FRESENIUS

2010

Consolidated Financial Statements and Management Report
of Fresenius SE & Co. KGaA,
Bad Homburg v. d. H.

at December 31, 2010

applying Section 315a HGB in accordance with

International Financial Reporting Standards

CONTENT

MANAGEMENT REPORT. 2010 was an excellent year for Fresenius. We again achieved record sales and earnings across all business segments and regions. Our debt ratios were substantially improved thanks to very good cash flow development.

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

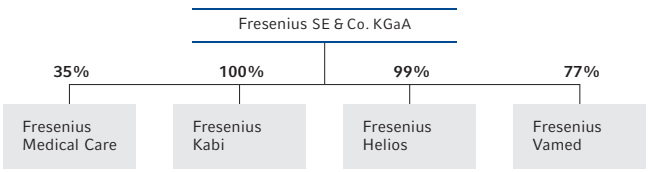
Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities.

The annual general meeting of Fresenius SE on May 12, 2010 approved the change of the Company's legal form into an SE & Co. KGaA (a partnership limited by shares). The change was registered with the commercial register and thereby became effective on January 28, 2011. Fresenius SE has since been operating as Fresenius SE & Co. KGaA. The change of legal form neither led to a liquidation of the Company nor to the formation of a new legal entity. The Company's legal and economic identity remains unchanged. As part of the transaction, all non-voting preference shares in Fresenius SE were mandatorily converted into voting ordinary shares at a 1:1 exchange ratio. The Company's total share capital remained unchanged.

The operating business comprises the **business segments**, all of which are legally independent entities managed by the operating parent company Fresenius SE & Co. KGaA. This Group structure has not changed in the reporting period.

- Fresenius Medical Care is the world's leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2010, Fresenius Medical Care treated 214,648 patients at 2,757 dialysis clinics.
- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition for critically and chronically ill people in hospitals and outpatient care. The company is also a leading supplier of medical devices and products in the area of transfusion technology.

GROUP STRUCTURE



- Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS-Kliniken Group operates 63 proprietary clinics, of which 62 are located in Germany and one in Switzerland. HELIOS has a total of more than 18,500 beds.
- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.
- The segment Corporate/Other comprises the holding activities of Fresenius SE & Co. KGaA, the IT service provider Fresenius Netcare, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate/Other also includes the consolidation measures conducted among the business segments.

The Fresenius Group operates internationally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains over 80 production sites around the globe. Large production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries, in Latin America, Asia-Pacific, and South Africa. This international production network allows us to implement our business model while meeting the most exacting logistical and regulatory requirements. The decentralized structure of the production sites also substantially reduces transportation costs and currency exposure.

MANAGEMENT AND CONTROL

Until the change of legal form took effect, the corporate bodies of Fresenius SE were the Management Board, the Supervisory Board, and the General Meeting. Fresenius SE had a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The Management Board conducted the business on its own responsibility. The Supervisory Board appointed the members of the Management Board, advised and supervised the Management Board, and was directly involved in decisions of fundamental importance for the Company.

Since the **change of legal form** to a **KGaA** took effect, the Company's corporate bodies are the General Meeting, the Supervisory Board, and the General Partner, Fresenius Management SE. Fresenius Management SE is wholly owned by the Else Kröner-Fresenius-Stiftung. The KGaA also has a **two-tier management system** – management and control are strictly separated, as in the former SE.

The **Management Board of the General Partner** conducts the business and represents the Company in dealings with third parties. It has seven members, whose composition is identical to that of the former Management Board of Fresenius SE. According to the Management Board's rules of procedure, each member is accountable for his own area of responsibility. However, the members have joint responsibility for the management of the Group. In addition to the Supervisory Board of Fresenius SE & Co. KGaA, Fresenius Management SE has its own Supervisory Board. The Management Board is required to report to the Supervisory Board of Fresenius Management SE regularly, in particular on its corporate policy and strategies, business profitability, current operations, and any other matters that could be of significance for the Company's profitability and liquidity. The Supervisory Board of Fresenius Management SE also advises and supervises the Management Board in its management of the Company. It is prohibited from managing the Company directly. However, the Management Board's rules of procedure require it to obtain the approval of the Supervisory Board of Fresenius Management SE for specific activities.

The **Supervisory Board of Fresenius SE & Co. KGaA** advises and supervises the management of the Company's business by the General Partner, reviews the annual financial statements and the consolidated financial statements, and performs the other functions assigned to it by law and the Company's articles of association. It is involved in corporate planning and strategy, and in all matters of fundamental importance for the Company.

The Supervisory Board of Fresenius SE & Co. KGaA has – like the former Supervisory Board of Fresenius SE – six shareholder representatives and six employee representatives. All twelve members of the Supervisory Board are appointed by the General Meeting, with six of the members, who can come from various European countries, being appointed on the basis of a proposal put forward by the employees. The General Meeting is bound by the employees' proposal.

The Supervisory Board must meet at least twice per calendar half-year.

The members of the Management Board are appointed and dismissed by the Supervisory Board of Fresenius Management SE. Appointment and dismissal is in accordance with Article 39 of the SE Regulation. The articles of association of Fresenius Management SE also provide that deputy members of the Management Board may be appointed.

The Company's annual corporate governance declaration can be found on our website www.fresenius.com, see Who we are – Corporate Governance. The description of both the compensation structure and individual amounts paid to the Management Board and Supervisory Board are included in the Compensation Report on pages 152 ff. of this annual report. The Compensation Report is part of the Group's Management Report.

KEY PRODUCTS AND SERVICES

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis, and provides dialysis care at its own dialysis clinics in over 35 countries. Dialyzers, dialysis machines and renal pharmaceuticals are among the most important product lines in the dialysis products business. These products are sold to Group clinics as well as to external dialysis care providers in more than 120 countries. In the United States, the company also performs clinical laboratory tests. Fresenius Kabi is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of IV drugs. Fresenius Kabi's portfolio consists of more than 100 product families. The company sells its products mainly to hospitals in more than 170 countries. Fresenius Helios treats more than 600,000 inpatients and about 1.7 million outpatients each year at its hospitals. Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

IMPORTANT MARKETS AND COMPETITIVE POSITION

Fresenius operates in more than 70 countries through its subsidiaries. The **main markets** are Europe and North America. Fresenius generates 44% of its sales in North America and 41% in Europe.

Fresenius Medical Care is the worldwide leader in dialysis. The company holds the leading position in dialysis care, with a market share of 18% in revenue terms, treats the most dialysis patients, and operates the largest number of dialysis clinics. In dialysis products, Fresenius Medical Care is also the leading supplier, with a market share of about 33%. Fresenius Kabi holds leading market positions in Europe and has strong positions in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is the second largest supplier of generic IV drugs. Fresenius Helios is one of the top three private hospital operators in Germany. Fresenius Vamed is one of the world's leading companies specializing in engineering and services for hospitals and other health care facilities.

LEGAL AND ECONOMIC FACTORS

The markets of the Fresenius Group are fundamentally stable and relatively independent of economic cycles due to the intrinsic importance of the life-saving and life-sustaining products and treatments that the Group offers. The markets in which we offer our products and services are expanding, mainly for three reasons:

- **demographic trends**
- **demand for innovative therapies** in the industrialized countries
- increasing **availability of high-quality health care** in the developing and newly industrializing countries

Furthermore, the diversification across four business segments provides additional stability for the Group.

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate of the U.S. dollar to the euro. In 2010, this had a positive impact on the statement of income due to the altered average annual exchange rate between the U.S. dollar and the euro of 1.33 in 2010 as compared to 1.39 in 2009. In the balance sheet, the changed spot rate of 1.34 as of December 31, 2010 – compared to 1.44 as of December 31, 2009 – had a marked impact.

There were no legal aspects that significantly affected business performance in 2010.

On the whole, the legal and economic factors for the Fresenius Group were largely unchanged, so the Group's operating business was not materially affected.

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

The summary below shows the subscribed capital of Fresenius SE & Co. KGaA (as of December 31, 2010 of Fresenius SE). The shares of Fresenius SE & Co. KGaA are non-par-value bearer shares. Shareholders' rights are regulated by the German Stock Corporation Act (AktG – Aktiengesetz). The change of legal form to a KGaA was registered with the commercial register on January 28, 2011, and thereby became effective. In accordance with the resolution of the General Meeting and the articles of association of Fresenius SE & Co. KGaA, all the ordinary shares of Fresenius SE thereby became ordinary shares of Fresenius SE & Co. KGaA. At the same time, all non-voting preference shares of Fresenius SE were mandatorily converted at a 1:1 exchange ratio into voting ordinary shares of Fresenius SE & Co. KGaA. The Company's total share capital remained unchanged. Accordingly, the listing of the two classes of Fresenius SE share was discontinued on January 28, 2011. The ordinary shares of Fresenius SE & Co. KGaA commenced trading on January 31.

At the Annual General Meeting on May 12, 2010, the articles of association of Fresenius SE & Co. KGaA were adopted with the following **Authorized Capitals**. Authorized Capitals I and II correspond in their scope to the Authorized Capitals of the former Fresenius SE. Authorized Capitals III to V for servicing the 1998, 2003, and 2008 stock option plans are to be used only as an alternative to the Conditional Capitals. Accordingly, Fresenius Management SE, as General Partner, is authorized, subject to the consent of the Supervisory Board of Fresenius SE & Co. KGaA:

- to increase the subscribed capital by a total amount of up to €12,800,000.00 by May 7, 2014, through a single or multiple issuance of bearer ordinary shares against cash contributions (Authorized Capital I), and
- to increase the subscribed capital by a total amount of up to €6,400,000.00 by May 7, 2014, through a single or multiple issuance of bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital II). Shareholders' pre-emptive rights of subscription can be excluded.
- to increase the subscribed capital by a total amount of up to €1,313,000.00 by May 11, 2015, through a single or multiple issuance of bearer ordinary shares against cash contributions (Authorized Capital III). Shareholders' pre-emptive rights of subscription are excluded. Authorized Capital III may only be executed to the extent that subscription rights to bearer ordinary shares were issued under the 1998 Stock Option Plan, the holders of these subscription rights exercise their rights, and the subscription rights are not serviced from Conditional Capital.
- to increase the subscribed capital by a total amount of up to €4,298,442.00 by May 11, 2015, through a single or multiple issuance of bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital IV). Shareholders' pre-emptive rights of subscription are excluded. Authorized Capital IV may only be executed to the extent that convertible bonds for bearer

	January 28, 2011		**December 31, 2010**		December 31, 2009	
	Number of shares	**Subscribed capital €**	**Number of shares**	**Subscribed capital €**	Number of shares	Subscribed capital €
Ordinary shares/capital	**162,450,090**	**162,450,090.00**	**81,225,045**	**81,225,045.00**	80,657,688	80,657,688.00
Preference shares/capital	**0**	**0**	**81,225,045**	**81,225,045.00**	80,657,688	80,657,688.00
Total	**162,450,090**	**162,450,090.00**	**162,450,090**	**162,450,090.00**	161,315,376	161,315,376.00

ordinary shares were issued under the 2003 Stock Option Plan, the holders of these convertible bonds exercise their conversion rights, and the conversion rights are not serviced from Conditional Capital.

- to increase the subscribed capital by a total amount of up to €6,200,000.00 by May 11, 2015, through a single or multiple issuance of bearer ordinary shares against cash contributions (Authorized Capital V). Shareholders' preemptive rights of subscription are excluded. Authorized Capital V may only be executed to the extent that subscription rights to bearer ordinary shares were or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, and the subscription rights are not serviced from Conditional Capital.

In addition, there are the following **Conditional Capitals**, which correspond in their scope to the conditional capitals of the former Fresenius SE, adjusted for stock options that have been exercised in the meantime:

- The subscribed capital is conditionally increased by up to €990,510.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights.
- The subscribed capital is conditionally increased by up to €3,486,318.00 through the issuance of new bearer ordinary shares (Conditional Capital II). The conditional capital increase will only be executed to the extent that convertible bonds for ordinary shares have been issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.
- The subscribed capital is conditionally increased by up to €6,200,000.00 through the issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights have been or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, whereby the granting of subscription rights to the Management Board of the General Partner, and their settlement, shall be solely and exclusively the responsibility of its Supervisory Board.

Fresenius SE & Co. KGaA does not have a **share buyback program.**

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed on page 124 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company that it held 46,871,154 ordinary shares of Fresenius SE & Co. KGaA on January 28, 2011. This corresponds to an equity interest of 28.85%.

Amendments to the articles of association are made in accordance with Section 278 (3), Section 179 (2) of the German Stock Corporation Act (AktG) in conjunction with Section 17 (3) of the articles of association of Fresenius SE & Co. KGaA. Unless mandatory legal provisions require otherwise, amendments of the articles of association require a simple majority of the subscribed capital represented in the resolution. If the voting results in a tie, a motion is deemed rejected. Furthermore, in accordance with Section 285 (2) sentence 1 of the German Stock Corporation Act (AktG), amendments to the articles of association require the consent of the General Partner, Fresenius Management SE. The Supervisory Board is entitled to make such amendments to the articles of association which only concern their wording without a resolution of the General Meeting.

A **change of control** as the result of a takeover bid under certain circumstances could impact some of our long-term financing agreements embodying change of control agreements. These agreements are customary change of control clauses that grant creditors the right of premature call in the event of a change of control. However, the right of premature call usually only becomes effective if the change of control is followed by a downgrading of the Company's rating.

CORPORATE PERFORMANCE CRITERIA, GOALS, AND STRATEGY

The Management Board controls the business segments by setting strategic and operative targets and through various financial ratios according to U.S. generally accepted accounting principles (U.S. GAAP). In the consolidated segment reporting as well as in the Group Management Report all ratios of the business segments are in accordance with U.S. GAAP (please see consolidated segment reporting). In line with our **growth strategy**, organic growth is a key performance indicator. Operating income (EBIT – earnings before interest and taxes) is another useful yardstick for measuring the profitability of the business segments.

The Management Board believes that, in addition to operating income, EBITDA (earnings before interest and taxes, depreciation and amortization) is a good indicator of the business segments' ability to achieve positive cash flows and to service their financial commitments. The criteria on which the Management Board measures the performance of the business segments are selected Group-wide in such a way that they include income and expenses within the control of these segments. We also control the operating cash flow contributions of our business segments on the basis of days sales outstanding (DSO) and scope of inventory (SOI).

Financing is a central Group function over which the business segments have no control. The financial targets for the business segments therefore exclude both interest payments resulting from financing activities and tax expenses.

Another key performance indicator at the Group level is the **debt ratio**, which is the ratio of net debt to EBITDA. This measure indicates how far a company is in a position to meet its payment obligations. The Group's business segments hold important market positions, and operate in growing and mostly noncyclical markets. They generate stable, predictable, and sustainable cash flows since the majority of our customers are of high credit quality. The Group is therefore able to finance its growth with a high proportion of debt compared to companies in other sectors.

At Group level we use return on operating assets (ROOA) and return on invested capital (ROIC) as benchmarks for evaluating our business segments and their contribution to Group **value added**. Group ROIC rose to 8.8% (2009: 8.0%), and Group ROOA to 11.4% (2009: 10.1%). The marked improvement in these two ratios versus 2009 was mainly due to the very good earnings growth in all business segments. We expect a continuing improvement in ROIC and ROOA in the future.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2010**	2009	**2010**	2009
Fresenius Medical Care [1]	**8.8**	8.5	**12.5**	12.2
Fresenius Kabi [1]	**9.0**	7.8	**11.9**	10.2
Fresenius Helios [1]	**7.5**	6.7	**7.8**	7.1
Fresenius Vamed [1, 2]	**–**	–	**22.2**	22.8
Group (IFRS)	**8.8**	8.0	**11.4**	10.1

[1] All business segment data according to U.S. GAAP
[2] ROIC: Invested capital is insignificant due to prepayments, cash, and cash equivalents

We calculate our **cost of capital** as weighted average of the cost of equity and the cost of debt. The WACC (weighted average cost of capital) of Fresenius Medical Care and the WACC of the other business segments was 6.4% and 5.9% respectively in 2010, was clearly exceeded by Group ROIC of 8.8%.

Our **investments** are generally controlled using a detailed coordination and evaluation process. As a first step, the Management Board sets the Group's investment targets and the budget based on investment proposals. In a second step, the respective business segments and an internal Acquisition & Investment Council (AIC) determine the individual projects and measures while taking into account the overall strategy, the total budget, and the required and potential return on investment. The investment projects are evaluated based on commonly used methods, such as internal rate of return (IRR) and net present value (NPV). The respective investment project is then finally submitted for approval to the executive committees or respective managements of the business segments, or to the Management Board of Fresenius Management SE or its Supervisory Board if the projects exceed a given size.

STRATEGY AND GOALS

Our goal is to build Fresenius into a leading global provider of products and therapies for critically and chronically ill people. We are concentrating our business segments on a few health care areas. Thanks to this clear focus, we have developed unique competencies. We are following our long-term strategies consistently and are seizing our opportunities. Our aim is:

- to provide best-in-class treatment
- to grow with new products and services
- to expand in growth markets
- to increase our profitability on a sustainable basis

The key elements of Fresenius Group's strategy and goals are:

- To **expand our market position**: Fresenius' goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and to grow its market share. Fresenius Medical Care is the largest dialysis company in the world, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs through APP Pharmaceuticals. To strengthen its position, Fresenius Kabi plans to roll out more products from its portfolio to the growth markets. Market share is also to be expanded through the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.
- To **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company's market position and to diversify its business geographically.
- To **strengthen innovation**: Fresenius' strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage our competence in research and development in our operations to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed´s goal is to realize further projects in integrated health care services to support patient-oriented healthcare systems more efficiently.
- To **enhance profitability**: our goal is to continue to improve Group profitability. To contain costs, we are concentrating particularly on making our production plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively, and practicing strict cost control. By focusing on our operating cash flow and employing efficient working capital management, we will increase our

investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted average cost of capital (WACC) by deliberately employing a balanced mix of equity and debt funding. In present capital market conditions we optimize our cost of capital if we hold the net debt/EBITDA ratio within a range of 2.5 to 3.0. It was 2.6 as of December 31, 2010. We expect the ratio to remain within this range in 2011.

We report on our goals in detail in the Outlook section on pages 58 to 68.

OVERALL BUSINESS DEVELOPMENT

ECONOMIC ENVIRONMENT

In 2010, the world economy continued to recover from its deepest recession since the end of World War II. The marked economic improvement is attributable to three main factors:

- expansive monetary and fiscal policy in the industrial countries
- robust demand of the emerging market economies
- catch-up effects on the demand side and by inventory building

Global GDP grew by 4.7% in 2010 after contracting by 1.2% in 2009. At 7.4%, GDP growth in the emerging market economies was much stronger than in the industrial countries (2.6%). All in all, about two-thirds of the economic recovery in 2010 was attributable to the developing and emerging market economies, especially China.

GDP SHARE OF LEADING ECONOMIES

in %	2009	2008
United States	**20.4**	20.6
China	**12.6**	11,4
Japan	**6.0**	6.3
India	**5.1**	4.8
Germany	**4.0**	4.2
Russia	**3.0**	3.3

Sources: IMF, World Economic Outlook 2010, 2009

Europe

After a sharp decline in 2009, the economic development in the Eurozone gathered momentum and GDP grew overall by 1.7% in 2010 (2009: -4.1%). The growth was attributable especially to the dynamic of imports, which were up 10.0% (2009: -11.9%), and exports, which were up 9.7% (2009: -13.2%). However, there were marked differences from country to country: while the German economy was particularly strong, the recovery in Spain and Italy was slower than average. In Greece, GDP even continued to contract year over year due to the still strained public finance situation.

The pronounced rise in the jobless rate in the Eurozone (2010e: 10.1%) hindered a stronger revival of private consumption demand. Two-thirds of the rise is attributable to the growth in the number of unemployed in Portugal, Spain, Ireland, and Greece.

The situation with regard to public finances deteriorated considerably throughout the currency area in 2010, with the government debt ratio rising to 84.7% of nominal GDP. In 2007, the figure was 66.2%. Virtually none of the countries of the Eurozone are therefore likely to have met the Maastricht Treaty debt criteria in 2010. Exceptions are Finland, Slovenia, and Slovakia.

In 2010, the economic upswing in **Germany** was stronger than expected: GDP grew by 3.6% (2009: -4.7%) and was largely driven by the positive development of the world economy. Germany's export-oriented industry was able to respond swiftly to the increased demand because, despite underutilized capacities, it had held on to much of its workforce during the crisis through short-time working. With low unemployment, a comparatively moderate price fall in the property sector, and modest rise in public debt, Germany managed to weather the crisis relatively well.

Among the emerging economies of **Eastern Europe**, which had already seen high current account deficits as well as rising levels of public debt before the global recession, only the particularly competitive countries, such as Poland and the Czech Republic, or resource-rich countries, such as Russia, were able to stage a significant rebound. A number of

Sources: German Council of Economic Experts – Annual Report 2010/11, bank research

countries in South-Eastern Europe, on the other hand, remain affected by the abrupt worsening of refinancing conditions and capital outflows and are still in recession.

United States

The U.S. economy managed to recover appreciably in 2010. However, the upswing initiated at the beginning of the year lost momentum in summer. By gathering further momentum afterwards, the GDP grew by 2.9% in 2010 (2009: -2.6%). The growth was mainly driven by domestic demand and inventory building, while the contribution to growth from net exports remains negative, as it was already before the crisis.

The ailing U.S. real estate market continued to be hampered by high surplus supply in 2010. The government was able to stem a further fall in property prices through various support measures, such as tax relief and a more flexible adjustment of installment rates for mortgage loans. Nonetheless, in summer 2010, the prices for private residential properties were still roughly 20% and those for commercial properties still more than 40% below their respective highs. There are tentative signs that the country may end its expansive monetary and fiscal policy. Given the fragile economic recovery and the problems on the labor and real estate markets, the U.S. government passed another comprehensive round of economic support measures in 2010. Further purchases of U.S. Treasuries are also planned in order to stimulate the economy.

Asia

After growth slowed temporarily in 2009, the Asian emerging economies have returned to the positive trend before the financial crisis and provided considerable stimulus for world production. Asia continues to be the fastest growing region in the world. GDP in Asia (excluding Japan) grew by 9.2% in 2010 (2009: 5.7%). The strongest growth in 2010 was again in China, where GDP was increased by 10.0% (2009: 9.1%), followed by Taiwan with 10.0% (2009: -2.0%), and India with 9.8% (2009: 5.7%).

The growth in **China** was driven not only by strong foreign demand but also by booming domestic demand. Given rising inflation, and to prevent overheating, the Chinese government introduced various measures to control lending. This included a further hike of the federal funds rate by the Bank of China. Midway through the year China's administration also indicated that it was willing to adopt a more flexible stance on the yuan's exchange rate versus the U.S. dollar. This led to a nominal appreciation of the Chinese currency versus the U.S. dollar by about 3.0% through to year-end 2010.

Development in **India** was marked primarily by stable domestic demand. The contribution from net exports of goods and services, on the other hand, was slightly negative. The growing capital inflows from abroad are placing strong upward pressure on the currency and increasing the risk of inflated asset values on the financial and property markets.

HEALTH CARE SPENDING AS % OF GDP

in %	2008	2000	1990	1980	1970
USA	16.0	13.6	12.2	9.0	7.1
France	11.2	10.1	8.4	7.0	5.4
Switzerland	10.7	10.2	8.2	7.3	5.4
Germany	10.5	10.3	8.3	8.4	6.0

Sources: OECD Health Data 2010

In **Japan**, the economic recovery was mainly supported by buoyant exports, especially to neighboring Asian countries, and by a favorable trend in private consumption. However, the effects of the financial crisis are still visible, especially in the high jobless rate and high public debt. Japan's GDP exceeded expectations and grew by 4.2% in 2010 (2009: -5.2%).

The other Asian countries were hit only to a small extent by the financial crisis. Most of these countries were also able to benefit more than proportionately from the revival of world trade. This positive growth environment and the structural catch-up process explain the much higher growth rates in some cases compared to the developed industrial countries.

Latin America

Having already regained their pre-crisis levels at the end of 2009, the emerging economies of Latin America then gathered further momentum in 2010. Thanks to their experience from earlier recessions, these countries rebounded relatively quickly. They had ample foreign exchange reserves to avoid balance of payments problems and their banking systems were less involved in high-risk business. Commodity and food exports continued to be the main drivers. Overall, the region's GDP grew by 6.0% in 2010 (2009: -2.7%).

Mexico was hit the hardest by the global financial and economic crisis due to its strong trade ties with the United States. After a strong decline of 6.5% in 2009, GDP grew by 5.0% in 2010. This positive development was mainly on the back of buoyant imports and exports.

Although **Argentina** was the Latin American country the second hardest hit by the crisis after Mexico, it posted the strongest GDP growth in 2010 of 9.1% (2009: -3.1%). This growth was driven above all by an expansive monetary and fiscal policy. However, Argentina also benefited from the global upswing. Higher agricultural prices and the economic boom in neighboring Brazil provided positive stimulus for Argentina's economy.

Brazil weathered the financial crisis well thanks to robust domestic demand and the broad geographical and sectoral diversification of its exports. Brazil's GDP grew by 7.7% in 2010 (2009: -0.2%). The main factors behind this strong growth were the low interest rate environment, high credit availability, and fiscal stimulus.

HEALTH CARE INDUSTRY

The health care sector is one of the world's largest industries. It is relatively insensitive to economic fluctuations compared to other sectors and has posted above-average growth over the past years.

The main **growth factors** are:

- rising medical needs deriving from aging populations
- stronger demand for innovative products and therapies
- advances in medical technology
- growing health consciousness, which increases the demand for health care services and facilities

In the **emerging countries** additional drivers are:

- expanding availability and correspondingly greater demand for primary health care
- increasing national incomes and hence higher spending on health care

At the same time, the cost of health care is rising and claiming an ever-increasing share of national income. Health care spending averaged 9.0% of GDP in the OECD countries in 2008, with an average of US$3,060 spent per capita. The United States had the highest per capita spending (US$7,538), as in the previous years, followed by Norway (US$5,003) and Switzerland (US$4,627). Germany ranked ninth among the OECD countries with per capita spending of US$3,737.
Per capita health care spending in the OECD countries grew at an average annual rate of 4.2% between 2000 and 2008. In Germany, per capita health care spending increased by 1.6% per year over the same period. This is the smallest increase among all OECD countries during this period. The relatively slow growth in health care spending in Germany is due in particular to the introduction of cost-containment measures.

On average, public sources funded 72.8% of health care expenditures in the OECD countries in 2008. The United States and Mexico have the lowest level of public funding, with less than 50%. In Germany, 76.8% was publicly funded in 2008, which was virtually the same as in 2007.

Most of the OECD countries have enjoyed large gains in life expectancy over the past decades thanks to improved living standards, public health interventions, and progress in medical care. In 2008, the average life expectancy in the OECD countries was 79.4 years. In Germany, life expectancy of 80.2 years was nearly a year more than the OECD average. Japan has the highest life expectancy of all OECD countries with 82.7 years.

Health care structures are being reviewed and possible cost-cutting potential identified in order to contain the steadily rising health care expenditures. Market-based elements are being introduced increasingly in the health care system to create incentives for cost and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards and optimized medical processes. In addition, ever greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

In the **United States**, our biggest single market, the government passed a sweeping health care reform in 2010. It is planned to phase-in health insurance coverage for the roughly 45 million people who are currently not insured. Basic health insurance is to be compulsory from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance. Through these measures the U.S. government plans to increase the proportion of the population covered by health insurance from currently around 85% to 95% by the year 2019.

Our most important markets developed as follows:

The dialysis market

In 2010, the value of the global dialysis market was approximately US$69 billion, equivalent to growth of 4% in constant currency. The market for dialysis care (including renal pharmaceuticals) accounted for approximately US$57 billion and the market for dialysis products for about US$12 billion.

The number of dialysis patients worldwide increased by about 7% to more than 2.0 million. The pie chart shows their regional distribution:

DIALYSIS PATIENTS BY REGION

Prevalence, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region, ranging from well below 100 to over 2,000 patients per million population (p. m. p.). Prevalence is highest in Taiwan with 2,700 p.m.p., followed by Japan with 2,490 p. m. p., and the United States with approximately 1,890 p. m. p. It averages about 1,030 in the 27 countries of the European Union. The far lower global average of approximately 380 p. m. p. is due, on the one hand, to differences in age demographics, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition and cultural habit (such as diet). On the other hand, access to dialysis treatment is still limited in many countries. A great many individuals with terminal kidney failure do not receive treatment and are therefore not included in the prevalence statistics. A comparison of economic output and national prevalence rates suggests that access to treatment is restricted especially in countries where GDP per capita is less than US$10,000 per person per year. However, the generally rising global prevalence rate suggests that more and more people are receiving dialysis treatment.

Dialysis care

Of the approximately 2.0 million patients receiving regular dialysis treatment in 2010, more than 89% are treated with hemodialysis, while about 11% choose peritoneal dialysis. The majority of hemodialysis patients are treated in dialysis clinics. There are about 29,000 dialysis clinics worldwide with an average of 70 hemodialysis patients per clinic.

The organizational structures differ considerably depending on whether the health care systems in the respective countries are organized more on a public or private basis. In the United States, for instance, most of the more than 5,000 dialysis clinics are privately run, and only about 1% are publicly operated. By contrast, about 60% of the more than 5,000 dialysis clinics in the European Union are publicly owned. In Japan, about 80% of the dialysis clinics are run by private nephrologists.

In the United States, the market for dialysis care is already highly consolidated. Taken together, Fresenius Medical Care and the second largest provider of dialysis care – DaVita – treat about 65% of all U.S. dialysis patients. In 2010, Fresenius Medical Care maintained its market-leading position of about 33%.

Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals. Fresenius Medical Care operates over 934 dialysis clinics in more than 35 countries and treats over 76,959 patients. Together, these represent by far the largest and most international network of dialysis clinics.

In 2010, the number of **peritoneal dialysis patients** worldwide was about 219,000. Fresenius Medical Care supplies approximately 39,000 patients with peritoneal dialysis products, and has a market share of about 17% according to sales. In the United States, its market share was 26%. Fresenius Medical Care is the global No. 2 in this market after Baxter. Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the **Centers for Medicare & Medicaid Services** (**CMS**), cover the medical services for more than 80% of all dialysis patients in the United States. In 2010, CMS reimbursements accounted for 32% of Fresenius Medical Care's revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

Dialysis products

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, concentrates and dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis products with a market share of about 33%, followed by Baxter with 19% and Gambro with 15%. These top three manufacturers serve about two thirds of the market demand. Each of the other competitors, mainly from Japan, have a single-digit percentage market share. **Dialyzers** are the biggest product segment. About 203 million units were sold in 2010, of which about 92 million, or almost half, were produced by Fresenius Medical Care. Of the approximately 69,000 new **hemodialysis machines** that were brought onto the market in 2010, about 55% were from Fresenius Medical Care. In the United States, our most important business region, Fresenius Medical Care had a share of over 80% of the independent market in these two product segments. We define the independent market as all dialysis clinics that do not belong to a major U.S.-wide dialysis care provider such as Fresenius Medical Care or DaVita. In 2010, China was our second largest market, where we sold more than 3,800 new hemodialysis machines. 48%, or almost half of all machines used in the Chinese market, are now produced by Fresenius Medical Care.

The market for infusion therapy and clinical nutrition, intravenously administered drugs, and medical devices

In the markets in which Fresenius Kabi operates there are four main growth factors:

- rising medical needs deriving from aging populations,
- stronger demand for innovative therapies,
- increasing national incomes in the emerging markets as a driver of higher spending on health care and thus greater availability,
- the use of generics as part of the efforts to contain costs in the health care sector.

Generally, the efforts to contain costs in the health care sector are ongoing. In our view, and judged from today's vantage point, the focus is mainly on the pricing of patented drugs and the prescription drugs segment in the pharmacy market. In the future it will therefore become all the more important to provide best-in-class products and therapies at affordable prices for a health care market that is generally beset by financial constraints and ever-rising demands.

In the market for **infusion therapy and clinical nutrition**, therapies that offer high standards of health care paired with cost advantages are increasingly gaining importance in Central and Western Europe due to the general cost pressure. Studies show that, in cases of health or age-induced nutritional deficiencies, the administration of food supplements can reduce hospital costs by an average of €1,000 per patient – through shorter stays and less nursing care. At the time when they are admitted to hospital, at least 25% of all patients in Europe are suffering from nutritional deficiencies, or have an elevated risk of developing nutritional deficiencies. Much higher figures of 50 to 60% are reported for people who require nursing care, especially the elderly. The costs caused by health-induced nutritional deficiencies are about €170 billion per year Europe-wide.

In Central and Western Europe, the total market for infusion therapy and clinical nutrition is growing at a low single-digit rate. Growth rates are in the high single to double digits in the emerging markets of Asia-Pacific, Latin America, and Eastern Europe.

Based on its own estimates, Fresenius Kabi considers its relevant market for infusion therapy and clinical nutrition (excluding the United States and Japan) to be about €8 billion. We also expect the demand for **generics** to continue growing. Generic drugs are more advantageous from health economics aspects than original preparations because of their significantly lower price and they already make a vital contribution to health care today.

The market for **IV generics** is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original preparation goes off-patent. In Europe and the United States, the market for IV generics is growing at a mid-single-digit rate. We expect the U.S. market for IV drugs that go off-patent from 2010 to 2020 to grow to approximately US$22 billion on a cumulative basis. These figures are based on the sales of the original preparations in 2009 and do not take account of the usual price erosions for generics.

Based on its own estimates, Fresenius Kabi considers its relevant market for intravenously administered generics (without Japan) to be around €14 billion.

The market for **medical devices** for infusion therapy, IV drugs, and clinical nutrition is growing in Europe at mid-single-digit rates. Here, the main growth drivers are technical innovations that focus on application safety and therapy efficiency.

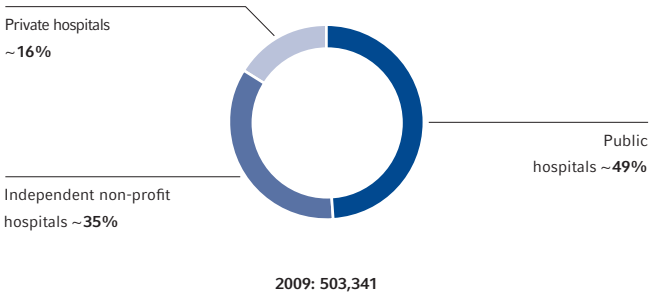
The German hospital market

The total volume for hospital treatment[1] (excluding research and teaching) in Germany was about €70 billion in 2008. This was approximately one-fourth of total health care expenditures. Personnel costs account for about 61% of hospital costs, and material costs for 39%. Personnel costs rose by 3.4%, and material costs by 6.3%.

[1] Data 2009 not available

Sources: German Society for Nutritional Medicine (DGEM) 2009; Own research; market data refer to Fresenius Kabi's relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of originator drugs in the IV drug market, among others; German Federal Statistics Office

HOSPITAL BEDS BY OPERATOR



2009: 503,341

The number of **hospitals** in 2009 was 2,084 (2008: 2,083). After declining for years, the number of beds only fell slightly to 503,341 (2008: 503,360). Over the last five years the number of **beds** has declined at an average annual rate of 1.0%. Nonetheless, with 6.15 beds per 1,000 population, Germany is still well above the OECD average of 3.6 (2008). The **average stay** of a patient in an acute care clinic in Germany fell overall by 0.1 days over the same period and was 8.0 days in 2009.

On the other hand, the number of **inpatient admissions** has increased. The number of inpatient admissions at acute care clinics in Germany declined at first after the introduction of DRG-based reimbursement. However, despite the shift towards outpatient care, the number of admissions has been rising again continuously since 2006. This is largely due to changing demographics. In 2009, the number of admissions was 17.82 million. That was about 300,000 or 1.7% more than in 2008 and is equivalent to 218 admissions per 1,000 population. Other countries rank well below the German level. In 2008, the EU average was 175 admissions per 1,000 population. In the last five years leading up to 2009, the number of admissions in Germany has risen at an average annual rate of 1.9%. The average costs per admission have increased by 2.5% on average over the last five years until 2008.

According to a survey by the German Hospital Institute (DKI), the **financial situation** at many hospitals in Germany remains difficult: 56% of the hospitals expect to earn a surplus in 2010 (2009: 44%), 16% expect to make a loss (2009: 26%), and 28% expect to break even (2009: 27%). Of the clinics surveyed, about 44% assess their financial situation as good and 19% as unsatisfactory. The other 37% saw the situation as mixed. The risk of hospital insolvencies is estimated at 8% for 2010 (2009: 11%).

The difficult financial and economic situation at many hospitals has been caused by significant **investment needs**. This is due in large part to an investment backlog that has accumulated because the federal states have not met their statutory obligation to finance necessary investments and major maintenance measures sufficiently in the past due to budget problems. Moreover, the investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. The Federal German Ministry of Health estimates that the current annual need for investment at German hospitals is about €5 billion.

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2009	2008	2007	2006	2005	Change 2009/2008
Hospitals	**2,084**	2,083	2,087	2,104	2,139	0%
Beds	**503,341**	503,360	506,954	510,767	523,824	0%
Beds per 1,000 population	**6.15**	6.13	6.16	6.20	6.35	0.3%
Length of stay (days)	**8.0**	8.1	8.3	8.5	8.7	-1.2%
Number of admissions (millions)	**17.82**	17.52	17.18	16.83	16.54	1.7%
Average costs per admission in € [1]	**n/a**	4,146	4,028	3,932	3,813	n/a

[1] Total costs, gross

Sources: German Hospital Institute (DKI) – Krankenhaus Barometer 2010, OECD Health Data 2010, German Ministry of Health

Against this backdrop, the privatization trend in the German hospital market continued, albeit on a very modest scale, with the share of private hospital beds rising to 16.6% (2008: 15.9%). However, as the chart shows, with a share of 48.7%, the bulk of the hospital beds continued to be in the public sector (2008: 49.0%).

According to our research, about €230 million in hospital transaction revenues were acquired in 2010, which was less than the year before (2009: €504 million).

The **Hospital Funding Reform Act** (KHRG) that came into force in March 2009 also had an overall positive effect on the financial situation of hospitals in Germany in 2010 and led to increased revenues, which experts estimate at 4% per year in 2009 and 2010. Since the convergence phase expired at the end of 2009, hospitals now only bill on the basis of the standardized base rates (DRG system) valid throughout the particular federal state.

Quality is increasingly becoming a key competitive factor for the hospital market. Transparency and comparability of the treatments for the patients and their doctors will play a more and more decisive role.

In 2009 the **post-acute care market** in Germany comprised a total of 1,240 clinics, almost the same as the year before. The number of beds was 171,489 (2008: 171,060). 55.8% (2008: 56.3%) of the clinics were private clinics. An almost unchanged 26.1% (2008: 26.0%) were independent non-profit clinics and the share of public clinics increased to 18.1% (2008: 17.8%). Private clinics accounted for 66.8% of the total number of post-acute care beds (2008: 66.9%). Independent non-profit clinics and public clinics accounted for 16.0% (2008: 16.2%) and 17.3% (2008: 16.9%), respectively. The total number of admissions in Germany decreased by about 4,000 admissions to 2.01 million. The average length of stay rose to 25.5 days (2008: 25.3 days).

The market for engineering and services for hospitals and other health care facilities

The market for engineering and services for hospitals and other health care facilities is very country-specific and depends to a large extent on factors such as public health care policies, government regulation, levels of privatization, economic conditions, and demographics.

In markets with established health care systems and mounting cost pressure, the challenge for hospitals and other health care facilities is to increase their efficiency. Here demand is especially high for optimized hospital processes and the outsourcing of technical support services to external specialists, enabling hospitals to concentrate on their core competency – treating patients. In emerging markets the focus is on building and developing infrastructure and improving the level of health care.

THE MANAGEMENT BOARD'S ASSESSMENT OF THE EFFECT OF GENERAL ECONOMIC DEVELOPMENTS AND THOSE IN THE HEALTH CARE SECTOR FOR FRESENIUS

The development of the world economy had an only negligible impact on our industry. On the whole, the health care sector, both in mature and growth markets, developed positively for Fresenius in 2010. Strong demand for its products and services enabled Fresenius to outpace the growth of its respective markets.

SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

In 2010, the Fresenius Group's positive development was again driven to a large extent by the very good operating development in all business segments.

The annual financial statements for 2010 include **special effects** of the mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals. This also applies to the annual financial statements for 2009. The adjusted earnings figures represent the Group's business operations in the given reporting period.

THE MANAGEMENT BOARD'S ASSESSMENT OF THE BUSINESS RESULTS

The Management Board is of the opinion that the Fresenius Group's performance in 2010 was excellent – with sales and earnings improvements in all business segments. Fresenius Medical Care sustained its positive performance trend with organic sales growth of 6% and a significant increase in earnings. Fresenius Kabi profited from the continued strong

demand for products, bolstered additionally by new product launches and supply constraints at competitors, and generally outperformed the market. This was reflected in excellent organic growth of 12% and a strong increase in earnings. Fresenius Helios also achieved excellent organic growth of 5% and further improved its earnings. Fresenius Vamed was able to report very good organic sales growth of 15% and a further increase in earnings in 2010 and, in the project business, achieved important growth in order intake and order backlog.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

Fresenius achieved or exceeded all the targets for 2010 announced in February 2010 when it published its annual financial statements for 2009. We also achieved or exceeded the increased guidance announced in the further course of the year. This is shown in the summary below. We had assumed that strong demand for our products and services would continue despite ongoing cost-containment efforts in the health care sector. This proved to be the case.

The achieved sales growth of 8% in constant currency (U.S. GAAP: 8%) was fully in line with our forecast range of 8 to 9%. The forecast growth in net income[2] of about 20% in constant currency was exceeded with growth of 27% (U.S. GAAP: 23%). All sales and earnings for the business segments were also fully achieved or exceeded.

Fresenius invested €768 million (U.S. GAAP: €758 million) in property, plant and equipment in 2010, equivalent to about 5% of Group sales (U.S. GAAP: 5%). That was well in line with the budgeted level of about 5% due to the cautious investment policy pursued by the business segments.

We also clearly exceeded our guidance for operating cash flow with a cash flow rate of 12% (U.S. GAAP: 12%). We had forecast a cash flow rate at a high single-digit percentage rate of sales.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

SALES

In 2010, we increased Group sales by 8% in constant currency and by 13% at actual rates to €15,972 million (2009: €14,165 million).

The chart on the following page shows the various influences on Fresenius' Group sales. Very good organic growth of 7% was achieved, while acquisitions contributed 1%. Currency translation had a positive impact of 5%. More information can be found on page 5.

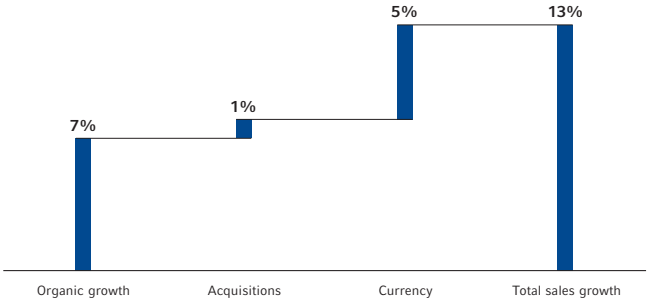
ACHIEVED GROUP TARGETS 2010[1]

Group	Targets for 2010 announced in February 2010	Increased guidance announced in August 2010	Increased guidance announced in November 2010	Achieved in 2010 (US.GAAP)	Achieved in 2010 (IFRS)
Sales (growth, in constant currency)	7–9%		8–9%	8%	8%
Net income (growth, in constant currency)[2]	8–10%	10–15%	~20%	23%	27%
Capital expenditure on property, plant and equipment (% of Group sales)	~5%			5%	5%

[1] All Group targets according to U.S. GAAP

[2] Net income attributable to Fresenius SE & Co. KGaA adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals. Both are non-cash items.

SALES GROWTH ANALYSIS



There were no significant consequences from changes in product mix and from price effects. No significant changes are currently expected in these two factors in the foreseeable future.

Sales growth by region was as follows:

The largest regions in the Group are North America and Europe, contributing 44% and 41% of total sales, followed by Asia-Pacific with 8%, and Latin America and Africa with 5% and 2%, respectively. Germany contributed 21% to Group sales.

In North America, sales increased by 9% in constant currency, with organic growth of 8%. In Europe, sales were up 7% in constant currency, with organic growth of 6%. Excellent organic growth was again achieved in Asia-Pacific with 7% and in Latin America with 11%.

Sales growth in the business segments was as follows:

- Fresenius Medical Care achieved sales of €9,091 million in 2010 (2009: €8,064 million), an increase of 13%. Organic growth was 6%, while acquisitions contributed 1%. Currency translation had a positive impact of 6%. Fresenius Medical Care achieved significant increases in constant currency in dialysis care (9%), growth in dialysis patients was 3%. The growth in dialysis care was mainly due to organic growth in treatments and higher average revenues per treatment.
- Fresenius Kabi increased sales by 19% to €3,672 million (2009: €3,086 million). The company achieved organic growth of 12%, to which all regions contributed. This was notably driven by the excellent growth in North America, where new product launches and strong

SALES BY REGION

€ in millions	2010	2009	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America	**7,020**	6,114	15%	8%	6%	1%	44%
Europe	**6,515**	6,045	8%	6%	1%	1%	41%
Asia-Pacific	**1,307**	1,088	20%	7%	10%	3%	8%
Latin America	**814**	641	27%	11%	13%	3%	5%
Africa	**316**	277	14%	6%	8%	0%	2%
Total	**15,972**	14,165	13%	7%	5%	1%	100%

SALES BY BUSINESS SEGMENT[1]

€ in millions	2010	2009	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**9,091**	8,064	13%	6%	6%	1%	57%
Fresenius Kabi	**3,672**	3,086	19%	12%	6%	1%	23%
Fresenius Helios	**2,520**	2,416	4%	5%	0%	-1%	16%
Fresenius Vamed	**713**	618	15%	15%	0%	0%	4%

[1] All business segment data according to U.S. GAAP

demand due to supply constraints at competitors had a positive effect. Acquisitions contributed 1%. Currency translation impacted sales by 6%. This was mainly attributable to the strengthening of the currencies in North America, Brazil, and China against the euro.

- Fresenius Helios increased sales by 4% to €2,520 million (2009: €2,416 million). Organic growth was 5%. This was mostly due to an increase in hospital admissions compared to 2009. The divestiture of an acute care clinic at the beginning of the year had an impact of 1%.
- Fresenius Vamed achieved strong sales growth of 15% to €713 million (2009: €618 million). Organic growth was 15%. Sales in the project business increased by 16% to €487 million (2009: €420 million). Sales in the services business rose by 14% to €226 million (2009: €198 million).

Order intake and order backlog in Fresenius Vamed's project business again developed excellently: order intake rose by 16% to €625 million (2009: €539 million). Fresenius Vamed increased its order backlog by 18% to €801 million (December 31, 2009: €679 million). This assures a stable level of capacity utilization for Fresenius Vamed in the current year. Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly determined by order intake and order backlog. Driven by the continued strong demand for health care and hospital infrastructure, Fresenius Vamed was again able to sustain the trend in order intake and order backlog, as the overview below shows.

EARNINGS STRUCTURE

We again achieved excellent growth rates in earnings in 2010. **Group net income**[1] rose by 32% to €657 million. The previous year's figure includes a €29 million write down of capitalized in-process R&D activities (2010: €8 million). Currency translation had a pronounced positive effect, leading to growth in constant currency of 27%. Earnings per ordinary share[1] and earnings per preference share[1] rose to €4.06 (2009: €3.07 per ordinary share, €3.08 per preference share). This represents an increase of 32% at actual rates and of 27% in constant currency for both share classes. Including special items, Group net income[2] was €619 million and earnings per share were €3.83 both per ordinary share and per preference share. Inflation had no significant effect on results of operations in 2010.

Group EBITDA rose by 12% in constant currency and by 17% at actual rates to €3,072 million (2009: €2,628 million). **Group EBIT** increased by 15% in constant currency and by 20% at actual rates to €2,410 million (2009: €2,004 million). The previous year's figure includes a €46 million write down of capitalized in-process R&D activities (2010: €13 million).

The development of EBIT by business segment was as follows:

- Fresenius Medical Care increased EBIT by 15% to €1,451 million (2009: €1,259 million). The EBIT margin rose to 16.0% (2009: 15.6%). This was due to higher average revenue per dialysis treatment and economies of scale. These effects were partially offset by the devaluation of the Venezuelan bolivar and related charges and by lower gross profit margins of acquired dialysis clinics in Europe and Asia-Pacific.
- Fresenius Kabi increased EBIT by 21% to €737 million (2009: €607 million). The EBIT growth was due to the strong operating results in all regions; it was mainly driven by the excellent development in North America, where new product launches and high demand due to supply constraints at competitors had a positive effect.

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED[1]

€ in millions	2010	2009	2008	2007	2006
Order intake	**625**	539	425	395	337
Order backlog (December 31)	**801**	679	571	510	387

[1] All amounts according to U.S. GAAP

[1] Net income attributable to Fresenius SE & Co. KGaA adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals. Both are non-cash items.
[2] Net income attributable to Fresenius SE & Co. KGaA

RECONCILIATION

€ in millions	2010 Other financial result	2010 Net income	2009 Other financial result	2009 Net income
Net income[1]		**657**		496
Other financial result:[2]				
Mandatory Exchangeable Bonds (MEB) (mark-to-market accounting)	**-98**	**-70**	-37	-26
Contingent Value Rights (CVR) (mark-to-market accounting)	**32**	**32**	6	6
Earnings according to IFRS[3]	**-66**	**619**	-31	476

[1] Net income attributable to Fresenius SE & Co. KGaA, adjusted for the special items relating to the acquisition of APP Pharmaceuticals.
[2] The special items are included in the column "Corporate/Other" in the segment reporting.
[3] Net income attributable to Fresenius SE & Co. KGaA

The EBIT margin was 20.1% (2009: 19.7%). EBIT includes €20 million for investments in ongoing efficiency improvements outside of North America. Adjusted by that amount, the EBIT margin was 20.6%.

- Fresenius Helios achieved an excellent EBIT performance. In 2010, this business segment reported EBIT of €235 million (2009: €205 million) thanks to the very good business progress at the established clinics and the continued targeted progress at the clinics covered by the restructuring plan. The latter are clinics which have been in the Fresenius Helios portfolio for less than five years. EBIT grew by 15%. The EBIT margin rose to 9.3% (2009: 8.5%).
- Fresenius Vamed improved EBIT by 14% to €41 million (2009: €36 million). The EBIT margin was with 5.8% on the previous year's level.

RECONCILIATION TO GROUP NET INCOME

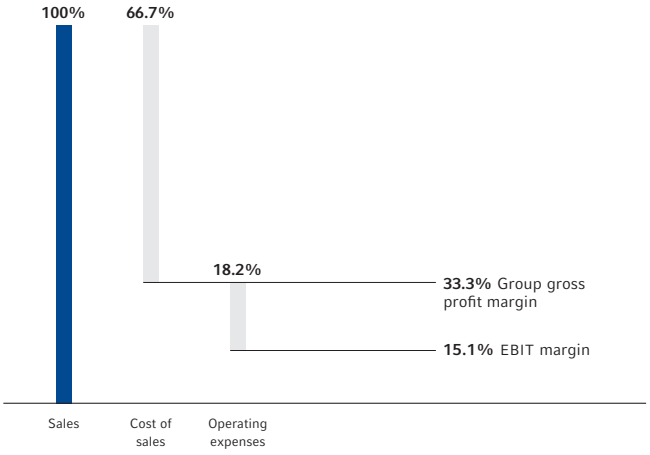
The table above shows the special items relating to the acquisition of APP Pharmaceuticals in the reconciliation from net income[1] to earnings according to IFRS.

STATEMENT OF INCOME (SUMMARY)

€ in millions	2010	2009	Change	Change in constant currency
Sales	**15,972**	14,165	13%	8%
Cost of goods sold	**-10,648**	-9,521	-12%	-7%
Gross profit	**5,324**	4,644	15%	10%
Operating expenses	**-2,914**	-2,640	-10%	-6%
EBIT (operating result)	**2,410**	2,004	20%	15%
Net interest	**-566**	-580	2%	6%
Other financial result	**-66**	-31	-113%	-116%
Income taxes	**-574**	-422	-36%	-30%
Noncontrolling interest in profit	**-585**	-495	-18%	-13%
Net income[1]	**657**	496	32%	27%
Net income[2]	**619**	476	30%	25%
Earnings per ordinary share in €[1]	**4.06**	3.07	32%	27%
Earnings per ordinary share in €[2]	**3.83**	2.95	30%	25%
Earnings per preference share in €[1]	**4.06**	3.08	32%	27%
Earnings per preference share in €[2]	**3.83**	2.96	29%	24%
EBITDA	**3,072**	2,628	17%	12%
Depreciation and amortization	**662**	624	6%	2%

[1] Net income attributable to Fresenius SE & Co. KGaA adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals, Both are non-cash items.
[2] Net income attributable to Fresenius SE & Co. KGaA

EARNINGS STRUCTURE



The Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) are recognized as liabilities. The repayment value of the CVR and the derivative elements of the MEB are measured at market prices. The change in value (mark-to-market accounting) results either in a gain or an expense until the end of maturity.

Since Adjusted EBITDA for the CVR measuring period did not exceed the threshold amount, no amounts will be payable on the CVRs and the CVRs will expire valueless.

DEVELOPMENT OF OTHER MAJOR ITEMS IN THE STATEMENT OF INCOME

Group gross profit rose to €5,324 million, exceeding the €4,644 million in 2009 by 15% (10% in constant currency). We improved the gross margin to 33.3% (2009: 32.8%). The cost of sales rose by 12% to €10,648 million (2009: €9,521 million). **Cost of sales** as a percentage of Group sales decreased from 67.2% in 2009 to 66.7%. **Selling, general, and administrative expenses** cons isted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 13% to €2,658 million (2009: €2,358 million). Their ratio as a percentage of Group sales was 16.6% (2009: 16.6%). **Depreciation and amortization** was €662 million (2009: €624 million). Their ratio as a percentage of sales was 4.1% in 2010 (2009: 4.4%).

The chart shows the earnings structure in 2010.

Group net interest was -€566 million (2009: -€580 million). Lower average interest rates on liabilities had a positive effect, negative currency effects impacted Group net interest due to the strength of the U.S. dollar.

The **other financial result** of -€66 million includes the valuation changes of the fair redemption value of the Mandatory Exchangeable Bonds (MEB) of -€98 million and the Contingent Value Rights (CVR) of €32 million. Both are non-cash items.

The adjusted **Group tax rate** (adjusted for the effects of the mark-to-market accounting of MEB and CVR) rose to 32.6% (2009: 30.4%; the revaluation of a tax claim at Fresenius Medical Care had a positive effect).

Noncontrolling interest rose to €585 million from €495 million in 2009 mainly due to the good earnings performance at Fresenius Medical Care. Of this, 93% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table below shows the profit margin progress.

VALUE ADDED

The value added statement shows Fresenius' total output in 2010 less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group reached €7,892 million in 2010 (2009: €6,992 million). This is an increase of 13% over 2009. The distribution statement shows that, at €5,350 million or 68%, the largest portion of our value added went to our employees. Governments came next with €734 million (9%) and lenders with €566 million (7%). Shareholders received €140 million and noncontrolling interests €585 million. The Company retained €517 million for reinvestment.

in %	**2010**	2009	2008[2]	2007	2006
EBITDA margin	**19.2**	18.6	18.0	18.2	17.2
EBIT margin	**15.1**	14.1	14.1	14.5	13.4
Return on sales (before taxes and noncontrolling interest)	**11.5**[1]	10.1[1]	10.6	11.2	9.7

[1] Return on sales adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and Contingent Value Rights (CVR)
[2] 2008 adjusted for special items relating to the APP acquisition

VALUE ADDED STATEMENT

€ in millions	2010	%	2009	%
Creation				
Company output	**16,046**	**100**	14,239	100
Materials and services purchased	**7,492**	**47**	6,623	47
Gross value added	**8,554**	**53**	7.616	53
Depreciation and amortization	**662**	**4**	624	4
Net value added	**7,892**	**49**	6,992	49
Distribution				
Employees	**5,350**	**68**	4,881	70
Governments	**734**	**9**	529	7
Lenders	**566**	**7**	580	8
Shareholders	**140**	**2**	122	2
Company and noncontrolling interest	**1,102**	**14**	880	13
Net value added	**7,892**	**100**	6,992	100

FINANCIAL POSITION

FINANCIAL MANAGEMENT POLICIES AND GOALS

Ensuring financial flexibility is key to the financing strategy of the Fresenius Group. We achieve this flexibility through a broad spectrum of financing instruments and a wide diversification of our investors. The maturity profile is characterized by a broad spread of maturities with a large proportion of mid- to long-term financing.

Sufficient financial cushion is assured for the Fresenius Group by revolving, syndicated, and bilateral credit lines that are only partially drawn. Market capacity, investor diversification, flexibility, credit covenants, and the current maturity profile are all taken into consideration when selecting financing instruments. At the same time, we seek to optimize our financing costs.

In line with the Group's structure, financing for Fresenius Medical Care and for the rest of the Fresenius Group is conducted separately. There are no joint financing facilities and no mutual guarantees. The Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE & Co. KGaA in order to avoid any structural subordination.

FINANCING

Fresenius meets its **financing needs** through a combination of operating cash flows generated in the business segments and short, mid-, and long-term debt. In addition to bank loans, important financing instruments include the issuance of Senior Notes, Euro Notes, a commercial paper program, and a receivables securitization program.

In 2010, the Group's **financing activities** mainly involved the refinancing of existing and maturing financing instruments. Better terms were secured in some cases.

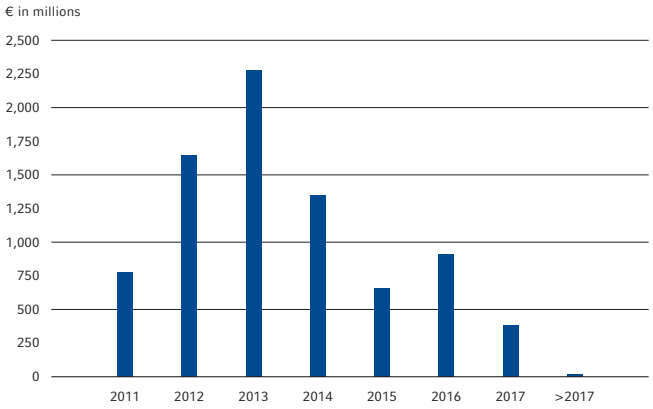
- In January 2010, Fresenius Medical Care issued unsecured **Senior Notes** due in 2016 in the principal amount of €250 million. The coupon is 5.5%. With an issue price of 98.6636%, the yield to maturity is 5.75%. The proceeds were used to repay short-term debt and for general corporate purposes.
- In March 2010, the former Fresenius SE considerably improved the terms of its **2008 syndicated credit agreement** following negotiations with the lenders. Within the scope of the amended agreement, the interest rate of the approximately US$1.2 billion term loan B (new term loan C) was reduced. The new interest rate consists of the relevant money market rate (LIBOR and EURIBOR), subject to a 1.50% floor (formerly 3.25%), plus a 3.00% margin (formerly 3.50%). It was possible to renegotiate the terms because both Fresenius' debt ratios and the prevailing

terms on the debt market had improved considerably since the syndicated credit was concluded.

- In September 2010, Fresenius Medical Care renewed and increased its **2006 syndicated credit agreement**. The life of the revolving credit line and term loan A was extended by two years to March 31, 2013. These facilities will therefore fall due for repayment at the same time as term loan B, which is currently US$1.5 billion. Owing to the broad agreement of the lenders and the strong interest in the banking market, it was also possible to increase the revolving credit line and term loan A overall by US$250 million to a total of approximately US$2.565 billion. The increased credit facility is for financing general corporate purposes and working capital needs. This transaction helped to lengthen the maturity profile of the debt.
- In February 2011, Fresenius Medical Care AG issued unsecured **Senior Notes** due in 2021 in the principal amount of US$650 million through its subsidiary Fresenius Medical Care US Finance, Inc. and through its subsidiary FMC Finance VII S.A. in the principal amount of €300 million. The coupon of the U.S. dollar notes is 5.75%. With an issue price of 99.06%, the yield to maturity is 5.875%. The Euro notes were issued at their nominal value with a coupon of 5.25%. Proceeds from the offering will be used to repay indebtedness, for acquisitions including the company's recently announced acquisition of Euromedic's dialysis service business (IDC) and for general corporate purposes.

As the chart shows, further larger scale **refinancing** within the Fresenius Group is only due in 2012.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2010, major financing instruments, excluding the accounts receivables program of Fresenius Medical Care

Fresenius SE & Co. KGaA has a commercial paper program under which up to €250 million in short-term notes can be issued. No commercial papers were outstanding as of December 31, 2010 and December 31, 2009.

The Fresenius Group has drawn about €4.6 billion of bilateral and syndicated credit lines. In addition, the Group had approximately €2.0 billion in unused credit lines as of December 31, 2010 (including committed credit lines of €1.4 billion) available. These credit facilities are generally used for covering working capital needs and are – with the exception of the former Fresenius SE 2008 credit agreement and the

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	**2010**	2009	2008	2007	2006
Operating cash flow	**1,921**	1,564	1,080	1,303	1,058
as % of sales	**12.0**	11.0	8.7	11.4	9.8
Working capital [1]	**3,577**	3,088	2,937	2,467	2,322
as % of sales	**22.4**	21.8	23.8	21.7	21.5
Investments in property, plant and equipment, net	**743**	672	744	669	577
Cash flow before acquisitions and dividends	**1,178**	892	336	634	481
as % of sales	**7.4**	6.3	2.7	5.6	4.5

[1] Trade accounts receivable and inventories, less trade accounts payable and payments received on accounts

Fresenius Medical Care 2006 credit agreement – usually unsecured.

As of December 31, 2010, both the former Fresenius SE and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under all the credit agreements.

Detailed information on the Fresenius Group's financing can be found on pages 109 to 119 of the Notes.

EFFECT OF OFF-BALANCE-SHEET FINANCING INSTRUMENTS ON OUR FINANCIAL POSITION AND ASSETS AND LIABILITIES

Fresenius is not involved in any off-balance-sheet transactions that could have or will have a significant impact on its financial position, expenses or income, results of operations, liquidity, investments, assets and liabilities, or capitalization.

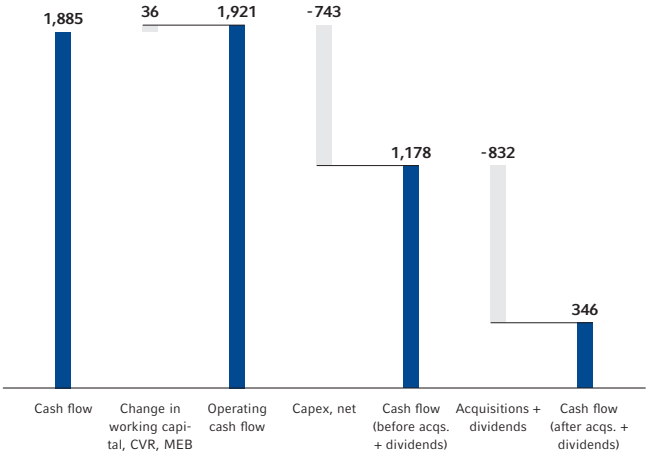
LIQUIDITY ANALYSIS

In 2010, key sources of liquidity were **operating cash flows** and short, medium, and long-term debt. Cash flow from operations is influenced by the profitability of Fresenius' business and by net working capital, especially accounts receivable. Cash flow can be generated from short-term borrowings through the sale of receivables under the Fresenius Medical Care accounts receivable securitization program, by using the commercial paper program, and by drawing on bilateral bank credit agreements. Medium and long-term funding is provided by the syndicated credit facilities of Fresenius SE & Co. KGaA and Fresenius Medical Care and by bonds, as well as by various other financing instruments. Fresenius believes that its existing credit facilities, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

DIVIDEND

The Management and Supervisory Boards will propose a dividend increase to the Annual General Meeting. For 2010, a dividend of €0.86 per ordinary share is proposed. This is an increase of about 15%. The total dividend distribution will also increase by 15% to €139.7 million (2009: €121.8 million).

CASH FLOW IN MILLION €



CASH FLOW ANALYSIS

The cash flow statement shows a very positive development, as can be seen from the chart. Cash flow increased by 17% to €1,885 million in 2010 (2009: €1,611 million). This was mainly due to the Group's excellent earnings performance[1].

CASH FLOW STATEMENT (SUMMARY)

€ in millions	2010	2009
Net income[1]	**1,204**	971
Depreciation and amortization	**662**	624
Change in pension provisions	**19**	16
Cash flow	**1,885**	1,611
Change in working capital	**-2**	-67
Change in mark-to-market valuation of the MEB and CVR	**38**	20
Operating cash flow	**1,921**	1,564
Property, plant and equipment	**-764**	-687
Proceeds from the sale of property, plant and equipment	**21**	15
Cash flow before acquisitions and dividends	**1,178**	892
Cash used for acquisitions/proceeds from disposals	**-503**	-227
Dividends	**-329**	-275
Cash flow after acquisitions and dividends	**346**	390
Cash provided by/used for financing activities (without dividends paid)	**-24**	-337
Effect of exchange rate changes on cash and cash equivalents	**27**	-3
Change in cash and cash equivalents	**349**	50

[1] Net income attributable to Fresenius SE & Co. KGaA and noncontrolling interest

The detailed cash flow statement is shown in the consolidated financial statements.

[1] Net income attributable to Fresenius SE & Co. KGaA

The change in working capital in 2010 was -€2 million (2009: -€67 million).

Operating cash flow increased by 23% to €1,921 million in 2010 (2009: €1,564 million). The cash flow margin was 12.0%, which was well above the level of the previous year (2009: 11.0%). Operating cash flow was more than sufficient to meet all the financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was €764 million, and proceeds from the sale of property, plant and equipment were €21 million (2009: €687 million and €15 million, respectively).

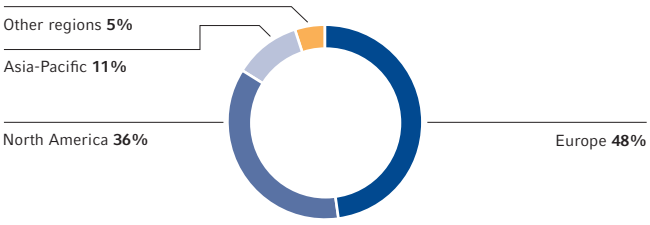
Cash flow before acquisitions and dividends rose by 32% to €1,178 million (2009: €892 million). This was sufficient to fully finance the net acquisitions of €503 million and the Group dividends of €329 million. Group dividends consisted of dividend payments of €122 million to the shareholders of Fresenius SE & Co. KGaA, payments of €183 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €89 million. These payments were offset by the dividend of €65 million which the former Fresenius SE received as a shareholder of Fresenius Medical Care.

The cash outflow from financing activities (without dividend payments) was €24 million (2009: €337 million). In addition to the expenditures on acquisitions, Group dividend payments resulted in a cash outflow of €329 million in 2010 (2009: €275 million). Cash and cash equivalents as of December 31, 2010 were €769 million (December 31, 2009: €420 million).

INVESTMENTS AND ACQUISITIONS

The Fresenius Group invested €1,411 million in 2010 (2009: €940 million). €768 million was invested in **property, plant and equipment** (2009: €681 million). At 4.8% of sales, that was in line with the targeted level (2009: 4.8% of sales). It was well above the depreciation level of €662 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. €643 million was invested in **acquisitions** (2009: €259 million). Of the total capital expenditure in 2010, 54% was invested in property, plant and equipment; 46% was spent on acquisitions.

INVESTMENTS BY REGION



2010: €1,411 million

INVESTMENTS AND ACQUISITIONS

€ in millions	2010	2009	Change
Investment in property, plant and equipment	**768**	681	13%
thereof maintenance	**43%**	49%	
thereof expansion	**57%**	51%	
Investment in property, plant and equipment as % of sales	**4.8%**	4.8%	
Acquisitions	**643**	259	148%
Total investments and acquisitions	**1,411**	940	50%

The table shows the distribution of investments by business segment. The chart shows the regional breakdown.

The cash outflows for acquisitions related mainly to the acquisition of dialysis clinics at Fresenius Medical Care, primarily in Asia and Europe. There were no major acquisitions

INVESTMENTS BY BUSINESS SEGMENT [1]

€ in millions	2010	2009	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**991**	549	395	596	81%	70%
Fresenius Kabi	**205**	157	174	31	31%	14%
Fresenius Helios	**179**	203	166	13	-12%	13%
Fresenius Vamed	**14**	7	9	5	100%	1%
Corporate/Other	**13**	15	14	-1	-13%	1%
IFRS Reconciliation	**9**	9	10	-1	0%	1%
Total	**1,411**	940	768	643	50%	100%

[1] All business segment data according to U.S. GAAP

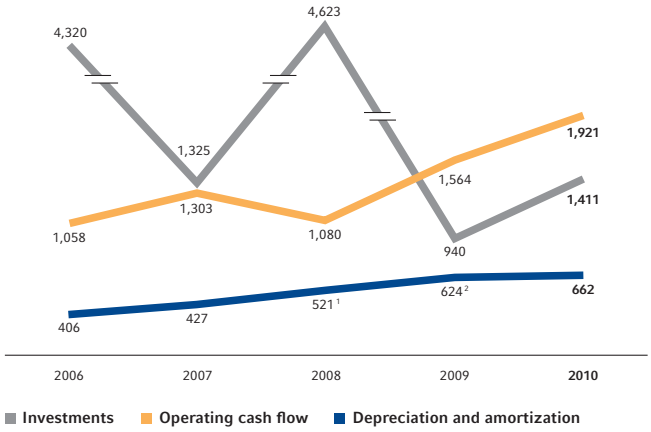
at Fresenius Kabi, Fresenius Helios, and Fresenius Vamed. The largest single project at Fresenius Kabi was the acquisition of a compounding center in Germany, and at Fresenius Helios it was the acquisition of an acute care clinic.

The main investments in property, plant and equipment were as follows:

- start-up of 90 de novo dialysis clinics, of which 53 were in the United States, and expansion and modernization of existing clinics at Fresenius Medical Care.
- expansion and optimization of production facilities for Fresenius Medical Care, especially the expansion of production capacities for dialysis products in Germany, and for Fresenius Kabi, primarily in Germany and India.
- hospital modernization at Fresenius Helios. The largest single project was the HELIOS clinic in Krefeld. Fresenius Helios also acquired the land and buildings of the clinic in Siegburg.

Investments in property, plant and equipment of €184 million will be made in 2011 to continue with major ongoing **investment projects on the reporting date**. These are chiefly investment obligations for hospitals at Fresenius Helios as well as investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

INVESTMENTS, OPERATING CASH FLOW, DEPRECIATION AND AMORTIZATION IN MILLION € -FIVE-YEAR OVERVIEW



[1] Including special items of €35 million related to the acquisition of APP Pharmaceuticals
[2] Includes one-time write downs on capitalized in-process R&D

ASSETS AND LIABILITIES

ASSET AND LIABILITY STRUCTURE

The **total assets** of the Group rose by €2,683 million (13%) to €23,831 million (December 31, 2009: €21,148 million). In constant currency, this was an increase of 7%. This growth was mainly due to the expansion of existing business activities. Inflation had no significant impact on the assets of Fresenius in 2010.

Non-current assets were €17,726 million (2009: €16,018 million). The increase was driven mainly by additions to property, plant and equipment and to intangible assets.

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	**2010**	2009	2008	2007	2006
Total assets	**23,831**	21,148	20,826	15,308	15,024
Shareholder's equity	**9,219**	7,908	7,237	6,099	5,798
as % of total assets	**39**	37	35	40	39
Shareholder's equity/non-current assets, in %	**52**	49	45	54	52
Debt	**8,677**	8,196	8,677	5,655	5,879
as % of total assets	**36**	39	42	37	39
Gearing in %	**86**	98	115	87	98

Current assets rose by 19% to € 6,105 million (2009: € 5,130 million). Within current assets, trade accounts receivable rose by 17% to € 2,935 million (2009: €2,509 million). At 67 days, average days sales outstanding was slightly above the previous year's level of 65 days. Through strict accounts receivable management we were able to keep average days sales outstanding stable despite the continued difficult financial operating environment. Inventories rose by 14% to €1,411 million (2009: €1,235 million). The 48 days scope of inventory in 2010 was unchanged compared to 2009. The ratio of inventories to total assets increased slightly to 5.9% as of December 31, 2010 (December 31, 2009: 5.8%).

Shareholders' equity rose by 17%, or €1,311 million, to €9,219million (2009: €7,908 million). Group net income attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €619 million. The equity ratio rose to 38.7% as of December 31, 2010 (December 31, 2009: 37.4%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity covers 52% of non-current assets (2009: 49%). Shareholders' equity and long-term liabilities cover all non-current assets and 24% of inventories.

Long-term liabilities decreased by 9% to €8,850 million as of December 31, 2010 (2009: €9,716 million). **Short-term liabilities** increased by 64% to €5,762 million (2009: €3,524 million). This is due to the fact that the Mandatory Exchangeable Bonds (MEB) in a nominal value of €554 million and Trust Preferred Securities in a nominal value of €468 million will be maturing in the coming year.

The Group has no significant accruals. The largest single accrual is to cover the settlement of fraudulent conveyance claims and all other legal matters relating to the National Medical Care transaction in 1996 that resulted from the bankruptcy of W. R. Grace. The accrual amounts to US$115 million (€86 million). Please see page 127 f. of the Notes for further information.

Group **debt** rose to €8,677 million (2009: €8,196 million). In constant currency, the increase was 1%. Its relative weight in the balance sheet declined to 36.4% (2009: 38.8%). Approximately 57% of the Group's debt is in U.S. dollars. Liabilities due in less than one year were €1,497 million (2009: €552 million), while liabilities with a remaining tenor of one to five years and over five years were €7,180 million (2009: €7,644 million).

The net debt to equity ratio (gearing) has improved and is 85.8% (2009: 98.3%). The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) rose to 12.5% (2009: 11.0%) and the return on total assets after taxes and before noncontrolling interest increased to 5.2% (2009: 4.7%); the above figures have been adjusted for the effects of the mark-to-market accounting of the MEB and the CVR.

The table below shows other key assets and capital ratios:

€ in millions	Dec 31, 2010	Dec 31, 2009
Debt/EBITDA	**2.8**	3.1
Net debt/EBITDA	**2.6**	3.0
EBITDA/interest ratio [1]	**5.4**	4.5

CURRENCY AND INTEREST RISK MANAGEMENT

The nominal value of all foreign currency hedging contracts was €3,323 million as of December 31, 2010. These contracts had a market value of -€68 million. The nominal value of interest rate hedging contracts was €3,906 million. These contracts had a market value of -€159 million. Please see the Risk Report on page 54 f. and the Notes on pages 132 to 139 for further details.

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

Our employees are the basis on which the Company's success is founded. It is thanks to their achievements, their skills, and their commitment that we command leading positions in our markets. We support our employees through numerous measures and actively promote international and interdisciplinary cooperation.

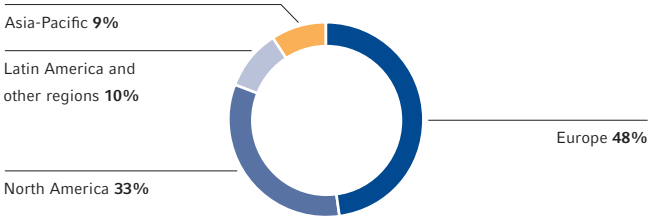
The Fresenius Group had 137,552 employees worldwide at the end of 2010, an increase of 7,042 or 5% (December 31, 2009: 130,510). Acquisitions contributed 2% to the increase.

The **employee numbers** in the business segments were as follows:

Number of employees	**Dec 31, 2010**	Dec 31, 2009	Change
Fresenius Medical Care	**77,442**	71,617	8%
Fresenius Kabi	**22,851**	21,872	4%
Fresenius Helios	**33,321**	33,364	0%
Fresenius Vamed	**3,110**	2,849	9%
Corporate/Other	**828**	808	2%
Total	**137,552**	130,510	5%

At the end of 2010, there were 40,823 employees (30%) in Germany, an increase of 1% (2009: 40,416). 96,729 employees (70%) are employed at our foreign companies. The pie chart shows the distribution of our employees by region. These percentages approximately correspond to the sales contributions of the respective continents. In Europe, the number of employees grew by 4%. This was mainly due to the acquisitions at Fresenius Medical Care. The number of employees also rose strongly in Asia-Pacific, with an increase of 18%, mainly due to the acquisition of the dialysis care provider Asia Renal Care.

EMPLOYEES BY REGION



2010: 137,552

Personnel expenses for the Fresenius Group were €5,350 million in 2010 (2009: €4,881 million), equivalent to 33.5% of sales (2009: 34.4%). Personnel expenses per employee were €39.9 thousand (2009: €38.2 thousand). The increase was mainly due to collectively bargained pay increases and the higher overall number of employees. There were no significant structural changes to compensation or employment agreements in 2010.

Fresenius takes **diversity** into account and furthers it. We are convinced that the potentials that make us successful can only be tapped through different perspectives, opinions, cultures, and backgrounds. One of the most important factors in this respect is the internationalism especially of our management executives. For us, diversity also means identifying and further dismantling any obstacles to the development and advancement of female employees. Considering women for vacant management positions is also an aim and is furthered through concrete measures such as flexible working hours and part-time job schemes. Nonetheless, we do not set any fixed quotas in this regard, since this would generally restrict the choice of suitable candidates. We are convinced that an open corporate culture can only function properly if all employees are recruited and furthered on equal terms. The selection of employees is always aligned to the best interests of the Company. The key criterion therefore when filling vacancies is the individual candidate's qualification for the position.

At the top management level, based on the worldwide circle of executive officers covered by the stock option plans, the proportion of female executives at Fresenius Group is 27%.

HUMAN RESOURCES MANAGEMENT

Highly skilled and motivated employees are the foundation for sustained growth. The ever-increasing globalization of our markets has changed the parameters for human resources management at Fresenius. This involves factors such as demographics, the transformation toward a service society, and the compatibility of job and family. These issues are set to play an even greater role in the coming years and present new challenges for human resources management.

We are constantly adapting our human resources tools to future needs. For instance, in addition to the established internal HELIOS Mentor Network for women, we are now collaborating with a mentor network for women in science and technology at universities in the state of Hesse. This network supports female undergraduate and postgraduate students of science and technology subjects and furthers their personal and professional development. We see the opportunity to combine professional career and personal family planning as a key factor in attracting employees and keeping them with the Company. We have extended the child daycare schemes offered at HELIOS, for instance.

In 2010, we introduced life work time accounts to supplement our work time models in some business segments in Germany. Under this scheme, employees can also credit their own contributions, such as holiday leave or parts of their compensation, into a life work time account in addition to their collectively bargained employment benefits. This life work time account can then be used flexibly later on for sabbaticals for personal higher education or further training plans, for nursing leave to look after family members, or for phased early retirement. By using such modern human resources tools that cater to present-day needs, we wish to bind our employees to the Company for the long term.

TALENT MANAGEMENT

Modern talent management is becoming ever more important given the global market changes that are taking place. This means designing components such as:

- personnel development,
- attractiveness as an employer,
- performance appraisal, and
- successor planning

in a way that we are able to meet future challenges. Our focus is on the professional development of employees in an international and dynamic environment. Personnel development concepts and measures are coordinated, developed, and executed on a segment-specific basis because the demands of our business segments differ depending on their customer and market structure. In 2010 for instance, we strengthened our activities for supporting and developing talent by setting up a central talent management system at HELIOS for medical and nursing staff. All measures are oriented toward overarching corporate goals on the one hand, and individual development needs on the other.

We support the development of our employees' **professional and personal skills** through a wide-ranging offering of internal training measures as well as through personal career talks. The strengths of each individual employee are deliberately furthered and tapped. Through the specific transfer of know-how within the framework of our successor planning, we ensure that valuable expertise is not lost.

PERSONNEL DEVELOPMENT

The **Fresenius Advanced Management Program** is a firmly established component in our development of top management executives. In 2011, we plan a major realignment of our top management training in cooperation with Harvard Business School, one of the world's leading business schools. A central element is the management training for executives. Here, we have continued to refine the offering and implemented a platform for target group-specific support for the various management levels. We will also be modernizing the annual appraisal interview on which our performance management process for tracking performance is based.

Within the framework of our efforts to attract and further **young talents**, our trainee programs offer promising university graduates the opportunity to start a successful career with the Fresenius Group alongside the classic channel of direct job entry. The programs combine challenging on-the-job assignments with internal and external training modules.

The HELIOS trainee programs serve to prepare university graduates for future management positions within the HELIOS Kliniken Group so as also to meet the demand for management resources created by the Group's ongoing

growth. The trainees spend their two-year training at different hospital locations. Working directly with the respective administration and department heads, they learn how to run a clinic or specialist department both strategically and operationally.

In a global company like Fresenius, the close interaction among employees of different nationalities and with different cultures plays an important role. We therefore advance the international mobility of our employees and offer them the opportunity to work abroad. We organize intercultural training programs to develop an awareness and sensitivity toward cultural differences for employees who will be assigned to work at locations abroad. The same applies for employees who come to Germany from our international locations. The program "Living + Working in Germany", for instance, offers language courses and help with handling formalities.

PERSONNEL MARKETING

Positioning Fresenius as an attractive employer in the market for highly qualified specialists and managers is an important part of the efforts to support the Company's ongoing growth from the human resources side. We therefore expanded our personnel marketing activities in 2010. Besides intensifying our contacts with universities, we have developed a completely new Fresenius careers portal. Here, job vacancies throughout the Group are now published centrally for the first time. The individual business segments are also presented in a more detailed form appropriate for target groups. The web presence is rounded off by interactive information. At the same time, the specific focuses, opportunities, and requirements for job applicants are more clearly highlighted.

On the careers portal employees from the different business segments report on their career development at Fresenius, on their day-to-day tasks, and on why they decided to work for Fresenius. In videos and articles they make Fresenius more tangible as an employer and show what the corporate culture within the Fresenius Group is like.

The new careers portal for the Fresenius Group can be found on our website www.fresenius.com in the Careers section or directly at http://karriere.fresenius.de.

IDEA MANAGEMENT

The aim of our **team@work-Award** is to further a common identity and promote teamwork. It also encourages the optimization of work processes and the identification and realization of cost-cutting potential. The award's fourth round in 2010 was again a resounding success. Under the motto "Working Together, Winning Together", projects were submitted by 150 employees competing in 16 teams from all parts of the Group and mirroring our wide-ranging activities: from interaction in the treatment and care of patients and international collaboration in integrating new business activities through to the tapping of synergies in the distribution and sale of products. We want to further strengthen and foster this team spirit in a fifth round. Any form of interdepartmental or interdisciplinary cooperation that results in more sales, lower costs, or other measurable improvements is eligible for the award.

VOCATIONAL TRAINING MANAGEMENT

The transfer of knowledge to the next generation, and thus the professional training of young people, is an important element for securing Fresenius' future over the long term. In this regard we are in a very good position. In Germany at the end of 2010, we employed about 1,700 **apprentices** in 33 different job specifications as well as over 30 students pursuing 9 courses of study at vocational training academies.

In 2010, we were again able to increase the number of apprenticeship places offered at all our training locations by over 5%. The range of job specifications and courses of study was also broadened. The vocational training as a process mechanic for plastics and rubber technology and the International Business Information Technology and Health care Industry courses offered, for instance, provide opportunities for modern, practice-oriented training with very good chances of later being taken on as regular employees.

We place a special focus right from the start of the training on developing personal skills, with the emphasis on improving communication skills and teamwork as well as project management.

In September 2010, we held our fourth Vocational Training Open Day under the motto "Training Live". We also continued to conduct intensive marketing in and with schools in order to attract young people to do an apprenticeship with Fresenius. We address students as well as teachers. We invite school

students to visit us and provide job application guidance and offer teachers various training courses within the Arbeitskreis SchuleWirtschaft (School and Industry Working Group).

To promote entrepreneurial thinking as well as interpersonal, communication, and business skills among our trainees, we organized a **management game** for the fourth time in 2010. It generated a strong response, with a total of 11 teams from different locations competing. The trainees from all job specifications had to run a fictitious firm for one year. Decisions had to be taken among other things on investments, inventory levels, recruitments, and marketing measures.

Fresenius is supporting projects to provide apprenticeship positions for non-high school (Hauptschule and Realschule) students. From 2011 onwards, we are offering internships in Bad Homburg under the nationwide "Joblinge" (Job Starters) initiative. We are also involved in the "JUSTAment" cross-generation project launched by the Frankfurt-based international youth work association "vij-Frankfurt", a scheme where honorary senior partners pass on their know-how to non-high school students with a view to improving their chances in the job market. Fresenius supports the project by supplying latest information on the selection processes at its vocational training locations.

Our training management measures are bearing fruit. In light of the increasing number of high-quality applications we receive, our management training shows that we are an attractive employer not only for school-leavers, but also for interns and students.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

Our employees' strong sense of identification with Fresenius is an important success factor for our Company. In addition to our various compensation models, which differ according to country-specific rules or functions, we wish, through additional benefits, to offer a lasting, value-based incentive to foster a lasting dedication to Fresenius among employees over the long term.

Our employees participate directly in Fresenius' dynamic growth through our stock-based **profit-sharing scheme** and stock option plan. Employees in Germany can invest either the full amount of their profit-sharing bonus in shares or two-thirds of the amount in shares. The profit-sharing bonus paid is based on Group operating profit (EBIT) and was €1,749 gross for full-time employees in fiscal year 2009. The table shows the increase in the profit-sharing bonus over the last several years, which reflects the growth of the Fresenius Group.

With our **stock option plan**, we have a global compensation instrument linking the entrepreneurial responsibility of management to future opportunities and risks. After the change of legal form – and in accordance with the statutes of Fresenius SE & Co. KGaA – a total of up to 6,200,000 options on Fresenius SE & Co. KGaA ordinary shares can be issued under the 2008 Stock Option Plan to members of the Management Board and certain other executive officers up to the year 2012. The stock options are subject to a three-year vesting period. The stock options can be exercised if Group net income has been increased at an annual rate of at least 8% during this period. Otherwise, the options granted are forfeited proportionally. In 2010, 1,109,738 stock options were issued under this plan. For further information please see pages 142 to 148 of this annual report.

RESEARCH AND DEVELOPMENT

Fresenius focuses its R & D efforts on its core competencies in the following areas:

- Dialysis
- Infusion and nutrition therapies
- Generic IV drugs
- Medical devices
- Antibody therapies

Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2010 we again successfully continued

PROFIT-SHARING BONUS

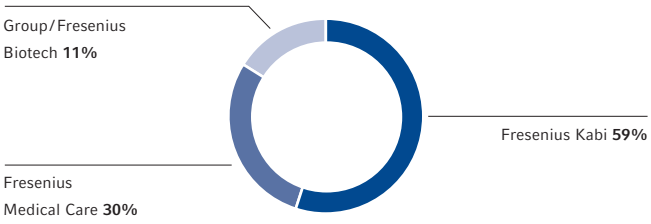
	2009	2008	2007	2006	2005
Profit-sharing bonus[1] in €	1,749	1,586	1,526	1,444	1,000
Eligible employees	1,710	1,630	1,690	1,830	1,780

[1] The profit-sharing bonus is paid retroactively and is based on Fresenius' Group EBIT in the past year.

numerous projects and a number of new products were launched.

Expenses on research and development were €256 million (2009: €282 million). In 2009, they include a €46 million write down of capitalized in-process R & D activities (2010: €13 million). We invested about 4% of our product sales in R & D (2009: about 5%). The chart shows R & D expenses by segment. In 2010, Fresenius Medical Care increased its R & D spending by 9%. Spending decreased at Fresenius Kabi by 11%. In the segment Corporate / Other, €28 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the €44 million spent in the previous year. Detailed figures are included in the segment reporting on pages 78 to 81.

R&D EXPENSES BY SEGMENT [1]



[1] All data of the business segments according to U.S. GAAP

As of December 31, 2010, there were 1,449 employees in research and development in the Group (2009: 1,421). Of that number, 518 were employed at Fresenius Medical Care (2009: 494), 844 at Fresenius Kabi (2009: 829), and 87 at Fresenius Biotech (2009: 98).

The table shows a historical comparison of R & D expenses and the number of employees working in R & D.

Our main research sites are in Europe, the United States, and India. Product-related development activities are also carried out in China. Our R & D projects are mainly conducted in-house; external research is commissioned only on a limited scale.

In the following, we shall now inform you about the R & D activities in our business segments:

FRESENIUS MEDICAL CARE

The complex interactions and side effects that lead to kidney failure are better explored today than ever before. Parallel with the medical insights, technological advances also improve the possibilities for treating patients. For the R & D activities at Fresenius Medical Care, this means that our aim is to translate new insights into novel or improved developments and bring them to market as quickly as possible, and thus make an important contribution toward rendering the treatment of patients increasingly comfortable, safe, and individualized.

With advancing age, dialysis patients become more prone to **side effects** such as severe heart and vascular diseases. Such ailments typically occur when the body perpetually suffers from overhydration as a result of kidney failure. Side effects are therefore a growing focus in our R & D activities – in the form of diagnostic and therapy systems surpassing general dialysis.

Home dialysis treatment methods – peritoneal dialysis, home hemodialysis, and in the long term a wearable artificial kidney – and related technologies and products are another focus of our R & D. Home dialysis not only means that patients who are suitable for such treatment can organize their day-to-day life more freely. It also increasingly relieves the limited capacities of the dialysis clinics and makes dialysis possible in the first place for people living in areas with a weak health care infrastructure.

	2010	2009	2008	2007	2006
R & D expenses, € in millions	**256**	282	206	182	166
as % of product sales	**4.4**	4.6 [1]	4.7	4.8	4.8
R & D employees	**1,449**	1,421	1,336	999	911

[1] Excluding one-time write downs of capitalized in-process R & D activities

Given rising cost pressure in the health care sector, **innovations** must also be affordable. High-quality treatment delivers cost efficiency when it minimizes risks and complications and thus avoids additional costs, for instance for hospital treatment. In our R & D we are focusing on products and services that support our customers in providing quality care to patients at affordable cost.

We now describe some of the **focuses of our work** in more detail:

In our continuous product improvement process, for instance, we are focusing on minimizing the risk of harm to patients as a result of technical faults or human error. A rare but particularly high-risk hazard is blood loss during dialysis – for instance as a result of leaks in the bloodline or dislodgement of the needle connecting the patient's blood vessel to the bloodline system. Blood loss can then occur directly and cause death within a short time. Fresenius Medical Care is currently working on a new safety system based on innovative software: the **Venous Needle Disconnect** (VND). This is capable of intelligently evaluating extracorporeal pressure signals. It can detect normal disruptions as such and reacts to fine but potentially hazardous pressure irregularities – for instance as a result of the dislodgement of the needle, leakages, or buckled bloodline segments – with an alarm that activates the necessary safety responses on the dialysis machine. We tested the VND intensively in 2010 and want to integrate it into the monitor of our 4008 and 5008 series dialysis machines this year. Although the VND cannot eliminate the risk of blood loss completely, we are convinced that, with this new system, we have developed a particularly reliable technology which to date has no comparable available alternative in the dialysis market.

Fresenius Medical Care has been working for some years within a team of experts on the development of a **wearable artificial kidney** – a dialyzer system that is small and light enough to be worn on the patient's body and that replicates the natural functioning of the kidney particularly well by operating continuously.

To be wearable, the system must be able to function with substantially less dialysate than the standard methods of peritoneal dialysis and hemodialysis. To achieve this, the amount of dialysate has to be reduced from currently about 175 to 360 liters per week (depending on the method) to about 150 to 500 milliliters which circulate in the device and are repeatedly cleansed and recycled. The dialysate can be cleansed with the help of sorbents – substances that effectively bind the toxins and waste substances in the dialysate (adsorption). However, urea is a critical exception. To effectively remove urea from the used dialysate as well, Fresenius Medical Care, building on its many decades of experience in the field of polysulphone membranes, has developed a novel hollow fiber membrane. It consists of a double-layer which, through its structure and composition, actively controls the passage of substances. A functional coating enables the urea to pass from the dialysate but retains the vital electrolyte. The urea is chemically decomposed by an enzyme in the outer part of the hollow fibers. Sorbents bind the ammonium that is released and prevent any toxic ammonium residues passing back into the dialysate. The basis for the new, multi-layer membrane is an innovative silicon-based micromechanical technology. This technology serves to produce microscopically tiny spinnerets required to process various membrane materials, including polysulphone, at several levels simultaneously. We filed a number of patent applications for the complex structure of the spinnerets. The double-layer urea membrane, which we now want to further optimize for use in a wearable artificial kidney, is a first practical result of the new spinning process. However, the technology is essentially of considerable interest for all sorbent-based dialysis systems, in which the dialysate needs to be recycled, thus enabling more patients to be treated flexibly outside the clinic.

Another R & D focus is integrating **therapy systems and software solutions**. This improves the performance of the dialysis treatment on the one hand, and it's recording and monitoring on the other, resulting not only in higher treatment quality but also in a more efficient use of human, medical, and financial resources. One example is our new 2008T hemodialysis machine for the U.S. market. After approval from the FDA (U.S. Food and Drug Administration)

we launched the machine in November 2010 on the occasion of the ASN (the American Society of Nephrology Conference), the most important conference of its kind in the United States. It is the first hemodialysis machine approved for the U.S. market to use an integrated software platform for entering and administering clinical treatment data directly from the patient's bedside. In view of the new bundled rate reimbursement system in place in the United States since January 2011, the new module should support doctors and clinic staff in compiling the data which the authorities require for accounting the service efficiently and promptly. It should also help to simplify day-to-day working routines and further improve clinical data and quality management at the clinics. We are also currently testing an integrated infusion pump for intravenously administered iron preparations which we have specially developed for the 2008T and which has already been approved by the FDA. This is designed to make the administration of the iron preparation and its exact dosage easier for clinic staff and thus further increase safety for the patient. We want to launch the new module already in 2011.

FRESENIUS KABI

Fresenius Kabi's R & D activities concentrate on products for the treatment and care of critically and chronically ill patients. Our focus is on therapy areas with high medical requirements, such as oncology patients. We develop products that help to support medical advancements in acute and post-acute care and improve the patients' quality of life. At the same time, we want to make high-quality treatments available to patients worldwide through our comprehensive range of generics.

Our **R & D strategy** is aligned with this focus:

- develop innovative products in areas where we hold a leading position, such as blood volume replacement and clinical nutrition
- develop new formulations for non-patented drugs
- develop own generic drug formulations for the date when drugs go off-patent
- continue to develop and refine our existing portfolio of pharmaceuticals and medical devices.

We have an encompassing **development competency** which includes all the relevant components: the drug raw material, the pharmaceutical solution, the primary packaging, the medical device for application, and the production technology. We are also one of the few companies in the world that cover the entire production chain for IV drugs: from the processing of the raw materials and the production of the active ingredient through to the manufacture of the drug. This competence enables us to offer IV drugs that place special demands on development and especially on production, as is for example the case with oncological products. Here, we also develop and manufacture cytostatics both as finished products and as patient-specific compounding preparations. Wherever possible, we develop and produce the active pharmaceutical ingredient in our own research labs and production facilities in order to ensure first-rate quality.

Another important element of our activities is the preparations for obtaining **marketing approval** for new products. We are constantly working on dossiers for the registration of our products for all the world's major markets. This applies to our established portfolio, which we roll out on a broader international basis through marketing authorizations for new local markets, while at the same time we work on applications for new products.

Infusion therapies

In 2010, we continued our research and development efforts in the area of blood volume replacement. Voluven® is one of our most successful **blood volume replacement** products. About 30 million[1] patients have been treated with this preparation since it was launched in 1999. National and international working groups have so far published over 180 studies on Voluven® validating the product's efficacy and safety. In 2010, we also continued our extensive clinical research program in this area and are thus constantly adding to the clinical evidence in the treatment with blood volume

[1] Fresenius Kabi market research

substitutes. We continued to support randomized, double-blind studies with Voluven® 6% for sepsis, trauma, and caesarean section. We also continued a clinical study that is examining our product Voluven® 6% in comparison with crystalloids in the treatment of about 7,000 intensive care patients. In addition, we supported several studies in the areas of anesthetics and intensive care medicine with our product Volulyte®, which contains our proven HES (hydroxyethyl starch) active ingredient in a balanced electrolyte solution.

Fresenius Kabi is the world's largest manufacturer of HES products for pharmaceutical use and has been one of the leading companies in this field for decades. Building on our extensive know-how we have developed the HESylation® technology. This technology enables an active pharmaceutical ingredient to be coupled to specific hydroxyethyl starch molecules, decisively modifying a drug's profile. In this way it is possible to modify important pharmacological parameters such as resorption, decomposition, half-life, water solubility, and safety. We continued to develop our HESylation® technology in 2010 in cooperation with our pharmaceutical industry partners with whom we collaborate on a project basis. Further milestones in the development of the HESylation® technology were reached, for instance, together with Bayer Schering AG and Boehringer Ingelheim RCV, an Austrian company of the Boehringer Ingelheim Group.

Intravenously administered drugs

In the field of IV drugs we focus on high-quality generics for the therapy areas of anesthetics, analgesics, infectious diseases, oncology, and drugs for the treatment of critical diseases. Our long experience in developing infusion solutions is a clear advantage in the development of new generics. We work on specifically targeted improvements, for instance in drug formulations and packaging of known drugs, to contribute to the optimized therapy of chronically and critical ill patients. The application security of our products is another important focus in our development work. We develop user-friendly packaging concepts, like for example our color code safety concept. This enables products and their different active substance concentrations to be easily distinguished. This guarantees a high degree of safety for the patient and the nursing staff. This clear, safe and readily transparent system conforms to national and international standards.

Our R & D pipeline contains an extensive portfolio of active drugs that will be coming to market in the next few years. We currently have about 135 products at different stages of development. Our aim is to offer a comprehensive portfolio of high-quality generics globally. It is important that we bring products to market as quickly as possible. In our marketing approval activities we therefore worked intensively on dossiers for the registration of new generics.

In 2010, APP Pharmaceuticals had 28 drug applications in the marketing approval process with the FDA in the United States, 6 of which were filed by the company in the reporting period. Depending on how long the FDA review process takes, we expect to be able to launch these products within the next three years.

We also see the launch of new oncology generics as an important driver of future growth. In 2010, we filed applications worldwide for the marketing authorization of 35 drugs for products in different formulations and dosage forms. We expect to launch these products within the next two years.

We are also working intensively on marketing approvals for high-quality generics outside North America for the therapy areas of anesthetics, analgesics, infectious diseases, and drugs for the treatment of critical diseases. Here we filed applications for four drugs in 2010 and expect to obtain marketing approvals for 16 products based on new drugs in different formulations and countries within the next three years. In the area of analgesics, we obtained marketing authorization for an intravenously administered paracetamol in 2010. We have filed a patent application for this drug formulation.

Clinical nutrition

In **parenteral nutrition** we develop products which have a highly therapeutic effect in the care of critically and chronically ill patients. Our focuses are:

- parenteral nutrition products that improve the therapy of patients in hospital
- innovative containers, e.g. multi-chamber bags that allow maximum application safety and convenience in everyday use

The regional rollout of our successful product portfolio is also a central part of our R & D activities. The introduction of our parenteral products in the U.S. market plays an important role. We therefore worked intensively on the documentation for the products for which we wish to obtain marketing approval.

Products for the clinical nutrition of premature and newborn babies, nurslings, and infants are another focus of our R & D. In 2010, we worked on broadening our product portfolio for use in pediatric care. We also worked on the development of a further variant of our SmofKabiven® product and plan to complete this in 2011.

In our development activities in the area of **enteral nutrition,** we are focusing on sip and tube feed nutrition products for malnourished – often geriatric – patients and on therapeutic products for dysphagia (difficulties in swallowing), diabetes, oncology, and critical illness. We are thus combining the latest insights in both medical and nutritional science and food and process technology into our product development. This approach enables us to offer innovative nutrition products matched to the specific patient profile. We are also constantly working on new, improved flavors for our sip feed products to counter side-effects that arise during long-term therapy, e. g. patients growing tired of the taste. Our broad range of products in different flavors increases patients' adherence to the dietetic regime and helps to improve their quality of life at the same time.

We continued our development work on new products in the aforesaid therapy areas and brought products to market. For instance, we launched the Diben Creme product for diabetes mellitus patients.

Informing people about the consequences of malnutrition is an important concern of ours. Nutritional and energy deficiencies are often due to heightened needs, e. g. as a result of tumor diseases, injuries, or surgery, or due to insufficient intake, e. g. because of difficulties chewing or swallowing and neurological ailments, or due to excessive loss, e. g. as a result of intestinal disorders. We are working together with the European Society for Clinical Nutrition and Metabolism (ESPEN), the European Nutrition for Health Alliance (ENHA), and the International Medical Nutrition Industry Group (MNI) on ways to inform people about the consequences of malnutrition for patients and possible therapies. For instance, we see a standardized screening in Europe as an important step forward in fighting malnutrition.

In the field of **medical devices** we have set ourselves the aim of developing safe application products for effective therapies. Our focus is on their use in day-to-day medical care. To ensure that patients are treated correctly and successfully, complex application methods and different application systems are used to infuse drugs and nutrients and to transfuse blood or blood components. Not only the diversity of these products but also the number of medical staff involved in these processes pose major challenges for safe application.

In 2010, we continued our work on the development of an innovative connector system for the application of enteral nutrition products. In infusion therapy, connectors are the connecting devices to canulas, syringes, and infusion lines. To find the best possible way to avoid the risk of misconnections of enteral nutrition lines in day-to-day medical care, we are working on a novel connector system that excludes accidental connection with intravenous application techniques. A patent application for this system was already filed in 2009. We plan to launch the system at the end of next year.

The internationalization of our portfolio of medical devices is another focus of our development activities. Firstly, we plan to expand our portfolio's market presence in Asia-Pacific and, secondly, we want to penetrate the U.S. market with our products. We completed the development work for the launch of our Agilia infusion pump in Japan, for instance. Language modifications had to be made and the device's software menu was adapted to local requirements. We have also started with preparations to launch our first products in the U.S. market in the medium term.

FRESENIUS BIOTECH

Fresenius Biotech develops and commercializes innovative therapies with immunotherapeutic products. Two products are currently being marketed: firstly, ATG-Fresenius S in transplantation medicine and, secondly, the trifunctional antibody Removab for the treatment of cancer patients with malignant ascites.

Trifunctional antibodies

A special focus of our activities in 2010 was the marketing of **Removab** (catumaxomab) after the European Commission had issued its approval for the intraperitoneal treatment of patients with malignant ascites in April 2009. Removab is the first trifunctional antibody in the world to be approved and is also the first drug for **malignant ascites**. We began marketing Removab in Germany in May 2009 and have generated total sales to date of €4.5 million with the product, about €3 million of which was in 2010. As a new, highly innovative therapy, Removab first has to be gradually introduced in clinics and specialist medical practices before it can become recognized as a standard treatment procedure in the mid-term. In 2010, we continued with the preparations for its market launch in other European countries. As of October 8, 2010, the French Ministry of Health has included Removab in the list of drugs authorized for hospital use. The listing ensures reimbursement of this innovative antibody indicated for the treatment of malignant ascites in hospitals. We have submitted the documentation for the pricing in other regulated European markets; decisions by the relevant authorities are still pending.

Removab's high innovativeness has been borne out impressively by the award of the Galenus von Pergamon Prize in the Specialist Care category in October 2010. The jury acknowledged its new therapeutic mechanism and the improved quality of life for patients as key reasons for the award. The Galenus von Pergamon Prize honors outstanding research and innovative drug developments in Germany.

Two studies are being conducted to support the marketing of Removab:

For the **CASIMAS study**, which is being carried out in key European countries parallel with the market introduction, the recruitment of patients has been successfully completed. This randomized phase IIIb study is examining the tolerability, safety, and effectiveness of treating ascites patients with Removab, applied as a three-hour infusion versus without a corticosteroid pre-medication. So far approval has been issued for an infusion time of six hours. The follow-up observation phase will be completed in 2011. It is also planned to file the application for approval of the three-hour infusion with the European authorities in 2011. The **SECIMAS study** is complementary to the CASIMAS study and examines the safety and tolerability of a repeated Removab cycle. This study enables patients who have benefited from the first application of Removab in the CASIMAS study to receive the therapy again if malignant ascites recurs.

In 2010, we continued to analyze the data from the pivotal study for malignant ascites and presented the results at international congresses. It was found that patients who showed a positive immune reaction response profited above average from the treatment. These data underline Removab's immunological mode of action.

We undertook preparations for further clinical studies in 2010. Firstly, they are intended to provide further evidence of the effectiveness of the intraperitoneal application of Removab, measured in terms of the overall survival time. The aim is to use Removab at earlier stages of treatment and thus broaden its marketing potential. Secondly, we have prepared a study on the safety and feasibility of repeated intravenous administrations of Removab. This form of application enables the use of Removab, which is the only antibody in the world approved so far for EpCAM-positive tumors, to be extended to indications such as lung cancer.

Immunosuppressive agent ATG-Fresenius S

With ATG-Fresenius S, a polyclonal antibody, Fresenius Biotech has an immunosuppressive agent that has been used successfully for many years for preventing and treating organ rejection in transplantation. Sales of ATG-Fresenius S were about €23 million in 2010. We continued the preclinical and clinical development for further indications and for distribution in new markets. Medical data from a European study demonstrate the efficacy of ATG-Fresenius S in the prophylaxis of Graft-versus-Host disease (GvHD) in stem cell transplantation. Based on these results, Fresenius Biotech received approval from the German Paul-Ehrlich-Institut in January 2011 to extend the application of ATG-Fresenius S to "GvHD prevention in adult stem cell transplantation". Germany is the first major market for which approval has been issued for the area of stem cell transplantation. Fresenius Biotech is currently in contact with various European authorities to obtain approval for this indication on the basis of the available clinical data.

The results so far provide strong support for conducting a pivotal phase III study in order to gain access to further international markets. This is currently at the planning stage.

PROCUREMENT

An efficient management of the value chain is important for the Fresenius Group's profitability. One key element is **global procurement management**, which assures the availability of goods and services as well as the consistent quality of the materials used in production. In an environment characterized by ongoing cost-containment pressure from health insurers as well as price pressure, security of supply and quality play a crucial role. For this reason we are constantly striving to optimize our procurement processes, to tap new procurement sources, and to achieve the best possible pricing structures while remaining flexible and maintaining our strict quality and safety standards.

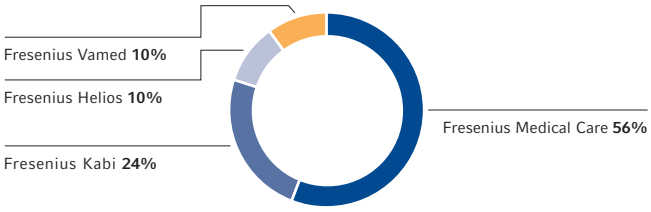
Global **procurement processes** are coordinated centrally within the Fresenius Group, enabling us to bundle similar requirements and negotiate global framework agreements. Current market and price developments are also analyzed on an ongoing basis. In addition, these central coordinating offices organize purchases for the production sites and arrange comprehensive quality and safety checks of purchased materials and goods.

In 2010, the cost of raw materials and supplies and of purchased components and services was €4,732 million (2009: €4,287 million), as the table shows:

€ in millions	2010	2009
Cost of raw materials and supplies	**4,092**	3,715
Depreciation of raw materials, supplies and purchase components	**0**	1
Reversals of write downs of raw materials, supplies and purchase components	**0**	0
Cost of purchased components and services	**640**	571
Total	**4,732**	4,287

The cost of raw materials and supplies raised by 10% to €4,092 million (2009: €3,715 million). Purchased components and services accounted for 14% of the Group's total cost of materials (2009: 13%).

COST OF MATERIAL BY BUSINESS SEGMENT [1]



[1] Before consolidation; all data of the business segments according to U.S. GAAP

FRESENIUS MEDICAL CARE

In 2010, the focus was on reorganizing the global procurement processes within the newly created **Global Manufacturing Operations (GMO)** division in order to coordinate the competencies in manufacturing methods and processes, quality management, strategic sourcing, and supply chain management closely within Fresenius Medical Care. The aim is

- to make processes and procedures still more efficient
- to control risks and costs more effectively
- to further increase the profitability of the manufacturing operations

In 2010, we examined the extent to which the production plants in the regions can supply each other with finished products and intermediate goods. This applies to products that can be adapted to local requirements but are based on standardized core materials and technologies, enabling manufacturing capacities to be employed more flexibly and thus more efficiently on a global basis.

The GMO division monitors developments on the global **procurement markets** and in key **currencies**. The aim is to exploit international price advantages when sourcing raw materials and components for production while at the same time achieving a better spread of the related risks, e.g. potential costs of currency movements or dependencies on individual suppliers.

All of our locations need to be supplied with raw materials and components of consistent high quality. We are therefore sourcing increasingly from suppliers who operate internationally and have production capacities throughout the world. In 2010, GMO supplemented the existing supplier management system by integrating a new **risk management** process. This monitors the relations with strategic suppliers on the basis of standardized criteria. These criteria include the solvency of our suppliers, their short and mid-term supply capacity, and possible monopoly positions as well as currency risks and quality risks.

FRESENIUS KABI

Fresenius Kabi optimized the purchasing conditions by setting the following focuses in 2010. Firstly, we continued implementing measures to realize the cost-cutting potentials identified in 2009 in the **Global Sourcing Initiative** project, as described in the previous year. Secondly, we have successively integrated acquired companies into the purchasing organization and the global sourcing activities.

In 2010, the development of raw material prices was affected by various global factors. The prices of the raw materials relevant for Fresenius Kabi rose considerably in some cases. This was due to a general recovery of demand at the macroeconomic level, especially in China and India. At the same time, world trade was affected by the volatility of major trading currencies. Some prices came close to their 2008 peak levels.

- Owing to the trend in the underlying commodity prices, the prices of **plastic granulate** (such as low-density polyethylene (LDPE), polypropylene, and PVC for primary packaging and medical devices) picked up markedly, with the result that the cost of the foil for primary and secondary packaging and the hosing for medical devices produced from it also increased.
- This applies to **cardboard packaging** as well, with the prices of the majority of the paper grades used rising appreciably.
- The prices for **glass bottles** decreased in 2010 due to lower energy costs, among other factors.
- In the case of products based on **agricultural raw materials**, the situation for Fresenius Kabi was mixed. The prices of processed milk products were higher on average in 2010. Although corn prices climbed steeply in the second half of 2010, compared to 2009 the cost of corn-based products was favorable thanks to the timely conclusion of supply contracts.

For our **IV drugs** we use a wide range of active substances whose pricing is largely independent of that of the underlying raw materials. They have a market dynamic of their own. This is due to their complex manufacturing processes and pharmaceutical standards as well as patents and product availability. Important criteria for our sourcing activities are high product quality and flexible availability as required at competitive prices. In 2010, we were able to conclude a number of attractive supply agreements at fixed prices for one or more years.

As expected, the cost of **electricity and natural gas** decreased in 2010. We were able to reduce our costs substantially in the 2010 supply year (October 31, 2009 to October 31, 2010), especially for natural gas.

FRESENIUS HELIOS

At HELIOS, high medical standards go hand in hand with an efficient, economically sound management of available resources. Its procurement management system combines the expertise of its doctors and nurses with the commercial competence gained in other areas from the various clinics and disciplines. This capability and our standards of medical quality are channeled into all procurement decisions for the benefit of the patient.

Medical devices and drugs have direct relevance for the standard of **medical quality**. The HELIOS clinics therefore place value on close cooperation with their suppliers and a high level of standardization of the products used. The strategic selection of suppliers also serves to minimize risks in the sourcing process. Only suppliers that have an adequate fault management process, a convincing fault and defects reporting process, and a low risk of business failure can be considered as a business partner for HELIOS. HELIOS introduced the **HELIOS partner rating** system in 2006. Its aim is to review the business relationship between HELIOS and its suppliers from the perspective of both partners. The 2010 ratings are due out in the first half of 2011 and will also be published on the company's website.

Medical devices were integrated into HELIOS-Kliniken's Group-wide sourcing organization in the first half of 2010. This is one of the biggest product groups in the procurement management system and was a separate operation until 2010. By embedding medical devices into the Group-wide procurement organization, HELIOS now manages all the main hospital sourcing requirements centrally.

2010 was marked by a reorganization of the **data delivery and evaluation systems**. So far the consumption data for the HELIOS clinics supplied through external pharmacies have not been evaluated centrally but only at the regional level. HELIOS has therefore launched a project to enable analysis of all the consumption data of the HELIOS clinics on a common platform regardless of whether they stem from external or in-house pharmacies. The project already delivered its first results at the end of 2010.

Today, over 85% of our medical supplies are standardized Group-wide at HELIOS. The implementation of the **master article database** was successfully completed in 2010. Seven different material management systems were merged into one system with standardized processes and master data records. Today, a system of more than 850 product groups promotes transparency, planning efficiency, and competition. The aim of **standardization** is to optimize quality. Teams of medical experts from the clinics set binding Group-wide product standards together with the procurement officers. The level of standardization depends on the particular product group. Due to the binding product standards, HELIOS can bundle large volumes and is thus in a very good position to negotiate excellent procurement terms.

The quality attributes of the products used and their **safety** for patients and staff are also essential criteria in our procurement management. In 2010, we reorganized the labeling of syringes in all anaesthesiological and intensive care units. Other departments will follow in 2011. The syringes are clearly identified by color codes according to ISO 26825: 2007 to prevent mistakes and to increase patient safety.

Hospitals' energy requirements are a key cost factor. In 2010, HELIOS spent a total of about €55 million on energy, water, and fuels (2009: about €53 million). HELIOS has created a web-based sourcing platform, enPortal, which provides transparency on all utilities at all clinic locations. Variances in consumption and costs are promptly detected and directly acted upon. HELIOS monitors the latest price trends on the energy exchanges daily. The enPortal platform, to which about 300 energy utilities in Germany are linked, is used by other Fresenius business segments besides HELIOS. For 2010 we were able to lower the electricity price by over 24% compared to the previous year. We also achieved very good results in our natural gas sourcing and are now covering requirements until October 31, 2012. The cost of natural gas was reduced by 15% for the 2010 supply year (October 31, 2009 to October 31, 2010).

FRESENIUS VAMED

Procurement management at Fresenius Vamed consists of the following activities:

- **Project business:** planning and construction, e.g. turnkey construction projects, and building utilities. VAMED also executes projects as general contractor, including work by other companies.
- **Service business:** Operation, technical facility management, and replacement parts sourcing for international health care facilities. Contracts in the service business are mostly long term. The main items sourced are, for instance, medical devices and equipment, supplies, and services such as laundry, maintenance, and cleaning.

The **VAMED sourcing platform** systematically identifies synergies for customers from the project and service activities. Considerable cost-cutting potentials are tapped through bidding competitions and framework agreements for several assignments, e.g. bundling cleaning services and energy supplies. Emphasis is placed on so-called **life-cycle cost**. In its sourcing decisions VAMED takes account of the total cost of materials and products over the entire life cycle, i.e. acquisition cost, servicing, maintenance, and replacement parts. The strategic aim is to procure the optimum product for the customer at the best price.

In the case of public private partnership (PPP) models with public-sector clients, consideration is also given to local value added, i.e. sourcing materials and services locally.

Based on the **EFQM** (European Foundation for Quality Management) **model**, we set targets for the procurement management process, such as customer satisfaction, the percentage of framework agreements, and supplier ratings.

QUALITY MANAGEMENT

The quality of our products and therapies is the basis for best-in-class medical care. All processes are subject to the highest quality and safety standards for the benefit of the patients and to protect our employees. Our quality management has the following three **objectives**:

- to identify value-enhancing processes oriented toward efficiency and the needs of our customers
- to monitor and steer these processes on the basis of performance indicators
- to improve procedures

These objectives overlay the quality of our products as well as all services and therapies that we provide. Our quality management system integrates all product groups – such as drugs, medical devices, and nutrition – as well as our clinics.

We regularly evaluate our quality management system through internal audits. It is also certified by external bodies. Our products are already closely controlled at the **development** stage. Our drugs are subject to regulatory approval, so appropriate documentation has to be prepared and submitted in accordance with national and international regulations. Medical devices undergo – for instance in Europe – a conformity assessment procedure that documents compliance with the appropriate norms. In enteral nutrition, we already follow the Hazard Analysis Critical Control Point (HACCP) principle during the development process. The HACCP principle is a generally acknowledged method of identifying and examining risk areas in the production of food. We have established a quality assurance system in all our **production plants**. In addition to the controlled use of materials, validated production procedures, and ambience and in-process controls, each batch produced also undergoes final controls and a formal release procedure. Our quality assurance system also includes measures for the **protection of employees**, for instance when handling hazardous substances. Our production facilities are regularly inspected by regulatory authorities or other independent institutions. **Sales and marketing** are also an integral part of the quality management system. For example, at any given time we are able to trace where every batch has been supplied.

In recent years, HELIOS has initiated and further developed a performance indicator system to evaluate the **quality of medical results** in hospitals. Within the hospital market this system is acknowledged as a highly innovative procedure. The system is even used as quality standard in more than 400 German hospitals outside HELIOS Group. The system is also in use throughout Switzerland and Lower Austria. The aim is to monitor, evaluate, and optimize the outcomes of medical treatments and therapies in hospitals on the basis of administrative data.

FRESENIUS MEDICAL CARE

As the world's leading provider of dialysis care and products, Fresenius Medical Care has a special commitment to maintaining the best possible quality standards for its patients and customers. To meet these demands and the numerous regulatory requirements, Fresenius Medical Care has implemented comprehensive quality management systems in its regions, which reflect both the specific local conditions and the company's global responsibility. These systems regulate and monitor compliance with **quality and safety standards** for all products and procedures, from development, production, and regulatory approval to clinical application, customer training and handling complaints.

The quality management system combines internal regulations and processes with the specification of external standards – such as ISO 9001:2000 for quality management systems and ISO 13485:2003 for medical products. We also apply the guidelines issued by the U.S. Food and Drug Administration, the EU Medical Device Directive (MDD) and Good Manufacturing Practices (GMP), and international rules for the safe and high-quality manufacture of pharmaceutical products and medical devices. Today, our sites are already certified to various regional quality standards. This enables products to be supplied flexibly to different markets, thus

increasing the reliability of supply. The GMO division described in the procurement management section on page 38 will be intensifying these multiple certifications within Fresenius Medical Care. Another focus is to harmonize quality management generally, e.g. to achieve supra-regionally comparable processes and systems for quality assurance and quality improvement. To assess quality in dialysis care, Fresenius Medical Care uses quality parameters that are generally recognized throughout the dialysis industry. One example is the so-called Kt/V value, which shows the cleansing performance of the dialysis treatment. This is calculated by analyzing the relationship between the duration of treatment and the amount of specific toxic molecules that were removed from the blood. The number of days patients are hospitalized is also crucial for determining treatment quality, because they are particularly cost-intensive and can significantly reduce the quality of life of dialysis patients. Constantly measuring these and other parameters helps us to further improve our standards in providing dialysis treatment.

The quality management implemented at our sites and at our dialysis clinics is regularly audited. In Europe, this is handled by the TÜV. These conformance and certification experts check our corporate headquarters, the production plants as well as sales organization and clinical organizations as part of their annual audits. In the **United States** our clinics are audited by the Centers for Medicare and Medicaid Services (CMS), the bodies responsible for the public health care program. In 2010, our laboratory services subsidiary, Spectra Laboratories, was the first medical test laboratory in the United States to be certified to ISO 15189:2007 which defines the quality standards for medical laboratories. Nephrologists rely on extensive laboratory tests in order to be able to tailor the dialysis therapy to the patient's individual needs.

In the **International segment** our dialysis care business is marked by the penetration of new markets and regions. The legal and health care systems differ from country to country and newly acquired dialysis centers might not conform to our quality and management standards. For this reason we launched the NephroCare Excellence Initiative in 2010. The aim is to introduce our quality standards efficiently and systematically at newly acquired clinics and to improve risk management through compliance with quality standards. In this way we want to harmonize the procedures at our clinics generally and to further improve the quality of the care we provide.

We also monitor the effective implementation of our quality management systems through regular internal audits performed by employees who are specially qualified and trained for this purpose. Furthermore, through regular patient and customer surveys, we obtain valuable feedback, for instance, on the acceptance of our customer, delivery, and technical customer service.

FRESENIUS KABI

Quality management at Fresenius Kabi is based on the internationally recognized quality management standard ISO 9001 and a great many national and international regulations relevant for the products manufactured by Fresenius Kabi, such as Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP) for drugs, and the quality management standard ISO 13485 for medical devices. The implementation and application of these requirements is based on quality management documents that apply throughout the company. We also regularly review compliance with our quality standards and the efficiency of the quality management system at all locations through internal audits.

We adapt our quality management system continuously to changing legal requirements. In 2010, for instance, the additional requirements of the European Medical Devices Directive came into force.

In 2010, we reviewed the quality management system's conformity with the relevant requirements, which was successfully validated. The entire **value chain** at Fresenius Kabi is covered by inspections by regulatory authorities and audits by independent organizations or even customers. This involves a great many operations: production plants, compounding centers, sales organizations, and corporate functions.

The **matrix certification** to ISO 9001 was continued as planned in 2010: We integrated production plants, compounding centers, and sales organizations in India, Europe, and in North and South America. With the exception of locations at the companies acquired in 2008, Fresenius Kabi has almost completed the global certification process.

The necessary continuous improvement of the quality management system was realized in 2010 through optimized, supplemented, and harmonized Group-wide standards. These standards are formulated by experienced experts from all functional areas.

FRESENIUS HELIOS

Treatment quality is a key strategic goal at HELIOS. The purpose of the quality management system is to contribute toward a continuous improvement in patient care. Now, over 1,300 indicators (2009: over 1,200 indicators) cover all the main diseases and surgical procedures, so that it is possible to record the number of performed services, (partially) the use of different surgical methods, and, where feasible, **indicators for the quality of the outcomes**. Conspicuous medical results at individual acute care clinics are reviewed critically and discussed in a peer review process. Internal experts analyze the treatment results that do not meet the HELIOS quality standards. Concrete improvements are then formulated together with the clinic involved. The aim of this analysis is to achieve improvements in the procedures and structures of the treatment process. The outcomes for the 30 main indications and surgical procedures are regularly published in the form of over 140 quality indicators both for the HELIOS Group and for each individual clinic on the Internet and in the respective hospital reports. We believe publishing the quality indicators for each clinic is valuable as it gives the doctor making the referral and the patient an idea of the standard of treatment quality at the clinics. As the records demonstrate, we have improved this continuously over the last ten years.

We have set ambitious targets for 33 of the 140 quality indicators. The aim is for the HELIOS clinics to be at least as good as the German average for these indicators. Where corresponding benchmarks are available, HELIOS expects its acute care clinics to meet best-in-class international standards in the area of surgical medicine. As the table shows, the Group achieved or exceeded the targets for 28 of these indicators (2009: 27).

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

Indications/standardized mortality ratio (SMR) [1]	2010 SMR	2009 SMR [2]
Acute myocardial infarction (AMI)	**0.77**	0.81
Heart failure	**0.65**	0.73
Stroke	**0.83**	0.94
Ischemic stroke	**0.84**	0.92
Pneumonia	**0.72**	0.79
Hip fracture	**0.93**	0.88

[1] SMR 1 corresponds to the German average
SMR <1 = means that mortality is below the German average
[2] Adjusted for the current reference value of the Federal Statistics Office

More information can be found at: http://www.helios-kliniken.de/medizin/qualitaetsmanagement

In 2010, HELIOS achieved an SMR of 0.65 for heart failure. This indicates that the mortality in the HELIOS clinics was 35% below the average of all German clinics. Where the targets were not achieved, the deviation from the German average was so small as to be statistically insignificant. The medical teams at HELIOS are also pursuing goals relating to many details of care in their various specialist areas.

The HELIOS clinics are currently working together with the Technical University of Berlin on a comprehensive improvement and refinement of the quality indicators. The updated version of the system defines over 40 quality indicators (2010: 30) as corporate goals. It will be applied from 2011 onwards. This will allow continuous monitoring of the quality of the outcomes for a significantly larger number of indications and surgical procedures than before. Heart and thorax surgery will be included, for instance. With corresponding statistics available, the successful peer review process can be extended to other areas. This will enable still further quality improvements and strengthen HELIOS' leading position in German medical care.

HELIOS launched the **Initiative of Quality Medicine (IQ^{M})** in Germany in 2008 in collaboration with six other hospital operators. The aim of the initiative is to further improve internal hospital quality management on the basis of performance indicators. More hospitals joined IQ^{M} in 2010, also from Switzerland and Austria. The initiative now covers about 130 hospitals (founding year 2008: about 100), including a number of university hospitals. The marked increase in the number of hospitals participating in the scheme is testimony to the growing acceptance of the need for greater

transparency in the health care sector. The members undertake to conduct standardized quality measurements of the treatment outcomes at their clinics, based on administrative data, and to publish the results. This voluntary commitment also includes a form of peer reviewing. In 2010, this was conducted for the first time within the framework of the initiative on a cross-operator basis. Consequently, external experts took part in peer reviews at HELIOS. Further information can be found on the initiative's website at www.initiative-qualitaetsmedizin.de.

However, quality management at HELIOS goes beyond the medical results. Our perception of quality also includes the **standard of nursing care**, the aim being to provide patients with the best medical and nursing care. This is a precondition for successful medical treatment. Our nursing staff – the biggest professional group at the HELIOS clinics – is in continuous communication with the doctors and other professional groups, e. g. therapists. The aim is to activate the patient's physical, mental, and social abilities, and to restore their natural functioning to the greatest possible extent through preventive, curative, and rehabilitative measures.

HELIOS conducted a survey in 2009 in which more than 67,000 patients participated. The detailed results were published on the company's website at www.helios-kliniken.de in the second quarter of 2010. An excellent response of 95% was achieved for overall satisfaction and whether patients would recommend HELIOS clinics to others. The analysis of the survey also confirmed the quality of HELIOS' doctors (95% positive responses) and the nursing staff (94% positive responses).

FRESENIUS VAMED

In the planning and construction of hospitals, Fresenius Vamed sets high quality standards in its flexible design of **parameters across processes and structures**. These parameters include:

- process optimization (for example surgery, admission and discharge areas, interdisciplinary emergency facilities, interdisciplinary outpatient clinics)
- differentiation according to modular care levels (from basic to intensive care)
- flexible use of buildings and wards in response to shifts in demand – always allowing for particular reimbursement systems and technical developments

VAMED has an internationally experienced team of experts who assure the quality of the structural and process design even when the project is at the concept stage and when services are established.

Internally, the processes are also designed for efficiency and sustainability, using **interdisciplinary quality standards**. These standards are mostly based on ISO 9001:2000 and ISO 13485:2003 standards, as well as the standards of the European Foundation for Quality Management (EFQM). In 2010, the subsidiary VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m. b. H. received a prize for excellent service management of the university hospital AKH in Vienna at the **EFQM Excellence Award** – Europe's top award for corporate quality management.

In the **hospital sector** VAMED has implemented the JCI (Joint Commission International) certification model. The certification had already been granted for two reference projects: the Neurological Therapy Center Kapfenberg, Austria and the Prince Court Medical Center in Kuala Lumpur, Malaysia. In 2010, the Al Ain Hospital in Abu Dhabi, United Arab Emirates, was successfully certified according to JCI. The hospital also received recognition as Hospital of the Year from SEHA (Abu Dhabi Health Service Company). VAMED operates the Al Ain Hospital in collaboration with the Medical University Vienna International.

The senior citizen care center St. Corona, Austria, was certified according to the **E-Qalin model**. E-Qalin® is a European quality management system developed for nursing homes. It was launched with EU support in 2004 as the Leonardo da Vinci pilot project, a joint project of 28 partners from Austria, Czech Republic, Germany, Italy, Luxembourg, the Netherlands, and Slovenia.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

We orient our activities within the Fresenius Group to long-term goals, and thus ensure that our work is aligned to the needs of patients, employees, and third parties in a sustainable manner. Our **responsibility as a health care group** goes

beyond our business operations. One example is the Group-wide aid campaign for the victims of the Haiti earthquake at the beginning of 2010. Working together with government authorities and international aid organizations in the region, Fresenius made emergency supplies available for treating over 185,000 patients. This included infusions, anesthetics, antibiotics, and medical devices from Fresenius Kabi as well as dialysis products from Fresenius Medical Care. Together with the aid organization Austria International, Fresenius Vamed set up a mobile medical facility which, in addition to an ambulatory surgery unit, also included an intensive care unit and an emergency center.

We are committed to protecting nature as the basis of life and using its resources responsibly. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, and product responsibility and logistics and to comply with legal requirements. The international ISO Standard 14001:2004 is the most important benchmark for **environmental management** in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site's impact on the environment, for instance with respect to emissions and waste. These international standards are implemented at our various production plants and most of our dialysis clinics. Key environmental performance indicators are, for instance, not only energy and water consumption but also the volumes of waste and recycling rates at our locations.

In Europe, our production sites are subject to the **EU regulation REACH** (Registration, Evaluation and Authorization of Chemicals). The aim of REACH is to protect human health and the environment against hazards and risks from chemical substances. We have implemented this regulation. Fresenius Medical Care is also an active member of the REACH Working Group of the German Federal Association of the Medical Device Industry (Bundesverband Medizintechnologie or BVMed). In the few cases where Fresenius Kabi produces within the EU or imports products into the European market, all the relevant substances are pre-registered in compliance with the REACH regulation.

We support advancements in health care, not only by investing in our own research and development but also by furthering innovators outside the company: at the 11th **Fresenius Inventors' Fair** in the reporting period, 23 specially selected researchers and developers presented their ideas for innovations in the medical and clinical field. Fresenius organizes the Inventors' Fair every two years on the occasion of the Medica Trade Fair. This provides a platform for inventors to establish contacts with partners in trade and industry and with potential investors in order to further develop or market their ideas. About 40 doctors, scientists, engineers, technicians, and nurses took part in last year's competition.

FRESENIUS MEDICAL CARE

Fresenius Medical Care is committed to promoting environmental awareness and protecting the environment through a wide range of initiatives and projects. We are continuously improving our operational efficiency, for instance through saving energy or by conserving resources. We also examine whether environment-friendly products and services can create added value for customers without compromising the safety and quality of our life-sustaining therapies.

Our environmental management in the regions **Europe, Middle East and Africa** is an integral part of the quality management system and is TÜV-certified. It encompasses eco-controlling at production sites and dialysis clinics and gathers environmental data like emissions, water, and electricity consumption. Our activities include:

- formulating environmental goals and strategies
- coordinating internal and external environmental audits
- providing training and further education to environmental managers within the company
- raising employees' awareness of environmental issues, and expand our environmental management efforts

We finalized our first environmental program for the years 2007 to 2010: In numerous cross-functional projects our environmental managers worked together with colleagues from different divisions to develop environmental friendly products, packaging or even product technologies, and to conserve resources. We are currently developing new targets which we want to achieve by the end of 2013. Again, we will actively integrate divisions like logistics, distribution, and sales. Another focus is occupational safety for our employees, with appropriate criteria being incorporated into the environmental management system.

Fresenius Medical Care launched in 2010 the "**Go Green**" initiative together with the European Dialysis and Transplant Nurses Association (EDTNA) and the European Renal Care Association (ERCA). Its aim is to sensitize dialysis specialists in Europe on environmental issues and support them in making the processes at their workplaces more environmentally friendly, for instance through more efficient water, electricity, and dialysate consumption and by improving waste management.

In the **United States**, for instance, we use a returnable container system for collecting medical waste. At our production site in Ogden, the largest plant of Fresenius Medical Care in the United States, we recycle a large variety of materials from different divisions, for instance plastics or cardboard. We are currently also looking to certify clinics and production sites in the United States to the environmental standards of ISO 14001. A certified program has already been established for monitoring environmental and occupational safety standards at all production plants, distribution centers, and laboratories each year. Audits are conducted to verify compliance not only with federal and local laws but also with the guidelines of the U.S. Occupational Safety and Health Administration, the U.S. Department of Transportation, and the U.S. Environmental Protection Agency.

In **Latin America**, we started to implement an environmental management in Colombia according to the ISO standard 14001. It encompasses the overall regional organization. In Venezuela, we are conducting a campaign to instruct employees on waste management and energy and water consumption issues. We continuously monitor the water and energy consumption in Argentina as well as the recycling of medical waste in all dialysis clinics. The primary aim of these measures is to conserve resources and to prevent emissions and waste.

We have developed an environmental guideline specifically for the **Asia-Pacific region**. This contains procedures for managing waste, conserving resources, and preventing pollution. Our plants monitor the consumption of resources such as electricity, gas, and water, and determine potential for improvements.

FRESENIUS KABI

Fresenius Kabi continued with the certification of its **environmental management** according to the international standard ISO 14001 in 2010. It was for instance extended to the production of oncologically active ingredients by Fresenius Kabi Oncology in **India**. Toxic substances are involved in the manufacturing process, so environmental safeguards and occupational safety for our employees are of utmost importance.

In Europe, the recycling rate at our **production sites in Friedberg and Bad Homburg**, Germany, was about 97% in 2010, which was above the previous year's level of about 95%. Approximately 5,600t of waste were recycled (2009: about 5,200t). The volume of waste rose by about 8% in Friedberg and by about 10% in Bad Homburg. This was due to the higher production volume compared to the previous year.

We continued to implement measures in 2010 to reduce **energy consumption**, **CO_2 emissions**, and the consumption of **natural resources**: An analysis conducted at the Friedberg site in 2009 had revealed energy-saving potentials, which we then implemented incrementally in 2010. This included the

installation of a solar thermal energy plant for process water and heating. In another project we optimized the lighting at the site and reduced energy consumption by about 70,000 KWh per year. We also invested in modernizing supply lines such as compressed air systems or refrigerating machines used in production.

All these activities not only serve the primary purpose of environmental protection, but also helped to reduce energy costs in 2010.

At the **production site in Graz**, Austria, a certified environmental management system has been in place since 2008. This defines various performance indicators, such as the recycling rate. The aim is to guarantee and continuously improve the efficiency of the plant's environmental management over the long term.

In 2010, the **recycling rate** was held stable at about 70%. The remaining 30% serves as a source of energy, and is used for this purpose in thermal waste treatment plants. A basic prerequisite for proper recycling is sort-clean waste separation. Other environmental indicators are, for instance, energy consumption – by type of energy – and water consumption, both of which are relative to production output. In 2009, we had analyzed the **energy and resource consumption** at the site and in 2010 implemented numerous projects in response to the findings. To reduce energy consumption, we reset the cooling temperature for the autoclaving. Steam autoclaves are used at the Graz plant to sterilize products for infusion therapy. We optimized the cooling temperatures for the autoclaving cycle on a product-specific basis, resulting in shorter throughput times. We are also successively switching over the lighting at the site to LED technology. We achieved significant improvements in **noise emission levels** thanks to the installation of silencers and sound-dampening measures, e.g. fitting enclosures around plants.

The environmental management system at the **production site in Linz** was certified to ISO 14001:2004 in 2010. Internal audits were conducted in all areas to verify that the requirements of the standard were fully implemented.

The Linz plant is one of the biggest producers of hydroxyethyl starch (HES) and lactulose in the world. Lactulose is produced from lactose through processes of chemical conversion. It is primarily used as a laxative, thanks to its probiotic as well as osmotic effect. A further indication is the treatment of diseases of the liver, due to its detoxifying effect.

Energy and resource conservation potentials had already been realized in production in 2009. Further measures were implemented in 2010. As a result, the consumption of activated carbon in HES production was reduced by 30% for instance.

Energy consumption was reduced by 2,000 MWH/a (megawatt hours per year) by using a waste water heat exchanger system. Thanks to this system, the waste heat is returned to the production process. Other long-term measures are planned that will save energy and other resources in future in the interest of successful environmental management.

At our **plants in Uppsala and Brunna**, Sweden, the total volume of waste rose to about 4,073 t in 2010 (2009: 3,337 t). This was mainly due to the higher production volume. We were able to reduce both **energy** and **water consumption** further in 2010 through selective measures. For instance, we have combined energy-intensive processes, such as compressor cooling and feed water pre-heating, to produce water for injection (WFI). The compressors used in production are cooled with drinking water. In the process the water temperature rises to over 50 degrees Celsius. This energy is used to preheat and condition water for the production of WFI. By combining these two processes we cut energy costs and reduced water consumption. At the same time, we were able to improve the distillation and purification processes for the production of WFI.

Other measures were aimed at improving the control of **performance parameters** in production. This includes the resources used, e.g. energy and water, but also process consumables such as WFI and nitrogen. We further reduced emissions and thus saved costs. In 2010, we focused on cooling and nitrogen consumption and were not only able to improve their performance parameters, but also to reduce energy consumption. The performance parameters in the production process are recorded by a standardized system so as to be able to detect, analyze, and act on any deviations promptly. In 2011, we will concentrate on improving performance parameters in heat consumption, steam generation, and WFI production.

FRESENIUS HELIOS

At hospitals, water disposal, hygiene, and high energy requirements place exacting demands on environmental management.

In the area of **waste disposal**, the goal is a cost-efficient and environmentally compatible solution. We see waste management as a process that begins already at the purchasing stage and ends with systematic recycling. All waste materials are recorded using a standardized system and are classified into corresponding waste categories. We use this data, for instance, as a basis for deciding whether to conclude contracts with regional waste management companies or to have a Group-wide contract with one company.

More and more **disposable articles** are being used in the medical products at hospitals. However, this is not necessarily at the expense of environmental protection. Disposable covers in the operating theater, for instance, have a better environmental impact than reusable ones. This is because their production and preparation for reuse consumes more energy than that required to produce and dispose of covers that are only used once.

Hygiene requirements place limits on the use of regenerative energy sources at hospitals. Solar energy-based water heating systems, for instance, are not a feasible solution for hospitals, in our view. The temperature level of the heat produced, unlike that of conventionally produced heat, provides ideal conditions for the spread of Legionella bacteria. The contamination of drinking water with Legionella can have fatal consequences for patients whose immune system is impaired. For this reason, HELIOS does not use solar energy at its clinics.

A major source of **energy consumption** at hospitals is the need for air-conditioning in the working areas and in patients' rooms. For instance, medical equipment that generates heat, such as a magnetic resonance tomograph, needs to be cooled. The structural condition of a hospital building also has an important influence on energy consumption. HELIOS invests in environmental protection on an ongoing basis through structural measures. All new construction projects and modernizations conform to the latest standards of efficient heat insulation. In 2010, €84 million was spent on maintenance (2009: €82 million).

The **energy sourcing** for all of the Group's clinics is done centrally through an online purchasing platform. This platform not only supplies data on consumption at the clinics, but also benchmarks that enable higher-than-average levels of energy consumption to be detected and appropriate action to be taken.

In addition, HELIOS is successively switching over the **heating** for its clinics to wood pellets. This form of heating is CO_2-neutral and therefore more environment-friendly than gas or oil heating. A pilot project at the HELIOS clinic in Borna produced very good results, so the Bad Ems and Bergisch Land clinics have now also switched over to wood pellet heating. The clinics in Bad Saarow and Plauen are due to follow in 2011. The aim is successively to convert the heating at all HELIOS clinics to wood pellets as structural alterations are planned or boilers need to be replaced.

An **environmental and energy-saving project** launched in 2008 has been introduced at other locations. Under this project HELIOS highlights numerous ways in which clinic staff can save energy. Employees also receive training to encourage environmental awareness. Information brochures provide practical tips on environment-friendly behavior in day-to-day hospital routine. This initiative is to be rolled out Group-wide.

FRESENIUS VAMED

In the future, health care systems will also have to pay greater attention to sustainability. In **project business**, VAMED already integrates national environmental standards and regulations into the planning and construction of a hospital or other health care facility as an active contribution toward environmental protection. VAMED's extensive expertise in environmental management is an important success factor especially in growth markets in Africa and Asia. For a hospital project in Gabon, Africa, for instance, we have put into operation a modern sewage treatment plant and a high-temperature incinerator designed to European standards.

VAMED has also achieved successes in the **service business**. For more than two decades, VAMED has been responsible for the technical management of the Vienna General Hospital and University Hospital (AKH), one of the largest hospitals in Austria with over 10,000 employees. In 2010, AKH's greenhouse gas emissions were reduced by about

13% compared to 1996, the reference year for the reduction targets. The international target set by the Kyoto Protocol, to reduce emissions by 5.2%, has therefore been exceeded more than twofold. The success is due to improvements in the areas of air-conditioning and heat recovery. In addition to CO^2, achievement of the Kyoto targets also takes account of other greenhouse gases. The AKH, together with VAMED, has set itself the target of reducing greenhouse gas emissions by 2012 by three times the amount required by the Kyoto Protocol.

Over the past 15 years, VAMED has also realized major improvements in **waste management** at the AKH. Besides continuous optimizations, we carried out a number of special-focus projects, for instance in the area of waste sorting. For example, we reduced the volume of medical waste classified as hazardous by 60%. In 2010, the focus was on reorganizing the collection of medical waste that can be a source of injury, e.g. scalpels, needles, and other sharp items used in medical care. VAMED, together with the AKH, developed a separate waste management logistics system and organized cheaper disposal.

VAMED is also an active member of working groups and committees that formulate **ÖNORMEN** for hospitals. ÖNORMEN are Austrian standards issued by the Austrian Standards Institute. There is also an international working group for hospital waste, the **International Waste Working Group** (IWWG). Set up in 2009, IWWG is a working group of international scientists and companies focusing on sustainable waste management. The working group's constitutive meeting was held in 2010.

SALES, MARKETING, AND LOGISTICS

Long-term, mutually trusting cooperation with our customers is an essential basis for sustainable growth. We strive to guarantee top quality and outstanding service for our customers, together with reliable logistics and product availability. Thanks to its broad product portfolio and long experience, Fresenius has been able to build and maintain close relationships with its customers worldwide. Close cooperation between sales and research & development divisions enables us to integrate concepts and ideas generated by the sales force with respect to product development. Fresenius has its own sales organizations with trained sales personnel. The Company also employs distributors in countries where we do not have our own sales team.

Fresenius' products are shipped by the production plants to central warehouses. These central warehouses dispatch the products to the regional warehouses, which then distribute them to the clinics and other customers, or directly to a patient's home. The business segments offer after-sales services, training in the local language, technical support, servicing, and maintenance and warranty arrangements in every country in which Fresenius sells its products. Product training is also provided, while regional service centers are responsible for day-to-day international service support. The business segments have the following **customer structure**. Dialysis clinics and hospitals are Fresenius Medical Care's main customers for its products business. Approximately 32% of its revenues are derived from the U.S. government's Medicare and Medicaid programs, with about 68% from private and other health care payors and from hospitals.

Fresenius Kabi has a broadly diversified customer base that includes hospitals, wholesalers, purchasing organizations, medical and similar institutions, hospital operators, and home care patients. Fresenius Kabi has no significant dependence on any one source of revenue. In the United States, the products of APP Pharmaceuticals are distributed primarily through group purchasing organizations (GPOs). Especially in international business, there is a growing tendency for government entities to award contracts by public tender, in which Fresenius Kabi also participates.

The customers of Fresenius Helios include social security institutions, health insurers, and private patients.

The clients of Fresenius Vamed are public and private hospitals and other health care facilities.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Fresenius Group as positive. Our products and services continue to be in strong demand around the world. Operating performance in the first weeks of 2011 has been in line with our expectations, with further increases in sales and earnings.

OPPORTUNITIES AND RISK REPORT

Through the complexity and dynamics of our business, the Fresenius Group is exposed to a number of risks. These risks are inevitable consequences of active entrepreneurial activities. The willingness to take risks has to be accommodated if opportunities are to be exploited.

As a provider of life-saving products and services for the severely and chronically ill, we are relatively independent of economic cycles. The diversification through our four business segments, which operate in different segments of the health care market, further minimizes the Group's risk profile. Our experience in the development and manufacture of products, as well as in our markets, serves as a solid basis for a reliable assessment of risks.

At the same time, we will continue to take advantage of the wide-ranging opportunities for sustainable growth and expansion that the health care market offers to the Fresenius Group.

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and institutions and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 58.

RISK MANAGEMENT

Like opportunities management, risk management is a continuous process. Identifying, controlling, and managing risks are key tools of solid corporate governance. **Fresenius risk management system** is closely linked to corporate strategy. Its main part is our **control system**, with which we can identify significant risks at an early stage and counteract them individually.

Responsibilities for the processes and monitoring risks in the individual business segments have been assigned as follows:

- Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.
- 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.

The risk management system is 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 reports are used to identify and analyze deviations of the actual compared to the planned business development. In addition, the risk management system comprises a control system that 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 regularly by the Management Board and the internal auditing department. Conclusions arising from the audits are taken into account in the ongoing refinement of our risk management system. The control system is also reviewed regularly by the Management Board and the internal auditing department.

Fresenius has ensured that the scope and focus of the organizational structure and systems for identifying and evaluating risks, and for developing counter-measures and for the avoidance of risks, are aligned suitably with the company-specific requirements and that they are properly functional. However, there can be no absolute certainty that this will enable all risks to be fully identified and controlled.

INTERNAL FINANCIAL REPORTING CONTROLS

Correctness and reliability of accounting processes and financial reporting, and thus preparation of annual financial statements, consolidated financial statements, and management reports in compliance with applicable rules, is assured by numerous measures and internal controls. Our **four-tier reporting process** especially promotes intensive discussion and ensures controls of the financial results. At each reporting level

- local entity
- region
- business segment
- Group

financial data and key figures are reported, discussed, and compared on a regular monthly and quarterly basis with the prior-year figures, budget, and latest forecast. In addition, all parameters, assumptions, and estimates that are of relevance for the externally reported Group and segment results are discussed intensively with the department responsible for preparing the Group's consolidated financial statements. These matters are also reviewed and discussed quarterly in the Supervisory Board's Audit Committee.

Control mechanisms, such as automated and manual reconciliation procedures, are further precautions in place to assure that financial reporting is reliable and that transactions are correctly accounted for. To prevent abuse, we take care to maintain a strict separation of functions. Management control and evaluations also help to ensure that risks having a direct impact on financial reporting are identified and that controls are in place to minimize them. Moreover, changes in accounting rules are monitored and employees involved in financial reporting are instructed regularly and comprehensively.

Fresenius Medical Care, an important Group company, is additionally subject to the controls of Section 404 of the Sarbanes Oxley Act.

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 in 2011 will probably be slightly lower than in 2010. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We also expect continued 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 also depends on the development of its markets. Political, legal, and financial conditions are therefore monitored and evaluated carefully. This applies especially to countries with budget problems as a result of the sovereign debt. 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 reimburse-

ment in the health care sector. In our largely regulated business environment, changes in the law – also with respect to reimbursement – can have decisive consequences for our business progress. This 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 a considerable impact on our business. Furthermore, a portion of our dialysis care business in the United States is currently reimbursed by private insurers or managed care organizations. If these organizations enforce reductions in the reimbursement in the United States, it would significantly reduce the revenues for products and services of Fresenius Medical Care. 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 spending. The Company constantly monitors further legislative developments of the DRG system as well as discussions about ending dual financing in the hospital sector. 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. We not only continually monitor legislative changes, but also work together 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 to derive, a large percentage of its revenue through a small number of GPOs. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. APP Pharmaceuticals has purchasing agreements with the major GPOs. To maintain these business relationships, APP Pharmaceuticals believes it needs to be a reliable supplier, offer a comprehensive high-quality product line, remain price competitive, and comply with the regulations of the U.S. Food and Drug Administration (FDA). The GPOs also have purchasing agreements with other manufacturers and the bid process for products is highly competitive. Most of APP Pharmaceuticals' GPO agreements can be terminated at short notice.

In addition, **cooperation with medical doctors and scientists** allows us to identify and support relevant technological innovations and to keep abreast of developments in alternative treatment methods. These enable us to evaluate and adjust our corporate strategy if necessary.

OPERATING RISKS

Production, products, and services

Compliance with **product and manufacturing regulations** is ensured by our quality management systems in accordance with the internationally recognized quality standards ISO 9001 and the corresponding internal standards as defined, for example, in our quality and work procedure manuals. Regular audits are carried out at the Group's production sites and dialysis clinics. These audits test compliance with all regulations in all areas – from management and administration to production and clinical services and patient satisfaction. Our production facilities comply with the international "Good Manufacturing Practice" (GMP) and U.S. "Current Good Manufacturing Practice" (cGMP) guidelines and other recognized standards. Potential risks, such as those arising from the start-up of a new production site or the introduction of new technologies, are countered through careful planning, regular analysis, and continual progress reviews. We counter the risk of poor-quality purchased raw materials, semi-finished products, and components mainly by requiring that suppliers meet strict quality standards. Besides certification by external institutes and regular supplier audits, this includes an exhaustive evaluation of advance samples and regular quality controls. We only purchase products of high quality, maximum safety, and proven suitability from qualified suppliers that conform to our specifications and standards.

Performing **medical treatments** on patients in our hospitals, rehabilitation clinics, and dialysis clinics presents inherent risks; in addition there are operational risks, for example the need for strict hygiene and sterile conditions. We counteract these risks with strict operating procedures, continu-

ous personnel training, and patient-oriented working procedures. Furthermore, through our quality management systems we are constantly striving to improve the standard of patient treatment.

Further risks arise from increasing **pressure on our product prices** and from potential price increases on the procurement side. For instance, changes in the regulations concerning the reimbursement for erythropoietin (EPO) in the United States, or a change in the dosage, an interruption in supply or worsening procurement conditions could have a significant impact on the revenues and earnings of Fresenius. EPO is a hormone used in dialysis that stimulates the production of red blood cells. From January 1, 2011 onwards, the compensation of EPO is included in a base rate of an extended bundled reimbursement rate of Medicare. Higher costs for EPO could significantly impact revenues and earnings. Reimbursement and revenues from the administration of EPO accounted for approximately 7% of total sales of the Fresenius Group in 2010.

Growing **competition** could materially adversely affect the future pricing and sale of our products and services. The introduction of new products and services by competitors could render one or more of our products and services less competitive or even obsolete. This also could affect renal pharmaceuticals of Fresenius Medical Care for which we are partly obligated to make minimum royalty payments. On the **procurement side**, we counter risks, which mainly involve possible price increases and the availability of raw materials and goods, by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group. Generally, the markets in which we operate are characterized by price pressure, competition, and efforts to **contain health care costs**. These could result in lower sales and adversely affect our business, our financial position, and our operational results.

We counter the risks associated with the **engineering and hospital services** business through professional project management and control, and with a proven system tailored to each business activity for identifying, evaluating, and minimizing these risks. This system consists of organizational measures (such as standards for pricing-in risks when preparing quotations, risk assessment before accepting orders, regular project controlling, and continual risk assessment updates), quality assurance measures, and financial measures, such as checking creditworthiness, prepayments, letters of credit, and secured credits.

It is of special importance to us that our **compliance programs** and guidelines be adhered to. Through compliance we aim to meet our own expectations and those of our partners and to orient our business activities to generally accepted standards and local laws and regulations. These programs and guidelines set binding rules of conduct for our employees. We believe that we have taken adequate measures to ensure that national and international rules are complied with.

Research and development

The development of new products and therapies always carries the risk that the ultimate goal might not be achieved, or might take longer than planned. Regulatory approval of new products requires comprehensive, cost-intensive preclinical and clinical studies. The Fresenius Group spreads its risk widely by conducting development activities in various product segments. We also counteract risks from research and development projects by regularly analyzing and assessing development trends and examining the progress of research projects. We also strictly comply with the legal regulations for clinical and chemical-pharmaceutical research and development. With IV drugs, it is also crucial that new products are continually brought to the market in a timely manner. The product development process can be controlled on the basis of detailed project roadmaps and a tight focus on the achievement of specific milestones. If the defined targets are not achieved, counter-measures can be initiated.

Risks from the integration of acquisitions

The **acquisition** and **integration** of companies carries risks that can adversely affect Fresenius' assets and liabilities, our financial position, and results of operations. Following an acquisition, the infrastructure of the acquired company must be integrated while clarifying legal questions and contractual obligations. Marketing, patient services, and logistics must also be unified. During the integration phase, key managers can leave the company and the course of ongoing business processes as well as relationships with customers can be harmed. In addition, change-of-control clauses may be claimed. The integration process may prove to be more difficult and cost-intensive or last longer than expected. Risks can arise from the operations of the newly acquired company that Fresenius regarded as insignificant or was unaware of. An acquisition may also prove to be less beneficial than initially expected. **Future acquisitions** may be a strain on the finances and management of our business. Moreover, as a consequence of an acquisition, Fresenius may become directly or indirectly liable toward third parties or claims against third parties may turn out to be non-assertable.

Acquired by Fresenius in 2008, APP Pharmaceuticals has agreed to indemnify Abraxis BioScience, Inc., which split from it in 2007, from and after the spin-off with respect to all liabilities of the pre-separation company related to APP Pharmaceuticals' business. At the same time, Abraxis BioScience agreed to indemnify APP Pharmaceuticals from and after the spin-off with respect to all liabilities of the pre-separation company not related to APP Pharmaceuticals' business. The extent to which Abraxis BioScience will be able to satisfy these potential claims in future cannot be predicted.

As a result of Fresenius' acquisition of APP Pharmaceuticals, the spin-off from Abraxis BioScience which took place in 2007 could fail to qualify as a tax-free distribution. A fiscal law assessment obtained within the scope of the acquisition confirms that the acquisition of APP Pharmaceuticals should not affect the qualification of the spin-off as a tax-free distribution in 2007. However, this opinion is not binding on the Internal Revenue Service (IRS), nor does it preclude the IRS from asserting a contrary position. This could lead to a material tax liability.

We counter risks from acquisitions through detailed integration roadmaps and strict integration and project management so that counter-measures can be initiated in good time if there are deviations from the expected development.

Personnel risks

The Company uses appropriate recruiting and personnel development measures to counteract a possible shortage of skilled personnel. We are also seeking to keep employees with the Company by introducing life work time accounts in various areas. In addition, we provide our employees with attractive fringe benefits and partly with bonuses. By using targeted personnel marketing measures to recruit a qualified and dedicated workforce, Fresenius counters the general shortage of specialized hospital personnel, thus ensuring our high standards of treatment quality. At the same time, by assisting in the training of young people, we thereby seek to commit them to the Company. For example, HELIOS keeps close contact to young doctors by intensive support already throughout their studies and during their practical year. Risks in personnel marketing are not considered to be significant because of all these measures.

Financial risks

The international operations of the Fresenius Group expose us to a variety of currency risks. In addition, the financing of the business exposes us to certain interest rate risks. We use derivative financial instruments as part of our risk management to avoid possible negative impacts of these risks. However, we limit ourselves to non-exchange traded, marketable instruments, used exclusively to hedge our operations and not for trading or speculative purposes. All transactions are conducted with banks of high rating.

The Fresenius Group's **currency management** is based on a policy approved by the Management Board that defines the targets, organization, and handling of the risk manage-

ment processes. In particular, the guidelines assign responsibilities for risk determination, the execution of hedging transactions, and the regular reporting of risk management. These responsibilities are coordinated with the management structures in the residual business processes of the Group. Decisions on the use of derivative financial instruments in **interest rate management** are taken in close consultation with the Management Board. Hedging transactions using derivatives are carried out by the Corporate Treasury Department of the Fresenius Group – apart from a few exceptions in order to adhere to foreign currency regulations – and are subject to stringent internal controls. This policy ensures that the Management Board is fully informed of all significant risks and current hedging activities.

The Fresenius Group is protected to a large extent against currency and **interest rate risks**. As of December 31, 2010, approximately 74% of the Fresenius Group's debt according to U.S. GAAP was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 26%, or €2,284 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

As an international company, Fresenius is widely exposed to **translation effects** due to foreign exchange rate fluctuations. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. A sensitivity analysis shows that a one cent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of about €59 million on Group sales and about €1.5 million on Group net income.

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The exposure to currency risks arising from our business activities (**transaction risks**) does not rise to the same extent as sales. In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be €18 million. Information can be found on pages 136 to 138 of the Notes.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are **tested for impairment** each year. Further information can be found on page 89 of the Notes.

By normally assessing the creditworthiness of new customers, we limit the risk of **late payment and defaults** by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. Receivables outstanding from existing customers are monitored, and the risk of defaults is assessed.

Fresenius' **debt** has increased significantly as a result of the financing of the APP Pharmaceuticals acquisition in 2008, reaching €8,677 million as of December 31, 2010. The debt could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. We reduce these risks through a high proportion of medium and long-term funding with a balanced maturity profile. Furthermore, the Group has only limited short-term funding requirements.

Government reimbursement payments

Fresenius is subject to comprehensive government **regulation** in nearly all countries. This is especially true in the United States and Germany. In addition, Fresenius has to comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions should Fresenius fail to comply with these laws or regulations.

A large part of Group revenue derives from government reimbursement programs, such as the federal dialysis reimbursement programs in the United States under Medicare and Medicaid. As of January 1, 2011, a new **reimbursement**

system based on a **bundled rate** for dialysis patients covered by the public health care program (Medicare) was introduced. It encompasses those products and services that were paid under the composite rate as well as separately payable drugs and laboratory tests. The initial base reimbursement rate is set at US$229.63 per dialysis treatment (representing 98% of the estimated 2011 Medicare program costs of dialysis care as calculated under the current reimbursement system).

The base reimbursement rate is subject to case mix adjustments that take into account individual patient characteristics (e.g., age, body surface area, body mass, time on dialysis) and certain co-morbidities. Based on the assumption that only 43% of all dialysis clinics would opt-in to the new system, the base reimbursement rate for 2011 is reduced by 3.1% (transition adjustor) in order to ensure a budget-neutral transition to the new bundling system. Beginning in 2012, the payment amount will be subject to annual adjustment based on increases in the costs of a "market basket" of certain health care items and services less a productivity adjustment. Fresenius Medical Care is working with other providers toward favorably revising the calculation of the Transition Adjustor. They are further seeking to make protocol changes used in treating patients, to negotiate pharmaceutical acquisition cost savings, and to achieve greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis. Without these initiatives the composite rate could lead to lower revenue and operating profit.

Changes in the law or the reimbursement method could affect the scope of the payments for services as well as of the insurance coverage. This could have a significant adverse impact on the assets and liabilities, financial position, and results of operations of the Group.

Legal risks

Risks that arise from **legal disputes** are continually identified, analyzed, and communicated within the Company. Companies in the health care industry are regularly exposed to actions for breach of their duties of due care, product liability, breach of warranty obligations, treatment errors, and other claims. This can result in claims for damages and costs for legal defense, regardless of whether a claim for damages is actually justified. Legal disputes can also result in inability to insure against risks of this kind at acceptable terms in future. Products from the health care industry can also be subject to recall actions and patent infringement suits.

In 2003, a definitive agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace. Under the settlement agreement, Fresenius Medical Care will pay a total of US$115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent U.S. bankruptcy court. Subject to the outstanding confirmation by the W.R. Grace & Co. bankruptcy reorganization plan, all legal issues resulting from the NMC transaction have been finally concluded.

In July 2007, the U.S. Attorney General filed a civil action against Renal Care Group, Inc. (RCG) and FMCH – in its capacity as the present holding company of RCG – before the U.S. District Court for the Eastern District of Missouri. The action claims damages and penalties in respect of the business activities of the RCG Method II supplier company in 2005 – before RCG was acquired by FMCH. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law and expects that the action brought by the United States will not be granted and that its position in the proceedings will ultimately be upheld.

RCG could face possible indemnification claims from former members of the Board of Directors. They are defendants in a class action in which they are being sued for damages by former shareholders of the company. Fresenius Medical Care is confident that the former Board members will win the case and that a possible claim will therefore not arise.

Further information to legal matters, especially in respect to essential patent infringement claims, can be found on pages 127 to 131 of the Notes.

The Fresenius Group is also involved in various legal issues resulting from business operations and, although it is not possible to predict the outcome of these disputes, none is expected to have a significant adverse impact on the assets and liabilities, financial position, and results of operations of the Group.

Other risks

Other risks, such as **environmental risks and risks involving management and control systems**, or our IT systems, were not considered to be significant. **IT risks** are countered through security measures, controls, and monitoring. In addition, we counter these risks with constant investment in hardware and software as well as by improving our system know-how. Potential risks are covered by a detailed contingency plan which is continuously improved and tested. Redundant systems are maintained for all key systems such as international IT systems or communications infrastructure. A password system is in place to minimize organizational risks such as manipulation and unauthorized access. In addition, there are company guidelines regulating the granting of access authorization, and compliance with these rules is monitored. We also conduct operational and security-related audits.

ASSESSMENT OF OVERALL RISK

The basis for evaluating overall risk is the risk management that is regularly audited by management. Potential risks for the Group include factors beyond its control, such as the evolution of national and global economies, which are constantly monitored by Fresenius. Risks also include factors immediately within its control, such as operating risks, which the Company anticipates and reacts to appropriately, as required. There are currently no recognizable risks regarding future performance that appear to present a long-term and material threat to the Group's assets and liabilities, financial position, and results of operations. We have created organizational structures that provide all the conditions needed to rapidly alert us to possible risk situations and to be able to take suitable counteraction.

CORPORATE RATING

Fresenius' credit quality is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Standard & Poor's rating for Fresenius SE & Co. KGaA is BB, Moody's rating is Ba1 and Fitch's rating is BB. All three rating agencies raised their rating outlook in 2010. In April Standard & Poor's raised its outlook from "stable" to "positive". In May Moody's raised its outlook from "negative" to "stable". Finally, Fitch raised its outlook from "stable" to "positive" in August.

RATING OF FRESENIUS SE & CO. KGAA

	Standard & Poor's	Moody's	Fitch
Rating	BB	Ba1	BB
Outlook	positive	stable	positive

SUBSEQUENT EVENTS

In 2010, Fresenius initiated a change of its legal form to a partnership limited by shares (KGaA) together with a conversion of the preference shares into ordinary shares. Fresenius SE's change of legal form and stock conversion became effective with their entry in the Commercial Register on January 28, 2011. The registration of the change of the legal form at the commercial register was finally cleared following a court settlement of pending disputes initiated by minority shareholders.

The Company is now operating under the name Fresenius SE & Co. KGaA. All shareholders of the former Fresenius SE are now shareholders of Fresenius SE & Co. KGaA. As part of the transaction, all non-voting preference shares were mandatorily converted into voting ordinary shares at a 1:1 exchange ratio. This simplifies the share structure, increases the liquidity of the Fresenius share, further strengthens Fresenius' position in the capital market, and improves access to the equity market.

In January 2011, Fresenius Medical Care signed an agreement to acquire International Dialysis Centers (IDC), the dialysis care business of Euromedic International. With the acquisition, Fresenius Medical Care wants to expand its activities in dialysis care especially in Eastern Europe, where IDC is market leader. IDC operates 70 dialysis clinics in nine countries and currently treats over 8,200 hemodialysis patients, largely in Central and Eastern Europe. After the acquisition is completed, IDC will contribute about US$180 million to the annual sales of Fresenius Medical Care. The acquisition price was €485 million. Closing is subject to necessary regulatory approvals by the relevant anti-trust authorities and is expected to occur in the first half of 2011.

In February 2011, Fresenius Medical Care AG issued unsecured Senior Notes in the principal amounts of US$650 million and €300 million, mainly to refinance the acquisition of IDC. Further information is provided on page 23 of the management report.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2010. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future and on the basis of our mid-term planning. Such forward-looking statements are subject as a matter of course to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 50 ff.

The Management Board controls the business segments by setting strategic and operative targets and through various financial ratios according to U.S. GAAP. Therefore, in the following outlook all ratios of the business segments and of the Group are according to U.S. GAAP.

GENERAL AND MID-TERM OUTLOOK

The outlook for the Fresenius Group for the coming years continues to be positive. We are continuously striving to optimize our costs, to adjust our capacities to be able to treat patients and supply customers reliably, and to improve our product mix. We expect these efforts to improve our earnings. In addition, good growth opportunities for Fresenius are above all presented by the following factors:

- The sustained **growth of the markets** in which we operate: Fresenius sees very good opportunities to benefit from the considerable health care needs due to aging populations and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average and sustained growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Appropriate reimbursement structures and efficient health care systems will evolve over time in these countries as

economic conditions improve. We will strengthen our local business activities in these regions and successively introduce further products from our portfolio to these markets.

- The **development of innovative products and therapies**: these will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality, reliability, and convenience of our products and therapies are key factors here. Although the research is still in its infancy, the development of wearable artificial kidneys is conceivable in the long term at Fresenius Medical Care. At Fresenius Kabi we are working on the development of new generics with the aim of bringing them to the market when the originator drugs go off-patent.
- The **expansion of our regional presence**: the fast-growing markets in Asia-Pacific, Latin America, and Eastern Europe especially offer further potential for increasing our market shares. China, for instance, which has the world's biggest population, offers excellent growth opportunities over the long term not only in clinical nutrition and infusion therapies for Fresenius Kabi, which already holds a leading market position in China, but also for Fresenius Medical Care in dialysis.
  We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce infusion and nutrition therapy products to the U.S. market.
- The **broadening of our services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. Changes in the law could present new opportunities, for instance, for Fresenius Medical Care. Since Japan is one of the world's biggest dialysis markets, changes in the framework conditions for operating dialysis clinics as a private company could open up new revenue potential for Fresenius Medical Care. Germany is the fourth largest market in the world for Fresenius Medical Care in terms of the number of dialysis patients. The company is now in a position to offer dialysis care through medical care centers. Here, Fresenius Medical Care perceives its role as a partner for customers in creating new supply structures in the German health care sector and sees such ventures as an opportunity to strengthen its business long term. At the end of 2010, Fresenius Medical Care participated in eight medical care centers (2009: 4).
- **Selective acquisitions**: besides good organic growth as basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

We are also exploiting any **opportunities for tapping potential within our operations** for cost management and efficiency enhancement measures. These include plans for a further optimized procurement process and cost-efficient production. We are increasingly globalizing our sourcing processes in order to realize further synergies.

Acquisitions, primarily the acquisition of APP Pharmaceuticals, led in 2008 to appreciably higher Group debt with a corresponding impact on net interest. Meanwhile we strongly improved the Group's **leverage ratios**. As of December 31, 2010, the net debt/EBITDA ratio was 2.6 and was therefore within our target corridor of 2.5 to 3.0. The net debt/EBITDA ratio is expected to remain within this corridor in 2011.

This outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2011 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

As an international company, we offer our products and services in more than 170 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. Consequently, we expect that there will be opportunities for us to penetrate new markets, both by expanding our regional presence and by extending our product portfolio. In the United States, since Fresenius Medical Care and its competitor DaVita already share about two-thirds of the market, acquisitions – also with regard to potential antitrust restrictions – are likely to be small. Other new markets will also open up for Fresenius as we successively roll out our existing product portfolio in other regions. For instance, due to different regional and legal conditions, Fresenius Medical Care only supplies dialysis products in some countries. If conditions change, the company might provide dialysis care in these countries as well.

ECONOMIC OUTLOOK

The development for the economy will continue to harbor risks in 2011. On the one hand, the still strained situation on the financial and property markets is expected to dampen growth in the industrial countries. On the other hand, experts expect a slight clouding of the economic outlook for the emerging markets, which have been the world's growth drivers so far. This is due, among other things, to growing concerns over an abrupt end to the potential bubble in Chinese property prices. In addition, many industrial countries face the task of reducing the sharply increased levels of public as well as private sector debt. The resulting decline in demand, together with still underutilized capacities and high unemployment, increases the risk of deflation in those countries. The already highly expansive monetary policy pursued in many economies leaves little leeway for countering such a risk.

Against this backdrop, the pace of the upturn in the world economy is expected to slacken in 2011. Overall, global GDP growth of about 3.9% is forecast.

EUROPE

The positive trend in most Eurozone economies is expected to continue in 2011. However, for the periphery countries a sluggish development is expected at best. Here, the economic problems in the financial and property markets and on the labor market still weigh too heavily. As capacities are still underutilized, growth in investment is expected to be comparatively modest. Furthermore, the austerity measures such as wage adjustments, tax hikes, and welfare cuts necessary – and already initiated to some extent – in the crisis countries will dampen domestic consumption and investment demand. In addition, fears are rising that additional countries such as Portugal or Spain will have to make use of the rescue package from the European Union.

Despite contractions in GDP in Greece and Portugal, economic output in the Eurozone is expected to grow overall by 1.2% in 2011. The strength of the economy in **Germany** especially should be a main driver, although the momentum should slacken as demand from the other industrial countries is likely to weaken. Stimulus will probably come increasingly from domestic demand rather than exports. GDP growth of 2.0% is therefore expected for 2011.

UNITED STATES

The development of the U.S. economy will probably further recover in 2011. Investment expenditure should pick up at a slightly stronger pace, supported by the still very favorable interest rate level and an expansive monetary policy. However, the deleveraging process among households and in the financial sector and high unemployment will continue to weigh on private consumption. Still, on the positive side, the increase in the household savings rate makes a sudden plunge in consumption unlikely. Growth expectations are

Sources: German Council of Economic Experts – Annual Report 2010/11, bank research

dampened especially by the sluggish trend on the labor market, where unemployment is still high at 9.8%. However, a slight improvement in the jobless rate is expected in 2011.

Overall, GDP growth is likely to increase to about 3.1% in 2011.

ASIA

The growth of the emerging economies in Asia is expected to slow to 7.4% in 2011. Private demand should continue to grow. The lower growth is likely to be due chiefly to a declining rate of growth in exports and weaker growth in the industrial countries. The emerging markets continue to be dependent on the industrial countries, which account for a large part of the exports.

In **China**, GDP growth of 8.7% is forecast for 2011. There are three reasons for this moderate slowdown versus last year: firstly, lower basis effects, secondly, an expected falloff in external demand and, thirdly, China's monetary tightening since the first quarter of 2010. It also remains to be seen whether the Chinese government will adopt a more flexible stance on its still undervalued currency.

In **Japan**, a decline in demand for consumer goods after the fiscal support measures expire and the weakness of the world economy could have a dampening effect. GDP growth will probably be 0.6%.

The emerging Asian economies will continue to grow strongly in 2011. Structural factors, such as the catch-up process versus the industrial countries, the young and still growing population, and improvements in infrastructure, will continue to be growth drivers for the economy. Together with the growth, both increasing inflation and especially a further rise in food prices are expected.

LATIN AMERICA

Although there are some indications pointing to a slowdown, continued robust growth is forecast for Latin America. This is mainly due to the expectation of a continued dynamic development of domestic demand and positive effects from increased commodity prices. Latin America should also continue to benefit from a stable financial and economic environment. Corporate and household debt is relatively low.

Argentina has recently returned to a growth path, but the risk situation remains negative due to political instability. Argentina's GDP is expected to grow by 5.5% in 2011. For **Brazil**, experts forecast GDP growth of about 4.5%. The weaker growth outlook is due to the expectation of a somewhat more restrictive fiscal policy. Growth should also slacken in **Mexico**: 4.0% is forecast as Mexico's economy is still very dependent on the U.S. economy.

HEALTH CARE SECTOR AND MARKETS

The health care sector continues to be one of the world's largest industries and is considered to be largely independent of economic cycles. The demand especially for life-saving and life-sustaining products and services will remain intact as they are medically needed and the population is aging. However, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue growth as governments seek to ease their health care spending.

Nonetheless, industry observers believe that, despite all challenges, the sector will also see a comparatively solid financial performance in the foreseeable future. Favorable demographic trends, medical advances, and the large number of diseases that are still difficult to cure or are incurable should be growth drivers. In addition, the need to increase the availability of primary health care and the growing demand for high-quality medical treatment in the emerging countries will also continue to generate steady growth rates.

THE DIALYSIS MARKET

We expect the worldwide number of dialysis patients to rise by approximately 6% p.a. in the coming years, although significant regional differences will remain. For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast patient growth in the region of 3 to 5% p.a. In many

emerging countries, however, where needs are still not met sufficiently, we expect growth in patient numbers of up to 10%, and in some countries even higher rates. This growth is driven by steadily evolving health care systems that are providing broader patient care. As more than 80% of the world's population lives in these countries, this opens up strong potential for the entire spectrum of dialysis care and dialysis products.

In addition, demographic factors such as aging populations and the growing number of people suffering from diabetes and hypertension, which are ailments often preceding terminal kidney failure, are contributing toward continued growth of the dialysis markets. The age expectancy of dialysis patients is also rising thanks to ongoing advances in treatment quality and a rising standard of living, especially in the emerging countries.

We expect that the total dialysis market could rise by about 4% in 2011 (2010: ~€69 billion; unchanged currency relations assumed).

Effective January 2011, a new payment system for dialysis patients covered by the public health care program was introduced in the United States – our largest market – which encompasses those services that were paid under the composite rate as well as separately payable drugs and laboratory tests.

Further information is provided on page 55 f. of the Management Report.

THE MARKET FOR INFUSION THERAPIES AND CLINICAL NUTRITION, GENERIC IV DRUGS, AND MEDICAL DEVICES

The market for **infusion therapies and clinical nutrition** in Central and Western Europe is expected to continue to grow at a low single-digit rate in the coming years. However, given the financial constraints in these countries, the efforts to contain costs in the health care sector are being pursued undiminished. Continued high growth potential is expected in Asia-Pacific – especially China – and in Latin America and Eastern Europe. We expect the market in these regions to continue growing at high single to double-digit rates.

With **generic IV drugs** the growth dynamic will continue to be driven by originator drugs going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Central and Western Europe, as well as in the United States, to grow at mid-single-digit rates in 2011.

We also expect rising demand for medical devices in the coming years.

THE GERMAN HOSPITAL MARKET

At the end of 2010, the German Bundestag passed the Act on Sustainable and Socially Balanced Financing of Statutory Health Insurance (GKV-FinG), which will also affect the hospital market. Under the GKV-FinG, all the principal actors in the health care market are required to participate in compensating for the deficit of €9 billion anticipated in the public health insurance system. The contribution of the hospitals toward covering the funding deficit is estimated at about €0.5 billion in 2011.

The current reforms focus on the public health insurers' revenues and on cost-containment measures and so far do not present any major changes in the legal framework conditions for the acute and post-acute care clinic market.

With regard to their funding, hospitals can also expect rising budgets in principle again in 2011. However, the GKV-FinG limits the price escalation for hospital services to 0.9%. That corresponds to a reduction of 0.25 percentage points of the wage sum inflator. A maximum reduction of 0.5 percentage points of the wage sum inflator is expected in 2012. Moreover, additional admissions above the allocated budget numbers of 2010 will only be reimbursed at a rate of 70% in 2011.

As a result of the limited revenue increases, it will probably not be possible to cover all the expected cost increases at the

Sources: IMS Health Forecasts, German Ministry of Health, German Hospital Institute (DKI)

hospitals – especially with regard to personnel costs as a result of wage tariff increases. Hospitals will continue to face cost pressure and the need for further savings in their operations.

In Germany as from the beginning of 2010, inpatient acute care services are reimbursed only on the basis of the standardized base rates of the individual federal states (DRG system). The different base rates from state to state are to be successively harmonized over a period of five years from 2010 onwards toward a standardized, nationwide base rate corridor. The originally planned convergence to a standardized, nationwide base rate starting in 2015 was lifted.

However, in light of the past experience with the DRG system, the positive development in the number of admissions, and the now completed convergence phase, HELIOS does not expect any major changes in the reimbursement of its services.

Under the **Hospital Funding Reform Act (KHRG)**, the criteria for the introduction of flat-rate investment allowances should be agreed by the end of 2012. Instead of the previous application-based financing of hospital investments, state governments can decide to finance investments on the basis of a performance-oriented allocation of investment funds. In line with the DRG system, it is planned to determine the flat-rate investment allowances on the basis of a base rate applying at the state level and standardized, nationwide investment appraisal parameters.

Given their growing **investment needs** but declining government support, hospitals are under growing pressure to rigorously tap the potential for rationalization. According to a study by the German Hospital Institute (DKI), less than half of hospital investment is financed by the state governments with public funds. Financing investments is a challenge especially for public hospitals. The financial situation of local governments will remain constrained, reducing their ability to cover their hospitals' operating losses and finance investments. This will further limit the financial scope for supporting loss-making hospitals and investment in public health care facilities, and will encourage privatizations.

It is generally expected that the proportion of private hospitals will rise at the expense of public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They also have the potential to secure cost advantages in procurement. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures. Experts anticipate that privatizations will increase in 2011 due to the more difficult situation of the hospitals.

Another future challenge for hospitals will be **personnel shortages** due to, among other things, restrictive regulations on working hours and a higher demand for specialized staff in some areas. Experts estimate about 6,000 unfilled vacancies alone on the medical side. Retaining qualified staff over the long term and training them are seen as important success factors for a hospital.

Other crucial factors for a hospital's success are not only cost-efficient processes, a well-structured medical offering, and well-trained staff, but also excellent medical quality. HELIOS is convinced that systematic quality management and the documentation of medical outcomes should not just serve as marketing instruments, but should be an element of hospital management, and thus part of the reimbursement. In the long run, initiatives are expected that provide for the introduction of quality-based reimbursement (pay-for-performance) and allow hospitals the option of concluding selective contracts with health insurers. With its strict focus on quality and transparency, HELIOS would be well prepared for such a future development.

No consequences from changes in the law are expected in the post-acute clinic segment. However, pricing and other controls by health insurers will continue to increase. Experts assume the importance of post-acute care will rise due to demographic trends, longer working lives, and the growing prevalence of chronic diseases. As a result of growth in acute care admissions and continuous improvements in HELIOS' internal referral management, we expect to be able to leverage potentials from the combination of acute care and post-acute care, thereby increasing our number of post-acute care admissions.

THE MARKET FOR ENGINEERING AND SERVICES FOR HOSPITALS AND OTHER HEALTH CARE FACILITIES

In industrial countries, owing to demographic trends, growing demand for high-quality, efficient medical care – and thus for engineering and services for hospitals and other health care facilities – is expected to continue. The focus is on services, ranging from the maintenance and repair of medical and hospital equipment, facility management, and technical operation, through to total operational management and infrastructure process optimization – especially within the framework of public-private partnership (PPP) models. Additional growth opportunities are presented by the advancing privatization of health care.

In the emerging countries, there is growing demand above all for infrastructure development, but also for efficient, needs-oriented medical care. The provision of primary health care is now very largely in place. In many markets, the focus now is therefore on building up secondary care, developing tertiary health care structures in the form of "centers of excellence", and creating training and research structures. All in all, we expect the market for engineering and services for hospitals and other health care facilities to continue growing in 2011.

GROUP SALES AND EARNINGS

With its international production and sales platform and its market-oriented products and services, the Fresenius Group is well positioned for continued growth in the coming years. Specific opportunities for profitable growth are indicated by the developments described in the section "Health Care Sector and Markets". In 2011, we therefore expect to increase **Group sales** by ≥7% in constant currency.

While our traditional markets in Europe and North America are growing at average low to mid-single-digit rates, we see stronger growth potential in the Asia-Pacific region and in Latin America. Here the demand for our life-saving and life-sustaining products continues to be high as access to medical care is still limited. This will also be reflected in sales.

We expect to increase **Group net income** once again in 2011. We aim to achieve this through the growth in sales discussed and by ongoing measures to optimize costs. Despite a market environment which continues to be marked by cost containment and price pressure, we expect to increase net income[1] by 8% to 12% in constant currency.

GROUP FINANCIAL TARGETS

	Targets 2011 (US-GAAP)	Fiscal year 2010 (US-GAAP)	Fiscal year 2010 (IFRS)
Sales growth (in constant currency)	≥7%	€15,972 m	€15,972 m
Net income[1], growth (in constant currency)	8–12%	€660 m	€657 m
Capital expenditure	~5% of sales	€758 m	€768 m
Dividend	Profit-driven dividend policy	Proposal: +15% per ordinary share	Proposal: +15% per ordinary share

[1] Net income attributable to Fresenius SE & Co. KGaA, adjusted for the effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights relating to the acquisition of APP Pharmaceuticals. Both are non-cash items.

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2011, we expect further increases in sales and earnings in each of our business segments. The table gives an overview.

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2011 (U.S. GAAP)	Fiscal year 2010 (U.S. GAAP)
Fresenius Medical Care		
Sales	US$12.8 – 13.0 bn	US$12,053 m
Net income [1]	US$1,035 m – US$1,055 m	US$979 m
Fresenius Kabi		
Sales growth (organic)	~5%	€3,672 m [2]
EBIT margin	>19%	20.1%
Fresenius Helios		
Sales growth (organic)	3 – 5%	€2,520 m [2]
EBIT	€250 m – €260 m	€235 m
Fresenius Vamed		
Sales growth	5 – 10%	€713 m [2]
EBIT growth	5 – 10%	€41 m [3]
Fresenius Biotech		
EBIT	~ -€30 m	-€32 m

[1] Net income attributable to Fresenius Medical Care AG & Co. KGaA
[2] Sales
[3] EBIT

The number of dialysis patients worldwide should rise by about 6% again in 2011, leading to continued growth in demand for dialysis products and a higher number of treatments. In 2011, **Fresenius Medical Care** expects to achieve revenue of US$ 12.8 to US$13.0 billion. Net income is expected to be between US$1.035 million and US$1.055 million.

Fresenius Kabi expects its positive operating performance to continue in 2011. Due to the high base achieved by an exceptional growth in North America, growth rates will be moderate in 2011. However, the company projects organic sales growth of about 5%. High growth potential is expected again in the Asia-Pacific region and in Latin America. Based on this positive sales projection, further cost optimizations, especially in production, and an improved product mix, Fresenius Kabi again expects to increase earnings in 2011. Fresenius Kabi forecasts an EBIT margin of >19%, again achieving an excellent margin level.

Fresenius Helios expects a continued good performance in the hospital operations business. The company forecasts an organic sales growth of 3% to 5% in 2011. EBIT is expected to increase to € 250 million to €260 million.

Given its excellent order backlog of €801 million and long-term agreements in its service business, **Fresenius Vamed** has an excellent base for further growth. In 2011, Fresenius Vamed expects to achieve both sales and EBIT growth between 5% and 10%.

Fresenius Biotech is expected to further reduce its negative EBIT to about -€30 million.

FINANCING

In 2010, we generated an excellent operating cash flow of €1,921 million driven by strong earnings and tight working capital management. The cash flow margin was 12.0%. In 2011, we expect to achieve a **cash flow margin** at a high single-digit rate of sales.

The **net debt/EBITDA ratio** is a key financial figure for the Fresenius Group. This ratio increased to 3.6 in 2008 due to the financing of the APP Pharmaceuticals acquisition. In 2009, it was already down to 3.0 – a significant improvement. The positive trend continued in 2010, with a ratio of 2.6. It is therefore back within our target corridor of 2.5 to 3.0. We expect the ratio to remain within this corridor in 2011, primarily through earnings improvements and continued positive cash flows, respectively.

Unused credit lines under syndicated or bilateral credit facilities from banks will generally provide us with a sufficient **financial cushion**. Fresenius SE & Co. KGaA's €250 million commercial paper program was not utilized. For further details please see page 23.

There will be only limited **refinancing requirements** in 2011, mainly for the €300 million and US$225 million of maturing Trust Preferred Securities of Fresenius Medical Care.

INVESTMENTS

We will continue to invest in our future growth. In 2011, we expect to invest about 5% of sales in property, plant and equipment, which will be roughly in line with the 2010 rate.

About 60% of the capital expenditure planned will be invested at Fresenius Medical Care, while Fresenius Kabi and Fresenius Helios will each account for about 20%. Investments at Fresenius Medical Care will focus on the construction of dialysis clinics, on expanding production capacities, and on cost optimization. Fresenius Kabi will invest in expanding and maintaining production facilities and in introducing new manufacturing technologies, enabling further improvements in production efficiency. An important project is the expansion of our production and logistics center in Friedberg, Germany. At Fresenius Helios we will primarily be investing in modernizing and equipping hospitals.

The regional focus of the Group's investment spending will be on Europe and North America, which will account for about 50% and 35%, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 30% of total funds will be invested in Germany.

PROCUREMENT

We will continue optimizing our procurement management in 2011: prices, terms, and especially quality are key factors for securing further earnings growth.

Global demand for raw materials is growing. **Fresenius Medical Care** is responding to this development by intensifying its **supplier management** process both regionally and supraregionally. The aim is to secure supplies of high-quality raw materials and intermediate goods on favorable terms and generally to increase the profitability of the production chain. We want to profit from the know-how of key suppliers already when products and production processes are developed. We involve partners at this stage who then develop and supply complete product modules or assemblies for Fresenius Medical Care. After the regions harmonized their procurement strategies especially for production materials in 2010, we now want to realize synergies in the area of **indirect supplies**, which includes all goods and services not directly related to the manufacturing process, such as information technology, energy, freight, and consulting services.

The procurement activities at **Fresenius Kabi** will be influenced by the following main factors in 2011: firstly, by the considerable volatility of the prices of underlying raw materials and the exchange rates of major trading currencies, secondly, by the effects of the continued financial crisis in some European countries, and, thirdly, by financial and economic policy measures in leading economies which are difficult to predict. These factors make it hard to forecast the trend in the prices of the **underlying raw materials** relevant for Fresenius Kabi and the products derived from them. In 2010, the prices of a number of underlying raw materials were already close to their 2008 peak levels. It remains to be seen whether this trend will continue. For products whose prices are linked to those underlying raw materials, the prices will be newly fixed at already scheduled dates in 2011.

In the case of active pharmaceutical ingredients for **IV drugs**, important supply agreements have already been concluded for 2011.

The **energy markets** are extremely volatile and speculation-driven. We had already concluded supply contracts for electricity for 2011 at the bottom of the economic crisis, thus assuring a positive development of our cost situation versus last year. However, this will be virtually neutralized as the renewable energy premium will increase by 72% in 2011 and tax reliefs will fall away as well. We also expect increases in gas prices.

Our 3-year project **Global Sourcing Initiative** will continue to be a focus of our procurement activities in 2011. The measures defined within the framework of this project relate not only to price but also to the consumption of input materials and consumables and their substitution.

At our **HELIOS clinics**, the central materials management unit plans to complete the project for a common consumption data platform in 2011. After a validation phase, the system will be available to all clinics within the HELIOS network. In other strategic projects we are focusing on **medical devices**. As a first step, product strategies are being formulated together with users within the clinic network, with the

focus on medical use as well as quality criteria. In a second step, the bundling of purchasing volumes is planned in order to leverage cost-cutting potentials.

We had already contracted our **electricity supplies** for 2011 in the first quarter of 2009. We were able to reduce the electricity price for 2011 by 15% compared to 2010. This saving partially offsets the higher renewable energy premium. We also covered our **natural gas requirements** early on. The natural gas price for the 2011 supply year (October 31, 2010 to October 31, 2011) was reduced by about 15% compared to the 2010 supply year.

HELIOS plans to switch all clinics to partially renewable energy-based heat generation over the long term. Three clinics already produce energy from a biomass boiler (wood pellets). This is also to be examined and prepared for at other clinics in 2011.

RESEARCH AND DEVELOPMENT

Our R & D activities will continue to play a key role in securing the Group's long-term growth through innovations and new therapies.

As a vertically integrated company not only supplying dialysis products but also operating its own clinics, **Fresenius Medical Care** aims to offer a complete portfolio of high-quality products and services for the treatment of chronic kidney failure that can be tailored flexibly to local market conditions and, in part, rapidly changing health care systems and reimbursement structures. Given the increasing challenge in the health care sector to provide comprehensive, high-quality, and at the same time cost-efficient care for growing numbers of patients, we increasingly want to leverage this extensive portfolio in order to offer holistic or integrated health care concepts (disease management) to our partners in the health care sector.

In consequence, one focus of our work will be innovations that integrate additional treatment elements in our offerings or match these offerings more effectively with one another so as to improve the quality and safety of the therapy and make it more cost efficient. For instance, we will be working on devices for our hemodialysis machines that facilitate the handling of the bloodline system and reduce the number of connecting steps to a few manual operations, thus relieving the clinic staff. Integrating the dosage and the administration of particular medications into the process of the dialysis machine and developing new supplementary functions that increase treatment quality and safety will be other focuses.

We will also be looking generally into ways to use new medical and technological insights to improve the quality of life for more and more patients with chronic kidney failure – for instance through home therapies. Treatment safety will remain a focus of our ongoing efforts to improve our products and services, and we will continue to tackle side-effects associated with chronic kidney failure.

Another focus of our development work is infusion and nutrition therapies and the development of generic IV drugs at **Fresenius Kabi**.

In the **biotechnology sector** we are concentrating on the further clinical development of the antibody catumaxomab in order to achieve a stronger commercial success with the Removab product. More information on this can be found on page 37.

We plan to increase the Group's **R & D spending** in 2011. About 4% to 5% of our product sales will be reinvested in research and development. The number of employees in research and development will also be increased.

Market-oriented research and development with strict time-to-market management processes is crucial for the success of new products. We continually review our R & D results using clearly defined milestones. Innovative ideas, product development, and therapies with a high level of quality will continue to be the basis for future market-leading products. Given the continued cost-containment efforts in the health

care sector, cost efficiency combined with a strong quality focus is acquiring ever greater importance in product development and the improvement of treatment concepts.

CORPORATE STRUCTURE AND ORGANIZATION

The Fresenius Group is divided into four business segments, each of which is a legally independent entity. The business segments are organized on a regional and decentralized basis to provide the greatest flexibility for meeting the demands of their respective markets. The "entrepreneur in the enterprise" principle, with clearly defined responsibilities, has proven itself over many years. We will continue to follow this principle.

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future as a result of the expected expansion. We expect that the percentage increase in the number of employees will be in the mid-single digits in 2011. Increases are planned in all business segments. The regional distribution of our employees will not change significantly – about 50% will be located in Europe and one-third in North America – with the remainder spread over Asia-Pacific, Latin America, and Africa.

DIVIDEND

Continuity in our dividend policy remains an important priority, clearly demonstrated by dividend increases over the last 17 years. On average, we have passed on about half of the percentage growth in Group net income to our shareholders as a percentage dividend increase. Based on our positive earnings forecasts we want to remain true to our dividend policy in the 2011 fiscal year and again expect to offer our shareholders an **earnings-linked dividend**.

CONTENT CONSOLIDATED FINANCIAL STATEMENTS

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2010	2009
Sales	4	**15,972**	14,165
Cost of sales	5	**-10,648**	-9,521
Gross profit		**5,324**	4,644
Selling, general and administrative expenses	9	**-2,658**	-2,358
Research and development expenses	8	**-256**	-282
Operating income (EBIT)		**2,410**	2,004
Interest income	10	**30**	22
Interest expenses	10	**-596**	-602
Other financial result	11	**-66**	-31
Financial result		**-632**	-611
Income before income taxes		**1,778**	1,393
Income taxes	12	**-574**	-422
Net income		**1,204**	971
Noncontrolling interest	27	**585**	495
Net income attributable to Fresenius SE & Co. KGaA		**619**	476
Earnings per ordinary share in €	13	**3.83**	2.95
Fully diluted earnings per ordinary share in €	13	**3.77**	2.93
Earnings per preference share in €	13	**3.83**	2.96
Fully diluted earnings per preference share in €	13	**3.77**	2.94

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2010	2009
Net income		**1,204**	971
Other comprehensive income (loss)			
Foreign currency translation	29, 31	**418**	-148
Cash flow hedges	29, 31	**-15**	2
Income taxes related to components of other comprehensive income (loss)	29	**-6**	-5
Other comprehensive income (loss)		**397**	-151
Total comprehensive income		**1,601**	820
Comprehensive income attributable to noncontrolling interest		**751**	390
Comprehensive income attributable to Fresenius SE & Co. KGaA		**850**	430

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

as of December 31, € in millions	Note	2010	2009
Cash and cash equivalents	14	**769**	420
Trade accounts receivable, less allowance for doubtful accounts	15	**2,935**	2,509
Accounts receivable from and loans to related parties		**15**	26
Inventories	16	**1,411**	1,235
Other current assets	17	**975**	940
I. Total current assets		**6,105**	5,130
Property, plant and equipment	18	**3,955**	3,561
Goodwill	19	**11,568**	10,453
Other intangible assets	19	**1,227**	1,291
Other non-current assets	17	**538**	348
Deferred taxes	12	**438**	365
II. Total non-current assets		**17,726**	16,018
Total assets		**23,831**	21,148

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2010	2009
Trade accounts payable		**691**	601
Short-term accounts payable to related parties		**2**	7
Short-term accrued expenses and other short-term liabilities	20, 21	**2,855**	2,253
Short-term debt	22	**606**	287
Short-term loans from related parties		**2**	2
Current portion of long-term debt and capital lease obligations	22	**421**	263
Mandatory Exchangeable Bonds	24	**554**	0
Trust preferred securities of Fresenius Medical Care Capital Trusts	25	**468**	0
Short-term accruals for income taxes		**163**	122
A. Total short-term liabilities		**5,762**	3,535
Long-term debt and capital lease obligations, less current portion	22	**4,811**	5,123
Senior Notes	23	**2,369**	2,066
Mandatory Exchangeable Bonds	24	**0**	554
Long-term accrued expenses and other long-term liabilities	20, 21	**507**	455
Trust preferred securities of Fresenius Medical Care Capital Trusts	25	**0**	455
Pension liabilities	26	**319**	300
Long-term accruals for income taxes		**196**	194
Deferred taxes	12	**648**	558
B. Total long-term liabilities		**8,850**	9,705
I. Total liabilities		**14,612**	13,240
A. Noncontrolling interest	27	**3,979**	3,400
Subscribed capital	28	**162**	161
Capital reserve	28	**2,186**	2,120
Other reserves	28	**2,794**	2,360
Accumulated other comprehensive income (loss)	29	**98**	-133
B. Total Fresenius SE & Co. KGaA shareholders' equity		**5,240**	4,508
II. Total shareholders' equity		**9,219**	7,908
Total liabilities and shareholders' equity		**23,831**	21,148

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2010	2009
Operating activities			
Net income		**1,204**	971
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**662**	624
Change in deferred taxes	12	**4**	-4
Gain/loss on sale of fixed assets		**1**	–
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	15	**-275**	-7
Inventories	16	**-81**	-92
Other current and non-current assets	17	**56**	-96
Accounts receivable from/payable to related parties		**6**	-4
Trade accounts payable, accrued expenses and other short-term and long-term liabilities		**342**	106
Accruals for income taxes		**2**	66
Net cash provided by operating activities		**1,921**	1,564
Investing activities			
Purchase of property, plant and equipment		**-764**	-687
Proceeds from sales of property, plant and equipment		**21**	15
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 33	**-614**	-236
Proceeds from investments and divestitures		**111**	9
Net cash used in investing activities		**-1,246**	-899

January 1 to December 31, € in millions	Note	2010	2009
Financing activities			
Proceeds from short-term loans	22	**233**	73
Repayments of short-term loans	22	**-196**	-296
Proceeds from short-term loans from related parties		**–**	–
Repayments of short-term loans from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	22	**541**	700
Repayments of long-term debt and capital lease obligations	22	**-1,186**	-1,289
Proceeds from the issuance of Senior Notes	23	**242**	753
Repayments of liabilities from Senior Notes	23	**0**	-100
Changes of accounts receivable securitization program	22	**223**	-233
Proceeds from the exercise of stock options	35	**121**	56
Dividends paid		**-329**	-275
Change in noncontrolling interest	27	**-3**	-2
Exchange rate effect due to corporate financing		**1**	1
Net cash used in financing activities		**-353**	-612
Effect of exchange rate changes on cash and cash equivalents		**27**	-3
Net increase in cash and cash equivalents		**349**	50
Cash and cash equivalents at the beginning of the reporting period	14	**420**	370
Cash and cash equivalents at the end of the reporting period	14	**769**	420

ADDITIONAL INFORMATION ON PAYMENTS THAT ARE INCLUDED IN NET CASH PROVIDED BY OPERATING ACTIVITIES

January 1 to December 31, € in millions	Note	2010	2009
Received interest		**30**	23
Paid interest		**-534**	-554
Income taxes paid		**-504**	-393

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Ordinary shares		Preference shares		Subscribed Capital	
	Note	Number of shares in thousand	Amount € in thousands	Number of shares in thousand	Amount € in thousands	Amount € in thousands	Amount € in millions
As of December 31, 2008		80,572	80,572	80,572	80,572	161,144	161
Proceeds from the exercise of stock options	35	86	86	86	86	172	–
Compensation expense related to stock options	35						
Dividends paid	28						
Purchase of noncontrolling interest	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Foreign currency translation	29, 31						
Comprehensive income (loss)							
As of December 31, 2009		80,658	80,658	80,658	80,658	161,316	161
Proceeds from the exercise of stock options	35	567	567	567	567	1,134	1
Compensation expense related to stock options	35						
Minimum dividend of ordinary shareholders							
Dividends paid	28						
Purchase of noncontrolling interest	27						
Liabilities for noncontrolling interest subject to put provisions	21						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Foreign currency translation	29, 31						
Comprehensive income							
As of December 31, 2010		**81,225**	**81,225**	**81,225**	**81,225**	**162,450**	**162**

	Note	Reserves		Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest € in millions	Total shareholders' equity € in millions
		Capital reserve € in millions	Other reserves € in millions				
As of December 31, 2008		2,095	1,998	-87	4,167	3,070	7,237
Proceeds from the exercise of stock options	35	4			4	52	56
Compensation expense related to stock options	35	21			21	15	36
Dividends paid	28		-114		-114	-166	-280
Purchase of noncontrolling interest	27				0	39	39
Comprehensive income (loss)							
Net income			476		476	495	971
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-8	-8	0	-8
Foreign currency translation	29, 31			-38	-38	-105	-143
Comprehensive income (loss)			476	-46	430	390	820
As of December 31, 2009		2,120	2,360	-133	4,508	3,400	7,908
Proceeds from the exercise of stock options	35	37			38	83	121
Compensation expense related to stock options	35	19			19	14	33
Minimum dividend of ordinary shareholders		10			10	0	10
Dividends paid	28		-122		-122	-201	-323
Purchase of noncontrolling interest	27				0	61	61
Liabilities for noncontrolling interest subject to put provisions	21		-63		-63	-129	-192
Comprehensive income (loss)							
Net income			619		619	585	1,204
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-12	-12	0	-12
Foreign currency translation	29, 31			243	243	166	409
Comprehensive income			619	231	850	751	1,601
As of December 31, 2010		**2,186**	**2,794**	**98**	**5,240**	**3,979**	**9,219**

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) CONSOLIDATED SEGMENT REPORTING

by business segment

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios		
€ in millions	**2010**	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Sales	**9,091**	8,064	13%	**3,672**	3,086	19%	**2,520**	2,416	4%
thereof contribution to consolidated sales	**9,088**	8,061	13%	**3,629**	3,046	19%	**2,520**	2,416	4%
thereof intercompany sales	**3**	3	0%	**43**	40	8%	**0**	0	
contribution to consolidated sales	**57%**	57%		**23%**	22%		**16%**	17%	
EBITDA	**1,830**	1,586	15%	**893**	742	20%	**318**	286	11%
Depreciation and amortization	**379**	327	16%	**156**	135	16%	**83**	81	2%
EBIT	**1,451**	1,259	15%	**737**	607	21%	**235**	205	15%
Net interest	**-211**	-215	2%	**-279**	-302	8%	**-55**	-55	0%
Income taxes	**-436**	-352	-24%	**-142**	-89	-60%	**-37**	-32	-16%
Net income attributable to Fresenius SE & Co. KGaA	**738**	639	15%	**294**	200	47%	**131**	107	22%
Operating cash flow	**1,032**	960	8%	**567**	397	43%	**311**	219	42%
Cash flow before acquisitions and dividends	**649**	557	17%	**401**	272	47%	**150**	95	58%
Total assets	**12,793**	10,982	16%	**6,860**	6,335	8%	**3,270**	3,199	2%
Debt	**4,400**	3,865	14%	**4,298**	4,184	3%	**1,096**	1,099	0%
Other operating liabilities	**2,157**	1,918	12%	**1,102**	909	21%	**760**	746	2%
Capital expenditure, gross	**395**	411	-4%	**174**	125	39%	**166**	124	34%
Acquisitions, gross	**596**	138	--	**31**	32	-3%	**13**	79	-84%
Research and development expenses	**73**	67	9%	**143**	129	11%	**–**	–	--
Employees (per capita on balance sheet date)	**77,442**	71,617	8%	**22,851**	21,872	4%	**33,321**	33,364	0%
Key figures									
EBITDA margin	**20.1%**	19.7%		**24.3%**	24.0%		**12.6%**	11.8%	
EBIT margin	**16.0%**	15.6%		**20.1%**	19.7%		**9.3%**	8.5%	
Depreciation and amortization in % of sales	**4.2%**	4.1%		**4.2%**	4.4%		**3.3%**	3.4%	
Operating cash flow in % of sales	**11.4%**	11.9%		**15.4%**	12.9%		**12.3%**	9.1%	
ROOA	**12.5%**	12.2%		**11.9%**	10.2%		**7.8%**	7.1%	

[1] Including special items from the acquisition of APP Pharmaceuticals, Inc.

Fresenius Vamed			Corporate/Other[1]			IFRS-Reconciliation			Fresenius Group		
2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change	**2010**	2009	Change
713	618	15%	**-24**	-20	-20%	**0**	1	-100%	**15,972**	14,165	13%
713	618	15%	**22**	23	-4%	**0**	1	-100%	**15,972**	14,165	13%
–	–	--	**-46**	-43	-7%	**0**	0		**0**	0	
4%	4%		**0%**	0%		**0%**	0%		**100%**	100%	
49	42	17%	**-33**	-40	18%	**15**	12	25%	**3,072**	2,628	17%
8	6	33%	**13**	13	0%	**23**	62	-63%	**662**	624	6%
41	36	14%	**-46**	-53	13%	**-8**	-50	84%	**2,410**	2,004	20%
2	3	-33%	**-23**	-11	-109%	**0**	0		**-566**	-580	2%
-12	-12	0%	**46**	33	39%	**7**	30	-77%	**-574**	-422	-36%
30	27	11%	**-571**	-479	-19%	**-3**	-18	83%	**619**	476	30%
47	29	62%	**-46**	-52	12%	**10**	11	-9%	**1,921**	1,564	23%
38	24	58%	**-60**	-57	-5%	**0**	1	-100%	**1,178**	892	32%
549	456	20%	**105**	-90	--	**254**	266	-5%	**23,831**	21,148	13%
16	2	--	**-1,026**	-851	-21%	**-107**	-103	-4%	**8,677**	8,196	6%
326	266	23%	**833**	626	33%	**109**	21	--	**5,287**	4,486	18%
9	5	80%	**14**	6	133%	**10**	10	0%	**768**	681	13%
5	2	150%	**-1**	9	-111%	**-1**	-1	0%	**643**	259	148%
0	0		**28**	44	-36%	**12**	42	-71%	**256**	282	-9%
3,110	2,849	9%	**828**	808	2%	**0**	0		**137,552**	130,510	5%
6.9%	6.8%								**19.2%**	18.6%	
5.8%	5.8%								**15.1%**	14.1%	
1.1%	1.0%								**4.1%**	4.4%	
6.6%	4.7%								**12.0%**	11.0%	
22.2%	22.8%								**11.4%**	10.1%	

The consolidated segment reporting by business segment is an integral part of the notes.
The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) CONSOLIDATED SEGMENT REPORTING

by region

	Europe			North America		
€ in millions	**2010**	2009	Change	**2010**	2009	Change
Sales	**6,515**	6,045	8%	**7,020**	6,114	15%
contribution to consolidated sales	**41%**	42%		**44%**	43%	
EBIT	**728**	681	7%	**1,334**	1,034	29%
Depreciation and amortization	**302**	277	9%	**279**	287	-3%
Total assets	**8,934**	7,776	15%	**12,407**	11,429	9%
Capital expenditure, gross	**407**	358	14%	**226**	230	-2%
Acquisitions, gross	**266**	135	97%	**277**	98	183%
Employees (per capita on balance sheet date)	**66,179**	63,602	4%	**46,082**	44,590	3%

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change	**2010**	2009	Change
	1,307	1,088	20%	**814**	641	27%	**316**	277	14%	**15,972**	14,165	13%
	8%	8%		**5%**	5%		**2%**	2%		**100%**	100%	
	205	173	18%	**107**	87	23%	**36**	29	24%	**2,410**	2,004	20%
	47	36	31%	**28**	20	40%	**6**	4	50%	**662**	624	6%
	1,617	1,233	31%	**749**	616	22%	**124**	94	32%	**23,831**	21,148	13%
	74	51	45%	**51**	37	38%	**10**	5	100%	**768**	681	13%
	89	12	--	**11**	13	-15%	**–**	1	-100%	**643**	259	148%
	12,258	10,356	18%	**11,726**	10,804	9%	**1,307**	1,158	13%	**137,552**	130,510	5%

The consolidated segment reporting by region is an integral part of the notes.
The following notes are an integral part of the consolidated financial statements.

CONTENT NOTES

GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, the operating activities were split into the following legally-independent business segments (subgroups) in the fiscal year 2010:

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

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 214,648 patients in its 2,757 own dialysis clinics.

Fresenius Kabi is a globally active company, providing infusion therapies, intravenously administered generic drugs, clinical nutrition and the related medical devices. The products are used for the therapy and care of critically and chronically ill patients in and outside the hospital. In Europe, Fresenius Kabi is the market leader in infusion therapies and clinical nutrition, in the U.S., the company is a leading provider of intravenously administered generic drugs.

Fresenius Helios is one of the largest private hospital operators in Germany.

Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

Fresenius SE & Co. KGaA owned 35.74% of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and 35.27% of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2010. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly-owned subsidiary of Fresenius SE & Co. KGaA. Therefore, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group. Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2010. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds a 99% stake in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. In addition, Fresenius SE & Co. KGaA holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology and in Fresenius Biotech Beteiligungs GmbH.

The reporting currency in the Fresenius Group is the euro. In order to make the presentation clearer, amounts are mostly shown in million euros. Amounts under €1 million after rounding are marked with "–".

II. CHANGE OF FRESENIUS SE'S LEGAL FORM INTO A PARTNERSHIP LIMITED BY SHARES (KOMMANDITGESELLSCHAFT AUF AKTIEN) AND CONVERSION OF THE PREFERENCE SHARES INTO ORDINARY SHARES

On May 12, 2010, Fresenius SE's Annual General Meeting approved the change of Fresenius SE's legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) with the name Fresenius SE & Co. KGaA in combination with the conversion of all non-voting preference shares into voting ordinary shares. The change of legal form as well as the conversion of shares was also approved by the preference shareholders through a special resolution.

Upon registration with the commercial register of the local court in Bad Homburg v. d. Höhe, the change of legal form into Fresenius SE & Co. KGaA became effective on January 28, 2011. According to the resolution passed, the holders of preference shares received one ordinary share of Fresenius SE & Co. KGaA for each preference share held in Fresenius SE; the ordinary shareholders received one ordinary share of Fresenius SE & Co. KGaA for each ordinary share held in

Fresenius SE. The notional proportion of each non-par value share in the subscribed capital as well as the subscribed capital itself remained unchanged. The change of Fresenius SE's legal form into a KGaA neither led to the liquidation of the Company nor to the formation of a new legal entity. The legal and commercial identity of the Company was preserved.

The legal form of the KGaA enables Fresenius to achieve the benefits of a single share class while maintaining the control position of the Else Kröner-Fresenius-Stiftung which held approximately 58% of the ordinary shares in Fresenius SE prior to the change. The European company Fresenius Management SE, a wholly-owned subsidiary of the Else Kröner-Fresenius-Stiftung, is the general partner (Komplementärin) of Fresenius SE & Co. KGaA. Concerning the personnel composition, the Management Board of Fresenius Management SE is identical to the previous Fresenius SE Management Board and has taken over the management of Fresenius SE & Co. KGaA. The Else Kröner-Fresenius-Stiftung's right to provide the general partner is tied to the holding of more than 10% of the subscribed capital in Fresenius SE & Co. KGaA.

In addition to the existing Conditional Capitals, three Authorized Capitals were created with the articles of association that were determined by the Annual General Meeting. These can be used as an alternative source of shares for Fresenius SE & Co. KGaA's three stock option plans.

The effects of the change of legal form are described in the respective notes.

The registration of the change of legal form with the commercial register was finally cleared following a court settlement of pending disputes initiated by minority shareholders.

In order to improve readability, the new legal form Fresenius SE & Co. KGaA, effective since January 28, 2011, is used in this report, if expedient.

III. BASIS OF PRESENTATION

Fresenius SE & Co. KGaA as a stock exchange listed company with a domicile in a member state of the European Union (EU) fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE & Co. KGaA (until January 28, 2011: Fresenius SE) at December 31, 2010 have been prepared and will be published in accordance with the Standards valid on the date of the statement of financial position issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), which are binding to be applied in the EU. Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP).

In order to improve readability, various items are aggregated in the consolidated statement of financial position and in the consolidated statement of income. These items are shown separately in the notes to provide useful information to the readers of the consolidated financial statements.

Moreover, the notes include information required by HGB according to Section 315a (1) sentence 1 HGB. The consolidated financial statements include a management report according to Section 315a HGB in conjunction with Section 315 HGB.

The consolidated statement of financial position contains all information required to be disclosed by International Accounting Standard (IAS) 1, Presentation of Financial Statements, and is classified on the basis of the liquidity of assets and liabilities following the consolidated statement of financial position in accordance with U.S. GAAP. The consolidated statement of income is classified using the cost-of-sales accounting format.

At February 23, 2011, the Management Board of Fresenius Management SE authorized the consolidated financial statements for issue and passed it to the Supervisory Board of Fresenius SE & Co. KGaA. The Supervisory Board has to review the consolidated financial statements.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods.

Capital consolidation is performed by offsetting investments in subsidiaries against the underlying revaluated equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries as well as the noncontrolling interest are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.

Joint ventures and entities in which Fresenius SE & Co. KGaA, directly or indirectly, holds between 20% and 50% of the voting rights and can exercise a significant influence over their financial and operating policies are associated companies. These companies are consolidated using the equity method. Investments that are not classified as in associated companies are recorded at acquisition costs.

All significant intercompany sales, expenses, income, receivables and payables are eliminated. Profits and losses on items of property, plant and equipment and inventory acquired from other Group entities are also eliminated. Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interest comprises the interest of noncontrolling shareholders in the consolidated equity of Group entities. Profits and losses attributable to the noncontrolling shareholders are separately disclosed in the consolidated statement of income. Additionally, noncontrolling interest subject to put provisions is recorded in short-term accrued expenses and other short-term liabilities as well as long-term accrued expenses and other long-term liabilities at fair value at the date of the consolidated financial statements. Valuation differences are recognized in equity.

b) Composition of the Group

Besides Fresenius SE & Co. KGaA, the consolidated financial statements include all material subsidiaries in which Fresenius SE & Co. KGaA, directly or indirectly, holds a majority investment or the majority of the voting power and has the possibility of control.

Special purpose entities are consolidated if they are controlled by a Fresenius Group company, i. e. risk and rewards remain with the Group.

The consolidated financial statements of 2010 included, in addition to Fresenius SE & Co. KGaA, 144 (2009: 136) German and 972 (2009: 912) foreign companies.

The composition of the Group changed as follows:

	Germany	Abroad	Total
December 31, 2009	**136**	**912**	**1,048**
Additions	**12**	**122**	**134**
of which newly founded	2	48	50
of which acquired	9	65	74
Disposals	**4**	**62**	**66**
of which no longer consolidated	2	36	38
of which merged	2	26	28
December 31, 2010	**144**	**972**	**1,116**

17 companies (2009: 10) were accounted for under the equity method.

The complete list of the investments of Fresenius SE & Co. KGaA, registered office in Bad Homburg v. d. H., will be submitted to the electronic Federal Gazette and the electronic companies register.

In 2010, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

Name of the company	Registered office
Corporate/Other	
Fresenius Biotech GmbH	Gräfelfing
Fresenius Biotech Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG	Bad Homburg v. d. H.
Fresenius Netcare GmbH	Bad Homburg v. d. H.
Fresenius ProServe GmbH	Bad Homburg v. d. H.
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungs-gesellschaft mbH & Co.KG	München
Fresenius Kabi	
Fresenius HemoCare GmbH	Bad Homburg v. d. H.
Fresenius HemoCare Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Kabi AG	Bad Homburg v. d. H.
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
MC Medizintechnik GmbH	Alzenau
V. Krütten Medizinische Einmalgeräte GmbH	Idstein

Name of the company	Registered office
Fresenius Helios	
HELIOS Agnes Karll Krankenhaus GmbH	Bochum
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Versorgungszentrum Bad Saarow GmbH	Bad Saarow
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum

c) Classifications

Certain items in the consolidated financial statements of 2009 have been reclassified to conform with the presentation in 2010.

d) Hyperinflationary accounting

Due to the inflationary development in Venezuela, Fresenius Medical Care's subsidiaries operating in Venezuela apply IAS 29, Financial Reporting in Hyperinflationary Economies, as of January 1, 2010. All gains and losses resulting from the remeasurement of assets and liabilities were recognized in the consolidated statement of income.

e) Sales recognition policy

Sales from services are recognized at amounts estimated to be received under the reimbursement arrangements with third party payors. Sales are recognized on the date services and related products are provided and the customer is obligated to pay.

Product sales are recognized when title to the product passes to the customers, either at the time of shipment, upon receipt by the customer or upon any other terms that clearly define passage of title. As product returns are not typical, no return allowances are established. In the event a return is required, the appropriate reductions to sales, cost of sales and accounts receivable are made. Sales are stated net of discounts, allowances and rebates.

In the business segment Fresenius Vamed, sales for long-term production contracts are recognized using the percentage of completion (PoC) method when the accounting conditions are met. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, milestones laid down in the contract or the percentage of completion. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably.

Any tax assessed by a governmental authority that is incurred as a result of a sales transaction (e. g. sales tax) is excluded from sales and the related sale is reported on a net basis.

f) Government grants

Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. At first, the grant is recorded as a liability and as soon as the asset is acquired the grant is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

g) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research findings. Research expenses are expensed as incurred. Development expenses that fully meet the criteria for the recognition of an intangible asset are capitalized as intangible asset.

h) Impairment

The Fresenius Group reviews the carrying amounts of its property, plant and equipment, its intangible assets as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's recoverable amount. The recoverable amount is the higher of the net realizable value and its value in use. The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant asset. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of the future cash flows of the corresponding cash generating units.

Impairment losses, except impairment losses recognized on goodwill, are reversed as soon as the reasons for impairment no longer exist.

Assets held for sale are reported at the lower of their carrying amount and fair value less costs to sell. As long as the company intends to sell the asset, it is not depreciated.

i) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if they are directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2010 and 2009, interest of €4 million and €8 million, based on an average interest rate of 4.90% and 5.56%, respectively, was recognized as a component of the cost of assets.

j) Deferred taxes

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income attributable to Fresenius SE & Co. KGaA. Deferred tax assets also include claims to future tax reductions which arise from the probably expected usage of existing tax losses available for carryforward. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Fresenius Group and implemented tax strategies.

Deferred taxes are computed using enacted or planned tax rates which are expected to apply in the relevant national jurisdictions when the amounts are recovered.

The realizability of the carrying amount of a deferred tax asset is reviewed at each date of the statement of financial position. In assessing the realizability of deferred taxes, the Management considers whether it is probable that some portion or all of a deferred tax asset will be realized or whether deferred tax liabilities will be reversed. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

If it is probable that sufficient taxable income will be available for the utilization of parts or of the entire deferred tax asset, the deferred tax asset is recognized to this certain extent.

k) Earnings per ordinary share and preference share

Basic earnings per ordinary share are computed by dividing net income attributable to Fresenius SE & Co. KGaA less preference amounts by the weighted-average number of ordinary shares and preference shares outstanding during the year. Basic earnings per preference share are derived by adding the preference per preference share to the basic earnings per

ordinary share. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares and preference shares that would have been outstanding during the fiscal year. The awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term liquid investments with original maturities of up to three months (time deposits and securities).

m) Trade accounts receivable

Trade accounts receivable are stated at their nominal value less allowance for doubtful accounts. Allowances are estimated mainly on the basis of payment history to date, the age structure of balances and the contractual partner involved. In order to assess the appropriateness of allowances, the Fresenius Group checks regularly whether there have been any divergences to previous payment history.

n) Inventories

Inventories comprise all assets which are held for sale in the ordinary course of business (finished goods), in the process of production for such sale (work in process) or consumed in the production process or in the rendering of services (raw materials and purchased components).

Inventories are measured at the lower of acquisition and manufacturing cost (determined by using the average or first-in, first-out method) or net realizable value. Manufacturing costs comprise direct costs, production and material overhead, including depreciation charges.

o) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Significant improvements are capitalized; repair and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 4 to 50 years for buildings and improvements (with a weighted-average life of 16 years) and 3 to 15 years for machinery and equipment (with a weighted-average life of 10 years).

p) Intangible assets with finite useful lives

Intangible assets with finite useful lives, for example patents, product and distribution rights, non-compete agreements, technology as well as licenses to manufacture, distribute and sell pharmaceutical drugs, are amortized using the straight-line method over their respective useful lives to their residual values and reviewed for impairment (see note 1. IV h, Impairment). The useful lives of patents, product and distribution rights range from 5 to 20 years. Non-compete agreements with finite useful lives have useful lives ranging from 2 to 25 years with an average useful life of 8 years. The useful life of management contracts with finite useful lives ranges from 5 to 40 years. Technology has a finite useful live of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs are amortized over the contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 15 years.

Losses in value of a lasting nature are impaired and are reversed when the reasons for impairment no longer exist.

Development costs are capitalized as manufacturing costs when the recognition criteria are met.

For development costs of dialysis machines manufactured by Fresenius Medical Care, the timing of the recognition as assets is based on the technical utilizability of the machines. Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years.

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. Costs are depreciated on a straight-line basis over an expected

utilization period. In 2010, an impairment loss was recorded on in-process R & D projects, which were not pursued (see note 8, Research and development expenses).

q) Goodwill and other intangible assets with indefinite useful lives

The Fresenius Group identified intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Group. The identified intangible assets with indefinite useful lives such as tradenames and certain qualified management contracts acquired in a purchase method business combination are recognized and reported apart from goodwill. They are recorded at acquisition costs. Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (impairment test).

To perform the annual impairment test of goodwill, the Fresenius Group identified several cash generating units (CGUs) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level according to regions or legal entities. Five CGUs were identified in the segment Fresenius Medical Care (Europe, Latin America, Asia-Pacific, North American Renal Therapy Group, North American Fresenius Medical Services). In the segment Fresenius Kabi exists one CGU for the region North America and one CGU for the business outside of North America. According to the regional organizational structure, the segment Fresenius Helios consists of seven CGUs, which are managed by a central division. The segment Fresenius Vamed consists of two CGUs (Project business and Service business). At least once a year, the Fresenius Group compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount as its value in use of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

To evaluate the recoverability of separable intangible assets with indefinite useful lives, the Fresenius Group compares the recoverable amounts of these intangible assets with their carrying amounts. An intangible asset's recoverable amount is determined using a discounted cash flow approach or other methods, if appropriate.

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2010 and 2009.

Any excess of the net fair value of identifiable assets and liabilities over cost (badwill) still existing after reassessing the purchase price allocation is recognized immediately in profit or loss.

r) Leases

Leased assets assigned to the Fresenius Group based on the risk and rewards approach (finance leases) are recognized as property, plant and equipment and measured on receipt date at the present values of the lease payments as long as their fair values are not lower. Leased assets are depreciated in straight-line over their useful lives. If there is doubt as to whether title to the asset passes at a later stage and there is no opportune purchase option the asset is depreciated over the lease term, if this is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset. The impairment loss is reversed if the reasons for impairment no longer exist.

Finance lease liabilities are measured at the present value of the future lease payments and are recognized as financial liability.

Property, plant and equipment, rented by the Fresenius Group, is accounted for at its purchase costs. Its depreciation is calculated using the straight-line method over the leasing time and its expected residual value.

s) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The following categories (according to IAS 39, Financial Instruments: Recognition and Measurement) are relevant for the Fresenius Group: loans and receivables, financial liabilities measured at amortized cost as well as financial liabilities/assets measured at fair value. Other categories are immaterial or not existing in the Fresenius Group. According to their character, the Fresenius Group classifies its financial instruments into the following classes: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount, derivatives for hedging purposes as well as liabilities recognized at fair value and noncontrolling interest subject to put provisions recognized at fair value.

The relationship between classes and categories as well as the reconciliation to the consolidated statement of financial position is shown in tabular form in note 31, Financial instruments.

The Fresenius Group has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at already defined purchase prices or at the appraised fair value. The methodology the Fresenius Group uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. When applicable, the obligations are discounted at a pre-tax discount rate. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from Fresenius Group's current estimates depending upon market conditions.

Derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized at fair value as assets or liabilities in the consolidated statement of financial position. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity until the secured underlying transaction is realized (see note 31, Financial instruments). The ineffective portion of cash flow hedges is recognized in current earnings. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized periodically in earnings.

t) Liabilities

At the date of the statement of financial position, liabilities are generally stated at amortized cost which normally corresponds to the settlement amount.

u) Legal contingencies

In the ordinary course of Fresenius Group's operations, the Fresenius Group is involved in litigation, arbitration, administrative procedure and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim, or the disclosure of any such suit or assertion, does not necessarily indicate that an accrual of a loss is appropriate.

v) Other accrued expenses

Accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the amount can be reliably estimated.

Tax accruals include obligations for the current year and for prior years.

Non-current accruals with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation.

w) Pension liabilities and similar obligations

Pension obligations for post-employment benefits are measured using the projected unit credit method, taking into account trends for future salary and trends for pension increase. The Fresenius Group uses the corridor method for the recognition of the actuarial gains and losses. Actuarial gains and losses that exceed a corridor of 10% of the present value of the defined benefit obligation are spread over the expected average remaining working lives of the employees participating in the plans, adjusted for fluctuation.

x) Debt issuance costs

Debt issuance costs are offset against debt and are amortized over the term of the related obligation.

y) Stock option plans

The total cost of stock options and convertible equity instruments granted to members of the Management Board and executive employees of the Fresenius Group at the grant date is measured using an option pricing model and recognized as expense over the vesting period of the stock option plans.

z) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA, located in North America, is partially self-insured for professional liability claims. For all other coverages, Fresenius Medical Care AG & Co. KGaA assumes responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

aa) Foreign currency translation

The reporting currency is the euro. Substantially all assets and liabilities of the foreign subsidiaries are translated at mid-closing rate on the date of the statement of financial position, while income and expenses are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in accumulated other comprehensive income (loss). In addition, the translation adjustments of certain intercompany borrowings, which are considered foreign equity investments, are also reported in accumulated other comprehensive income (loss).

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. In the fiscal year 2010, only immaterial losses resulted out of this transaction.

The exchange rates of the main currencies affecting foreign currency translation developed as follows:

	Year-end exchange rate[1]		Average exchange rate	
	Dec. 31, 2010	Dec. 31, 2009	**2010**	2009
U.S. dollar per €	**1.3362**	1.4406	**1.3259**	1.3948
Pound sterling per €	**0.86075**	0.8881	**0.85805**	0.8909
Swedish krona per €	**8.9655**	10.2520	**9.5387**	10.6191
Chinese renminbi per €	**8.8220**	9.8350	**8.9729**	9.5277
Japanese yen per €	**108.65**	133.16	**116.32**	130.34

[1] Mid-closing rate on the date of the statement of financial position

bb) Fair value hierarchy

The three-tier fair value hierarchy defined in IFRS 7, Financial Instruments Disclosures, classifies financial assets and liabilities recognized at fair value based on the inputs used in estimating the fair value. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring (the company) to develop its own assumptions. The three-tier fair value hierarchy is used in note 31, Financial instruments.

cc) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

dd) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 18% and 19% of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2010 and 2009, respectively.

ee) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2010 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2010, or IFRS that can be applied earlier on a voluntary basis.

In 2010, the Fresenius Group did not apply any new standard for the first time relevant for its business.

ff) Recent pronouncements, not yet applied

The IASB issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2011:

In October 2010, the IASB issued additions to IFRS 9, Financial Instruments for the accounting of financial liabilities. These additions complete the classification and measurement of financial instruments phase of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new guidance requires entities that choose to measure financial liabilities at fair value to generally present changes in the entity's own credit risk in other comprehensive income (loss). Other current accounting guidance for financial liabilities has been maintained. In November 2009, the IASB issued IFRS 9, Financial Instruments for the accounting of financial assets, which replaces the IAS 39 financial asset categories with two categories. Financial assets that have basic loan features and are managed on a contractual yield basis must be measured at amortized cost. All other financial assets are measured at fair value through profit and loss, whereby for strategic equity investments there is an option to record changes in fair value through other comprehensive income (loss). IFRS 9 is effective for fiscal years beginning on or after January 1, 2013.

Earlier adoption is permitted. Entities shall only apply the changes to financial liabilities in earlier periods if the guidance on financial assets is also applied. The Fresenius Group is currently evaluating the impact on its consolidated financial statements and considering the most appropriate implementation date.

The EU Commission's endorsement of IFRS 9 is still outstanding.

The Fresenius Group does not generally adopt new accounting standards before compulsory adoption date.

V. CRITICAL ACCOUNTING POLICIES

In the opinion of the Management of the Fresenius Group, the following accounting policies and topics are critical for the consolidated financial statements in the present economic environment. The influences and judgements as well as the uncertainties which affect them are also important factors to be considered when looking at present and future operating earnings of the Fresenius Group.

a) Recoverability of goodwill and intangible assets with indefinite useful lives

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2010 and December 31, 2009, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €11,745 million and €10,767 million, respectively. This represented 49% and 51%, respectively, of total assets.

An impairment test of goodwill and non-amortizable intangible assets with indefinite useful lives is performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount might be impaired (impairment test).

To determine possible impairments of these assets, the recoverable amount as its value in use of the CGUs is compared to their carrying amount. The value in use of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its three-year budget, projections for years 4 to ten 10 a corresponding growth rate for all remaining years. These growth rates are 0% to 4% for Fresenius Medical Care, 3% for Fresenius Kabi and 1% for Fresenius Helios and Fresenius Vamed. Projections for up to 10 years are possible due to the stability of Fresenius Group's business, which is largely independent from the economic cycle. The discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 6.38% for 2010. This basic rate is then adjusted by a country-specific risk rate within each CGU. In 2010, WACCs (after tax) for the reporting units of Fresenius Medical Care ranged from 6.38% to 13.56%. In the business segments Fresenius Kabi, Fresenius Helios and Fresenius Vamed, the WACC (after tax) was 5.88%, country-specific adjustments did not occur. If the value in use of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC (after tax) by 0.5% would not have resulted in the recognition of an impairment loss in 2010.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services could adversely affect the estimated future cash flows of certain countries or segments. Future adverse changes in a reporting unit's economic environment could

affect the discount rate. A decrease in the estimated future cash flows and/or a decline in the reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful lives which could materially and adversely affect Fresenius Group's future operating results.

b) Legal contingencies

The Fresenius Group is involved in several legal matters arising from the ordinary course of its business. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Fresenius Group. For details, please see note 30, Commitments and contingent liabilities.

The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim, or the disclosure of any such suit or assertion, does not necessarily indicate that an accrual of a loss is appropriate.

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were €2,935 million and €2,509 million in 2010 and 2009, respectively, net of allowance. Approximately two thirds of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were U.S. Medicare and Medicaid health care programs as well as private insurers in the U.S. with 14%, respectively, at December 31, 2010. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogeneous customer structure.

The allowance for doubtful accounts was €317 million and €285 million as of December 31, 2010 and December 31, 2009, respectively.

Sales are invoiced at amounts estimated to be receivable under reimbursement arrangements with third party payors. Estimates for the allowance for doubtful accounts are mainly based on historic collection experience, taking into account the aging of accounts receivable and the contract partners. The Fresenius Group believes that these analyses result in a well-founded estimate of allowances for doubtful accounts. From time to time, the Fresenius Group reviews changes in collection experience to ensure the appropriateness of the allowances.

Deterioration in the ageing of receivables and collection difficulties could require that the Fresenius Group increases the estimates of allowances for doubtful accounts. Additional expenses for uncollectible receivables could have a significant negative impact on future operating results.

d) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA, located in North America, is partially self-insured for professional liability claims. For further details regarding the accounting policies for self-insurance programs, please see note 1. IV z, Self-insurance programs.

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions of €643 million and €259 million in 2010 and 2009, respectively. Of this amount, €515 million was paid in cash and €128 million was assumed obligations in 2010.

Fresenius Medical Care

In the year 2010, Fresenius Medical Care spent €596 million, primarily for acquisitions of dialysis clinics, the formation of a new renal pharmaceutical company with Galenica Ltd., the acquisition of licenses and the acquisition of Gambro's peritoneal dialysis business outside the United States.

In the year 2009, acquisition spending of Fresenius Medical Care in an amount of €138 million related mainly to the purchase of dialysis clinics.

Fresenius Kabi

In the year 2010, Fresenius Kabi spent €31 million on acquisitions, mainly for the purchase of the cas central compounding baden-württemberg GmbH, Germany and the Fortuna Herstellung GmbH, Germany.

In the year 2009, Fresenius Kabi spent €32 million on acquisitions. The acquisition of a Lactulose business division in Italy was the biggest individual project.

Fresenius Helios

In 2010, Fresenius Helios spent €13 million on acquisitions, mainly for the purchase of the Kreiskrankenhaus St. Marienberg in Helmstedt, Germany and medical centres.

In 2009, Fresenius Helios spent €79 million which mainly referred to the acquisitions of five acute care hospitals. Fresenius Helios entered into agreements to acquire these hospitals in December 2008 and closed the transactions in February 2009.

Fresenius Vamed

In the years 2010 and 2009, Fresenius Vamed did not make any material acquisition.

Corporate/Other

In 2009, in the segment Corporate/Other, €9 million milestone payments were paid in conjunction with the acquisition of additional shares of Trion Pharma GmbH, Germany, in 2007.

IMPACTS ON FRESENIUS GROUP'S CONSOLIDATED FINANCIAL STATEMENTS RESULTING FROM ACQUISITIONS

In the fiscal year 2010, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. Each single acquisition is not material. The excess of the total acquisition costs over the fair value of the net assets acquired was €479 million and €310 million in 2010 and 2009, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was €358 million and the other intangible assets were €121 million. Of this goodwill, €323 million is attributable to the acquisitions of Fresenius Medical Care, €30 million to Fresenius Kabi's acquisitions, €1 million to the acquisitions of Fresenius Helios and €4 million to the acquisitions of Fresenius Vamed.

The acquisitions completed in 2010 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

€ in millions	2010
Sales	159
EBITDA	21
EBIT	13
Net interest	-5
Net income attributable to Fresenius SE & Co. KGaA	3

The acquisitions increased the total assets of the Fresenius Group by €496 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

The consolidated statements of income for the years 2010 and 2009 include several special items relating to the acquisition of APP Pharmaceuticals, Inc. in 2008. The tables below reconcile adjusted earnings to earnings according to IFRS.

€ in millions	Other financial result	Net income attributable to Fresenius SE & Co. KGaA
Earnings 2010, adjusted		657
Mandatory Exchangeable Bonds (mark-to-market)	-98	-70
Contingent Value Rights (mark-to-market)	32	32
Earnings 2010 according to IFRS		**619**

€ in millions	Other financial result	Net income attributable to Fresenius SE & Co. KGaA
Earnings 2009, adjusted		496
Mandatory Exchangeable Bonds (mark-to-market)	-37	-26
Contingent Value Rights (mark-to-market)	6	6
Earnings 2009 according to IFRS		**476**

For further information regarding Mandatory Exchangeable Bonds and Contingent Value Rights see note 11, Other financial result.

4. SALES

Sales by activity were as follows:

€ in millions	2010	2009
Sales of services	**9,631**	8,644
Sales of products and related goods	**5,850**	5,097
Sales from long-term production contracts	**490**	423
Other sales	**1**	1
Sales	**15,972**	14,165

A sales analysis by business segment and region is shown in the segment information on pages 78 to 81.

5. COST OF SALES

Cost of sales comprised the following:

€ in millions	2010	2009
Costs of services	**7,142**	6,516
Manufacturing cost of products and related goods	**3,102**	2,651
Cost of long-term production contracts	**404**	354
Other cost of sales	**0**	–
Cost of sales	**10,648**	9,521

6. COST OF MATERIALS

Cost of materials comprised cost of raw materials, supplies and purchased components and of purchased services:

€ in millions	2010	2009
Costs of raw materials, supplies and purchased components	**4,092**	3,715
Depreciation of raw materials, supplies and purchased components	**–**	1
Cost of purchased services	**640**	571
Cost of materials	**4,732**	4,287

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €5,350 million and €4,881 million in 2010 and 2009, respectively.

Personnel expenses comprised the following:

€ in millions	2010	2009
Wages and salaries	**4,221**	3,882
Social security contributions, cost of retirement pensions and social assistance	**1,129**	999
thereof retirement pensions	**129**	121
Personnel expenses	**5,350**	4,881

Fresenius Group's annual average number of employees by function is shown below:

	2010	2009
Production and service	**106,803**	102,003
Administration	**17,594**	16,131
Sales and marketing	**8,321**	8,397
Research and development	**1,445**	1,372
Total employees (per capita)	**134,163**	127,903

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €256 million (2009: €282 million) included expenditure for research and non-capitalizable development costs as well as depreciation and amortization expenses relating to capitalized development costs of €23 million (2009: €53 million). In 2010, research and development expenses included impairments on capitalized development expenses of €13 million (2009: €46 million). These relate to in-process R & D of product approval projects, which were acquired through the acquisition of APP Pharmaceuticals, Inc.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were €615 million (2009: €561 million) and mainly included expenditures for sales personnel of €304 million (2009: €270 million).

General and administrative expenses amounted to €2,043 million (2009: €1,797 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

10. NET INTEREST

Net interest of -€566 million included interest expenses of €596 million and interest income of €30 million. Interest expenses resulted from Fresenius Group's financial liabilities (see note 31, Financial instruments).

11. OTHER FINANCIAL RESULT

The item other financial result includes the following special expenses and income with regard to the acquisition of APP Pharmaceuticals, Inc. (APP) and its financing:

The Contingent Value Rights awarded to the APP shareholders are traded at the NASDAQ Stock Exchange in the United States. The corresponding liability is therefore valued with the current stock exchange price at the reporting date. This valuation resulted in an income of €32 million in 2010 (2009: income of €6 million).

Due to their contractual definition, the issued Mandatory Exchangeable Bonds (MEB) include derivative financial instruments that have to be measured at fair value. This measurement resulted in an expense (before tax) of €98 million in 2010 (2009: expense before tax of €37 million). However, this measurement does not cause a change of the MEB's nominal amount of €554.4 million that has to be settled in ordinary shares of Fresenius Medical Care AG & Co. KGaA upon maturity, but mainly reflects the share price development of these shares (see note 24, Mandatory Exchangeable Bonds).

12. TAXES

INCOME TAXES

Income before income taxes was attributable to the following geographic regions:

€ in millions	2010	2009
Germany	**342**	340
International	**1,436**	1,053
Total	**1,778**	1,393

Income tax expenses (benefits) for 2010 and 2009 consisted of the following:

€ in millions	Current taxes	Deferred taxes	**Income taxes**
2009			
Germany	83	–	83
International	343	-4	339
Total	426	-4	422
2010			
Germany	**98**	**-13**	**85**
International	**472**	**17**	**489**
Total	**570**	**4**	**574**

In 2010 and 2009, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) was subject to German federal corporation income tax at a base rate of 15% plus a solidarity surcharge of 5.5% on federal corporation taxes payable.

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 29.0% for the fiscal years 2010 and 2009.

€ in millions	**2010**	2009
Computed "expected" income tax expense	**516**	404
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**12**	11
Tax rate differential	**61**	49
Tax-free income	**-23**	-32
Taxes for prior years	**9**	19
Noncontrolling partnership interests	**-20**	-19
Other	**19**	-10
Income tax	**574**	422
Effective tax rate	**32.3%**	31.3%

DEFERRED TAXES

The tax effects of the temporary differences that gave rise to deferred tax assets and liabilities at December 31 are presented below:

€ in millions	**2010**	2009
Deferred tax assets		
Accounts receivable	**29**	33
Inventories	**65**	54
Other current assets	**48**	38
Other non-current assets	**82**	52
Accrued expenses	**221**	198
Other short-term liabilities	**88**	61
Other liabilities	**37**	40
Benefit obligations	**17**	17
Losses carried forward from prior years	**29**	32
Deferred tax assets	**616**	525
Deferred tax liabilities		
Accounts receivable	**12**	10
Inventories	**15**	13
Other current assets	**113**	58
Other non-current assets	**597**	492
Accrued expenses	**8**	44
Other short-term liabilities	**56**	7
Other liabilities	**25**	94
Deferred tax liabilities	**826**	718
Net deferred taxes	**-210**	-193

In the consolidated statement of financial position, the net amounts of deferred tax assets and liabilities are included as follows:

€ in millions	**2010**	2009
Deferred tax assets	**438**	365
Deferred tax liabilities	**648**	558
Net deferred taxes	**-210**	-193

As of December 31, 2010, Fresenius Medical Care has not recognized a deferred tax liability on approximately €2.6 billion of undistributed earnings of its foreign subsidiaries, because those earnings are intended to be indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	€ in millions
2011	6
2012	14
2013	13
2014	20
2015	22
2016	29
2017	11
2018	10
2019	6
2020 and thereafter	31
Total	**162**

The total remaining operating losses of €263 million can mainly be carried forward for an unlimited period.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is probable that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2010.

TAX AUDITS

Fresenius SE & Co. KGaA and its subsidiaries are subject to tax audits on a regular basis.

In Germany, the tax audit for the years 1998 until 2001 has been finalized. All results of the completed tax audits are already sufficiently recognized in the consolidated financial statements as of December 31, 2008. The fiscal years 2002 to 2005 are currently under audit. As of December 31, 2010, all proposed adjustments have been recognized in the consolidated financial statements. All further fiscal years are open to tax audits. For the tax year 1997, Fresenius Medical Care recognized an impairment of one of its subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of its audit for the years 1996 and 1997. Fresenius Medical Care has filed a complaint with the appropriate German court to challenge the tax authority's decision. In January 2011, Fresenius Medical Care reached an agreement with the tax authorities, estimated to be slightly more favorable than the tax benefit recognized previously. The additional benefit will be recognized in 2011.

In the United States, Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of Fresenius Medical Care Holdings, Inc.'s (FMCH) civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, Fresenius Medical Care received a partial refund in September 2008 of US$37 million, inclusive of interest, and preserved the right to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, Fresenius Medical Care filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On June 24, 2010, the court denied FMCH's motion for summary judgment and the litigation is proceeding towards trial. The IRS tax audits of FMCH in the United States for the years 2002 through 2006 have been completed. The IRS has disallowed all deductions taken during these audit periods related to intercompany mandatorily redeemable preference shares. In addition, the IRS proposed other adjustments which have been recognized in the consolidated financial statements. Fresenius Medical Care has protested the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to the disallowed deductions related to the intercompany mandatorily redeemable preference shares could have a material adverse effect on Fresenius Medical Care's results of operations and liquidity. Fiscal years 2007 and 2008 are currently under audit, 2009 and 2010 are open to audit. There are a number of state audits in progress and various years are open to audit in other states. All expected results have been recognized in the consolidated financial statements.

Subsidiaries of Fresenius SE & Co. KGaA in a number of countries outside of Germany and the United States are also subject to tax audits. The Fresenius Group estimates that the tax effects of such audits are not material to the consolidated financial statements.

13. EARNINGS PER SHARE

The following table shows the earnings per ordinary and preference share including and excluding the dilutive effect from stock options issued and the Mandatory Exchangeable Bonds (MEB):

	2010	2009
Numerators, € in millions		
Net income attributable to Fresenius SE & Co. KGaA	**619**	476
less preference on preference shares	**0**	1
less effect from dilution due to Fresenius Medical Care shares and MEB	**6**	1
Income available to all classes of shares	**613**	474
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**80,870,695**	80,595,319
Weighted-average number of preference shares outstanding	**80,870,695**	80,595,319
Weighted-average number of shares outstanding of all classes	**161,741,390**	161,190,638
Potentially dilutive ordinary shares	**541,580**	268,447
Potentially dilutive preference shares	**541,580**	268,447
Weighted-average number of ordinary shares outstanding assuming dilution	**81,412,275**	80,863,766
Weighted-average number of preference shares outstanding assuming dilution	**81,412,275**	80,863,766
Weighted-average number of shares outstanding of all classes assuming dilution	**162,824,550**	161,727,532
Basic earnings per ordinary share in €	**3.83**	2.95
Preference per preference share in €	**0.00**	0.01
Basic earnings per preference share in €	**3.83**	2.96
Fully diluted earnings per ordinary share in €	**3.77**	2.93
Preference per preference share in €	**0.00**	0.01
Fully diluted earnings per preference share in €	**3.77**	2.94

The owners of preference shares were entitled to a preference of €0.01 per bearer preference share per fiscal year.

Due to the conversion of the preference shares into ordinary shares in combination with the change of legal form, the dilutive effects are only calculated on ordinary shares as of the fiscal year 2011.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

As of December 31, cash and cash equivalents were as follows:

€ in millions	2010	2009
Cash	**650**	411
Time deposits and securities (with a maturity of up to 90 days)	**119**	9
Total cash and cash equivalents	**769**	420

As of December 31, 2010 and December 31, 2009, earmarked funds of €65 million and €17 million, respectively, were included in cash and cash equivalents.

15. TRADE ACCOUNTS RECEIVABLE

As of December 31, trade accounts receivable were as follows:

€ in millions	2010	2009
Trade accounts receivable	**3,252**	2,794
less allowance for doubtful accounts	**317**	285
Trade accounts receivable, net	**2,935**	2,509

All trade accounts receivable are due within one year.

The following table shows the development of the allowance for doubtful accounts during the fiscal year:

€ in millions	2010	2009
Allowance for doubtful accounts at the beginning of the year	**285**	257
Change in valuation allowances as recorded in the consolidated statement of income	**175**	174
Write-offs and recoveries of amounts previously written-off	**-158**	-141
Foreign currency translation	**15**	-5
Allowance for doubtful accounts at the end of the year	**317**	285

The following table shows the ageing analysis of trade accounts receivable and their allowance for doubtful accounts:

€ in millions	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	1,894	527	254	237	340	**3,252**
less allowance for doubtful accounts	16	43	33	53	172	**317**
Trade accounts receivable, net	1,878	484	221	184	168	**2,935**

16. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2010	2009
Raw materials and purchased components	**350**	311
Work in process	**255**	188
Finished goods	**874**	794
less reserves	**68**	58
Inventories, net	**1,411**	1,235

In 2010 and 2009, no reversals of write-downs of inventory were made.

The companies of the Fresenius Group are obliged to purchase approximately €1,720 million of raw materials and purchased components under fixed terms, of which €363 million was committed at December 31, 2010 for 2011. The terms of these agreements run one to eight years. Advance payments from customers of €170 million (2009: €186 million) have been offset against inventories.

Inventories as of December 31, 2010 and December 31, 2009 included approximately €25 million and approximately €24 million, respectively, of the product Erythropoietin (EPO),

which is supplied by a single source supplier in the United States. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of Fresenius Medical Care. In October 2006, Fresenius Medical Care entered into a five-year exclusive sourcing and supply agreement with its EPO supplier. Sales from EPO accounted for approximately 7% of total sales of the Fresenius Group in 2010 and 2009, respectively.

17. OTHER CURRENT AND NON-CURRENT ASSETS

As of December 31, other current and non-current assets comprised the following:

	2010		2009	
€ in millions		thereof short-term		thereof short-term
Investments and long-term loans	**254**	**6**	74	5
Tax receivables	**240**	**224**	253	242
Discounts	**124**	**124**	129	129
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**111**	**79**	145	89
Leasing receivables	**73**	**29**	55	22
Advances made	**53**	**52**	41	39
Prepaid expenses	**44**	**15**	32	16
Derivative financial instruments	**25**	**18**	49	29
Re-insurance claims	**25**	**0**	23	0
Accounts receivable from management contracts in clinics	**7**	**7**	6	6
Other assets	**565**	**427**	494	375
Other assets, gross	**1,521**	**981**	1,301	952
less allowances	**8**	**6**	13	12
Other assets, net	**1,513**	**975**	1,288	940

The investments and long-term loans comprise investments in an amount of €190 million (2009: €9 million), that were accounted for under the equity method.

The receivables resulting from the German "Krankenhausfinanzierungsgesetz" primarily contain approved but not yet received earmarked subsidies of the Fresenius Helios operations. The approval is evidenced in a letter written by the granting authorities that Fresenius Helios has already received.

Depreciation on other non-current assets in an amount of €2 million was recognized in the fiscal years 2010 and 2009, respectively.

18. PROPERTY, PLANT AND EQUIPMENT

As of December 31, the acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consisted of the following:

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2010**
Land and land facilities	206	7	1	8	–	1	**221**
Buildings and improvements	2,628	111	16	86	193	58	**2,976**
Machinery and equipment	3,361	180	43	326	110	215	**3,805**
Machinery, equipment and rental equipment under capital leases	146	3	7	20	-65	13	**98**
Construction in progress	340	18	12	304	-250	5	**419**
Property, plant and equipment	6,681	319	79	744	-12	292	**7,519**

DEPRECIATION

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2010
Land and land facilities	2	2	0	–	–	–	**4**
Buildings and improvements	1,036	49	1	173	37	51	**1,245**
Machinery and equipment	2,007	99	17	351	–	196	**2,278**
Machinery, equipment and rental equipment under capital leases	74	1	–	8	-39	8	**36**
Construction in progress	1	–	0	–	0	–	**1**
Property, plant and equipment	3,120	151	18	532	-2	255	**3,564**

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2009
Land and land facilities	199	1	4	3	1	2	**206**
Buildings and improvements	2,424	-20	11	85	144	16	**2,628**
Machinery and equipment	3,021	8	29	283	96	76	**3,361**
Machinery, equipment and rental equipment under capital leases	138	–	1	9	-1	1	**146**
Construction in progress	346	–	3	252	-254	7	**340**
Property, plant and equipment	6,128	-11	48	632	-14	102	**6,681**

DEPRECIATION

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2009
Land and land facilities	2	–	–	–	–	–	**2**
Buildings and improvements	896	-10	2	158	1	11	**1,036**
Machinery and equipment	1,742	5	12	313	-1	64	**2,007**
Machinery, equipment and rental equipment under capital leases	65	–	–	10	–	1	**74**
Construction in progress	1	0	0	–	0	0	**1**
Property, plant and equipment	2,706	-5	14	481	–	76	**3,120**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Land and land facilities	**217**	204
Buildings and improvements	**1,731**	1,592
Machinery and equipment	**1,527**	1,354
Machinery, equipment and rental equipment under capital leases	**62**	72
Construction in progress	**418**	339
Property, plant and equipment	**3,955**	3,561

Depreciation on property, plant and equipment for the years 2010 and 2009 was €532 million and €481 million, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2010 and 2009 included peritoneal dialysis cycler machines which Fresenius Medical Care leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which Fresenius Medical Care leases to physicians under operating leases in an amount of €312 million and €253 million, respectively.

To a lesser extent, property, plant and equipment are also leased for the treatment of patients by other business segments.

For details of minimum lease payments see note 22, Debt and capital lease obligations.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, the acquisition cost and accumulated amortization of intangible assets consisted of the following:

ACQUISITION COST

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2010**
Goodwill	10,453	595	354	4	162	0	**11,568**
Patents, product and distribution rights	538	35	4	39	2	1	**617**
Capitalized development costs	314	21	0	9	0	–	**344**
Tradenames	161	12	–	–	–	0	**173**
Technology	69	6	8	0	0	0	**83**
Non-compete agreements	157	12	20	–	–	5	**184**
Management contracts	153	13	0	0	-162	0	**4**
Other	432	33	15	35	–	26	**489**
Goodwill and other intangible assets	12,277	727	401	87	2	32	**13,462**

AMORTIZATION

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2010**
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	93	4	–	43	–	1	**139**
Capitalized development costs	75	4	0	23	0	1	**101**
Tradenames	0	0	0	0	0	0	**0**
Technology	12	1	0	6	0	0	**19**
Non-compete agreements	109	8	0	13	–	5	**125**
Management contracts	0	0	0	0	0	0	**0**
Other	244	22	–	43	–	26	**283**
Goodwill and other intangible assets	533	39	–	128	–	33	**667**

ACQUISITION COST

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2009**
Goodwill	10,477	-256	220	13	-1	0	**10,453**
Patents, product and distribution rights	540	-14	–	12	1	1	**538**
Capitalized development costs	312	-8	0	11	0	1	**314**
Tradenames	166	-5	0	–	–	–	**161**
Technology	71	-2	0	0	0	0	**69**
Non-compete agreements	158	-5	3	1	0	0	**157**
Management contracts	158	-5	0	0	–	0	**153**
Other	371	-4	11	54	6	6	**432**
Goodwill and other intangible assets	12,253	-299	234	91	6	8	**12,277**

AMORTIZATION

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2009**
Goodwill	4	0	-4	0	0	0	**0**
Patents, product and distribution rights	54	-1	–	41	0	1	**93**
Capitalized development costs	24	-1	0	53	0	1	**75**
Tradenames	0	0	0	0	0	0	**0**
Technology	8	–	0	4	0	0	**12**
Non-compete agreements	102	-4	0	11	–	0	**109**
Management contracts	0	0	0	0	0	0	**0**
Other	220	-2	–	33	–	7	**244**
Goodwill and other intangible assets	412	-8	-4	142	–	9	**533**

CARRYING AMOUNTS

€ in millions	**Dec. 31, 2010**	Dec. 31, 2009
Goodwill	**11,568**	10,453
Patents, product and distribution rights	**478**	445
Capitalized development costs	**243**	239
Tradenames	**173**	161
Technology	**64**	57
Non-compete agreements	**59**	48
Management contracts	**4**	153
Other	**206**	188
Goodwill and other intangible assets	**12,795**	11,744

The split of intangible assets into amortizable and non-amortizable intangible assets is shown in the following tables:

AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2010			Dec. 31, 2009		
€ in millions	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**617**	**139**	**478**	538	93	445
Technology	**83**	**19**	**64**	69	12	57
Non-compete agreements	**184**	**125**	**59**	157	109	48
Capitalized development costs	**344**	**101**	**243**	314	75	239
Other	**489**	**283**	**206**	432	244	188
Total	**1,717**	**667**	**1,050**	1,510	533	977

Fresenius Medical Care capitalized development costs in an amount of €10 million for the fiscal year 2010 (2009: €11 million). Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years. The amortization expense for the fiscal year 2010 amounted to €2 million (2009: €2 million). In the case of Fresenius Kabi, development costs capitalized amounted to €233 million in the fiscal year 2010 (2009: €228 million). The amortization is recorded on a straight-line basis over a useful life of five years and amounted to €8 million for the fiscal year 2010 (2009: €5 million). Furthermore, in 2010, an impairment loss of €13 million (2009: €46 million) was recorded (see note 8, Research and development expenses).

NON-AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2010			Dec. 31, 2009		
€ in millions	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**173**	**0**	**173**	161	0	161
Management contracts	**4**	**0**	**4**	153	0	153
Goodwill	**11,568**	**0**	**11,568**	10,453	0	10,453
Total	**11,745**	**0**	**11,745**	10,767	0	10,767

In the second quarter of 2010, administrative services agreements of Fresenius Medical Care in an amount of US$215 million (€162 million) were reclassified from the category management contracts to goodwill due to a change in New York state regulations that allowed Fresenius Medical Care, beginning in April 2010, to directly own the managed facilities in that state.

Amortization on intangible assets amounted to €128 million and €142 million for the years 2010 and 2009, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

Estimated regular amortization expenses of intangible assets for the next five years are shown in the following table:

€ in millions	2011	2012	2013	2014	2015
Estimated amortization expenses	107	102	96	91	82

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2009	**5,254**	**3,612**	**1,557**	**44**	**6**	**10,473**
Additions	124	51	62	0	–	237
Reclassifications	-1	0	–	0	0	-1
Foreign currency translation	-164	-92	0	0	0	-256
Carrying amount as of December 31, 2009	**5,213**	**3,571**	**1,619**	**44**	**6**	**10,453**
Additions	323	30	1	4	0	358
Reclassifications	162	0	0	0	0	162
Foreign currency translation	392	203	0	0	0	595
Carrying amount as of December 31, 2010	**6,090**	**3,804**	**1,620**	**48**	**6**	**11,568**

As of December 31, 2010 and December 31, 2009, the carrying amounts of the other non-amortizable intangible assets were €161 million and €299 million, respectively, for Fresenius Medical Care as well as €16 million and €15 million, respectively, for Fresenius Kabi.

20. OTHER ACCRUED EXPENSES

As of December 31, other accrued expenses consisted of the following:

	2010		2009	
€ in millions		**thereof short-term**		thereof short-term
Personnel expenses	**491**	**427**	394	335
Invoices outstanding	**188**	**188**	147	147
Self-insurance programs	**123**	**123**	119	119
Bonuses and discounts	**89**	**89**	78	78
Special charge for legal matters	**86**	**86**	80	80
Legal matters, advisory and audit fees	**66**	**66**	42	42
Warranties and complaints	**36**	**34**	28	24
Commissions	**21**	**21**	18	18
Physician compensation	**4**	**4**	5	5
All other accrued expenses	**449**	**403**	376	338
Other accrued expenses	**1,553**	**1,441**	1,287	1,186

The following table shows the development of other accrued expenses in the fiscal year:

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Utilized	Reversed	As of Dec. 31, 2010
Personnel expenses	394	16	3	338	13	-251	-22	**491**
Invoices outstanding	147	3	1	245	-7	-186	-15	**188**
Self-insurance programs	119	9	–	7	–	-12	–	**123**
Bonuses and discounts	78	4	1	149	-6	-133	-4	**89**
Special charge for legal matters	80	6	0	0	0	0	0	**86**
Legal matters, advisory and audit fees	42	2	–	50	-2	-25	-1	**66**
Warranties and complaints	28	–	0	18	1	-6	-5	**36**
Commissions	18	–	–	20	–	-15	-2	**21**
Physician compensation	5	1	0	0	0	-2	0	**4**
All other accrued expenses	376	13	5	482	15	-404	-38	**449**
Total	1,287	54	10	1,309	14	-1, 034	-87	**1,553**

Accruals for personnel expenses mainly refer to bonus, severance payments, contribution of partial retirement and holiday entitlements.

In 2001, Fresenius Medical Care recorded a US$258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG, estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay US$115 million (€86 million), without interest, upon plan confirmation (see note 30, Commitments and contingent liabilities). With the exception of the proposed US$115 million settlement payment, all other matters included in the special charge have been resolved.

21. OTHER LIABILITIES

As of December 31, other liabilities consisted of the following:

€ in millions	2010	thereof short-term	2009	thereof short-term
Derivative financial instruments	**363**	**239**	185	28
Noncontrolling interest subject to put provisions	**192**	**66**	0	0
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**183**	**177**	215	203
Interest liabilities	**126**	**126**	117	117
Tax liabilities	**117**	**114**	117	114
Personnel liabilities	**102**	**97**	90	86
Advance payments from customers	**79**	**72**	55	49
Leasing liabilities	**54**	**54**	46	46
Accounts receivable credit balance	**34**	**13**	26	14
All other liabilities	**559**	**456**	570	410
Other liabilities	**1,809**	**1,414**	1,421	1,067

The Fresenius Group has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at already defined purchase prices or the appraised fair value. In 2009, noncontrolling interest subject to put provisions was included in the statement of financial position noncontrolling interest and total Fresenius SE shareholders' equity.

The payables resulting from the German "Krankenhausfinanzierungsgesetz" primarily contain earmarked subsidies received but not yet spent appropriately by Fresenius Helios. The amount not yet spent appropriately is classified as liability.

At December 31, 2010, the total amount of other noncurrent liabilities was €395 million, thereof €289 million was due between one and five years and €106 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €507 million also included long-term accrued expenses of €112 million as of December 31, 2010.

22. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €606 million and €287 million at December 31, 2010 and December 31, 2009, respectively. As of December 31, 2010, these consisted of €224 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and €382 million outstanding short-term borrowings under the accounts receivable facility described in the following. The average interest rates on these borrowings (excluding the accounts receivable facility) at December 31, 2010 and 2009 were 5.14% and 5.03%, respectively.

In September 2010, the asset securitization facility (accounts receivable facility) of Fresenius Medical Care was extended to September 27, 2011 and increased by US$50 million to US$700 million. Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the accounts receivable facility, NMC Funding retains the right, at any time, to recall all the

then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the consolidated statement of financial position and the proceeds from the transfer of percentage ownership interests are recorded within short-term debt.

At December 31, 2010, there were outstanding short-term borrowings under the accounts receivable facility of US$510 million (€382 million). NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2010 was 1.86%. Annual refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, long-term debt and capital lease obligations consisted of the following:

€ in millions	2010	2009
Fresenius Medical Care 2006 Senior Credit Agreement	**2,211**	2,445
2008 Senior Credit Agreement	**1,484**	1,602
Euro Notes	**800**	800
European Investment Bank Agreements	**531**	424
Capital lease obligations	**54**	45
Other	**262**	177
Subtotal	**5,342**	5,493
less current portion	**421**	263
less financing cost	**110**	107
Long-term debt and capital lease obligations, less current portion	**4,811**	5,123

Maturities of long-term debt and capital lease obligations are shown in the following table:

€ in millions	up to 1 year	1 to 5 years	more than 5 years
Fresenius Medical Care 2006 Senior Credit Agreement	102	2,109	0
2008 Senior Credit Agreement	194	1,290	0
Euro Notes	0	800	0
European Investment Bank Agreements	8	491	32
Capital lease obligations	10	26	18
Other	107	93	62
Long-term debt and capital lease obligations	**421**	**4,809**	**112**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2010 are:

for the fiscal years	€ in millions
2011	422
2012	1,709
2013	1,709
2014	1,366
2015	24
Subsequent years	112
Total	**5,342**

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA), Fresenius Medical Care Holdings, Inc. (FMCH), and certain other subsidiaries of FMC-AG & Co. KGaA that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH (FMC D-GmbH), entered into a US$4.6 billion syndicated credit facility (Fresenius Medical Care 2006 Senior Credit Agreement) with several banks and institutional investors (the Lenders) on March 31, 2006 which replaced a prior credit agreement.

Since entering into the 2006 Senior Credit Agreement, Fresenius Medical Care arranged several amendments and effected voluntary prepayments of the Term Loans, which led

to a change in the total amount available under this facility. Pursuant to an amendment together with an extension arranged on September 29, 2010, the Revolving Credit Facility was increased from US$1,000 million to US$1,200 million and the Term Loan A facility by US$50 million to US$1,365 million. The maturity for both tranches was extended from March 31, 2011 to March 31, 2013. Additionally, the early repayment requirement for Term Loan B, which stipulated that Term Loan B was subject to early retirement if the Trust Preferred Securities due June 15, 2011 were not paid, refinanced or extended prior to March 1, 2011, has been removed. The definition of Fresenius Medical Care's consolidated leverage ratio was amended to allow for the reduction of up to US$250 million (increased from US$30 million) of cash and cash equivalents from consolidated funded debt. In addition, the amendment includes increases in certain types of permitted borrowings outside of the amended Fresenius Medical Care 2006 Senior Credit Agreement and provides further flexibility for certain types of investments. Furthermore, the parties agreed to change the limitation on dividends and other restricted payments from US$300 million for dividends in 2010 for up to US$330 million in 2011. Thereafter, these limitations increase by US$30 million each year through 2013.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2006 Senior Credit Agreement at December 31:

	2010			
	Maximum amount available		**Balance outstanding**	
	US$ in millions	€ in millions	**US$ in millions**	**€ in millions**
Revolving Credit	1,200	898	**81**	**61**
Term Loan A	1,335	999	**1,335**	**999**
Term Loan B	1,538	1,151	**1,538**	**1,151**
Total	4,073	3,048	**2,954**	**2,211**

	2009			
	Maximum amount available		**Balance outstanding**	
	US$ in millions	€ in millions	**US$ in millions**	**€ in millions**
Revolving Credit	1,000	694	**595**	**413**
Term Loan A	1,373	953	**1,373**	**953**
Term Loan B	1,554	1,079	**1,554**	**1,079**
Total	3,927	2,726	**3,522**	**2,445**

In addition, at December 31, 2010 and December 31, 2009, US$122 million and US$97 million, respectively, were utilized as letters of credit which were not included as part of the balances outstanding at those dates.

As of December 31, 2010, the amended and extended Fresenius Medical Care 2006 Senior Credit Agreement consisted of:

- A US$1,200 million Revolving Credit Facility (of which up to US$400 million is available for letters of credit, up to US$400 million is available for borrowings in certain non-U.S. currencies, up to US$150 million is available as swingline loans in U.S. dollars, up to US$250 million is available as a competitive loan facility, and up to US$50 million is available as swingline loans in certain non-U.S. currencies, the total of which cannot exceed US$1,200 million) which will be due and payable on March 31, 2013.

- A Term Loan Facility (Term Loan A) of US$1,335 million, also scheduled to mature on March 31, 2013. Quarterly repayments on Term Loan A of US$30 million each permanently reduce the Term Loan Facility at the end of each quarter until December 31, 2012. The remaining balance outstanding is due on March 31, 2013.
- A Term Loan Facility (Term Loan B) of US$1,538 million scheduled to mature on March 31, 2013 with five quarterly repayments of US$4 million followed by four quarterly repayments of US$379.4 million each due at the end of its respective quarter.

Interest on these facilities will be, at Fresenius Medical Care's option, depending on the interest periods chosen, at a rate equal to either LIBOR plus an applicable margin or the higher of (a) BofA's prime rate or (b) the Federal Funds rate plus 0.5%, plus an applicable margin.

The applicable margin is variable and depends on Fresenius Medical Care's consolidated leverage ratio which is a ratio of its consolidated funded debt (less up to US$250 million cash and cash equivalents) to consolidated EBITDA (as these terms are defined in the Fresenius Medical Care 2006 Senior Credit Agreement).

For a large portion of the floating rate borrowings under the Fresenius Medical Care 2006 Senior Credit Agreement, interest rate hedges have been arranged (see note 31, Financial instruments).

In addition to scheduled principal payments, indebtedness outstanding under the Fresenius Medical Care 2006 Senior Credit Agreement will be reduced by mandatory prepayments utilizing portions of the net cash proceeds from certain sales of assets, securitization transactions other than Fresenius Medical Care's existing accounts receivable facility, the issuance of subordinated debt other than certain intercompany transactions, certain issuances of equity and excess cash flow.

The obligations under the Fresenius Medical Care 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The Fresenius Medical Care 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is US$330 million for dividends paid in 2011, and increases by US$30 million each year through 2013. Fresenius Medical Care paid dividends of US$232 million in May of 2010 which was in compliance with the restrictions set forth in the Fresenius Medical Care 2006 Senior Credit Agreement. In default, the outstanding balance under the Fresenius Medical Care 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2010, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

Fresenius Medical Care incurred fees of approximately US$86 million in conjunction with the Fresenius Medical Care 2006 Senior Credit Agreement and fees of approximately US$21 million in conjunction with the amendment and extension which will be amortized over the life of the credit agreement.

At December 31, 2010, the Revolving Credit and Term Loan A were shown in the position long-term debt and capital lease obligations due to the extension of the Fresenius Medical Care 2006 Senior Credit Agreement after being shown under short-term liabilities in the first half of 2010.

2008 Senior Credit Agreement

On August 20, 2008, in connection with the acquisition of APP Pharmaceuticals, Inc. (APP), the Fresenius Group entered into a syndicated credit agreement (2008 Senior Credit Agreement) in an original amount of US$2.45 billion.

Since that date, amendments and voluntary prepayments were made which resulted in a change of the total amount available under this facility. In December 2009 and February 2010, voluntary prepayments of Term Loan B were made which amounted to US$199.7 million and €33 million. Amendments of the 2008 Senior Credit Agreement related to

the financial covenants as defined in the agreement, among other things. In addition, the amendment in March 2010 led to a replacement of Term Loan B by Term Loan C. Both Term Loan facilities merely differ in terms of the applicable interest rate. The minimum LIBOR or EURIBOR was set for 1.50% (previously Term Loan B: 3.25%).

The following tables show the available and outstanding amounts under the 2008 Senior Credit Agreement at December 31:

	2010			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit Facilities	US$550 million	411	**US$0 million**	**0**
Term Loan A	US$782 million	586	**US$782 million**	**586**
Term Loan C (in US$)	US$984 million	736	**US$984 million**	**736**
Term Loan C (in €)	€162 million	162	**€162 million**	**162**
Total		1,895		**1,484**

	2009			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit Facilities	US$550 million	382	**US$0 million**	**0**
Term Loan A	US$925 million	642	**US$925 million**	**642**
Term Loan B (in US$)	US$1,117 million	775	**US$1,117 million**	**775**
Term Loan B (in €)	€185 million	185	**€185 million**	**185**
Total		1,984		**1,602**

As of December 31, 2010, the 2008 Senior Credit Agreement consisted of:

- Revolving Credit Facilities in the aggregate principal amount of US$550 million (of which US$150 million is available to APP Pharmaceuticals, LLC and US$400 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE & Co. KGaA) which will be due and payable on September 10, 2013.
- Term Loan Facilities (Term Loan A) in the aggregate principal amount of US$782 million (of which equal shares are available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, and to APP Pharmaceuticals, LLC). Term Loan A amortizes and is repayable in unequal semi-annual installments with a final maturity date on September 10, 2013.
- Term Loan Facilities (Term Loan C) in the aggregate principal amount of US$983.5 million and €162.5 million (of which US$579.3 million and €162.5 million are available to Fresenius US Finance I, Inc. and US$404.2 million is available to APP Pharmaceuticals, LLC). Term Loan C amortizes and is repayable in equal semi-annual installments with a final bullet payment on September 10, 2014.

The interest rate on each borrowing under the 2008 Senior Credit Agreement is a rate equal to the aggregate of (a) the applicable margin (as described below) and (b) LIBOR or, in relation to any loan in euros, EURIBOR for the relevant interest period. The applicable margin is variable and depends on the Leverage Ratio as defined in the 2008 Senior Credit Agreement. In the case of Term Loan C, a minimum LIBOR or EURIBOR was set for 1.50%.

To hedge large parts of the interest rate risk connected with the floating rate borrowings under the 2008 Senior Credit Agreement, the Fresenius Group entered into interest rate hedges.

In addition to scheduled principal payments, indebtedness outstanding under the 2008 Senior Credit Agreement will be reduced by mandatory prepayments in the case of certain sales of assets, incurrence of additional indebtedness, equity issuances and certain intercompany loan repayments, with the amount to be prepaid depending on the proceeds which are generated by the respective transaction.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH and Fresenius Kabi AG. The obligations of APP Pharmaceuticals, LLC under the 2008 Senior Credit Agreement that refinanced indebtedness under the former APP credit facility are secured by the assets of APP and its subsidiaries and guaranteed by APP's subsidiaries on the same basis as the former APP credit facility. All lenders also benefit from indirect security through pledges over the shares of certain subsidiaries of Fresenius Kabi AG and pledges over certain intercompany loans.

The 2008 Senior Credit Agreement contains a number of customary affirmative and negative covenants and other payment restrictions. These covenants include limitations on liens, sale of assets, incurrence of debt, investments and acquisitions and restrictions on the payment of dividends, among other items. The 2008 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE & Co. KGaA and its subsidiaries (other than Fresenius Medical Care and its subsidiaries) to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum interest coverage ratio and limits amounts spent on capital expenditure. As of December 31, 2010, the Fresenius Group was in compliance with all covenants under the 2008 Senior Credit Agreement.

Euro Notes

As of December 31, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

			Book value/nominal value € in millions	
	Maturity	Interest rate	**2010**	2009
Fresenius Finance B.V. 2008/2012	April 2, 2012	5.59%	**62**	62
Fresenius Finance B.V. 2008/2012	April 2, 2012	variable	**138**	138
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51%	**26**	26
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**	74
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98%	**112**	112
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**	88
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75%	**38**	38
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**	62
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	7.41%	**36**	36
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	variable	**119**	119
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	8.38%	**15**	15
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	**30**	30
Euro Notes			**800**	800

On April 27, 2009, Fresenius Medical Care issued senior and unsecured Euro Notes in a total amount of €200 million. They consist of four tranches having terms of 3.5 and 5.5 years with fixed and floating interest rate tranches. Proceeds were used to liquidate the Euro Notes from 2005 which were due in July 2009.

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA. The Euro Notes of FMC-AG & Co. KGaA are guaranteed by FMCH and FMC D-GmbH.

Interest of the floating rate tranches of the Euro Notes is based on EURIBOR plus applicable margin. For a large portion of these tranches, interest rate swaps have been arranged (see note 31, Financial instruments). Only the floating rate tranches of the Euro Notes of FMC-AG & Co. KGaA in an amount of €149 million are exposed to the risk of interest rate increases.

European Investment Bank Agreements

Various subsidiaries of the Fresenius Group maintain credit facilities with the European Investment Bank (EIB). The following table shows the outstanding amounts under the EIB facilities as of December 31:

		Maximum amount available € in millions		Book value € in millions	
	Maturity	**2010**	2009	**2010**	2009
Fresenius SE & Co. KGaA	2013	**196**	196	**196**	196
Fresenius Medical Care AG & Co. KGaA	2013/2014	**271**[1]	271	**263**[1]	148
HELIOS Kliniken GmbH	2019	**72**	80	**72**	80
Loans from EIB		**539**	547	**531**	424

[1] Difference due to foreign currency translation

The majority of the loans are denominated in euros. The U.S. dollar denominated borrowings of FMC-AG & Co. KGaA amount to US$165 million (€123 million).

The EIB is the not-for-profit long-term lending institution of the European Union and loans funds at favorable rates for the purpose of specific capital investment and research and development projects. The facilities were granted to finance certain research and development projects, to invest in the expansion and optimization of existing production facilities in Germany and for the construction of a hospital.

In February 2010, a loan of €50 million was disbursed from the loan agreement FMC-AG & Co. KGaA entered into with the EIB in December 2009. The loan has a four-year term and is guaranteed by FMCH and FMC D-GmbH. In addition, FMC-AG & Co. KGaA drew down the remaining available balance of US$81 million on a revolving credit facility with the EIB in March 2010.

In September 2009, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) drew down a loan with the EIB of €100 million having a four-year term. The loan is guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Repayment of the loan of HELIOS Kliniken GmbH already started in December 2007 and will continue through December 2019 with constant half-yearly payments.

The above mentioned loans bear variable interest rates which are based on EURIBOR or LIBOR plus applicable margin. These interest rates change quarterly. The loans under the EIB Agreements entered before 2009 are secured by bank guarantees. All credit agreements with the EIB have customary covenants.

Capital lease obligations

Details of capital lease obligations are given below:

€ in millions	**2010**	2009
Capital lease obligations (minimum lease payments)	**68**	**50**
due within one year	12	13
due between one and five years	32	25
due later than five years	24	12
Interest component included in future minimum lease payments	**14**	**5**
due within one year	2	1
due between one and five years	6	3
due later than five years	6	1
Present value of capital lease obligations (minimum lease payments)	**54**	**45**
due within one year	10	12
due between one and five years	26	22
due later than five years	18	11

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part as of the reporting date. As of December 31, 2010, the additional financial cushion resulting from unutilized credit facilities was approximately €2.0 billion.

Syndicated credit facilities accounted for €1.1 billion. This portion comprises the Fresenius Medical Care 2006 Senior Credit Agreement in the amount of US$997 million (€746 million) and the 2008 Senior Credit Agreement in the amount of US$550 million (€411 million). Furthermore, bilateral facilities of approximately €835 million were available. They include credit facilities which subsidiaries of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE & Co. KGaA has a commercial paper program under which up to €250 million in short-term notes can be issued. As of December 31, 2010, no commercial papers were outstanding.

Additional financing of up to US$700 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$510 million as of December 31, 2010.

23. SENIOR NOTES

As of December 31, Senior Notes of the Fresenius Group consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**2010**	2009
Fresenius Finance B.V. 2006/2013	€500 million	Jan. 31, 2013	5.00%	**500**	500
Fresenius Finance B.V. 2006/2016	€650 million	Jan. 31, 2016	5.50%	**635**	639
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8¾%	**261**	259
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**356**	326
FMC Finance III S.A. 2007/2017	US$500 million	July 15, 2017	6⅞%	**370**	342
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**247**	0
Senior Notes				**2,369**	2,066

In June 2009, Fresenius Finance B.V. has placed a tap in an amount of €150 million to the Senior Notes which are due in 2016. The proceeds were used to repay short-term debt.

The Senior Notes issued by Fresenius Finance B.V. in an amount of €100 million which matured on April 30, 2009 were repaid on schedule.

Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, has issued unsecured Senior Notes in January 2009. The Notes comprise a U.S. dollar tranche with a notional amount of US$500 million and a euro tranche with a notional amount of €275 million. Both tranches will mature in 2015. Proceeds of the Senior Notes offering in an amount of approximately US$800 million were used to repay the Bridge Credit Agreement entered into in connection with the acquisition of APP Pharmaceuticals, Inc., to repay other debt and for general corporate purposes.

All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. Since January 31, 2011 the Senior Notes of Fresenius Finance B.V. maturing in 2016 may be redeemed at the option of the issuer at prices that have already been fixed at the date of issuance in the indentures. All other Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. may be redeemed prior to their maturity at the option of the issuers, in whole but not in part, at a price of 100% plus accrued interest and a premium calculated pursuant to the terms of the indentures under observance of certain notice periods.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective Notes reaches investment grade. In the event of non-compliance with the terms of the Senior Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayments plus interest. As of December 31, 2010, the Fresenius Group was in compliance with all of its covenants.

On January 20, 2010, FMC Finance VI S.A. issued €250 million of unsecured Senior Notes with a coupon of 5.50% at an issue price of 98.66%. The Senior Notes had a yield to maturity of 5.75% and are due July 15, 2016. Net proceeds were used to repay short-term indebtedness and for general corporate purposes.

On February 3, 2011, Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A. issued unsecured Senior Notes of US$650 million and €300 million, respectively, which are due on February 15, 2021. The Senior Notes issued by Fresenius Medical Care US Finance, Inc. with a coupon of 5.75% at an issue price of 99.06% have a yield to maturity of 5.875%. The Senior Notes issued by FMC Finance VII S.A. have a coupon of 5.25% and were issued at par. Net proceeds were or will be used to repay indebtedness, for acquisitions and for general corporate purposes.

The Senior Notes of FMC Finance III S.A., FMC Finance VI S.A., Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A. (wholly-owned subsidiaries of FMC-AG & Co. KGaA) are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA, Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. The issuers may redeem the Senior Notes at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indentures.

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of FMC-AG & Co. KGaA and its subsidiaries to, among other things, incur debt, incur liens, engage in sale and leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2010, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes existing at this point in time.

24. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP Pharmaceuticals, Inc., Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of €554.4 million were launched in July 2008. Fresenius Finance B.V. subscribed for these MEB issued by Fresenius Finance (Jersey) Ltd. at 100% of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) who placed the MEB in the market. The bonds carry a coupon of 5⅝% per annum and will mature on August 14, 2011. Upon maturity, the bonds will be mandatorily exchangeable into ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) with a maximum of 17.42 million and a minimum of 14.76 million shares (based on the current exchange price) being deliverable, subject to anti-dilution adjustments with respect to FMC-AG & Co. KGaA (e. g. in case of corporate actions). The MEB are not redeemable in cash.

The initial minimum exchange price was set to €33.00 and the initial maximum exchange price was set to €38.94 (i. e. 118% of the initial minimum exchange price). Due to the dividend payments in May 2010 and 2009, the minimum exchange price and the maximum exchange price decreased to €31.83 and €37.56, respectively. Pursuant to the terms and conditions of the MEB, both the holder and the issuer may procure for the exchange of the bonds before maturity. In principal, the issuer, Fresenius Finance (Jersey) Ltd., may procure the exchange of all of the outstanding MEB for shares of FMC-AG & Co. KGaA at the maximum exchange ratio calculated on the relevant exchange date plus payment of any accrued and unpaid interest and a make-whole amount. Furthermore, the MEB shall be mandatorily exchangeable at the maximum exchange ratio plus such payments if the corporate rating of Fresenius SE & Co. KGaA falls below certain benchmarks and such benchmarks are subsequently not reinstated. Moreover, in the event of a change of control of Fresenius SE & Co. KGaA or FMC-AG & Co. KGaA, each holder of the MEB may elect to exchange its MEB at the maximum exchange ratio plus such payments. Each holder of the MEB may also exchange his MEB at the minimum exchange ratio calculated on the relevant exchange date without payment of accrued interest or any make-whole amount.

Fresenius SE & Co. KGaA guarantees in favor of Fresenius Finance (Jersey) Ltd. the payment of certain interest payments by Fresenius Finance B.V. Furthermore, it secures the delivery of the underlying shares of FMC-AG & Co. KGaA for exchange via a pledge agreement. In addition, Fresenius SE & Co. KGaA has undertaken to the holders of the bonds that neither it nor any of its material subsidiaries provides any security of its assets for certain capital market indebtedness, without at the same time having the holders share equally and rateably in such security.

Due to their maturity on August 14, 2011, the MEB are shown under short-term liabilities in an amount of €554 million as of December 31, 2010.

The derivative financial instruments embedded in the MEB are measured at fair value and are shown separately in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities (2009 within: long-term accrued expenses and other long-term liabilities).

25. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the State of Delaware, United States. Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) owns all of the common securities of these trusts. The sole asset of each trust is a senior subordinated note of FMC-AG & Co. KGaA or a wholly-owned subsidiary of FMC-AG & Co. KGaA. FMC-AG & Co. KGaA, Fresenius Medical Care Deutschland GmbH (FMC D-GmbH) and Fresenius Medical Care Holdings, Inc. (FMCH) have guaranteed payment and performance of the senior subordinated notes to the respective Fresenius Medical Care Capital Trusts. The trust preferred securities are guaranteed through a series of undertakings by FMC-AG & Co. KGaA, FMCH and FMC D-GmbH.

The trust preferred securities entitle the holders to distributions at a fixed annual rate of the stated amount and are mandatorily redeemable after 10 years. Earlier redemption at the option of the holders may also occur upon a change of control followed by a rating decline or defined events of default including a failure to pay interest. Upon liquidation of the trusts, the holders of trust preferred securities are entitled to a distribution equal to the stated amount. The trust preferred securities do not hold voting rights in the trust except under limited circumstances.

The indentures governing the notes held by the Fresenius Medical Care Capital Trusts contain affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Some of the covenants limit the indebtedness and the investments of FMC-AG & Co. KGaA and its subsidiaries, and require the maintenance of certain ratios defined in the agreement. As of December 31, 2010, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of December 31, 2010 and 2009 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2010 € in millions**	2009 € in millions
Fresenius Medical Care Capital Trust IV	2001	US$225 million	7⅞%	June 15, 2011	**168**	156
Fresenius Medical Care Capital Trust V	2001	€300 million	7⅜%	June 15, 2011	**300**	299
Trust preferred securities					**468**	455

The trust preferred securities of the Fresenius Medical Care Capital Trust IV and V are due on June 15, 2011 and are therefore shown under short-term liabilities in an amount of €468 million at December 31, 2010 (2009 under: long-term liabilities).

26. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

The Fresenius Group recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Fresenius Group. Fresenius Group's pension plans are structured differently according to the legal, economic and fiscal circumstances in each country. The Fresenius Group currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Fresenius Group is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Fresenius Group has funded defined benefit plans in particular in the United States, Norway, the United Kingdom, the Netherlands and Austria. Unfunded defined benefit plans are located in Germany and France.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and differences between the actual and the estimated return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets (funded status). A pension liability is recognized in the consolidated statement of financial position if the defined benefit obligation exceeds the fair value of plan assets plus unrecognized actuarial gains (minus unrecognized actuarial losses) and minus unrecognized past service cost. An asset is recognized and reported under other assets in the consolidated statement of financial position if the fair

value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund. Furthermore, an asset may arise if the unrecognized actuarial losses and unrecognized past service cost exceed the funded status.

Under defined contribution plans, the Fresenius Group pays defined contributions during the employee's service life which satisfies all obligations of the Fresenius Group to the employee. The Fresenius Group has a main defined contribution plan in North America.

DEFINED BENEFIT PENSION PLANS

At December 31, 2010, the defined benefit obligation (DBO) of the Fresenius Group of €655 million (2009: €556 million) included €261 million (2009: €237 million) funded by plan assets and €330 million (2009: €310 million) covered by pension provisions. The current portion of the pension liability in an amount of €11 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €319 million is recorded as pension liability. At December 31, 2010, prepaid pension costs in an amount of €8 million (2009: €8 million) related to the North American pension plan are recorded within other non-current assets.

71% of the pension liabilities in an amount of €330 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the German entities of the Fresenius Group are unfunded. The German Pension Plan 1988 does not have a separate pension fund.

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year, FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. There was no minimum funding requirement for FMCH for the defined benefit plan in the year 2010. FMCH voluntarily contributed US$0.6 million (€0.5 million) during the year 2010. Expected funding for 2011 is US$0.7 million (€0.5 million).

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €310 million. Benefit obligations relating to unfunded pension plans were €345 million.

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from Fresenius Group's funded benefit plans.

The funded status has developed as follows:

€ in millions	2010	2009
Benefit obligations at the beginning of the year	**556**	505
Changes in entities consolidated	**0**	6
Foreign currency translation	**16**	-4
Service cost	**16**	14
Prior service cost	**2**	1
Interest cost	**33**	31
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-2**	-5
Actuarial losses	**50**	23
Benefits paid	**-18**	-16
Amendments	**1**	–
Benefit obligations at the end of the year	**655**	556
thereof vested	**558**	463
Fair value of plan assets at the beginning of the year	**237**	213
Changes in entities consolidated	**0**	4
Foreign currency translation	**14**	-4
Actual return on plan assets	**13**	27
Contributions by the employer	**4**	4
Contributions by plan participants	**1**	1
Settlements	**–**	-2
Benefits paid	**-8**	-6
Fair value of plan assets at the end of the year	**261**	237
Funded status as of December 31	**394**	319

The plan assets are neither used by the employees of the Fresenius Group nor invested in the Fresenius Group.

As of December 31, 2010 and 2009, respectively, the net amount recognized (pension liability less recognized assets) was calculated as follows:

€ in millions	2010	2009
Funded status	**394**	319
Unrecognized actuarial loss	**-75**	-20
Unrecognized past service cost	**3**	3
Net amount recognized as of December 31	**322**	302

As of December 31, 2010, the fair value of plan assets relating to the North American pension plan exceeded the corresponding benefit obligations. The resulting amount of €8 million (2009: €8 million) was recognized as an asset. For all the remaining pension plans of the Fresenius Group, the benefit obligations exceeded the fair value of plan assets and resulted in a total amount of €330 million (2009: €310 million) recognized as a pension liability.

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

in %	2010	2009
Discount rate	**5.43**	5.86
Rate of compensation increase	**3.32**	3.30
Rate of pension increase	**1.73**	1.81

As of December 31, the five-year-analysis is as follows:

€ in millions	2010	2009	2008	2007	2006
Pension obligation	**655**	556	505	498	553
thereof experience adjustments	**4**	-3	6	4	4
Plan assets	**261**	237	213	226	235
thereof experience adjustments	**-4**	12	-30	-3	3
Funded status	**394**	319	292	272	318

Defined benefit pension plans' net periodic benefit costs of €33 million (2009: €31 million) were comprised of the following components:

€ in millions	2010	2009
Service cost	**16**	14
Interest cost	**33**	31
Expected return on plan assets	**-17**	-15
Amortization of unrealized actuarial losses, net	**1**	–
Amortization of prior service costs	**2**	0
Settlement loss	**-2**	1
Net periodic benefit cost	**33**	31

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling, general and administrative expenses as well as research and development expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

in %	2010	2009
Discount rate	**5.86**	6.21
Expected return of plan assets	**5.58**	5.74
Rate of compensation increase	**3.30**	3.56

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2010 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €75 million (2009: €20 million).

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2011	20
2012	22
2013	23
2014	24
2015	26
2016 to 2020	167
Total expected benefit payments	**282**

The Fresenius Group uses December 31, 2010 as the measurement date in determining the funded status of all plans.

The major part of pension liabilities relates to Germany. At December 31, 2010, 89% of the pension liabilities were recognized in Germany and 11% in the rest of Europe.

Approximately two thirds of the beneficiaries were located in North America, approximately one quarter in Germany and the remainder throughout the rest of Europe and other continents.

Plan investment policy and strategy

For the North American funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.5% for the year 2010.

The overall investment strategy for the North American pension plan is to achieve a mix of approximately 98% of investments for long-term growth and 2% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The target allocations for plan assets in North America are 35% equity securities and 65% long-term U.S. bonds. The investment policy considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of Fresenius Medical Care AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year US Treasury Strip Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	**Allocation 2010**	Allocation 2009	Target allocation
Equity investments	**31.12**	33.15	35.74
Fixed income investments	**60.73**	60.35	59.57
Other incl. real estate	**8.15**	6.50	4.69
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 6.77% compounded annually. Contributions to plan assets for the fiscal year 2011 are expected to amount to €5 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2010 was €31 million (2009: €27 million). The main part relates to the North American savings plan, which employees of FMCH can join. Employees can deposit up to 75% of their pay up to an annual maximum of US$16,500 if under 50 years old (US$22,000 if 50 or over) under this savings plan. Fresenius Medical Care will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2010 and 2009 was €24 million and €20 million, respectively.

27. NONCONTROLLING INTEREST

As of December 31, noncontrolling interest in the Group was as follows:

€ in millions	**2010**	2009
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**3,591**	3,083
Noncontrolling interest in HELIOS Kliniken GmbH	**4**	3
Noncontrolling interest in VAMED AG	**24**	19
Noncontrolling interest in the business segments		
Fresenius Medical Care	**192**	145
Fresenius Kabi	**47**	37
Fresenius Helios	**119**	110
Fresenius Vamed	**2**	3
Total noncontrolling interest	**3,979**	3,400

In 2010, noncontrolling interest increased by €579 million to €3,979 million. The change resulted from the noncontrolling interest in profit of €585 million, less dividend payments of €201 million as well as noncontrolling interest in stock options, currency effects and first-time consolidations in a total amount of €195 million.

28. FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

During the fiscal year 2010, 1,134,714 stock options were exercised. Accordingly, at December 31, 2010, the subscribed capital of Fresenius SE was divided into 81,225,045 bearer ordinary shares and 81,225,045 non-voting bearer preference shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

As a result of Fresenius SE's change of legal form into Fresenius SE & Co. KGaA and its registration with the commercial register on January 28, 2011, all bearer preference shares were converted into bearer ordinary shares. Consequently, the subscribed capital of Fresenius SE & Co. KGaA now solely consists of bearer ordinary shares.

Notification by shareholders

After the change of legal form on January 28, 2011, Fresenius SE & Co. KGaA (formerly Fresenius SE) disclosed notifications in accordance with Section 26 (1) of the German Securities Trading Act (WpHG). The notifications relate to the subscribed capital of €162,450,090, divided into 162,450,090 voting bearer shares, as of January 28, 2011, and reflect the level of investments held:

Else Kröner-Fresenius-Stiftung, with its registered office in Bad Homburg, Germany, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011, their percentage holding of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Str. 1, 61352 Bad Homburg v. d. H., Germany, crossed below the thresholds of 50% and 30% and amounted to 28.85% (46,871,154 voting rights) on that day.

Allianz SE, with its registered office in Munich, Germany, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011 their percentage holding of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Str. 1, 61352 Bad Homburg v. d. H., Germany, crossed below the threshold of 5% and amounted to 4.26% (equivalent to 6,920,552 voting rights of a total of 162,450,090 voting rights). Thereof, 4.26% (6,919,271 voting rights) were attributable to Allianz SE pursuant to Section 22 (1) sentence 1 No. 1 WpHG and 0.0008% (1,281 voting rights) were attributable to Allianz SE pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

The voting rights attributable to Allianz SE are held by the following companies controlled by Allianz SE; each of their percentage holding of voting rights in Fresenius SE & Co. KGaA exceeded 3% or more:

- Allianz Deutschland AG
- Jota Vermögensverwaltungsgesellschaft mbH
- Allianz Lebensversicherungs-AG

Artio Global Investors, Inc., with its registered office in New York, United States, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011 their percentage holding of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Str. 1, 61352 Bad Homburg v. d. H., Germany, crossed below the threshold of 3% and amounted to 2.36% (equivalent to 3,840,708 voting rights) both in relation to the total number of voting rights of the issuer and in relation to all voting shares of the same share class.

The voting rights in the amount of 2.36% (equivalent to 3,840,708 voting rights) are entirely attributable to Artio Global Investors, Inc. pursuant to Section 22 (1) sentence 1 No. 6 WpHG in connection with Section 22 (1) sentence 2 WpHG.

FMR LLC, Boston, Massachusetts, United States, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on 28 January 2011 the voting rights held by FMR LLC crossed below the threshold of 3% of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Straße 1, 61352 Bad Homburg v. d. H., Germany. On that date, FMR LLC held 1.69% of the voting rights in Fresenius SE & Co. KGaA, arising from 2,740,382 voting rights.

All voting rights in Fresenius SE & Co. KGaA were attributed to FMR LLC pursuant to Section 22 (1) sentence 1 No. 6 WpHG in connection with Section 22 (1) sentence 2 WpHG.

Furthermore, Fresenius SE (as of January 28, 2011: Fresenius SE & Co. KGaA) disclosed in 2010 the following notification in accordance with Section 26 (1) WpHG:

On July 13, 2010, Fidelity Investment Trust, Boston, Massachusetts, United States, notified Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) that on July 9, 2010, the voting rights held by Fidelity Investment Trust fell below the threshold of 3% of the voting rights in Fresenius SE, Else-Kröner-Straße 1, 61352 Bad Homburg v. d. H., Germany. On that date, Fidelity Investment Trust held 2.95% of the voting rights in Fresenius SE, arising from 2,387,886 voting rights.

All notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations / The Fresenius Shares / Shareholder Structure.

AUTHORIZED CAPITAL

At the Annual General Meeting on May 12, 2010, the articles of association of Fresenius SE & Co. KGaA were adopted with the following Authorized Capitals. Authorized Capitals I and II correspond in their scope to the Authorized Capitals of the former Fresenius SE. The Authorized Capitals I and II remain unchanged except that in the future only ordinary shares will be issued. The Authorized Capitals III, IV and V are solely to be used as an alternative source of ordinary shares for the stock option plans of 1998, 2003 and 2008 (see note 35, Stock options) as far as these plans are not filled from the Conditional Capitals I, II and III. The Conditional Capitals themselves have been adjusted to reflect the issuance of ordinary shares.

In accordance with the articles of association of Fresenius SE & Co. KGaA, the general partner Fresenius Management SE is authorized, with the approval of the Supervisory Board, until May 7, 2014,

- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €12,800,000 through a single or multiple issue of new bearer ordinary shares against cash contributions (Authorized Capital I). A subscription right must be granted to the shareholders. The general partner is authorized to exclude the shareholders' subscription right for fractional amounts.
- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €6,400,000 through a single or multiple issue of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital II). The general partner is authorized, in each case with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right. For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price. In case of a contribution in kind, the subscription right can be excluded only in order to acquire an undertaking, parts of an undertaking or a participation in an undertaking. The general partner is authorized to exclude the shareholders' subscription right for fractional amounts.

In addition, pursuant to the articles of association of Fresenius SE & Co. KGaA, the general partner is authorized, with the approval of the Supervisory Board, until May 11, 2015,

- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €1,313,000 through a single or multiple issue of new bearer ordinary shares against cash contributions (Authorized Capital III). The general partner may only make use of the Authorized Capital III to the extent that subscription rights for bearer ordinary shares were issued under the 1998 Stock Option Plan, the holders of these rights make use of their exercise right and provided that no Conditional Capital is used to satisfy the subscription rights.
- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €4,298,442 through a single or multiple issue of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital IV). The general partner may only make use of the Authorized Capital IV to the extent that convertible bonds on bearer ordinary shares were issued under the 2003 Stock Option Plan, the holders of these convertible bonds exercise their conversion right and provided that no Conditional Capital is used to satisfy the conversion rights.
- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €6,200,000 through a single or multiple issue of new bearer ordinary shares against cash contributions (Authorized Capital V). The general partner may only make use of the Authorized Capital V to the extent that subscription rights for bearer ordinary shares were or will be issued under the 2008 Stock Option Plan, the holders of these rights make use of their exercise right, Fresenius SE & Co. KGaA does not grant own shares or exercise its right to pay a cash compensation in order to satisfy these subscription rights and provided that no Conditional Capital is used to satisfy the subscription rights.

The shareholders' subscription right is excluded for the Authorized Capital III, IV and V.

The resolved changes to the Authorized Capital became effective after registration of the new articles of association with the commercial register on January 28, 2011.

Two shareholder complaints (Anfechtungsklagen) were lodged against the resolutions of the Annual General Meeting held on May 8, 2009 creating the Authorized Capitals I and II. The Frankfurt Regional Court (Landgericht) has decided in favor of one complaint through judgment dated February 2, 2010, the other complaint was rejected. On February 15, 2011, the Higher Regional Court (Oberlandesgericht) Frankfurt am Main confirmed the validity of the resolutions creating the Authorized Capitals I and II.

The clearance procedure (Freigabeverfahren) pursuant to Section 246a of the German Stock Corporation Act (AktG) initiated by Fresenius SE in order to secure the Authorized Capital I and II already entered in the commercial register was decided by the Higher Regional Court (Oberlandesgericht) of Frankfurt am Main in favor of Fresenius SE on March 30, 2010. Through this, the entry of the Authorized Capital I and II into the commercial register had already been final and conclusive.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with already issued stock options or convertible bonds, as the case may be, on bearer ordinary shares under the stock option plans of 1998, 2003 and 2008 (see note 35, Stock options).

After the registration of the change of legal form with the commercial register on January 28, 2011, the Conditional Capitals in the articles of association of Fresenius SE & Co. KGaA correspond in their scope to the Conditional Capitals of the former Fresenius SE, adjusted for stock options that have been exercised in the meantime.

Due to the conversion of all preference shares into ordinary shares, the Conditional Capital was amended to the effect that only subscription rights for bearer ordinary shares are granted.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares	Preference shares	**Total**
Conditional Capital I Fresenius AG Stock Option Plan 1998	656,550	656,550	1,313,100
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,149,221	2,149,221	4,298,442
Conditional Capital III Fresenius SE Stock Option Plan 2008	3,100,000	3,100,000	6,200,000
Total Conditional Capital as of January 1, 2010	**5,905,771**	**5,905,771**	**11,811,542**
Fresenius AG Stock Option Plan 1998 – options exercised	-161,295	-161,295	-322,590
Fresenius AG Stock Option Plan 2003 – options exercised	-406,062	-406,062	-812,124
Total Conditional Capital as of December 31, 2010	**5,338,414**	**5,338,414**	**10,676,828**

CAPITAL RESERVES

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

OTHER RESERVES

Other reserves comprise earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2010, a dividend of €0.75 per bearer ordinary share and €0.76 per bearer preference share was approved by Fresenius SE's shareholders at the Annual General Meeting and paid. The total dividend payment was €122 million.

29. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value.

Changes in the components of other comprehensive income (loss) in 2010 and 2009 were as follows:

	2010			2009		
€ in millions	**Amount before taxes**	**Tax effect**	**Amount after taxes**	Amount before taxes	Tax effect	Amount after taxes
Changes in unrealized gains/losses on derivative financial instruments	**-15**	**3**	**-12**	2	-10	-8
Change in unrealized gains/losses	-32	7	-25	-1	-9	-10
Realized gains/losses due to reclassifications	17	-4	13	3	-1	2
Foreign currency translation adjustment	**252**	**-9**	**243**	-43	5	-38
Other comprehensive income (loss)	**237**	**-6**	**231**	-41	-5	-46

OTHER NOTES

30. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2010 and 2009 was €480 million and €430 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2010 are:

for the fiscal years	€ in millions
2011	405
2012	345
2013	298
2014	250
2015	210
Thereafter	766
Total	**2,274**

As of December 31, 2010, future investment commitments existed up to the year 2014 from the acquisition contracts for hospitals at projected costs of up to €137 million. Thereof €71 million relates to the year 2011.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL PROCEEDINGS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing healthcare services and products.

The outcome of litigation and other legal matters is always difficult to accurately predict and outcomes that are not consistent with Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

W.R. Grace & Co. lawsuit

Fresenius Medical Care was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH), and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging among

other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed and transferred to or are pending before the U.S. District Court as part of the Grace Chapter 11 Proceedings.

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$115 million without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. On January 31, 2011, the U.S. Bankruptcy Court approved W.R. Grace & Co.'s plan of reorganization, including the Settlement Agreement, and recommended approval of the plan to the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly known as Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon final confirmation of a plan of reorganization that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

Baxter patent dispute "touchscreen interfaces" (1)
On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$14.3 million.

On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, Fresenius Medical Care completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original District Court order. On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court, although funds already contributed will remain in escrow until the case is finally concluded. On March 18, 2010, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled in reexamination that the remaining Baxter patent is invalid. On October 5, 2010, Baxter appealed the Board's ruling to the Federal Circuit.

Baxter patent dispute "touchscreen interfaces" (2)
On April 28, 2008, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, Eastern Division (Chicago), styled Baxter International, Inc. and Baxter Healthcare Corporation v. Fresenius Medical Care Holdings, Inc. and Fresenius USA, Inc., Case No. CV 2389, asserting that FMCH's hemodialysis machines infringe four patents issued in 2007 and 2008, all of which are based on one of the patents at issue in the April 2003 Baxter case described above. The new patents expire in April 2011 and relate to trend charts shown on touch screen interfaces and the entry of ultrafiltration profiles (ultrafiltration is the removing of liquid from a patient's body using osmotic pressure). This case is currently stayed pursuant to court order. Fresenius Medical Care believes that its hemodialysis machines do not infringe any valid claims of the Baxter patents at issue. All the asserted patents now stand rejected in an ongoing reexamination at the USPTO.

Baxter patent dispute "Liberty cycler"
On October 17, 2006, Baxter and DEKA Products Limited Partnership (DEKA) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint alleged that FMCH's Liberty™ cycler infringes nine patents owned by or licensed to Baxter. During and after discovery, seven of the asserted patents were dropped from the suit. On July 28, 2010, at the conclusion of the trial, the jury returned a verdict in favor of FMCH finding that the Liberty™ cycler does not infringe any of the asserted claims of the Baxter patents. Baxter has asked the District Court to overturn the jury verdict.

Gambro patent dispute

A patent infringement action had been pending in Germany between Gambro Industries (Gambro) on the one side and Fresenius Medical Care Deutschland GmbH and Fresenius Medical Care AG & Co. KGaA on the other side (hereinafter collectively: Fresenius Medical Care). Fresenius Medical Care and Gambro have resolved this and other current patent infringement lawsuits between the parties by entering into respective settlements and a series of patent licenses between the parties.

Other litigation and potential exposures

Renal Care Group – Class action "acquisition"

Renal Care Group, Inc. (RCG) is named as a nominal defendant in a complaint originally filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. Following the trial court's dismissal of the complaint, plaintiff's appeal in part, and reversal in part by the appellate court, the cause of action purports to be a class action on behalf of former shareholders of RCG and seeks monetary damages only against the individual former directors of RCG. The individual defendants, however, may have claims for indemnification and reimbursement of expenses against Fresenius Medical Care. Fresenius Medical Care expects to continue as a defendant in the litigation, which is proceeding toward trial in the Chancery Court, and believes that defendants will prevail.

Renal Care Group – Complaint "Method II"

On July 17, 2007, resulting from an investigation begun in 2005, the United States Attorney filed a civil complaint in the United States District Court for the Eastern District of Missouri (St. Louis) against RCG, its subsidiary RCG Supply Company, and FMCH in its capacity as RCG's current corporate parent. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to FMCH's acquisition of RCG in 2006. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. On August 11, 2009, the Missouri District Court granted RCG's motion to transfer venue to the United States District Court for the Middle District of Tennessee (Nashville). On March 22, 2010, the Tennessee District Court entered judgment against defendants for approximately US$23 million in damages and interest under the unjust enrichment count of the complaint but denied all relief under the six False Claims Act counts of the complaint. Fresenius Medical Care appealed the Tennessee District Court's decision to the United States Court of Appeals for the Sixth Circuit and secured a stay of enforcement of the judgment pending appeal. The United States Attorney filed a cross appeal, but also asked the Tennessee District Court for an indicative or supplemental ruling. On June 23, 2010, the Tennessee District Court issued an indicative ruling to the effect that, if the case were remanded to the District Court, it would expect to enter a judgment under the False Claims Act against Fresenius Medical Care for approximately US$104 million. On September 23, 2010, the Court of Appeals remanded the case to the Tennessee District Court to permit revision or supplementation of the original judgment, after which Fresenius Medical Care may pursue its appeals to the Court of Appeals. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, and that its position in the litigation will ultimately be sustained.

Fresenius Medical Care Holdings – Qui tam complaint
On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee. The first complaint alleged that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleged that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. On March 30, 2010, the District Court issued final judgment in favor of defendants on all counts based on a jury verdict rendered on February 25, 2010 and on rulings of law made by the Court during the trial. The plaintiff has appealed from the District Court judgment.

In the ordinary course of Fresenius Group's operations, the Fresenius Group is subject to litigation, arbitration and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$115 million (€86 million) payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

31. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

Classes	Categories			
	Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value	Relating to no category
Cash and cash equivalents				▸ Cash and cash equivalents
Assets recognized at carrying amount	▸ Trade accounts receivable (incl. receivables from and loans to related parties)			
Liabilities recognized at carrying amount		▸ Trade accounts payable ▸ Short-term accounts payable to related parties ▸ Short-term debt (incl. short-term loans from related parties) ▸ Long-term debt excluding capital lease obligations ▸ Senior Notes ▸ Trust preferred securities ▸ Mandatory exchangeable bonds (excluding embedded derivatives)		▸ Long-term capital lease obligations
Liabilities recognized at fair value			▸ Other short-term liabilities (solely Contingent Value Rights and derivatives embedded in the Mandatory Exchangeable Bonds) (2009: other long-term liabilities)	
Noncontrolling interest subject to put provisions recognized at fair value				▸ Other short-term liabilities ▸ Other long-term liabilities
Derivatives for hedging purposes			▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities	▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities

The derivative financial instruments embedded in the Mandatory Exchangeable Bonds (MEB) are included in the statement of financial position item short-term accrued expenses and other short-term liabilities (in 2009: long-term accrued expenses and other long-term liabilities) (for details relating to the MEB, please see note 24, Mandatory Exchangeable Bonds). Due to their special character and the difference in valuation, the embedded derivatives are classified separately. Also because of their special character and different valuation, the Contingent Value Rights (CVR) are classified separately from their statement of financial position item.

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories according to IAS 39, were as follows:

€ in millions	2010	2009
Loans and receivables	**2,950**	2,535
Financial liabilities measured at amortized cost	**9,870**	9,313
Assets measured at fair value [1]	**11**	11
Liabilities measured at fair value [1]	**159**	73
Relating to no category	**328**	267

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition according to IAS 39.

Estimation of fair values of financial instruments

The significant methods and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

The nominal value of short-term financial instruments like accounts receivables and payables and short-term debt represents its carrying amount, which is a reasonable estimate of the fair value due to the relatively short period to maturity of these instruments.

The fair values of the major long-term financial instruments are calculated on the basis of market information. Financial instruments for which market quotes are available are measured with the market quotes at the reporting date. The fair values of the other long-term financial liabilities are calculated at present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used. The fair values of the noncontrolling interest subject to put provisions are determined using significant unobservable inputs.

The credit risk exposure related to Fresenius Group's financing receivables is insignificant and any impact on Fresenius Group's operating results from allowances on credit losses of financing receivables can be considered immaterial.

The carrying amounts of derivatives embedded in the MEB and the CVR correspond with their fair values. The embedded derivatives have to be measured at fair value, which is estimated based on a Black-Scholes model. The CVR are traded at the stock exchange in the United States and are therefore valued with the current stock exchange price at the reporting date.

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit-risk adjustments are factored into the valuation of derivatives that are assets.

Fair value of financial instruments

The following table presents the carrying amounts and fair values of Fresenius Group's financial instruments as of December 31:

	2010		2009	
€ in millions	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**769**	**769**	420	420
Assets recognized at carrying amount	**2,950**	**2,950**	2,535	2,535
Liabilities recognized at carrying amount	**9,924**	**10,152**	9,358	9,508
Liabilities recognized at fair value	**118**	**118**	55	55
Noncontrolling interest subject to put provisions recognized at fair value	**192**	**192**	0	0
Derivatives for hedging purposes	**-225**	**-225**	-115	-115

Derivative and non-derivative financial instruments recognized at fair value are classified according to the three-tier fair value hierarchy. For the fair value measurement of derivatives for hedging purposes, significant other observable inputs are used. Therefore, they are classified as Level 2 in accordance with the defined fair value hierarchy levels. The derivatives embedded in the MEB are also classified as Level 2. The valuation of the CVR is based on the current stock exchange price, they are therefore classified as Level 1. The liabilities recognized at fair value consist of embedded derivatives and the CVR and are consequently classified in their entirety as the lower hierarchy Level 2. The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs, they are therefore classified as Level 3.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2010		Dec. 31, 2009	
€ in millions	Assets	Liabilities	Assets	Liabilities
Interest rate contracts (current)	**–**	**43**	–	–
Interest rate contracts (non-current)	**1**	**115**	–	134
Foreign exchange contracts (current)	**8**	**49**	18	11
Foreign exchange contracts (non-current)	**5**	**2**	20	1
Derivatives designated as hedging instruments[1]	**14**	**209**	38	146
Interest rate contracts (current)	**0**	**2**	0	0
Foreign exchange contracts (current)[1]	**10**	**34**	11	17
Foreign exchange contracts (non-current)[1]	**1**	**7**	–	1
Derivatives embedded in the MEB (current)	**0**	**111**	0	0
Derivatives embedded in the MEB (non-current)	**0**	**0**	0	21
Derivatives not designated as hedging instruments	**11**	**154**	11	39

[1] Derivatives designated as hedging instruments and foreign exchange contracts not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely concluded to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes as well as derivatives embedded in the MEB were recognized at gross values within other assets in an amount of €25 million and other liabilities in an amount of €363 million.

The current portions of interest rate contracts and foreign exchange contracts indicated as assets in the previous table are recognized within other current assets in the consolidated statement of financial position, while the current portions of those indicated as liabilities are included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the MEB are recognized within other short-term liabilities (2009: other long-term liabilities).

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of €175 million and foreign currency transactions of -€25 million. In addition, income of €32 million resulted from the fair value measurement of the CVR and expenses of €90 million resulted from the fair value measurement of the derivatives embedded in the MEB. Interest income of €30 million resulted mainly from trade accounts receivable and loans to related parties. Interest expense of €596 million resulted mainly from financial liabilities.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	-25	-8	1
Foreign exchange contracts	-7	-9	-1
Derivatives in cash flow hedging relationships[1]	**-32**	**-17**	**0**
Foreign exchange contracts			-24
Derivatives in fair value hedging relationships			**-24**
Derivatives designated as hedging instruments	**-32**	**-17**	**-24**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

	2009		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	5	-5	–
Foreign exchange contracts	-6	2	–
Derivatives in cash flow hedging relationships[1]	**-1**	**-3**	**–**
Foreign exchange contracts			21
Derivatives in fair value hedging relationships			**21**
Derivatives designated as hedging instruments	**-1**	**-3**	**21**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gain or loss recognized in the consolidated statement of income	
€ in millions	2010	2009
Interest rate contracts	–	0
Foreign exchange contracts	-97	-22
Derivatives embedded in the MEB	-90	-29
Derivatives not designated as hedging instruments	**-187**	-51

Losses from derivatives in fair value hedging relationships and from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by gains from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €4 million of the existing losses for foreign exchange contracts deferred in accumulated other comprehensive income (loss) in the consolidated statement of income within the next 12 months. For interest rate contracts, the Fresenius Group expects to recognize €95 million of losses in the course of normal business during the next 12 months in interest expense.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income. The position other financial result in the consolidated statement of income includes gains and losses from the valuation of the derivatives embedded in the MEB (see note 11, Other financial result).

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes, trust preferred securities and commercial papers and enters into mainly long-term credit agreements and euro notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not concluded for trading purposes.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and implemented.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Derivative financial instruments

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as engineering and services provided by the Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, U.S. dollars and yens. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. In order to ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2010, the notional amounts of foreign exchange contracts totaled €3,323 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair values of cash flow hedges and fair value hedges were -€39 million and €1 million, respectively.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2010, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 59 months.

In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be €18 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to hedge against interest rate exposures arising from long-term borrowings at variable rates by swapping them into fixed rates.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of less than 1% on the consolidated net income attributable to Fresenius SE & Co. KGaA and Fresenius SE & Co. KGaA shareholders' equity.

The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges effectively converting certain variable interest rate payments, resulting from existing loans and Euro Notes (Schuldscheindarlehen) denominated in U.S. dollars or euros, into fixed interest rate payments. Furthermore, interest rate swaps have been entered into in anticipation of future debt issuances. The U.S. dollar interest rate swaps with a notional volume of US$4,675 million (€3,499 million) and a fair value of -US$184 million (-€138 million) expire at various dates in the years 2011 to

2014. The euro interest rate swaps with a notional volume of €407 million and a fair value of -€21 million expire in the years 2011 to 2016. The U.S. dollar interest rate swaps bear an average interest rate of 3.94% and the euro interest rate swaps bear an average interest rate of 4.34%.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €24 million for foreign exchange derivatives at December 31, 2010. No credit exposure existed from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see note 15, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 22, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 5 years	more than 5 years
Long-term debt and capital lease obligations[1]	559	5,055	110
Short-term debt (including accounts receivable securitization program)	637	0	0
Senior Notes	158	1,719	1,357
Mandatory Exchangeable Bonds[2]	31	0	0
Trade accounts payable	691	–	–
Trust preferred securities	486	–	–
Noncontrolling interest subject to put provisions	69	93	62
Derivative financial instruments	128	124	0
Total	**2,759**	**6,991**	**1,529**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2010.
[2] The line Mandatory Exchangeable Bonds includes only interests, as the bonds will be exchangeable into shares of Fresenius Medical Care AG & Co. KGaA and not redeemable in cash upon maturity.

32. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They

allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity	**9,219**	7,908
Total assets	**23,831**	21,148
Equity ratio	**38.68%**	37.39%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998, 2003 and 2008 stock option plans (see note 35, Stock options).

DEBT

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Debt	**8,677**	8,196
Total assets	**23,831**	21,148
Debt ratio	**36.41%**	38.76%

According to the definitions in the underlying agreements, the Mandatory Exchangeable Bonds and the Contingent Value Rights are not categorized as debt.

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The net debt/EBITDA ratio is a key financial figure for the Fresenius Group, which is measured on the basis of U.S. GAAP figures. As of December 31, 2010, the net debt/EBITDA ratio was 2.6 and was therefore within Fresenius Group's target corridor of 2.5 to 3.0. The net debt/EBITDA ratio is expected to remain within this corridor in 2011.

Fresenius Group's financing strategy is reflected in its credit ratings. Fresenius is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

	Standard & Poor's	Moody's	Fitch
Company rating	BB	Ba1	BB
Outlook	positive	stable	positive

In 2010, all rating agencies increased the outlook:

In April 2010, Standard & Poor's raised the outlook from stable to positive. In May 2010, Moody's increased the outlook from negative to stable. Eventually, Fitch raised the outlook from stable to positive in August 2010.

33. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statements of cash flows of the Fresenius Group for the fiscal years 2010 and 2009 are shown on pages 74 to 75.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	2010	2009
Assets acquired	**560**	347
Liabilities assumed	**-85**	-48
Noncontrolling interest	**-29**	-31
Notes assumed in connection with acquisitions	**-32**	-19
Cash paid	**414**	249
Cash acquired	**-14**	-24
Cash paid for acquisitions, net	**400**	225

34. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 78 to 81 of this annual report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2010.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology as well as Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items in connection with the fair value measurement of the Mandatory Exchangeable Bonds and the Contingent Value Rights.

Details on the business segments are shown on page 83 of the notes.

The key data used by the Management Board of the general partner of Fresenius SE & Co. KGaA to control the segments are based on U.S. GAAP. The segment information is therefore given in accordance with U.S. GAAP. The column IFRS-Reconciliation provides a reconciliation from the U.S. GAAP segment data to the IFRS key data. The differences between the U.S. GAAP and the IFRS key data are mainly due to the differing recognition of in-process R & D, gains from sale and leaseback transactions with an operating lease agreement, development costs and cumulative actuarial gains and losses for pensions.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure

is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement or the 2008 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment, intangible assets with definite useful lives of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income attributable to Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, trust preferred securities, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities. The Mandatory Exchangeable Bonds and the Contingent Value Rights are not categorized as debt (see note 32, Supplementary information on capital management).

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally-independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2010	2009
Total EBIT of reporting segments	**2,455**	2,057
General corporate expenses Corporate/Other (EBIT)	**-45**	-53
Group EBIT	**2,410**	2,004
Interest expenses	**-596**	-602
Interest income	**30**	22
Other financial result	**-66**	-31
Income before income taxes	**1,778**	1,393

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Short-term debt	**606**	287
Short-term loans from related parties	**2**	2
Current portion of long-term debt and capital lease obligations	**421**	263
Trust preferred securities of Fresenius Medical Care Capital Trusts (current)	**468**	0
Long-term debt and capital lease obligations, less current portion	**4,811**	5,123
Senior Notes	**2,369**	2,066
Trust preferred securities of Fresenius Medical Care Capital Trusts (non-current)	**0**	455
Debt	**8,677**	8,196
less cash and cash equivalents	**769**	420
Net debt	**7,908**	7,776

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Germany	**3,600**	3,208
Europe (excluding Germany)	**1,996**	1,950
North America	**10,392**	9,467
Asia-Pacific	**884**	681
Latin America	**354**	282
Africa	**47**	37
Total non-current assets[1]	**17,273**	15,625

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets, derivative financial instruments and capitalized pension assets.

In 2010, the Fresenius Group generated sales of €3,355 million (2009: €3,152 million) in Germany. Sales in the United States were €6,849 million in 2010 (2009: €5,977 million).

35. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2010, the Fresenius Group recognized compensation cost in an amount of €33 million for convertible bonds and stock options granted since 2006. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE Stock Option Plan 2008 made during the years 2010 and 2009 are as follows:

	2010		2009	
€ in millions	**December Grant**	**July Grant**	December Grant	July Grant
Expected dividend yield	**1.58%**	**1.92%**	2.33%	2.90%
Risk-free interest rate	**2.38%**	**2.12%**	2.73%	3.04%
Expected volatility	**28.44%**	**28.94%**	28.83%	29.01%
Life of options	**7 years**	**7 years**	7 years	7 years
Exercise price per option in €	**63.94**	**53.49**	39.61	36.89

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

Description of the Fresenius SE & Co. KGaA stock option plans in place

On December 31, 2010, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) had three stock option plans in place; the Fresenius AG stock option based plan of 1998 (1998 Plan), the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds and the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). During 2010, stock options were only granted under the 2008 Plan.

The following descriptions reflect the stock option plans at December 31, 2010 whereas the changes resulting from the conversion of the subscribed capital into bearer ordinary shares in combination with the change of legal form are shown in a separate chapter thereafter.

Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies.

Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to obtain 3.1 million ordinary shares and 3.1 million preference shares. Up to 1.2 million options are designated for members of the Management Board of Fresenius SE, up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for managerial staff members of Fresenius SE and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius SE's Management Board, the Supervisory Board has sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius SE has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE's ordinary shares and preference shares, respectively, on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price of both classes of shares during the 30 calendar days immediately prior to the grant date, if these are higher. Options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income attributable to Fresenius SE, adjusted for extraordinary effects, has increased by at least 8% compared to the respective adjusted net income attributable to Fresenius SE of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income attributable to Fresenius SE shall be calculated on the basis of the calculation method of the accounting principles according to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to Fresenius SE is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. The performance targets for 2009 and 2010 were met. Upon exercise of vested options, Fresenius SE has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no options have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. The bonds expire in ten years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: ⅓ of

the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares or preference shares, respectively, is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split entitles to subscribe one ordinary or preference share, subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary or preference share, conversion after the share split entitles to three ordinary or preference shares.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. Options granted under this plan have a ten-year term. At December 31, 2010, all options were exercisable. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

Adaptations of the stock option plans due to the change of legal form

Upon registration of Fresenius SE's change of legal form into Fresenius SE & Co. KGaA with the commercial register on January 28, 2011, adaptations of the three stock option plans were required. Due to the conversion of all preference shares into ordinary shares in combination with the change of legal form, all already issued subscription rights under the respective stock option plan are to be satisfied, in case of exercise, with ordinary shares. Furthermore, the beneficiaries under the 2008 Plan are exclusively granted subscription rights for ordinary shares. With regard to the eligible beneficiaries, the members of Fresenius Management SE's Management Board replace the previous members of the Fresenius SE Management Board for future stock option grants. With regard to the 2008 Plan, the Supervisory Board of Fresenius Management SE determines the grants for the Management Board members of that company. All other plan participants will be determined by the Management Board of Fresenius Management SE. In addition, due to the discontinuation of the preference shares, the success target of the 2003 Plan was adjusted to the effect, that it is deemed to be achieved if and when the sum of the following price increases amounts to at least 25%:

- increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day when the change of legal form took effect
- increase of the stock exchange price of ordinary shares since the change of legal form took effect

Whereas the number of stock options remains unchanged, in future, the exercise price of the stock options corresponds to the stock exchange price of the ordinary share without considering the stock exchange price of the preference share.

The resolved changes to the stock option plans became effective upon the Management Board's resolution on September 27, 2010 with the approval of the Supervisory Board on October 12, 2010.

Transactions during 2010

In 2010, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) awarded 1,109,738 stock options, including 198,660 options to members of the Management Board of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA), at a weighted-average exercise price of €53.57, a weighted-average fair value of €12.95 each and a total fair value of €14 million, which will be amortized over the three-year vesting period.

During the fiscal year 2010, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) received cash of €38 million from the exercise of 1,134,714 stock options. The average stock price at the exercise date was €57.56 for ordinary shares and €58.61 for preference shares. The intrinsic value of options exercised in 2010 was €27 million.

Under the 1998 Plan, 134,452 stock options were outstanding and exercisable at December 31, 2010. No options were held by the members of the Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) Management Board. 1,958,284 convertible bonds were outstanding under the 2003 Plan, of which 1,679,338 were exercisable. The members of the Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) Management Board held 419,100 convertible bonds. Out of 3,196,586 outstanding stock options issued under the 2008 Plan, 559,860 were held by the members of the Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) Management Board.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2008	**2,370,299**	**40.05**	**951,484**
Granted	533,624	33.82	
Exercised	85,821	24.55	
Forfeited	121,376	36.14	
Balance 2009	**2,696,726**	**39.49**	**1,205,185**
Granted	554,869	53.61	
Exercised	567,357	32.90	
Forfeited	39,577	47.82	
Balance 2010	**2,644,661**	**43.87**	**906,895**

Preference shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2008	**2,370,299**	**40.21**	**951,484**
Granted	533,624	39.97	
Exercised	85,821	25.24	
Forfeited	121,376	38.10	
Balance 2009	**2,696,726**	**40.73**	**1,205,185**
Granted	554,869	53.54	
Exercised	567,357	34.63	
Forfeited	39,577	48.95	
Balance 2010	**2,644,661**	**44.74**	**906,895**

The following tables provide a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2010:

OPTIONS FOR ORDINARY SHARES

Range of exercise price in €	Options outstanding			Options exercisable		
	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	58,101	2.50	13.65	58,101	2.50	13.65
15.01 – 20.00	62,394	1.62	19.59	62,394	1.62	19.59
20.01 – 25.00	107,710	3.50	21.96	107,710	3.50	21.96
25.01 – 30.00	180,695	4.46	28.57	180,695	4.46	28.57
30.01 – 35.00	534,638	5.38	33.74	12,530	0.58	30.83
35.01 – 40.00	266,800	5.39	39.23	265,050	5.39	39.24
40.01 – 45.00	46,205	4.92	41.62	0		
45.01 – 50.00	8,484	5.50	48.81	8,484	5.50	48.81
50.01 – 55.00	1,023,730	5.61	54.07	0		
55.01 – 60.00	339,441	6.50	56.43	203,959	6.50	56.43
60.01 – 65.00	4,500	6.92	63.53	0		
70.01 – 75.00	11,963	6.50	70.54	7,972	6.50	70.54
	2,644,661	**5.32**	**43.87**	**906,895**	**4.73**	**36.19**

OPTIONS FOR PREFERENCE SHARES

Range of exercise price in €	Options outstanding			Options exercisable		
	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	65,799	2.50	12.14	65,799	2.50	12.14
15.01 – 20.00	107,710	3.50	19.00	107,710	3.50	19.00
20.01 – 25.00	54,696	1.50	21.13	54,696	1.50	21.13
25.01 – 30.00	180,695	4.46	29.33	180,695	4.46	29.33
30.01 – 35.00	12,530	0.58	34.73	12,530	0.58	34.73
35.01 – 40.00	550,896	5.45	39.88	28,788	4.50	38.52
40.01 – 45.00	238,012	5.50	40.57	236,262	5.50	40.55
45.01 – 50.00	46,205	4.92	45.40	0		
50.01 – 55.00	1,032,214	5.61	52.98	8,484	5.50	53.01
55.01 – 60.00	339,441	6.50	56.11	203,959	6.50	56.11
60.01 – 65.00	4,500	6.92	64.34	0		
70.01 – 75.00	11,963	6.50	70.14	7,972	6.50	70.14
	2,644,661	**5.32**	**44.74**	**906,895**	**4.73**	**36.25**

At December 31, 2010, the aggregate intrinsic value of exercisable options for ordinary shares and preference shares was €24 million and €25 million, respectively.

At December 31, 2010, total unrecognized compensation costs related to non-vested options granted under the 2003 Plan and the 2008 Plan were €18 million. These costs are expected to be recognized over a weighted-average period of 1.9 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Stock Option Plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting with a conditional capital increase up to €15 million subject to the issue of up to 15 million non-par value bearer ordinary shares with a nominal value of €1.00 each. Under the Amended 2006 Plan, up to 15 million options can be issued, each of which can be exercised to obtain one ordinary share, with up to 3 million options designated for members of the Management Board of Fresenius Medical Care Management AG (FMC Management AG), the general partner, up to 3 million options designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to 9 million options designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. With respect to participants who are members of the Management Board of FMC Management AG, its Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the Amended 2006 Plan (including decisions regarding certain adjustments and forfeitures). The Management Board of FMC Management AG has such authority with respect to all other participants in the Amended 2006 Plan.

Options under the Amended 2006 Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of options granted under the Amended 2006 Plan shall be the average closing price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the Amended 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to achievement of performance targets, measured over a three-year period from

the grant date. For each such year, the performance target is achieved if FMC-AG & Co. KGaA's adjusted basic income per ordinary share (EPS), as calculated in accordance with the Amended 2006 Plan, increases by at least 8% year over year during the vesting period, beginning with EPS for the year of grant as compared to EPS for the year preceding such grant. Calculation of EPS under the Amended 2006 Plan excluded, among other items, the costs of the transformation of Fresenius Medical Care's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8% target. The performance targets for 2010 and 2009 were met. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the entire three-year vesting period.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

As of December 2010, no further grants will be issued under the Amended 2006 Plan.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to €12 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 12 million non-voting preference shares. The convertible bonds have a par value of €1.00 and bear interest at a rate of 5.5%. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. FMC-AG & Co. KGaA has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by FMC-AG & Co. KGaA and are not reflected in the consolidated financial statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance. Compensation costs related to awards granted under this plan are amortized on a straight-line basis over the vesting period for each separately vesting portion of the awards. Bonds issued to Management Board members who did not issue a note to FMC-AG & Co. KGaA are recognized as a liability on the Group's statement of financial position.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25%. The initial value is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the initial value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan after 2005.

Transactions during 2010

During 2010, FMC-AG & Co. KGaA awarded 2,817,879 options, including 423,300 to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €42.71, a weighted-average fair value of €8.10 each and a total fair value of €23 million, which will be amortized over the three-year vesting period.

During 2010, FMC-AG & Co. KGaA received cash of €73 million from the exercise of stock options and €10 million from a related tax benefit. The intrinsic value of options exercised in 2010 was €38 million.

At December 31, 2010, the Management Board members of FMC Management AG, held 2,178,699 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 9,973,409 stock options for ordinary shares and 58,663 stock options for preference shares under the various stock-based compensation plans of Fresenius Medical Care.

The table below provides reconciliations for options outstanding at December 31, 2010 as compared to December 31, 2009:

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2009 (options for ordinary shares)	**11,894**	**30.50**
Granted	2,818	42.71
Exercised	2,532	28.38
Forfeited	28	30.35
Balance at December 31, 2010 (options for ordinary shares)	**12,152**	**33.78**
Balance at December 31, 2009 (options for preference shares)	**147**	**18.35**
Exercised	73	18.57
Forfeited	15	13.95
Balance at December 31, 2010 (options for preference shares)	**59**	**19.19**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2010:

	Number of options in thousand	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value € in millions
Options for ordinary shares	4,316	3	27.99	66
Options for preference shares	59	3	19.19	1

At December 31, 2010, total unrecognized compensation costs related to non-vested options granted under all plans were €33 million. These costs are expected to be recognized over a weighted-average period of 1.6 years.

36. RELATED PARTY TRANSACTIONS

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is a partner and was the chairman of the supervisory board of Roland Berger Strategy Consultants until August 1, 2010. In 2010, the Fresenius Group paid this company €0.2 million for consulting services rendered. In 2009, no services were rendered to the Fresenius Group by this company.

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions.

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, was a member of the management board of Allianz SE until December 31, 2010 and the chairman of the management board of Allianz Deutschland AG until June 30, 2010. Dr. Franceso De Meo, member of the Management Board of the general partner of Fresenius SE & Co. KGaA, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In 2010, the Fresenius Group paid €3 million for insurance premiums to Allianz (2009: €7 million).

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE until January 28, 2011, member of the Supervisory Board of Fresenius Management SE since March 11, 2010 and deputy chairman of the Supervisory Board of Fresenius Management SE since May 12, 2010, is a partner in the law firm Noerr LLP (formerly: Nörr Stiefenhofer Lutz) that provides legal services to the Fresenius Group. In 2010, the Fresenius Group paid this law firm €1 million for services rendered (2009: €1 million).

37. SUBSEQUENT EVENTS

In 2010, Fresenius initiated a change of its legal form to a partnership limited by shares (KGaA) together with a conversion of the preference shares into ordinary shares. Fresenius SE's change of legal form and stock conversion became effective with their entry in the commercial register on January 28, 2011. The registration of the change of legal form with the commercial register was finally cleared following a court settlement of pending disputes initiated by minority shareholders.

The Company is now operating under the name Fresenius SE & Co. KGaA. All shareholders of the former Fresenius SE are now shareholders of Fresenius SE & Co. KGaA. As part of the transaction, all non-voting preference shares were mandatorily converted into voting ordinary shares at a 1:1 exchange ratio. This simplifies the share structure, increases the liquidity of the Fresenius share, further strengthens Fresenius' position in the capital market, and improves access to the equity market.

In January 2011, Fresenius Medical Care announced the signing of a purchase agreement to acquire International Dialysis Centers (ICD), the dialysis care business of Euromedic International. With the acquisition, Fresenius Medical Care wants to expand its activities in dialysis care especially in Eastern Europe, where IDC is market leader. IDC operates 70 dialysis clinics in 9 countries and currently treats over 8,200 hemodialysis patients, largely in Central and Eastern Europe. After the acquisition is completed, IDC will contribute about US$180 million to the annual sales of Fresenius Medical Care. The acquisition price was €485 million. Closing is subject to necessary regulatory approvals by the relevant anti-trust authorities and is expected to occur in the first half of 2011.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2010. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

38. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 152 ff.), which is part of the Management Report.

The Management Board's compensation is, as a whole, performance-oriented and consisted of three components in 2010: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), long-term incentive component (stock options).

The cash compensation paid to the Management Board for the performance of its responsibilities was €9,398 thousand (2009: €9,345 thousand). Thereof, €4,105 thousand (2009: €3,635 thousand) is not performance-related and €4,685 thousand (2009: €5,204 thousand) is performance-related. The amount of the performance-related compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 99,600 stock options under the Fresenius Medical AG & Co. KGaA Stock Option Plan 2006.

The payment of a part of the performance-related compensation in an amount of €897 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to Fresenius SE & Co. KGaA of the years 2011 and 2012.

The compensation paid to the Supervisory Board and its committees was €1,782 thousand in 2010 (2009: €1,584 thousand). Of this amount, €183 thousand was fixed compensation (2009: €183 thousand), €100 thousand was compensation for committees services (2009: €100 thousand), and €1,499 thousand was variable compensation (2009: €1,301 thousand).

In 2010, to former members of the Management Board, €776 thousand (2009: €744 thousand) was paid. The pension obligation for these persons amounted to €11,039 thousand in 2010 (2009: €9,878 thousand).

In the fiscal years 2010 and 2009, no loans or advance payments of future compensation components were made to members of the Management Board of the former Fresenius SE.

39. AUDITOR'S FEES

In 2010 and 2009, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2010		2009	
€ in millions	**Total**	**Germany**	Total	Germany
Audit fees	**15**	**5**	14	5
Audit-related fees	**1**	**–**	–	–
Tax consulting fees	**1**	**–**	1	0
Other fees	**–**	**–**	–	–
Total auditor's fees	**17**	**5**	15	5

40. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA www.fresenius.com under Who we are/Corporate Governance/Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations/Corporate Governance/Declaration of Compliance, respectively.

41. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2010 of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) are distributed as follows:

in €	
Payment of a dividend of €0.86 per bearer ordinary share on the 162,450,090 ordinary shares entitled to dividend	139,707,077.40
Balance to be carried forward	50,880.80
Retained earnings	**139,757,958.20**

42. RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v. d. H., February 23, 2011

Fresenius SE & Co. KGaA
represented by:
Fresenius Management SE, its General Partner

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

COMPENSATION REPORT

The compensation report summarizes the main elements of the compensation system for the members of the Management Board of the general partner of Fresenius SE & Co. KGaA and in this connection notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management report. The compensation report is prepared on the basis of the recommendations made by the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code.

COMPENSATION OF THE MANAGEMENT BOARD

The entire Supervisory Board of Fresenius Management SE is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee. In the year under review, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Karl Schneider and Wilhelm Sachs.

In the fiscal year 2010, the compensation of the members of the Management Board of the general partner of Fresenius SE & Co. KGaA already took into account the newly worded requirements in accordance with the German Act on the Appropriateness of Executive Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG), which entered into force on August 5, 2009. The Management Board compensation system was reviewed by an independent external compensation expert at the beginning of the fiscal year 2010 and later submitted to the shareholders' meeting of Fresenius SE (since January 28, 2010: Fresenius SE & Co. KGaA) for approval. On May 12, 2010, The shareholders' meeting approved of the Management Board compensation system with a majority of 99.51% of the votes cast.

The objective of the compensation system is to enable the members of the Management Board to participate reasonably in the sustainable development of the Company's business with the compensation paid and to reward them based on their duties and performance as well as their successes in managing the Company's economic and the financial position while giving due regard to the peer environment.

The compensation of the Management Board is, as a whole, performance-oriented and was composed of three elements in the fiscal year 2010:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options and postponed bonus payments)

In addition, six members of the Management Board had pension commitments in the reporting period.

The design of the individual components is based on the following criteria:

The non-performance-related compensation was paid in twelve monthly installments as basic salary in the fiscal year 2010. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as rent supplements and reimbursement of certain other charges as well as contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2010 as a variable bonus. The amount of the bonus in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm and Dr. Götz –, the amount of the variable bonus is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the net income attributable to Fresenius SE & Co. KGaA as well as the development of the net income of the business segment (in each case after deduction of noncontrolling interest) for which the respective member of the Management Board is responsible. Half of the amount of the variable bonus of Dr. Wastler in each case is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) as well as on the net income before tax and extraordinary income/expenditures of the VAMED group. Dr. Lipps receives his compensation exclusively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

For the fiscal years 2010 and 2009, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Ulf M. Schneider	**900**	800	**47**	56	**908**	1,032	**1,855**	1,888
Rainer Baule	**500**	425	**42**	41	**608**	800	**1,150**	1,266
Dr. Francesco De Meo	**500**	425	**18**	18	**498**	543	**1,016**	986
Dr. Jürgen Götz	**375**	325	**30**	28	**464**	424	**869**	777
Dr. Ben Lipps[1]	**905**	860	**354**	251	**1,172**	1,200	**2,431**	2,311
Stephan Sturm	**500**	425	**85**	85	**574**	732	**1,159**	1,242
Dr. Ernst Wastler	**425**	375	**32**	27	**461**	473	**918**	875
Total	**4,105**	3,635	**608**	506	**4,685**	5,204	**9,398**	9,345

[1] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 35% of the total subscribed capital. As Dr. Ben Lipps is a member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
[2] Includes insurance premiums, private use of company cars, contributions to pension and health insurance as well as other benefits.

In the fiscal year, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €3,463 thousand. This equals 79% of the total bonus. The remaining part in an amount of €897 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the variable bonus to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment in order to also take account of any negative developments within the assessment period. This is done in such a way that the maturity of the bonus earned on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time it is ensured that any payment is made to the member of the Management Board after expiry of such multi-year period only if (i) no subsequent adjustment of the decisive (i. e. adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) beyond an amount equal to a tolerance range of 10% is made, and (ii) the amount of net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) in the two relevant subsequent years is not substantially less than the net income attributable to Fresenius SE & Co. KGaA (adjusted by extraordinary effects, after deduction of noncontrolling interst) of the respective preceding fiscal years. In the event of the aforementioned conditions for payment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a correspondingly pro rata payment of the converted portion of the variable bonus. No interest is payable on the converted bonus claim from the time when it first arises until the time of its effective payment. In this way, the variable bonus can be converted pro rata or in its entirety into a genuine variable compensation component on a multi-year assessment basis which also participates in any negative developments during the relevant assessment period.

The system of compensation for the Management Board moreover provides for a contractually stipulated cap or possibility of capping the amount of the annual compensation to

be claimed by the member of the Management Board overall, i. e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments which are not in any relevant proportion to the performance of the Management Board.

Under the new compensation system, the amount of the basic compensation of the members of the Management Board was and will be assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector.

In the fiscal year 2010, stock options based on the Stock Option Plan 2008 of Fresenius SE & Co. KGaA and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 were granted as components with long-term incentive effects. The number of stock options to be allotted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

The principles of both plans are described in more detail in note 34 of the notes of the Fresenius Group, Stock options.

For the fiscal years 2010 and 2009, the number and value of stock options issued as well as the value of the postponed performance-related compensation is shown in the table below.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2010 correspond to their fair value at the time of grant, namely a value of €12.92 (2009: €8.24) per stock option of Fresenius SE & Co. KGaA and €8.07 (2009: €7.64) per stock option of FMC-AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €53.44 (2009: €36.89).

As the financial targets of the year 2010 were achieved, Dr. Ben Lipps is entitled to a stock-based compensation in an amount of €391 thousand (2009: €341 thousand) in accordance with the bonus agreement of Fresenius Medical Care. The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three years vesting period.

At the end of the fiscal year 2010, the members of the Management Board held a total of 978,960 (2009: 901,500) stock options and convertible bonds of Fresenius SE & Co. KGaA and 598,870 (2009: 703,416) stock options and convertible bonds of FMC-AG & Co. KGaA.

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed performance-related compensation[2]		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Ulf M. Schneider	**56,760**	51,600	**733**	425	**174**	0	**907**	425
Rainer Baule	**28,380**	25,800	**367**	213	**241**	0	**608**	213
Dr. Francesco De Meo	**28,380**	25,800	**367**	213	**131**	0	**498**	213
Dr. Jürgen Götz	**28,380**	25,800	**367**	213	**98**	0	**465**	213
Dr. Ben Lipps	**99,600**	99,600	**804**	761	**391**	341	**1,195**	1,102
Stephan Sturm	**28,380**	25,800	**367**	213	**208**	0	**575**	213
Dr. Ernst Wastler	**28,380**	25,800	**367**	213	**95**	0	**462**	213
Total	**298,260**	280,200	**3,372**	2,251	**1,338**	341	**4,710**	2,592

[1] Stock options that were granted in 2010 and 2009 under the Fresenius SE & Co. KGaA stock option plan. Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.
[2] The details for Dr. Ben Lipps refer to a stock-based compensation with cash settlement.

The development and the status of the stock options of the Management Board in the fiscal year 2010 are shown in the following table:

	Dr. Ulf M. Schneider	Rainer Baule	Dr. Francesco De Meo	Dr. Jürgen Götz	Dr. Ben Lipps[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2010								
number	322,500	187,050	81,600	88,530	703,416	139,320	82,500	**901,500**
average exercise price in €	36.65	34.42	46.66	46.74	28.44	41.63	44.04	**39.53**
Options granted during fiscal year								
number	56,760	28,380	28,380	28,380	99,600	28,380	28,380	**198,660**
average exercise price in €	53.44	53.44	53.44	53.44	42.68	53.44	53.44	**53.44**
Options exercised during fiscal year								
number	43,860	47,730	0	29,610	204,146	0	0	**121,200**
average exercise price in €	13.59	17.31		46.77	24.49			**23.16**
average stock price in €	64.91	59.71		64.44	43.14			**62.75**
Options outstanding on December 31, 2010								
number	335,400	167,700	109,980	87,300	598,870	167,700	110,880	**978,960**
average exercise price in €	42.51	42.51	48.41	48.90	32.15	43.63	46.44	**44.38**
average remaining life in years	5.3	5.3	5.7	5.6	4.4	5.4	5.5	**5.4**
range of exercise prices in €	21.33 to 57.27	21.33 to 57.27	36.89 to 57.27	36.89 to 57.27	14.47 to 42.68	29.92 to 57.27	21.33 to 57.27	**21.33 to 57.27**
Exercisable options on December 31, 2010								
number	160,820	80,410	25,000	10	300,070	80,410	27,400	**374,050**
average exercise price in €	35.56	35.56	47.49	57.27	27.61	37.91	40.11	**37.20**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options and convertible bonds of Fresenius SE & Co. KGaA, excluding stock options of Dr. Ben Lipps.

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2010 and 2009:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
€ in thousands	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Ulf M. Schneider	**1,855**	1,888	**907**	425	**2,762**	2,313
Rainer Baule	**1,150**	1,266	**608**	213	**1,758**	1,479
Dr. Francesco De Meo	**1,016**	986	**498**	213	**1,514**	1,199
Dr. Jürgen Götz	**869**	777	**465**	213	**1,334**	990
Dr. Ben Lipps	**2,431**	2,311	**1,195**	1,102	**3,626**	3,413
Stephan Sturm	**1,159**	1,242	**575**	213	**1,734**	1,455
Dr. Ernst Wastler	**918**	875	**462**	213	**1,380**	1,088
Total	**9,398**	9,345	**4,710**	2,592	**14,108**	11,937

The stock options and the entitlement to a stock-based compensation can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2010 and 2009 are stated in the following table.

	Expenses for long-term incentive components	
€ in thousands	**2010**	2009
Dr. Ulf M. Schneider	**681**	694
Rainer Baule	**341**	347
Dr. Francesco De Meo	**268**	171
Dr. Jürgen Götz	**327**	289
Dr. Ben Lipps	**1,739**	1,857
Stephan Sturm	**341**	357
Dr. Ernst Wastler	**268**	171
Total	**3,965**	3,886

COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD FOR THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule, Dr. Jürgen Götz and Stephan Sturm based on their service agreements with the general partner of Fresenius SE & Co. KGaA. The Management Board member Dr. Ernst Wastler has a pension commitment of VAMED AG, Vienna. The Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America. With regard to these pension commitments, the Fresenius Group had pension obligations of €7,870 thousand as of December 31, 2010 (2009: €5,040 thousand). The additions to pension liability in the fiscal year 2010 amounted to €2,830 thousand (2009: €924 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2010	Additions	**As of December 31, 2010**
Dr. Ulf M. Schneider	726	514	**1,240**
Rainer Baule	2,225	1,137	**3,362**
Dr. Jürgen Götz	157	259	**416**
Dr. Ben Lipps	341	60	**401**
Stephan Sturm	365	310	**675**
Dr. Ernst Wastler	1,226	550	**1,776**
Total	5,040	2,830	**7,870**

Each of the pension commitments provides a pension and survivor benefit, depending on the amount of the most recent basic salary, from the 63rd year of life, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work.

The pension's starting percentage of 30% of the last basic salary increases with every full year of service as Management Board member by 1.5 percentage points, 45% being the attainable maximum.

Current pensions increase according to legal requirements (Section 16 of the German law to improve company pension plans, BetrAVG).

30% of the gross amount of any later income from an occupation of the Management Board member is set off against the pension. Furthermore, 100% (or in the case of Management Board member Rainer Baule 70%) of any amounts accruing to Management Board members or their surviving dependents from the Management Board member's vested rights in other company pension plans, also from employment with other companies, is also set off.

In the event of the death of one of the aforesaid Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, own legitimate children of the deceased Management Board member receive an orphan's pension equivalent to 20% of the pension entitlement accruing at the time of death until completion of their vocational training but at the most until the age of 25 years. However, all orphans' pensions and the widow's pension are capped at an aggregate 90% of the Management Board member's pension entitlement.

If a Management Board member's service as a member of the Management Board of Fresenius Management SE ends before the age of 63 years for reasons other than professional or occupational incapacity, the rights to the said pension benefits vest but the pension payable upon the occurrence of a pensionable event is reduced pro rata according to the actual length of service as a Management Board member compared to the potential length of service until the age of 63 years.

With the Management Board member Rainer Baule it was agreed in 2010 that instead of increasing the amounts of the life insurance policies taken out by Fresenius in his favor a sum of €78 thousand be paid, due at the age of 63 years and carrying interest as from January 1, 2010 at an annual rate of 4.4%.

The pension commitment for Dr. Ernst Wastler provides for a normal pension, an early retirement pension, a professional incapacity pension, and a widow's and orphan's pension. The normal pension is payable at the earliest at the age of 60 years and the early retirement pension at the earliest at the age of 55 years. The pension benefits are equivalent to 1.2% per year of service based on the last basic compensation, with a cap of 40%. The widow's pension (60%) and the orphan's pension (20% each) are capped in aggregate at not more than Dr. Ernst Wastler's pension entitlement at the time of death. Pensions, retirement and other benefits from third parties are set off against the pension benefit.

With the Management Board member Dr. Ben Lipps, there is the following individual agreement in plan: Instead of a pension provision, and taking account of a restriction of competition after the ending of the service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. The consideration to be granted annually by Fresenius Medical Care Management AG in return would amount to approximately 33% of the non-performance-related compensation components paid to him in the fiscal year 2010. The net present value of this commitment as of December 31, 2010 is €2,153 thousand. In additon, the Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. Due to plan cuts in March 2002, the rights to receive benefits from the pension plans have been frozen at the level then applicable.

A subsequent non-competition clause has been agreed for all Management Board members. Should this enter into effect, the Management Board members receive for each year for which the competitive restriction applies to them a waiting allowance equivalent to half of the annual basic compensation plus half of the contractually agreed minimum bonus, or in the case of Management Board member Rainer Baule half of the last contractually agreed payment received, for a maximum of two years.

The Management Board members' service contracts do not contain express provisions for the event of a "change of control".

All Management Board members have received individually agreed commitments for the continued payment of their compensation in case of illness for a maximum of 12 months. Insurance benefits may be set off, as applicable, from the sixth month of incapacity due to illness. In the event of the death of a Management Board member, a further three months' compensation after the month in which the death occurs, however at the most for the period until the end of the respective service contract, will be paid to the surviving dependents.

MISCELLANEOUS

In the fiscal year 2010, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

As far as legally permitted, Fresenius SE & Co. KGaA undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the

Company concluded a Directors' & Officers' insurance with an excess, which complies with the requirements of the German Act on the Appropriateness of Executive Board Compensation (VorstAG). The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

Based on pension commitments, to former members of the Management Board, €776 thousand and €744 thousand were paid in the years 2010 and 2009, respectively. The benefit obligation for these persons amounted to €11,039 thousand in 2010 (2009: €9,878 thousand).

INFORMATION ON THE SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting and is subject to the provisions contained in Section 14 of the articles of association of Fresenius SE & Co. KGaA. Each member of the Supervisory Board shall receive a fixed compensation of €13 thousand. The members of the Audit Committee of Fresenius SE & Co. KGaA and the members of the Personnel Committee acting in the fiscal year 2010 receive an additional €10 thousand each and the Chairman of the committee a further €10 thousand. For each full fiscal year, the remuneration increases by 10% for each percentage point that the dividend paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6% of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board. Fresenius SE & Co. KGaA provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) with an excess equal to those of the Management Board.

For the years 2010 and 2009, the compensation for the members of the Supervisory Board of Fresenius SE & Co. KGaA, including compensation for committee services, was as follows:

	Fixed compensation		Compensation for committee services		Variable compensation		Total compensation	
€ in thousands	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Gerd Krick	**26**	26	**30**	30	**214**	186	**270**	242
Dr. Dieter Schenk	**20**	20	**0**	0	**161**	139	**181**	159
Niko Stumpfögger	**20**	20	**0**	0	**161**	139	**181**	159
Prof. Dr. h. c. Roland Berger	**13**	13	**20**	20	**107**	93	**140**	126
Dario Ilossi	**13**	13	**0**	0	**107**	93	**120**	106
Konrad Kölbl	**13**	13	**10**	10	**107**	93	**130**	116
Klaus-Peter Müller	**13**	13	**0**	0	**107**	93	**120**	106
Dr. Gerhard Rupprecht	**13**	13	**0**	0	**107**	93	**120**	106
Wilhelm Sachs	**13**	13	**10**	10	**107**	93	**130**	116
Dr. Karl Schneider	**13**	13	**20**	20	**107**	93	**140**	126
Stefan Schubert	**13**	13	**0**	0	**107**	93	**120**	106
Rainer Stein	**13**	13	**10**	10	**107**	93	**130**	116
Total	**183**	183	**100**	100	**1,499**	1,301	**1,782**	1,584

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA as well as for all representative bodies of affiliates in Germany and elsewhere. The D & O policy applies throughout the world and runs until the end of June 2011. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid which are covered by the policy.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA (until January 28, 2011: Fresenius SE), Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 23, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hölzl
German Public Auditor

Hommel
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

2010 was a year in which important structural changes were initiated – the change of the Company's legal form to a partnership limited by shares (KGaA) in combination with the conversion of all preference shares into ordinary shares. The Company closed the reporting period still in the legal form of an SE (Societas Europaea).

In 2010, the Supervisory Board performed the duties assigned to it by law and by the Company's Statutes, regularly advising and monitoring the Management Board. It was closely involved in all decisions that were of major importance to the Company or the Group.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Supervisory Board was kept regularly informed by the Management Board – in a comprehensive and timely oral and written manner – about the business development, economic and financial position, and profitability of the Company and the Group, the corporate strategy and planning, risk situation, risk management and compliance, and important business events.

In all, the Supervisory Board of Fresenius SE convened for four regular meetings in 2010 – in March, May, October, and December – and for an extraordinary meeting on March 30. The main topic on the agenda of the extraordinary Supervisory Board meeting was to pass resolutions on the Company's change of legal form to an SE & Co. KGaA (a partnership limited by shares with a Societas Europaea – a company incorporated under European law – as general partner) and on the cross-border merger with Calea Nederland N.V. Detailed Management Board reports and comprehensive approval documents concerning the agenda were distributed

to members of the Supervisory Board before all its meetings. The Supervisory Board made full use of the Management Board's reports as the basis for its comprehensive discussions about business development and important corporate decisions.

All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the related approval documents and detailed consultation with the Management Board, the Supervisory Board was able to give its approval in all matters submitted to it.

The Supervisory Board was also informed about any important business events occurring between meetings. In urgent cases it passed resolutions by written proceeding in lieu of a meeting. In addition, the Chairman of the Management Board regularly informed the Chairman of the Supervisory Board in individual discussions about the latest business developments and forthcoming decisions.

Every member of the Supervisory Board attended at least half of the Supervisory Board meetings during their term of office in 2010, with one exception. Dr. Rupprecht was unable to attend three meetings of the Supervisory Board. However, he took part in the voting at these meetings by written vote.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2010, one focus of the Supervisory Board's activities was the change of the Company's legal form to a KGaA in combination with the conversion of the preference shares into ordinary shares. The aim of this transaction is to simplify the share structure, increase the liquidity of the shares, and improve the Company's access to the equity market. The Supervisory Board thoroughly discussed the individual aspects of this matter with the Management Board. It weighed the consequences for the Company and the shareholders. It reached the conclusion that the interests of the Company and those of the shareholders are best served and can be safeguarded long term in the chosen legal form. It accompanied the entire transaction through to its completion and approved all relevant actions taken.

The Supervisory Board's monitoring and advisory activities were also centered on overall business operations as well as investments and acquisitions of the business segments. The Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. It approved the budget for 2011 and the Fresenius Group's mid-term planning, following a detailed review and discussions with the Management Board. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

On March 12, 2010, the Management Board and the Supervisory Board jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and updated it on April 1, 2010.

The Management Board and the Supervisory Board of Fresenius SE have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board.

Klaus-Peter Müller, a member of the Supervisory Board of the Company, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions. Dr. Gerhard Rupprecht, a member of the Supervisory Board of the Company, was a member of the management board of Allianz SE until December 31, 2010, chairman of the management board of Allianz Deutschland AG until June 30, 2010, and chairman of the supervisory board of Allianz Deutschland AG from July 1 to December 31, 2010. Dr. Franceso De Meo, member of the Management Board of Fresenius Management SE (previously member of the Management Board of Fresenius SE), is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. The Fresenius Group pays insurance premiums to Allianz under customary conditions and amounts. In 2010, they amounted to €3 million (2009: €7 million).

No consultancy or other service relationships exist directly between the Company and a member of the Supervisory Board. However, in 2010 there were consultancy contracts with a law firm in which a member of the Supervisory Board is a partner and with a management consultancy firm in which a member of the Supervisory Board is a partner. Fresenius was advised by the international law firm Noerr LLP. Dr. Schenk, who was a member of the Supervisory Board of Fresenius SE until January 28, 2011, is a partner in this law firm. The Fresenius Group paid €1 million to this law firm for services rendered in 2010 (2009: €1 million), corresponding to 1.5% of the total amount paid for legal advice in 2010 (2009: 1.6%). Fresenius was also advised by the management consultancy firm Roland Berger Strategy Consultants. Prof. Dr. h. c. Berger is a member of our Company's Supervisory Board and is at the same time a partner in Roland Berger Strategy Consultants. He was Chairman of its Supervisory Board until August 1, 2010. The Fresenius Group paid €0.2 million to that company for services rendered in 2010. No services were rendered and no fees were paid in 2009.

The Supervisory Board of Fresenius SE and its Audit Committee considered both of these mandates closely. They were approved by the Supervisory Board. Neither Dr. Schenk nor Prof. Dr. h. c. Berger took part in the respective voting.

The shareholder representatives, who have been members of the Supervisory Board since the change of legal form became effective on January 28, 2011, were elected at the Annual General Meeting (AGM) in 2010. Contrary to the usual procedure, the Nomination Committee refrained from submitting nominations to the Supervisory Board of Fresenius SE for the latter's election proposals to the AGM in 2010. The election proposals at the AGM therefore originated directly from the full Supervisory Board. This was a precautionary measure. The reason was that two members of the three-member Nomination Committee, namely Dr. Dieter Schenk and Dr. Karl Schneider, were also members of the Administrative Board of the Else Kröner-Fresenius-Stiftung and executors of Mrs. Else Kröner's estate. The Else Kröner-Fresenius-Stiftung is the sole shareholder of the general partner in Fresenius SE & Co. KGaA. In order to prevent influence being exercised on the composition of the Supervisory Board of the KGaA, the Foundation is prohibited by law from taking part in the election of the KGaA's Supervisory Board. The Supervisory Board took account of this legal provision by not requesting proposals from its Nomination Committee in this case. However, Dr. Schenk and Dr. Schneider took part in the resolutions on the proposals by the full Supervisory Board. The election of the members of the KGaA's Supervisory Board was closely linked with the issues of the change of legal form to a KGaA and the conversion of the preference shares into ordinary shares. The Supervisory Board therefore discussed and passed all the necessary motions and proposals to the AGM together as a whole. Given the circumstances and in view of the special importance of these measures, the Supervisory Board was convinced that it would not have been appropriate or expedient if Dr. Schenk and Dr. Schneider had not taken part in the deliberations and resolutions of the full Supervisory Board.

For more information on corporate governance at Fresenius, please see the Corporate Governance Declaration and Report on pages 14 to 33 of the Annual Report. Fresenius has disclosed the information on related parties in the quarterly reports and on page 198 of the Annual Report.

WORK OF THE COMMITTEES

The Personnel Committee of the Supervisory Board of Fresenius SE, whose responsibilities were to prepare proposals on the compensation system for the Management Board of Fresenius SE and the compensation for the individual Management Board members and to resolve the non-compensation-related terms of contracts with members of the Management Board, held two meetings and one conference call. It dealt with, among other things, the preparations for and implementation of the German Act on the Appropriateness of Executive

Board Compensation, also relating to the corresponding adjustment of the compensation system of the Management Board. The Personnel Committee further dealt with the introduction of a deductible in the D & O insurance, both for the Management Board and the Supervisory Board.

The Audit Committee held three meetings in 2010. There were also four conference calls. The main focus of its controlling activities was on the preliminary audit of the annual financial statements of the Company and the Group for 2009 and discussions with the auditors about their report and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board for its proposal to the AGM on the election of the auditor for the annual financial statements of the Company and the Group for 2010. The Supervisory Board's proposal to the AGM in 2010 to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin as auditor was based on a recommendation to this effect by the Audit Committee. The Audit Committee also reviewed the 2010 quarterly reports, the controlling reports on the development of the acquisitions, the risk management system, the internal control system, and the internal auditing system.

The Nomination Committee held two conference calls in 2010.

The chairmen of the committees reported regularly to the next Supervisory Board meeting on the work of the committees.

There is no Mediation Committee. The German Co-Determination Act, which provides for such a committee, does not apply to companies in the legal form of a Societas Europaea.

Further information on the committees, their composition, and procedures can be found in the Corporate Governance Declaration and Report on pages 19 to 20 of the Annual Report and on page 210 of the Annual Report.

PERSONNEL – COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes in the composition of the Management Board or the Supervisory Board of Fresenius SE in 2010.

The change of legal form and the cross-border merger became effective on January 28, 2011. The term of office of the incumbent Supervisory Board members ended then and the Supervisory Board had to be re-appointed. A review of the legal situation revealed that – according to the provisions of the German Act on Employee Co-Determination in case of Cross-Border Mergers (MgVG) – the Supervisory Board of Fresenius SE & Co. KGaA consists – as hitherto – of an equal number of six shareholder representatives and six employee representatives.

In preparation for Fresenius SE's change of legal form to a partnership limited by shares (KGaA) taking effect, the members of the Supervisory Board of Fresenius SE & Co. KGaA on the shareholders' side were already elected at the AGM in 2010. They include Dr. Gerd Krick, Prof. Dr. h. c. Roland Berger, Klaus-Peter Müller, and Dr. Gerhard Rupprecht, who were already members of the Supervisory Board of Fresenius SE. In addition to these members, Prof. Dr. D. Michael Albrecht and Gerhard Roggemann were elected. Dr. Dieter Schenk and Dr. Karl Schneider, who were members of the Supervisory Board of Fresenius SE, are not members of the Supervisory Board of Fresenius SE & Co. KGaA. They are only members of the Supervisory Board of Fresenius Management SE. The Supervisory Board wishes to thank Dr. Schenk and Dr. Schneider for the lasting contribution they have made over more than a decade of valuable service on the Supervisory Board of Fresenius AG and Fresenius SE as well as on the committees and their dedication and commitment to the welfare of the Company and its employees.

The six employee representatives on the Supervisory Board of Fresenius SE & Co. KGaA were appointed provisionally by court order of the District Court in Bad Homburg v. d. H. on January 31, 2011. They are Dario Ilossi, Konrad Kölbl, Wilhelm Sachs, Stefan Schubert, Rainer Stein, and Niko Stumpfögger, all of whom were previously members of the Supervisory Board of Fresenius SE.

The mandates of the members of the Management Board of Fresenius SE also ended with the change of legal form to a KGaA. Fresenius SE & Co. KGaA does not have its own Management Board. The Company is managed by the general partner, Fresenius Management SE. The composition of the Management Board of Fresenius Management SE is identical to that of the former Management Board of Fresenius SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the Management Report of the Company for 2010 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. They were elected as auditors at Fresenius SE's Annual General Meeting on May 12, 2010 and were subsequently commissioned by the Supervisory Board. The auditors issued their unqualified audit opinion for these statements. The same applies to the Company's consolidated financial statements prepared according to IFRS accounting principles and to the Company's consolidated financial statements prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 10 and 11, 2011, the Audit Committee and then the Supervisory Board discussed

all the documents in detail. The auditors delivered a detailed report on the results of the audit during these meetings. They found no weaknesses in the internal control system and risk management with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and the Audit Committee.

The Audit Committee and the Supervisory Board noted and approved the auditors' findings. The Supervisory Board's own review found no objections to the Company's financial statements and Management Report or the consolidated financial statements and the Group Management Reports. At its meeting on March 11, 2011, the Supervisory Board approved the financial statements and Management Reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner's proposal on the appropriation of the 2010 retained earnings.

The Supervisory Board would like to thank the members of the Management Board of the general partner and all employees for their outstanding achievements in a still difficult economic environment.

Bad Homburg v. d. H., March 11, 2011

The Supervisory Board

Dr. Gerd Krick
Chairman

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

Former Chairman of Fresenius AG

Chairman

Offices
Supervisory Board
Fresenius Management SE
(since March 11, 2010; Chairman since May 12, 2010)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Fresenius SE (until January 28, 2011; Chairman)
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht

Dresden

Medical director and Spokesman of the Management Board of the Universitäts-klinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
HELIOS Kliniken GmbH (until May 31, 2010)
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg
Universitätsklinikum Rostock

Prof. Dr. h. c. Roland Berger

Munich

Management consultant

Offices
Supervisory Board
Fresenius Management SE (since May 12, 2010)
Fresenius SE (until January 28, 2011)
Live Holding AG (until August 31, 2010; Chairman)
Prime Office AG (Chairman)
Roland Berger Strategy Consultants Holding GmbH
(Chairman until August 1, 2010;
Honorary Chairman as of August 1, 2010)
Schuler AG
Senator Entertainment AG (until April 16, 2010)
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
3W Power Holdings S.A., Luxembourg (Chairman)
(former SPAC Germany 1 Acquisition Limited, Guernsey)
Fiat S.p.A., Italy
Italy 1 Investment S.A., Luxembourg
(since August 26, 2010; Deputy Chairman)
Loyalty Partner Holdings S.A., Luxembourg
RCS Mediagroup S.p.A., Italy (since December 17, 2010)
Telecom Italia S.p.A., Italy

Dario Anselmo Ilossi

(as of January 31, 2011)

Rome, Italy

Trade union officer FEMCA Cisl – Energy, Fashion and Chemicals

Offices
Supervisory Board
Fresenius SE (until January 28, 2011)

Konrad Kölbl

(as of January 31, 2011)

Hof am Laithagebirge, Austria

Full-time Works Council member

Member of the Manual Workers' Works Council VAMED-KMB Krankenhaus-management und Betriebsführungs-ges. m.b.H.

Chairman of the Group Works Council VAMED AG

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Klaus-Peter Müller

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fraport AG (until December 31, 2010)
Fresenius Management SE (since May 12, 2010)
Fresenius SE (until January 28, 2011)
Linde AG

Administrative Board
Assicurazioni Generali S.p.A., Italy (until April 24, 2010)
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Gerhard Roggemann

Hanover

Vice Chairman (Mitglied der Geschäftsleitung) Hawkpoint Partners Ltd., Great Britain

Offices
Supervisory Board
Deutsche Beteiligungs AG (since March 24, 2010)
Deutsche Börse AG (Deputy Chairman)
GP Günter Papenburg AG (Chairman)

Board of Directors
F & C Asset Management plc, Great Britain
Friends Provident Holdings (UK) plc, Great Britain
Resolution Ltd., Guernsey

Dr. Gerhard Rupprecht

Gerlingen

Member of the Management Board Allianz SE (until December 31, 2010)

Chairman of the Management Board Allianz Deutschland AG (until June 30, 2010)

Deputy Chairman

Offices
Supervisory Board
Allianz Beratungs- und Vertriebs-AG
(until June 30, 2010; Chairman)
Allianz Deutschland AG (from July 1, 2010 until December 31, 2010; Chairman)
Allianz Elementar Lebensversicherungs-AG
(until December 31, 2010; Chairman)
Allianz Elementar Versicherungs-AG
(until December 31, 2010; Chairman)
Allianz Investmentbank AG
(until December 31, 2010; Deputy Chairman)
Allianz Lebensversicherungs-AG
(until June 30, 2010; Chairman)
Allianz Private Krankenversicherungs-AG
(until June 30, 2010; Chairman)
Allianz Suisse Lebensversicherungs-AG, Switzerland
(until December 31, 2010)
Allianz Suisse Versicherungs-AG, Switzerland
(until December 31, 2010)
Allianz Versicherungs-AG
(until June 30, 2010; Chairman)
Fresenius Management SE (since May 12, 2010)
Fresenius SE (until January 28, 2011)
Heidelberger Druckmaschinen AG

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Wilhelm Sachs

(as of January 31, 2011)
Friedrichsdorf
Full-time Works Council member

Deputy Chairman of the Works Council Friedberg plant

Member of the Joint Works Council Fresenius SE & Co. KGaA / Friedberg plant

Chairman of the General Works Council Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)

Stefan Schubert

(as of January 31, 2011)
Limburg-Staffel
Hospital nurse and full-time Works Council member

Chairman of the Works council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
Wittgensteiner Kliniken GmbH

Rainer Stein

(as of January 31, 2011)
Berlin
Full-time Works Council member

Chairman of the Group Works Council HELIOS Kliniken GmbH

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
HELIOS Kliniken GmbH

Niko Stumpfögger

(as of January 31, 2011)
Zeuthen
Secretary of the trade union ver.di, Betriebs- und Branchenpolitik im Bereich Gesundheit und Soziales
Deputy Chairman

Offices
Supervisory Board
Fresenius SE (until January 28, 2011; Deputy Chairman)
HELIOS Kliniken GmbH (Deputy Chairman)

COMMITTEES OF THE SUPERVISORY BOARD

Personnel Committee (until 28.01.2011)

Dr. Gerd Krick (Chairman) [1]
Wilhelm Sachs [1]
Dr. Karl Schneider [1, 2]

The KGaA has no Personnel Committee.

Nomination Committee

Dr. Gerd Krick (Chairman) [1, 3]
Prof. Dr. h. c. Roland Berger [3]
Dr. Gerhard Rupprecht [3]
Dr. Dieter Schenk [1, 2]
Dr. Karl Schneider [1, 2]

Audit Committee

Prof. Dr. h. c. Roland Berger (Chairman) [1, 3]
Konrad Kölbl [1, 3]
Dr. Gerd Krick [1, 3]
Gerhard Roggemann [3]
Rainer Stein [1, 3]
Dr. Karl Schneider [1, 2]

[1] Committee member of the Supervisory Board of the legal predecessor Fresenius SE until January 28, 2011
[2] Member of the Management Board of the legal predecessor Fresenius SE until January 28, 2011
[3] Committee member of the Supervisory Board of Fresenius SE & Co. KGaA since March 11, 2011

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General Partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider[1]

Frankfurt am Main

Chairman

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi Austria GmbH, Austria
(until June 30, 2010)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Groupe France S.A.S., France
(Chairman)
Fresenius Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (Chairman)

Board of Directors
APP Pharmaceuticals, Inc., USA
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA

Rainer Baule[1]

Ettlingen

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
(Chairman)
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius Kabi España S.A., Spain
Labesfal – Laboratórios Almiro, S.A., Portugal

Administrative Board
Fresenius Kabi Groupe France S.A., France (Chairman)
Fresenius Kabi Italia S.p.A., Italy

Board of Directors
APP Pharmaceuticals, Inc., USA
Dabur Pharma (Thailand) Co. Ltd., Thailand
FHC (Holdings) Ltd., Great Britain
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Inc., USA (until March 24, 2010)
Fresenius Kabi Oncology Plc., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA
Fresenius Kabi (Singapore) Pte Ltd., Singapore

Dr. Francesco De Meo[1]

Petersberg

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Klinikum Bad Saarow GmbH (Chairman)
HELIOS Klinikum Emil von Behring GmbH (Chairman)
HELIOS Klinikum Erfurt GmbH
(Chairman since January 12, 2010)
HELIOS Klinikum Krefeld GmbH (until October 31, 2010)
HELIOS Kliniken Leipziger Land GmbH
(Chairman since January 15, 2010)
HELIOS Kliniken Mansfeld-Südharz GmbH
(since January 12, 2010; Chairman since March 4, 2010)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Spital Überlingen GmbH (Chairman)

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG

Dr. Jürgen Götz[1]

Bad Soden am Taunus

Chief Legal and Compliance Officer,
and Labour Relations Director

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Dr. Ben Lipps[1]

Boston, Massachusetts (USA)

Business Segment

Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman)

Stephan Sturm[1]

Hofheim am Taunus

Chief Financial Officer

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A., Spain
HELIOS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH

Administrative Board
Fresenius Kabi Groupe France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler[1]

Linz, Austria

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH
(Deputy Chairman)
VAMED-KMB Krankenhausmanagement und
Betriebsführungsges. m.b.H., Austria (Chairman)

[1] Member of the Management Board of Fresenius SE until January 28, 2011

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General Partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick

Königstein

Chairman

Prof. Dr. h. c. Roland Berger

Munich

Klaus-Peter Müller

Bad Homburg v. d. H.

Dr. Gerhard Rupprecht

Gerlingen

Dr. Dieter Schenk

Munich

Lawyer and tax consultant

Deputy Chairman

Offices

Supervisory Board
Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG (Deputy Chairman)
Fresenius SE (until January 28, 2011; Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
TOPTICA Photonics AG (Vorsitzender)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Supervisory Board
Fresenius SE (until January 28, 2011)

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

FINANCIAL CALENDAR

Report on 1st quarter 2011 Conference call Live webcast	May 4, 2011
Annual General Meeting, Frankfurt am Main, Germany	May 13, 2011
Payment of dividend[1]	May 16, 2011
Report on 1st half 2011 Conference call Live webcast	August 2, 2011
Report on 1st – 3rd quarters 2011 Conference call Live webcast	November 2, 2011

[1] Subject to the prior approval by the Annual General Meeting

Fresenius SE & Co. KGaA's Report according to IFRS was published at our website http://www.fresenius.com.

FRESENIUS SHARE

	Ordinary share
Securities identification no.	578 560
Ticker symbol	FRE
ISIN	DE0005785604
Bloomberg symbol	FRE GR
Reuters symbol	FREG.de
Main trading location	Frankfurt/Xetra

Corporate Headquarters
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

Postal address
Fresenius SE & Co. KGaA
61346 Bad Homburg v. d. H.
Germany

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Contact for journalists
Corporate Communications
Telephone: ++49 61 72 6 08-23 02
Telefax: ++49 61 72 6 08-22 94
e-mail: pr-fre@fresenius.com

Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Dr. Ulf M. Schneider (President and CEO), Rainer Baule, Dr. Francesco De Meo, Dr. Jürgen Götz, Dr. Ben Lipps, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Report is legally binding.

The financial statements of Fresenius SE & Co. KGaA and the consolidated statements in accordance with IFRS accounting principles and U.S. GAAP are available on our website and may be obtained upon request at Investor Relations.
You will find further information and current news about our company on our website at: http://www.fresenius.com.

Forward-looking statements:
This Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA and Fresenius Kabi Pharmaceuticals Holding, Inc. – the actual results could differ materially from the results currently expected.