



## **Annual General Meeting of Fresenius AG on May 16, 2007**

### **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 our company's very positive share price development before moving on to Fresenius' financial results in fiscal 2006 and in the first quarter of this year. Finally I would like to close by discussing the outlook for the full year 2007 and our mid-term goals.

*Chart: Fresenius Share Price Development 2006*

Now to the share price development. The excellent financial results and our successful growth initiatives, coupled with a positive outlook, have further strengthened investors' confidence in Fresenius. This has been clearly reflected in the share price development. In 2006, the preference share gained an impressive 42 % and the ordinary share 43 %. Both share classes significantly outperformed the 22 % growth of the DAX and the 29 % growth of the

MDAX index. Based on the year-end share price of both share classes, the Group's market capitalization was approximately € 8.1 billion. This was € 2.5 billion higher than at the end of 2005.

The shares have continued to perform very well in the first months of 2007. Up to the beginning of this week, the ordinary shares have gained 20 % and the preference share 9 % since the end of 2006. Fresenius AG now has a market capitalization of approximately € 9.3 billion.

*Chart: Fresenius Group: 2006 – A Year of Significant Accomplishments*

Let us now turn to 2006. This was the best year in the company's history, not only for the Group but also for each of the business segments.

Before I go on to discuss the financial results in more detail, I would like to briefly highlight our significant accomplishments in 2006, which was a very busy year for us. It was also a year with outstanding successes. An accomplishment of paramount importance was the successful integration of the two landmark acquisitions, Renal Care Group and HELIOS Kliniken. These were the largest and the third-largest acquisitions in our history. At the same time, we strongly focussed on our existing business where we achieved outstanding organic growth as well as record earnings in all business segments. That was our real achievement in 2006.

We also made progress with our growth initiatives and enhanced the strategic posture in all business segments. The examples I would like to highlight are the acquisition of HUMAINE Kliniken by HELIOS in the Fresenius ProServe segment and certainly Fresenius Medical Care's acquisition of Nabi's phosphate binder business, a first and important step in expanding our renal drug business. I would also like to mention Fresenius Kabi's acquisition of the Argentine company Filaxis, which strengthens our product portfolio in the oncology sector.

We also started two important initiatives which received approval at the Extraordinary General Meeting in December 2006. Firstly, the conversion of Fresenius AG into a "European Company" or SE and, secondly, the share split. We completed the share split on February 2, 2007. With this move we have made the Fresenius shares more attractive for a broader group of investors and promoted the market liquidity of our shares. The conversion of Fresenius AG into an SE is fully on track. We expect to register the company as an SE in the third quarter of this year.

*Chart: Fresenius Group: Significant Growth in Sales and Earnings*

Let me now turn to our excellent figures for 2006. We increased sales by 37 % to approximately € 10.8 billion, which is an extraordinary increase of about € 3 billion compared to fiscal 2005. The growth in earnings was even stronger. EBIT rose by 49 % to € 1.4 billion and exceeded the 1 billion euro mark for the first time. Net income also increased by 49 % to € 330 million. Fresenius prepared its 2006 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: Double-Digit Earnings Growth in all Business Segments*

This chart shows that all business segments contributed to the outstanding financial results. Fresenius Medical Care increased sales by 26 % to US\$ 8.5 billion. The company Renal Care Group was integrated according to plan. Fresenius Medical Care also achieved excellent organic growth, both in North America and in the international segment. This was one of the outstanding achievements in 2006. EBIT at Fresenius Medical Care increased by 40 % to US\$ 1.3 billion.

Fresenius Kabi grew its sales by excellent 13 % to € 1.9 billion. All product segments and regions contributed to Fresenius Kabi's growth. These figures are all the more impressive as Fresenius Kabi generates most of its sales in mature, established markets. EBIT growth at Fresenius Kabi was even stronger at 24 %. The EBIT margin improved by another 1.5 % to 15.4 % in 2006.

Fresenius ProServe has also done a great job in 2006. We not only met our very demanding sales and earnings targets but successfully completed the integration of HELIOS Kliniken into the Fresenius Group. At the same time, HELIOS integrated our former Wittgensteiner Kliniken hospital operations and the newly acquired HUMAINE Kliniken.

Sales growth was very encouraging. Fresenius ProServe's sales grew by 7 % to approximately € 2.2 billion. EBIT increased to € 154 million, which was above our guidance corridor of € 140 to 150 million for 2006.

*Chart: Fresenius AG: 15 % Dividend Increase Proposed*

Ladies and Gentlemen, in light of the excellent financial results in 2006 and the positive outlook for this and the following years, we are pleased to propose the fourteenth consecutive dividend increase. We propose to increase the dividend by 15 % to 57 eurocents per ordinary share and to 58 eurocents per preference share. As you can see from this chart, this proposal continues a longstanding series of significant dividend increases. With our profit-driven dividend policy, we share the company's financial success with our shareholders. Assuming a continued positive earnings development we intend to continue this policy.

At this point I would like to thank all employees on behalf of the Management Board. Their excellent performance and their full commitment was key to the company's success. They have taken our company forward and increased the already high acceptance of our products and therapies.

*Chart: Fresenius AG: Successful Start into FY 2007*

I will now discuss the first quarter of 2007 and the outlook for the full year.

We have had an excellent start into the fiscal year 2007. Group sales rose by 16 % to € 2.8 billion. In constant currency, in other words on the basis of 2006 exchange rates, the increase was 22 %. This number reflects the company's real achievement. We have been very pleased with earnings performance. EBIT increased by 37 % in constant currency to € 380 million. The growth in net income was even higher. We saw an increase by 48 % in constant currency to € 93 million.

*Chart: Fresenius Medical Care: Financial Results and Outlook*

Now to the individual business segments: At Fresenius Medical Care the excellent sales and earnings growth achieved last year has been sustained in the first quarter of 2007. Sales rose by 33 % to US\$ 2.3 billion. This strong increase was driven by excellent organic growth and also by the Renal Care Group acquisition which was consolidated for the first time as from the second quarter of 2006. Fresenius Medical Care's net income increased by 38 % to US\$ 160 million.

Fresenius Medical Care has confirmed its outlook for the full year 2007 and forecasts sales of about US\$ 9.4 billion. Net income is expected to be between US\$ 675 and 695 million.

*Chart: Fresenius Kabi: Financial Results and Outlook*

Fresenius Kabi also achieved excellent financial results in the first quarter of 2007. Sales increased to € 483 million. The company achieved very good organic sales growth of 6 %, which is in line with our expectation for the full year. Reported growth was 4 % due to currency translation effects. The EBIT growth was much stronger, with an increase of 13 % to € 77 million.

We expect Fresenius Kabi to achieve organic sales growth of 6 to 8 % in 2007 and project an EBIT margin of 16.0 to 16.5 %. In the mid-term, Fresenius Kabi expects to continue its excellent growth. The company targets organic sales growth of 6 to 8 %, and the EBIT margin is projected to be in the 16 to 18% range.

*Chart: Fresenius ProServe: Financial Results and Outlook*

Now to Fresenius ProServe. The financial results at Fresenius ProServe in the first quarter of 2007 were excellent. Sales increased in line with our expectations by 9 % to € 521 million, with strong growth both in hospital operations and in the engineering and services business. The same holds for EBIT, which rose by 20 % to € 36 million.

We have continued to pursue our growth strategy in the German hospital market in 2007. As reported in the press, HELIOS has acquired another three hospitals with approximately 500 beds in total – two in North-Rhine Westphalia and one on Lake Constance. HELIOS Kliniken Group then has 58 clinics with approximately 15,800 beds.

Finally, the outlook for Fresenius ProServe: We expect organic sales growth of 2 to 3 % in 2007. That is growth before acquisitions. As organic growth is limited in hospital operations due to the structure of the German hospital system, our business model is geared to participating in the further privatization of public hospitals through acquisitions. On a reported basis, we therefore anticipate higher growth rates. EBIT is expected to increase to € 160 to 170 million in 2007.

*Chart: Fresenius Group: Positive Outlook 2007*

Ladies and Gentlemen, I have just given you the 2007 outlook for the business segments. For the Group, these add up to an excellent sales and earnings outlook. We aim to increase Group sales by 8 to 10 % in constant currency. Net income is expected to increase by 20 to 25 % in constant currency. In 2007, we will be investing heavily in property, plant and equipment to assure the necessary, efficient infrastructure for our continued growth. We plan capital expenditures of € 600 to 700 million for the Group.

*Chart: Fresenius Group: Where Are We Heading Mid-term?*

Finally, I would like to say a few words about our mid-term goals. I feel it is important, especially after such a landmark year as 2006, to show you that our mid-term goals are equally ambitious. We intend to reach a new dimension through steady growth initiatives. The Management Board has set a mid-term target we call "15/15". We are targeting revenues of € 15 billion and we like to earn an EBIT margin of 15 % by the year 2010. Compared to fiscal 2006, this is a further increase of € 4.2 billion over the next four fiscal years. And we are aiming to improve our Group margin by another 1.6 % from the 13.4 % achieved in 2006. This is an optimistic and ambitious outlook. Sales and earnings growth in all our business segments are very solid. Nonetheless, we will not be able to achieve this revenue target through organic growth alone. So we will be looking to strengthen our three main business segments through further small and mid-sized acquisitions in the future.

To achieve this "15/15" target we will continue to pursue our long-term strategy. I would like to highlight four aspects:

- ▶ Firstly, we will continue to expand our global presence. Here, great opportunities are presented above all in the fast-growing markets in Asia and Latin America. However, we are also striving for continued expansion in Europe, especially in Eastern Europe.
- ▶ Secondly, we are developing innovative products and therapies. Here, we benefit from our wide-ranging expertise in the healthcare sector. Specifically, we plan to expand our business in renal drugs and generic intravenously administered drugs. At Fresenius Biotech we work on new treatment options for cancer using trifunctional antibodies. We have already achieved encouraging results in clinical studies.
- ▶ Thirdly, we will continue to expand our services business. We are already one of the leading companies in this sector today. From operating dialysis clinics to the management of an entire hospital – the privatization of patient care is one of the mega trends in health care.
- ▶ Fourthly, we want to grow in a focussed manner through acquisitions. In addition to pursuing excellent organic growth, we continue to seek targeted acquisitions to strengthen our global reach and our product portfolio.

Ladies and Gentlemen, the growing healthcare market presents attractive growth opportunities. We will be looking to take advantage of these opportunities and will continue to manage the company with entrepreneurial vision and commercial prudence.

Ladies and Gentlemen, I would like to thank you for your loyalty to the company and for your continued trust in Fresenius as we pursue this path into a promising future.

Thank you very much for your attention.

