

Operations and business environment  
Results of operations, financial position,  
assets, and liabilities  
Non-financial performance indicators  
and other success factors

► Overall assessment of the business situation  
► Opportunities and risk report  
Subsequent events  
Outlook

- The managers responsible are required to report without delay any relevant changes in the risk profile to the Management Board.
- Markets are kept under constant observation and close contacts maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

Risk management measures are supported both at Group level and in the individual business segments by our risk controlling measures and our management information system. Detailed monthly and quarterly financial reports are used to identify and analyze deviations in earnings and in assets and liabilities from budget figures. In addition to risk management, a monitoring system oversees organizational processes and measures as well as internal controls and audits. Our risk management system is regularly evaluated and, if necessary, adjusted to allow prompt reaction to changes in the markets. This system has proved effective to date.

The functionality and effectiveness of the risk management system is reviewed as part of the audit of the annual financial statements and the internal audit. Conclusions arising from the audit are taken into account in the ongoing refinement of our risk management system.

**RISK AREAS**

The main risk areas for the operations of the Fresenius Group are as follows:

► **General economic risks**

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. Although overall economic growth should weaken considerably in 2009, we expect growing demand for our life-saving and life-sustaining products and services.

► **Risks in the general operating framework**

The risk situation for each business segment depends on the development of its markets. Therefore, political, legal, and financial conditions are monitored and evaluated carefully. In addition, the growing internationalization of our markets requires us to keep abreast of country-specific risks.

► **Risks in the health care sector**

Risks related to changes in the health care market are of major importance to the Fresenius Group. The main risks are the development of new products and therapies by competitors, the financing of health care systems, and reimbursement in the health care sector. The latter applies especially in the United States, where a large portion of our sales are generated, and where e. g. changes in the reimbursement system could have an impact on our business. The same applies to the hospital market in Germany, where the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing health care expenditure. The Company constantly monitors further legislative developments of the DRG system. Discussions about an ending dual financing in the hospital sector are also being followed. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the company that the contracts between its hospitals and the insurers and health care institutions are maintained. For this reason, we not only continually monitor legislative changes but proactively work with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

In the United States, almost all injectable pharmaceutical products are sold to customers through arrangements with group purchasing organizations (GPOs) and distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. APP Pharmaceuticals currently derives, and expects to continue