



Annual General Meeting of Fresenius AG on May 10, 2006

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

The spoken word takes 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 AG. We are very pleased that so many of you could attend and we 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 would like to begin by highlighting the key strategic initiatives of 2005. I feel, this is particularly important since we have set the course for the continued profitable growth of the Fresenius Group with these steps. I will then move on to the financial results in 2005 and the performance of the Fresenius shares, before looking at the first quarter of the current year. Finally, I would like to close by discussing the outlook for the full year 2006 and our prospects for the future.

Chart: Important strategic steps to ensure continued growth

2005 was a truly exceptional year for the Fresenius Group. We put in place strategic initiatives which will take our company to a different level. Fresenius will achieve revenues of over 10 billion euros in 2006, and the number of employees worldwide has topped the 100,000 mark for the first time.

At the same time, we delivered outstanding financial results in 2005, with strong sales and earnings growth across all business segments. We are very proud of these strategic and operating achievements. On behalf of the Management Board, I would like to thank our employees and our management team for this tremendous performance and for the special effort and commitment they have shown.

Let me now elaborate on our strategic steps of 2005 in more detail: I will start with Fresenius Medical Care. Here, we successfully undertook two key initiatives. One was the acquisition of the US dialysis service provider Renal Care Group which was completed in March 2006. This acquisition substantially strengthens our presence in the U.S. market and reinforces our leadership in dialysis. Fresenius Medical Care now treats more than 115,000 patients at approximately 1,500 dialysis clinics in the USA, which is 35 % of all the country's dialysis patients. Our product business will also benefit from this transaction as we plan to increase the supply of Fresenius Medical Care products to the Renal Care Group's dialysis centers. This will also have a positive impact on our German production facilities since key components for the American 2008 dialysis machine are manufactured at our Schweinfurt plant.

The other important step was the change of Fresenius Medical Care's legal form into a KGaA (partnership limited by shares) and the conversion of Fresenius Medical Care preference shares into ordinary shares. This has significantly increased the liquidity and attractiveness of the ordinary shares. At the same time, we maintained Fresenius AG's management control at Fresenius Medical Care.

These two initiatives received a very positive response in the financial market, with strong share price gains. Since we announced these initiatives on May 4 last year, Fresenius Medical Care's market capitalization has increased by approximately 3.8 billion euros. The price of the ordinary shares has risen 57 %.

Our acquisitions at Fresenius Kabi in 2005 attracted less attention in the media. However, these transactions are of considerable strategic importance. The acquisition of the Portuguese company Labesfal has significantly strengthened our product portfolio in the market for generic intravenously administered drugs. The Clinico acquisition extends our medical devices business. This includes catheters, ports and cannulas required for the application of our infusion and nutrition therapies. To market these products, we will leverage our distribution strength in the hospital sector. We have a strong distribution network for supplying hospitals and clinics in Europe, and we building up similar positions in the emerging markets of Asia-Pacific and Latin America. These products will enable us to generate additional organic growth. So we have done more than just acquire two companies – which, by the way, are very successful in their own right. Our primary goal is the targeted regional expansion of the acquired product portfolios.

And, last but not least, we acquired HELIOS Kliniken GmbH at the end of 2005, which certainly gave us a lot of media attention. With this acquisition, we have built the Fresenius ProServe division into a strong third business segment focused on hospital operations in Germany. Here again, this is not just a M&A transaction. It is a strategic move which puts us among the leading private hospital operators, and places us in an excellent position to successfully participate in the ongoing privatization process in the German hospital market.

Chart: Outstanding financial results in 2005

Ladies and Gentlemen, as you can see from this chart, our strategic initiatives have gone hand in hand with exceptionally successful financial results. Sales grew by 8 %, an increase of more than 600 million euros, to approximately 7.9 billion euros. Operating earnings increased even stronger: EBIT was up 15 % to 969 million euros. Net income for the year was 222 million euros, a considerable increase of 32 %. This means that we have almost doubled our net income in the last two years. For the fiscal year 2005, Fresenius prepared its financial statements according to US-GAAP on a voluntary basis in addition to the mandatory IFRS statements. The figures reported in the two sets of financial statements are almost identical.

Chart: Fresenius Group: Sales and earnings growth in all business segments

This chart shows that all business segments contributed to the very good financial results. Especially Fresenius Medical Care and Fresenius Kabi achieved a strong increase in sales – with 9 % growth at Fresenius Medical Care and 13 % at Fresenius Kabi. Operating earnings growth outpaced sales growth at both business segments. EBIT at Fresenius Medical Care was up 10 % despite one-time expenses of 18 million euros related to the change of legal form and the creation of a single class of share. EBIT at Fresenius Kabi grew by an outstanding 33 %. Fresenius Kabi's EBIT margin improved impressively from 11.8 % in 2004 to 13.9 % in 2005.

At Fresenius ProServe, we have put the difficult turnaround years behind us. We worked hard to cut costs and to divest non-core businesses. We placed the business segment on a healthy footing again and, with HELIOS Kliniken, we will now focus on hospital operations in Germany. Fresenius ProServe achieved organic sales growth of 5 % in 2005. More significant was the EBIT improvement, which more than doubled to 20 million euros.

Chart: Fresenius Medical Care: 5008 Dialysis Therapy System

Beyond the good financial results, we also took product innovations forward in 2005, thus building the basis for continuing success in the future years. One product which I would like to highlight is the new 5008 dialysis machine which we introduced to the market last June. Fresenius Medical Care won the German Business Innovation Award for this therapy system in January 2006. That this new product development has received such recognition is a

source of great satisfaction to us. This machine is an outstanding achievement by our development team and it is proof of the continued innovative strength within our company.

Chart: Fresenius share price development 2005

Next, I would like to focus on the successful development of our share price. This reflects the excellent financial results and the capital market's positive response to our strategic initiatives. We have been able to considerably enhance shareholder value. In our numerous meetings with investors in Germany and abroad we have found that the confidence in our company's future growth and earning power has continued to grow. We are committed to delivering results that justify this confidence.

Let us look at the performance of the shares in more detail. In 2005, the preference share gained an impressive 67 % and the ordinary share increased a strong 42 %. By comparison, the DAX rose 27 % and the MDAX 36 %. Since the beginning of 2006, we have seen further strong share price gains of 25 % for both the ordinary share and the preference share. Our company now has a market capitalization of more than 7 billion euros.

Chart: Fresenius share price development 2003 - 2006

It is clear from this chart that the Fresenius shares have been a very attractive investment in the last three years. Over this period, the price of the ordinary share rose from 41 euros to currently about 134 euros, and the price of the preference share from 40 euros to about 144 euros. Both shares have therefore more than trebled in price. The Fresenius shares rank among the best-performing DAX and MDAX stocks over this three-year period.

Chart: Fresenius AG: 13th consecutive dividend increase proposed

In light of the excellent financial results in 2005 and the positive outlook for this and the following years, we are pleased to propose the thirteenth consecutive dividend increase. We propose to increase the dividend by about 10 % to 1.48 euros per ordinary share and to 1.51 euros per preference share. As you see from the chart, this proposal continues a long-standing series of significant dividend increases. With our profit-driven dividend policy, we share the company's financial success with our shareholders. I would like to point out that the 9.4 million new shares from the capital increase issued last December are fully entitled to the 2005 dividend. This results in a substantial increase in the total dividend distribution from approximately 56 million euros last year to about 76 million euros this year. I would like to add that the proceeds from the capital increase of about 900 million euros were used to finance the HELIOS acquisition. The new shares, which were issued at a price of 93 euros per ordinary share and 102 euros per preference share, were excellently received in the capital market.

At today's Annual General Meeting and at the separate Preference Shareholders' Meeting we propose that our shareholders approve new Approved Capital I and II at a total nominal amount of up to 19.2 million euros, since the previous Approved Capital I and parts of the Approved Capital II were used for the capital increase. This will allow Fresenius to take advantage of favorable capital market conditions to strengthen its equity base, and to issue ordinary and preference shares against contributions in kind for acquisitions if and when future opportunities arise.

Chart: Fresenius Group: Excellent start into FY 2006

I will now discuss the first quarter 2006 and our full-year outlook.

We have got off to an extremely good start in 2006! Group sales were up 34 % to 2.4 billion euros. Net income increased even stronger by 41 % to 65 million euros despite one-time expenses of 13 million euros mainly related to the refinancing of Group debt.

Chart: Fresenius Medical Care: Financial results and outlook

Fresenius Medical Care continued last year's excellent growth in sales and earnings in the first quarter of 2006. Sales were up 9 % to 1.7 billion dollars. Net income before one-time expenses was up 18 % to 127 million dollars. As expected, mainly debt refinancing led to one-time expenses of 11 million dollars. The Renal Care Group's balance sheet was fully consolidated with effect as from March 31, 2006. Now, the company is being integrated into our North American organization.

For the full year 2006, Fresenius Medical Care forecasts sales of approximately 8.1 billion dollars. Net income before one-time expenses is targeted to be in the range of 515 to 535 million dollars. The company expects one-time expenses for the integration of the Renal Care Group and debt refinancing as well as for costs related to the stock option accounting change to affect net income by approximately 60 million dollars.

Chart: Fresenius Kabi: Financial results and outlook

Fresenius Kabi performed excellently in the first quarter of 2006. With sales up 17 %, the company continued on its growth path. EBIT again rose faster than sales, with an increase of 31 % to 68 million euros. The EBIT margin reached a new record of 14.6 %.

Fresenius Kabi has enormous future growth opportunities. We expect the business to achieve organic growth of 5 to 7 % per year. At the same time, the company will profit from the opportunities of the Labesfal and Clinico acquisitions which I mentioned earlier. In addition,

Fresenius Kabi will strengthen its market positions outside Europe where we grow at double-digit rates. We continued our efforts to expand this regional market presence in 2005. In China, for instance, we increased the holdings in one of our companies from 65 % to 100 %. We raised our stake in a joint venture in Australia from about 25 % to over 50 % and set up new subsidiaries in the Philippines and in Malaysia. We will also strive to increase the EBIT margin, especially by achieving additional efficiencies in production and logistics.

These initiatives provide the basis for our optimistic 2006 outlook. Fresenius Kabi expects a sales increase of about 10 % in constant currency. The EBIT margin is projected to be in the range of 14.5 to 15 %. In absolute terms, each percentage point increase in margin represents an EBIT contribution of almost 20 million euros. This underlines the strong influence the margin improvements at Fresenius Kabi have had and will have on the Group results.

Fresenius Kabi's growth is expected to continue in the coming years, and we estimate that the company's sales will already top the 2 billion euro mark in 2007 to 2008.

Chart: Fresenius ProServe: Financial results and outlook

Now to Fresenius ProServe: The HELIOS acquisition has fundamentally changed the face of this business segment and focused the company on hospital operations in Germany. We announced the acquisition of HELIOS on October 14, 2005, we received the go-ahead from the antitrust authorities in December, and we were able to complete the transaction as planned on December 22. We have placed our clinics of the Wittgensteiner Group under the management of HELIOS. The integration activities, which are now underway, are fully on track. We have initiated numerous synergy projects, especially in procurement and administration. These will already lead to savings in 2006. Working closely with HELIOS fully confirms the very positive impression we have had of the company. With over 50 clinics and an excellent management team, we are now well positioned to successfully participate in the continuing privatization process in the German hospital market. This privatization trend will offer excellent growth opportunities for Fresenius ProServe going forward. As you may have read in the press, this year in March we agreed to acquire HUMAINE Kliniken, a private hospital operator. HUMAINE operates six hospitals with a total of 1,850 beds. This is another step to strengthen our German hospital operations business.

We have been very pleased with the Fresenius ProServe's financial results in the first quarter of 2006. The strong increase in sales to 476 million euros is mainly due to the first-time consolidation of HELIOS. Our pre-existing ProServe business also did well and fully met our expectations. The same holds for EBIT, which was slightly above our targets and came in at 30 million euros.

Finally, the outlook for Fresenius ProServe: Here, I would like to emphasize that, with the HELIOS acquisition, we have created a 2 billion euro business. More than 1.5 billion euros of this is generated from operating hospitals, and about 500 million euros from engineering and services for hospitals and for the pharmaceutical industry. On this basis we expect to grow sales by 1 to 3 % in 2006. This is before acquisitions. In the hospital operations segment, growth will be achieved mainly through further privatization since there is less potential for organic growth, so mid-term we expect to see higher growth rates. EBIT is targeted to be in the range of 140 to 150 million euros this year, representing a significant increase compared to the combined results of Fresenius ProServe and HELIOS for 2005 of 125 million euros.

Chart: Fresenius Group: Excellent outlook for 2006

This brings me to the Group outlook for 2006. In terms of sales, we expect to achieve more than 10 billion euros for the first time. We forecast sales growth of approximately 30 % to about 10.5 billion euros. Net income should rise more strongly than sales. Here, we target an increase of greater than 30 % in constant currency. This net income guidance already includes an amount of approximately 30 million euros after tax associated with expected one-time expenses as well as with expenses related to the stock option accounting change. Capital expenditure spending on property, plant and equipment will be about 550 to 600 million euros. After our major acquisitions of 2005 and early 2006, a particular priority will be to improve the Group's debt ratios. Our goal is to reduce the key ratio of net debt to EBITDA to below 3.0 again by the year 2008.

Chart: Fresenius Group: Continued profitable growth

These are ambitious revenue and earnings targets which will be supported by sustained organic growth of our business segments and by the first-time consolidation of the newly acquired companies. These acquisitions have decisively strengthened our business. The acquisition of the Renal Care Group underscores our market leadership in dialysis and the HELIOS acquisition gives us the critical mass to expand in the German hospital market. There had been no available target companies of this size in these two segments for years. So we have successfully taken advantage of these opportunities. We will now concentrate on the

proper integration of these companies and ensure that the acquired businesses continue to develop positively. At Fresenius Kabi we will focus on the successful international marketing of the Labesfal and Clinico product portfolios, which will strengthen Fresenius Kabi's organic growth.

It would like to emphasize that the growth in Group earnings is not being bought at the expense of investments for the future, for instance spending on research and development. We are investing so that we can bring new products to the market in the coming years, and we accept the costs associated with these efforts. In 2006 for example, we have budgeted expenses of 45 to 50 million euros for Fresenius Biotech most of which will be invested in clinical studies for cancer therapies.

We expect Fresenius to continue its successful path in the medium term. Our business segments are well positioned to profit from the future developments in the healthcare sector. Fresenius Medical Care is the world leader in dialysis. Fresenius Kabi is the European leader in infusion and nutrition therapies and has strong positions in the growth markets of Asia-Pacific and Latin America. Finally, Fresenius ProServe is one of the leading private hospital operators in Germany.

Going forward, the drivers of our growth will remain intact: these are the demographic trends in the leading industrial nations, the progress in medical science and rising levels of medical care in the emerging markets. Here, I would like to point out our strong market positions in the Asia-Pacific region, above all in China, where we have been growing at double-digit rates for many years. Additionally, we can benefit from some of the so-called mega trends that are taking place especially in the western industrial countries, such as the increasing privatization of health care.

Ladies and Gentlemen, in the future, Fresenius will remain a well-run company, managed with entrepreneurial vision and commercial prudence, and pursuing its ambitious goals with tenacity. I would like to thank you for your loyalty and support to the company and hope that you will continue to accompany Fresenius, as shareholders, into a promising future.

Thank you for your attention.