

Seizing opportunities

With the acquisition of APP Pharmaceuticals, Fresenius Kabi has achieved a leading position in the global market for intravenously administered generic drugs. APP Pharmaceuticals has a strong drug registration portfolio pending and over 70 products under development, opening up new growth opportunities.



At the same time, we are seizing the opportunity of introducing selected Kabi products into the US, with initial focus on parenteral nutrition. We are also planning to launch selected APP IV drugs outside the US.

APP PHARMACEUTICALS IN FIGURES

	2008
Sales	US\$ 777 million
EBITDA, adjusted*	US\$ 317 million
EBITDA margin, adjusted*	40.8 %
Employees (December 31, full-time equivalent)	1,487
Production facilities	3
Number of products	> 100
Market share	~17 %

* Non-GAAP item

>

for further
growth





FACTS AND FIGURES 2008

- ▶ EXCELLENT SALES AND EARNINGS INCREASE ACHIEVED.
- ▶ A LEADING GLOBAL MARKET POSITION IN INTRAVENOUSLY ADMINISTERED GENERIC DRUGS ATTAINED.
- ▶ PRODUCT PORTFOLIO FOR CANCER TREATMENT EXPANDED.

- Fresenius Medical Care
- **Fresenius Kabi**
- Fresenius Helios
- Fresenius Vamed

Fresenius Kabi had an outstanding year in 2008. Once again we saw strong sales and earnings growth. The acquisitions of APP Pharmaceuticals and Dabur Pharma marked two important advances in our progress toward global market leadership in intravenously administered generic drugs.

Fresenius Kabi specializes in the therapy and care of chronically and critically ill patients, providing clinical nutrition, infusion therapies, and related medical devices. Our products cover the total range for patient care: emergency cases, during surgery, intensive care, hospital wards, and outpatient care.

For infusion therapy, we provide infusion solutions, blood volume replacement products, and intravenously administered generic drugs such as antibiotics, anesthetics, analgesics, and drugs for the treatment of oncological diseases and critically ill patients. For the administration of these therapies, we provide infusion technologies and disposables.

For transfusion technology, we offer a range of products used by blood banks and blood donation units to produce blood products.

For clinical nutrition, we supply parenteral and enteral nutrition products. To administer these products, we offer a wide range of nutrition pumps and disposables.

BUSINESS DEVELOPMENT

In 2008, Fresenius Kabi increased sales by 23 % to €2,495 million (2007: €2,030 million). Excellent organic growth of 9 % was achieved. Net acquisitions had an impact of 16 %, including the APP Pharmaceuticals and Dabur Pharma acqui-

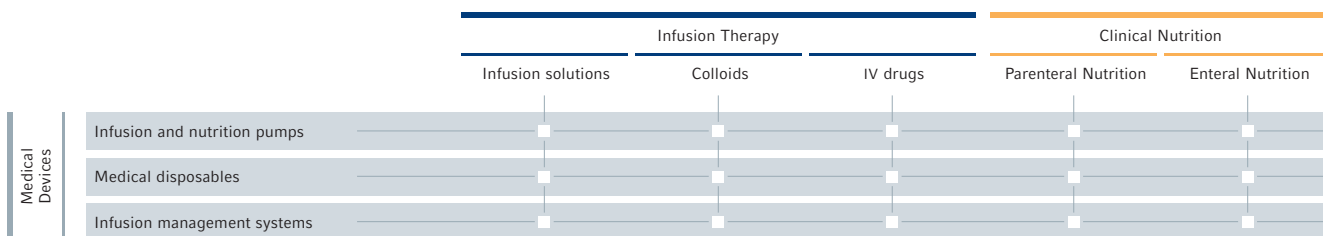
sitions, both of which were consolidated as from September 1, 2008. Currency translation had a negative impact of 2 % on sales, mainly due to the depreciation of the currencies in Great Britain, South Africa and Korea.

The sales growth by region was as follows:

in million €	2008	2007	Change
Germany	435	434	0 %
Europe (ex Germany)	1,064	930	14 %
Asia-Pacific	381	311	23 %
North America	336	121	178 %
Latin America	184	143	29 %
Other regions	95	91	4 %
Total	2,495	2,030	23 %

We increased sales in all regions. In Europe (excluding Germany), we achieved organic growth of 7 %. In Germany, organic growth was 3 %. We again reached record rates of organic growth outside Europe, with growth of 21 % in Asia-Pacific, 14 % in Latin America. The increase in sales in North America is due to the initial consolidation of APP Pharmaceuticals.

FRESENIUS KABI – INTEGRATED PRODUCT PORTFOLIO



Sales by product segment were as follows:

in million €	2008	2007	Organic growth
Infusion therapy	683	683	8 %
IV drugs	563	253	11 %
Clinical nutrition	845	729	10 %
Medical devices/ Transfusion technology	404	365	8 %
Total	2,495	2,030	9 %

We continued the excellent earnings performance of past years. EBIT increased by 33 % to € 443 million (2007: € 332 million), including amortization of € 8 million on intangible assets from APP Pharmaceuticals. The EBIT margin rose by 140 basis points to 17.8 % (2007: 16.4 %). This strong improvement is attributable to the initial consolidation of APP Pharmaceuticals, which has considerably higher margins. While the EBIT margin in Fresenius Kabi's established business was further improved, the margin contributions from the other acquisitions remained below this level.

All regions contributed to the very good earnings performance. In Europe, we achieved EBIT of € 323 million (2007: € 294 million). This corresponds to an increase of 10 % and an EBIT margin of 21.5 % (2007: 21.6 %). In North America, EBIT was € 87 million (2007: € 14 million); EBIT margin was 25.9 % (2007: 11.6 %). This is mainly attributable to the initial consolidation of APP Pharmaceuticals. In Asia-Pacific, Latin America and Africa, EBIT increased by 14 % to € 113 million (2007: € 99 million). The EBIT margin was 17.1 % (2007: 18.2 %). Administrative and corporate research and development expenses were € 80 million (2007: € 75 million).

Fresenius Kabi increased its net income by 9 % to € 200 million (2007: € 183 million).

The special items relating to the acquisition of APP Pharmaceuticals reported in the consolidated financial statements are included in the "Corporate/Other" segment.

ACQUISITIONS

Fresenius Kabi continued its growth strategy in IV drugs in 2008 with the acquisitions of APP Pharmaceuticals and Dabur Pharma.

- ▶ APP Pharmaceuticals has a portfolio of over 100 drugs for oncology, intensive care, anesthesia, pain therapy, and the treatment of infections. The company distributes its products in the United States and Canada, and is one of the leading players in IV drugs in the North American hospital market. APP Pharmaceuticals has strong drug registration pipeline in all therapeutic areas to further expand its product portfolio. The acquisition gives us access to the huge US pharmaceuticals market. With APP Pharmaceuticals as its platform, Fresenius Kabi will be able to introduce products in the United States. At the same time, Fresenius Kabi's international marketing and sales network will allow us to sell APP's products globally.

APP Pharmaceuticals is based in Schaumburg, Illinois, and has approximately 1,400 employees. The company has state-of-the-art production plants in Illinois, New York, and Puerto Rico as well as a sales subsidiary in Canada. In 2008, APP Pharmaceuticals achieved sales of US\$ 777 million (2007: US\$ 647 million). Adjusted EBITDA was € 317 million (2007: US\$ 253 million).

- ▶ Dabur Pharma is a leading manufacturer of generic drugs and active pharmaceutical ingredients for cancer treatment. The company is based in New Delhi and has two production plants in India and one in Great Britain. Dabur Pharma achieved sales of approximately € 47 million in the fiscal year 2007/2008 (April 1, 2007 to March 31, 2008) and has about 960 employees. After acquiring 73.3 % directly from the controlling shareholders and 17.6 % through a public tender offer, Fresenius Kabi currently holds approximately 90.9 % of all shares in Dabur Pharma. Owing to regulatory requirements in India, Fresenius Kabi has to reduce its equity interest to a maximum of 90 %.

Fresenius Medical Care
 ▶ **Fresenius Kabi**
 Fresenius Helios
 Fresenius Vamed

The company has an extensive portfolio of oncology drugs that are approved in more than 40 countries. The acquisition broadens our product portfolio in this important therapeutic area. Through Dabur Pharma we are insuring long-term security of supplies of high-quality cytostatic active agents. At the same time, this acquisition makes us one of the few suppliers of oncological generics in the world with manufacturing expertise along the entire pharmaceutical value chain, which is particularly important for quality standards.

- ▶ At the end of the year, we acquired 51 % of the Vietnamese company Bidiphar II. This company is a leading local supplier of infusion therapies. Bidiphar II achieved sales of approximately €9 million in 2008 and has about 360 employees.

INFUSION THERAPY

Infusion solutions are used widely in everyday hospital routines. Among other things, they are administered to patients suffering fluid loss or electrolyte deficiencies. They also serve as carrier solutions for intravenously administered drugs. We offer a comprehensive range of products in infusion bags and bottles for all areas of application. We successfully continued with the international roll-out of our infusion solutions in the KabiPac® plastic bottle, begun in 2007, and introduced them in Italy, Greece and Spain.

For blood volume replacement, we offer so-called artificial colloids. By binding water in the cardiovascular system, they can compensate for blood loss. Our products contain hydroxyethyl starch (HES), which is derived from waxy maize starch. The products are used mainly in surgery and for emergency cases, and can be infused regardless of blood group. We are the world market leader for artificial colloids. Our Voluven® product is a reference product in this category. In 2008, we successfully launched a new blood volume substitute called Volulyte®. Volulyte® contains our proven HES active ingredient and was specially developed for patients with high blood

loss or who need to be treated with volume substitutes over a longer period. This can be necessary for critically ill patients or after major surgery or for multiple injuries. Our new product is very similar to blood plasma in its electrolyte composition. This significantly reduces the risk of over-acidification (acidosis) of the blood by chloride. If the blood is overly acidified, the acid base balance in the blood is disturbed and the pH value becomes too low. Acidosis can cause nausea, vomiting, abdominal discomfort and in severe cases lead to impaired organ function and even death. Thanks to long years of medical experience with Voluven®, we expect our new product Volulyte® to establish itself quickly in the markets. Its market introduction was begun in Germany, the United Kingdom, and the Netherlands in June 2008.

Our extensive range of IV drugs is used mainly in the treatment of critically ill hospital patients, for instance in intensive care or emergency cases and after surgery. In 2008, we continued to internationalize our product range and introduced products in various countries.

Our anesthetic Propofol Fresenius is used for inducing and maintaining narcosis. We achieved strong sales growth with this product in the Asia-Pacific region in the past year. With the acquisition of APP Pharmaceuticals, which also markets Propofol, Fresenius Kabi has become the world market leader for this anesthetic.

Following the launch of new products in the North American market, APP Pharmaceuticals strengthened its position as a leading supplier of IV drugs in the field of antibiotics.

Dabur Pharma offers an extensive portfolio of cytostatics for cancer treatment. In the past year the company worked intensively on the registration of further cytostatics for the European and US markets. Market launches are planned for 2009 and 2010.

Our continued success with medical devices for the application of infusion therapies consolidated our position as one of the leading suppliers of these products in Europe. In the past year we successfully launched the volumetric infusion pump Volumat® MC Agilia® in the Scandinavian countries,

among others. Another product of the Agilia family, the syringe pump Injectomat® TIVA Agilia®, was marketed for the first time in Germany, the United Kingdom, Norway, and Switzerland. This syringe pump has been specially developed for administering anesthetics and is therefore used primarily in intensive care and during surgery.

In transfusion technology, we are one of Europe's leading suppliers of blood bag systems and medical devices for collecting, processing, and transporting blood products. We are a leading supplier in Europe and South America of in-line filter systems, i. e. blood bags with an integrated filter. In 2008, we successfully launched our CompoDock Data Management product and the related DockMaster Net software in Germany, the Netherlands, and in Italy.

CLINICAL NUTRITION

Fresenius Kabi is one of the few companies in the world to offer parenteral as well as enteral nutrition therapies, including the related medical devices. Both forms of clinical nutrition serve to supply patients who are unable to eat any or sufficient normal food. This applies especially to patients in intensive care units, to the severely and chronically ill, and to those that are malnourished.

We are one of the world's leading suppliers of three-chamber bag products. Our bags supply a patient's entire required daily intake of amino acids, lipids, glucose, and electrolytes. We introduced the first three-chamber bags in 1999. The new design that we launched two years ago has become well established in our markets. Its safety factor has been an important consideration in establishing the bag's concept for everyday hospital use. For example, the arrows on the closure caps of the two ports immediately distinguish the infusion port from the injection port. Nor do the ports need to be disinfected before they are used for the first time since the ports' membrane is sterile. We are now selling the newly designed three-chamber bag in almost every market in Europe as well

as in Australia, Argentina, and South Africa. In the past year we also introduced the product in South Korea.

We are also one of the world's leading suppliers of parenteral lipids. SMOFlipid® and Intralipid® are the main lipid components in our range. SMOFlipid® is used especially in nutrition therapies for intensive care patients. We are marketing the product very successfully in over 25 countries. In 2008, we introduced it in Egypt, Taiwan, Malaysia, and Singapore, among others.

In the field of enteral nutrition, we launched the new sip feeds Fresubin® 2 kcal DRINK and Fresubin® 2 kcal fibre DRINK in Germany, Austria, the United Kingdom, Scandinavia, and Switzerland, among other countries. With 2 kcals per milliliter, we have given these products a higher energy density than our earlier Fresubin® family products had. As a result, the volume that has to be ingested to supply the body with sufficient nutrients is lower compared to other sip feeds. Fresubin® 2 kcal DRINK is rich in energy and proteins. Thanks to this combination, the sip feed is not only suitable for elderly patients suffering loss of appetite or who have difficulty chewing and swallowing due to illness but is also ideal for the needs-specific care of patients, such as dialysis patients, who require a higher energy and protein intake but can only ingest small amounts of liquid. The new sip feeds have a delicious flavor. The variety of our range of products also helps prevent patients from taste fatigue.

We have also launched a new formulation in our pediatric sip and tube feed products. Our Frebini® range has been optimized in terms of its fat, fiber, and micronutrient composition. In addition to reformulating our Frebini® original and Frebini® energy lines, we have further improved the taste of the Frebini® sip feeds and added a vanilla flavor.

We have also increased the energy density of our ProvideXtra® sip feed. This product now has an energy content of 1.5 kcal/ml and a protein content of 4.0 g/100 ml. ProvideXtra® is a milk-protein and fat-free sip feed with juice

Fresenius Medical Care
► **Fresenius Kabi**
Fresenius Helios
Fresenius Vamed

characteristics which is rich in vitamins and trace elements. The product is used in the dietary treatment of patients with increased energy needs and/or limited digestive and absorption abilities, for instance patients suffering from Morbus Crohn's disease or short bowel syndrome.

We are also constantly working to develop new packaging concepts for our enteral nutrition products that will provide optimum convenience. For instance, in the past year we introduced our new EasyBottle packaging which will replace the present Tetra Brik® packaging for sip feeds. The EasyBottle is designed for secure gripping and maximum handling convenience. To meet patients' differing needs around the world, the EasyBottle is available with two different closure systems: with an integrated drinking aid and with a screw cap. The integrated drinking aid enables patients to drink directly from the bottle – without an extra straw. The shape of the drinking aid ensures a clear seal between the lips and the bottle, which can aid older patients for instance. It also has a smaller diameter so that patients can also drink when lying down. The EasyBottle with screw cap is supplied with a drinking straw. The EasyBottle's special design makes it easy to hold, transport and store. It also prevents the bottle from rolling away should it be dropped. In the past year, Fresubin® energy Drink and Fresubin® protein energy Drink were the first products we offered in the new EasyBottle.

In the field of medical devices for the application of clinical nutrition, we are one of the leading providers in Europe. We extended our international presence in 2008: Our Ambix® activ infusion pump, which is used for outpatient parenteral nutrition, was launched in the United Kingdom, Ireland, Poland, Sweden, Norway, and South Africa.