strong financial results

Now to the 2009 financial results: Let me first draw your attention to the gray-shaded area on this chart. In constant currency, Group sales increased by 13% to €14.2 billion. At actual rates, the growth was 15%.

EBIT increased by 17% in constant currency and by 19% at actual rates to €2.1 billion. Net income before special items related to the acquisition of APP Pharmaceuticals increased both in constant currency and at actual rates by 14% to €514 million. Including special items, net income was €494 million.

Fresenius is focused on sustainable long-term growth. As you can see, we have more than doubled both EBIT and net income over the last five years. Sales have almost doubled. The compounded annual growth rate is 16% for sales, 21% for EBIT, and 23% for net income.

Chart: Fresenius SE: 17th consecutive dividend increase proposed

Dear shareholders, based on these excellent results and the very good prospects for the current year, we are pleased to propose the 17th consecutive dividend increase. We propose to increase the dividend by 7% to 75 eurocents per ordinary share and to 76 eurocents per preference share. It is our intention to continue this earnings-driven dividend policy in the future.

I would also like to emphasize that Fresenius is a reliable employer. In 2009, the number of employees exceeded 130,000 for the first time. More than 8,000 employees joined the company in 2009 alone. In that regard, the excellent financial results are not only very important for you as our shareholders, but also for our employees, who jointly achieved these results. I would like to sincerely thank all our employees on behalf of the Management Board. Their contribution was truly outstanding. Their enthusiasm and commitment to excellence will also be key to achieving our future goals.

In addition to the mandatory IFRS statements, Fresenius has voluntarily prepared its 2009 financial statements according to US GAAP. IFRS and US GAAP financial statements differ mainly due to the fact that acquired and capitalized in-process R&D activities were depreciated in the IFRS statements. Under the US GAAP accounting rules, in-process R&D projects were written off in the year of acquisition.

For the disclosures pursuant to Section 289 and Section 315 of the German Commercial Code, please refer to the separate report available at the Annual General Meeting and on our website.

Chart: Fresenius share price development in 2009 and 2010

Now to the Fresenius share price: Fresenius shares kept pace with the DAX in the first half of 2009. In the second half of the year, the Fresenius shares lagged behind the strong increase of the DAX index, but closed that gap by the year’s end. The ordinary share gained 22% and the preference share 20% in 2009. Both share classes therefore roughly matched the development of the DAX, which was up 24% in 2009.

Fresenius shares have significantly outperformed the DAX in the first few months of this year. The ordinary share is currently 14% and the preference share is 1% above 2009 year-end levels. The DAX lost 4% over the same period. We consider the significantly stronger increase of the ordinary share in comparison to the preference share as a positive signal from the capital markets toward the creation of a single share class. I will come to that later.

I am convinced that Fresenius shares will continue to be an attractive investment in the future. This is supported by our good financial outlook and the successful continuation of our growth initiatives. The vast majority of analysts continue to rate Fresenius shares as a 'buy'.

Chart: Fresenius Group: Successful start into 2010

I will now discuss the first quarter of 2010. We had a very successful start, and the results are fully in line with our outlook for the year. Group sales rose to €3.6 billion, an increase of 10% in constant currency and 8% at actual rates. Net income before special items was €119 million. This is an increase of 8% in constant currency and at actual rates.

All business segments are on track and well-positioned to achieve their targets for 2010.

Chart: Fresenius Medical Care: 1st quarter 2010 and outlook

Fresenius Medical Care achieved sales growth of 13% to US$2.9 billion in the first quarter of 2010. Net income increased by 7% to US$211 million.

The Company fully confirmed its outlook and expects to achieve revenue of more than US$12 billion in 2010. Net income is expected to be between US$950 million and 980 million.

Chart: Fresenius Kabi: 1st quarter 2010 and outlook

Fresenius Kabi had a successful start into 2010. Sales increased by 11% to €800 million. EBIT rose by 5% to €145 million.

Fresenius Kabi has also fully confirmed its outlook for 2010 and expects to achieve organic sales growth between 7 and 9%. Furthermore, Fresenius Kabi forecasts an EBIT margin between 18 and 19%. The Company thus continues to earn the highest operating margins in the Group.

Chart: Fresenius Helios: 1st quarter of 2010 and outlook

Now to Fresenius Helios. Sales increased by 5% to €608 million in the first quarter of 2010. EBIT increased by 18% to €52 million.

Fresenius Helios has fully confirmed its outlook for 2010 and expects organic sales growth of 3 to 5%. EBIT is projected to be between €220 and 230 million, a significant increase after €205 million in 2009. We expect to reach the upper end of this range.

Chart: Fresenius Vamed: 1st quarter 2010 and outlook

Finally, Fresenius Vamed: Vamed achieved sales of €156 million in the first quarter of 2010. EBIT was €7 million. Order backlog was outstanding at €838 million.

Fresenius Vamed also confirms its outlook for 2010 and projects sales and EBIT growth of 5 to 10%.

Chart: Fresenius Group: Positive outlook for 2010

Ladies and gentlemen, I believe that the expectations of our business segments add up to a very positive Group outlook for 2010. Sales are expected to grow by 7 to 9% in constant currency. Net income is projected to increase by 8 to 10% in constant currency. We expect net income to be at the upper end of our guidance range. The outlook is before special items related to the acquisition of APP Pharmaceuticals. Those are non-cash items which have no operating impact, so the adjusted outlook is a better indication of the Group's financial performance.

Against the backdrop of continued strong growth, capital expenditure will remain at a high level. We expect to invest about €750 million to €800 million in property, plant, and equipment in 2010, based on today's exchange rates.

Now, with this positive outlook I would like to come to items 7 and 8 on today's agenda:

Chart: Transaction overview

We are proposing the conversion of all non-voting preference shares into voting ordinary shares at a 1:1 exchange ratio in combination with the change of the Company's legal form from an SE into an SE & Co. KGaA.

Chart: Transaction rationale

The rationale is to create one single share class. This will increase the attractiveness of our shares and further strengthen the position of Fresenius in the capital markets. There are four important reasons for this transaction:

First: We simplify the share structure. The share capital will no longer be divided into preference and ordinary shares. All shares shall be converted to ordinary shares. 71% of the shares will then be free float, and 29% will be owned by the Else Kröner-Fresenius Foundation.

Second: The trading liquidity of the shares is expected to increase. So far, the average daily trading volume was 50,000 ordinary shares and 400,000 preference shares. We expect that the trading volume will increase by almost 50% compared to the current trading levels of the preference shares. The share conversion therefore increases the attractiveness of Fresenius shares for all shareholders.

Third: The unified share structure is also expected to strengthen the position of Fresenius shares in the DAX30. We estimate that the current index weighting of 0.8% should increase to about 1.1%. The DAX30 currently only includes the preference shares and therefore only 50% of the Company's share capital.

Fourth: Access to the equity markets and the financial flexibility of Fresenius will be improved. A single, liquid share class will allow for more efficient terms than those we were able to achieve in past equity placements with an equal number of ordinary and preference shares. However, let me clearly emphasize that we have executed capital increases only in exceptional cases to finance strategic acquisitions. This will remain our policy in the future. Fresenius has an excellent strategic position, and we have no plans for a capital increase.

Chart: Maintaining high standards for compliance and transparency

I will now speak about the legal form of the KGaA. This legal form enables us to achieve the benefits of a single share class while maintaining the controlling position of the charitable Else Kröner-Fresenius Foundation, which currently holds approximately 58% of the ordinary shares. The foundation can thus continue to fulfill the will of Else Kröner to preserve the Fresenius Group as an independent entity. Given this background, the KGaA represents the only option for achieving the goal of unifying the two share classes. Companies that have no majority shareholder therefore are not comparable with today's structure of Fresenius. The legal form of a KGaA is well-proven and has been implemented at Fresenius Medical Care since 2005.

As you can see on this chart in the lower-left blue box, the general partner of the KGaA will be a European company, Fresenius Management SE, wholly owned by the Else Kröner-Fresenius Foundation. By selecting an SE as general partner, we build on the current European legal form of Fresenius SE. The general partner's management will be identical to Fresenius SE's current executive team and will assume the management of Fresenius SE & Co. KGaA. The foundation will elect the Supervisory Board of Fresenius Management SE and thus will be able to indirectly appoint the Management Board. However, the foundation is already entitled to do so today, based on its voting majority at the Annual General Meeting of Fresenius SE. The right of the foundation to appoint the general partner is tied to a share ownership of more than 10%.

On the right-hand side of the chart, you see that the KGaA will limit the influence of the foundation at the Annual General Meeting because its interest is reduced to about 29% as a consequence of creating one single share class. This increases the voting weight of the outstanding shareholders. In addition, the foundation is subject to a voting restriction for certain resolutions such as the election of the Supervisory Board of the KGaA and the appointment of the auditor. In that respect, the outstanding-share holders retain the sole voting right. Certain resolutions of the Annual General Meeting, in turn, require the approval of the general partner. This especially applies to changes in the Articles of Association.

We will retain our proven governance structure in the KGaA with a Supervisory Board consisting of 12 members, including international labor representatives. We will continue to maintain our high standards of corporate governance and transparency within the new structure.

The Else Kröner-Fresenius Foundation has informed us that it endorses the resolution and will hold on to its shareholding in Fresenius for the long term. The foundation has been a reliable shareholder with a long-term interest in the development of Fresenius, contributing to a stable shareholder structure.

Chart: Change of legal form into a KGaA

The business strategy of the Company will not change with the conversion into a KGaA.. The Group's organizational structure will not change either. Fresenius SE & Co. KGaA will continue to act as the operating holding for Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed. The principle of a decentralized and regional organization has successfully proven itself over many years. Furthermore, the conversion will neither lead to the liquidation of the Company nor the formation of a new legal entity. The legal and financial identity of the Company will be preserved. No transfer of assets will take place. In addition, the change of the legal form does not result in any financial or tax consequences. The Articles of Association of the KGaA closely follow the Statutes of Fresenius SE.

Ladies and gentlemen, the Management and Supervisory Boards are certain that the creation of a single share class in combination with the change of the Company's legal form into a KGaA is an important step for Fresenius. Together with our long-term corporate strategy and our focus on sustainable and profitable growth, this will further strengthen Fresenius to continue on its successful path. We kindly ask you to support today's proposals.

Chart: Fresenius Group: With confidence into the future

Let me conclude: We are committed to achieving our targets in 2010. We will continue to manage the Company with commercial prudence. Our financing is secured for several years, and we are focusing on the continued improvement of our leverage ratios.

As in the past five years, we are targeting organic sales growth in the range of 6 to 9%. In addition, we anticipate continued opportunities for small and medium-sized acquisitions.

We have a diversified sales and earnings base thanks to our four business segments and our worldwide presence. All business segments have made outstanding achievements over the past few years. As a result, Fresenius is more balanced and stable today than ever before.

Ladies and gentlemen, I would like to thank you for your trust in Fresenius and look forward to your continued support.

Thank you for your attention.