FRESENIUS



Seizing opportunities

2008

ANNUAL REPORT

Seizing opportunities

FRESENIUS MEDICAL CARE

FRESENIUS KABI

FRESENIUS HELIOS

FRESENIUS VAMED

Fresenius is a health care group providing products and services for dialysis, hospitals and the medical care of patients at home. In addition, Fresenius focuses on hospital operation, as well as on engineering and services for hospitals and other health care facilities. About 122,000 employees have dedicated themselves to the service of health in about 100 countries worldwide.

FRESENIUS

FRESENIUS GROUP IN FIGURES

in million €	2008	2007	2006	2005	2004
Earnings					
Sales	**12,336**	11,358	10,777	7,889	7,271
EBIT	**1,727**[1]	1,609	1,444	969	845
Net income	**450**[1]	410	330	222	168
Depreciation and amortization	**783**	421	399	320	315
Operating cash flow	**1,074**	1,296	1,052	780	851
Operating cash flow in % of sales	**8.7 %**	11.4 %	9.8 %	9.9 %	11.7 %
Earnings per ordinary share in €	**2.85**[1]	2.64	2.15[8]	1.76[8]	1.36[8]
Earnings per preference share in €	**2.86**[1]	2.65	2.16[8]	1.77[8]	1.37[8]
Balance sheet					
Total assets	**20,544**	15,324	15,024	11,594	8,188
Non-current assets	**15,466**	11,033	10,918	8,063	5,433
Equity[2]	**6,943**	6,059	5,728	5,130	3,347
Equity ratio[2]	**34 %**	40 %	38 %	44 %	41 %
Investments[3]	**4,617**	1,318	4,314	2,247	421
Profitability					
EBIT margin	**14.0 %**[1]	14.2 %	13.4 %	12.3 %	11.6 %
Return on equity after taxes (ROE)[4][6][9]	**10.5 %**	12.0 %	10.4 %	11.4 %	10.5 %
Return on operating assets (ROOA)[4][5][9]	**9.8 %**	11.4 %	10.4 %	11.7 %	11.1 %
Return on invested capital (ROIC)[4][5][9]	**7.3 %**	8.4 %	7.4 %	8.0 %	7.4 %
Dividend per ordinary share in €	**0.70**[7]	0.66	0.57	0.49[8]	0.45[8]
Dividend per preference share in €	**0.71**[7]	0.67	0.58	0.50[8]	0.46[8]
Employees (December 31)	**122,217**	114,181	104,872	91,971	68,494

[1] Before special items from the APP acquisition
[2] Equity including minority interest
[3] Investments in property, plant and equipment and intangible assets, acquisitions
[4] 2005: balance sheet adjusted for acquisition of HELIOS Kliniken
[5] 2006 pro forma Renal Care Group, excluding earnings from the divestiture of US dialysis clinics as well as their first quarter 2006 earnings
[6] 2006 pro forma Renal Care Group, excluding first quarter 2006 earnings of divested US dialysis clinics
[7] Proposal
[8] Adjusted for share split in February 2007
[9] 2008 pro forma APP Pharmaceuticals and excluding special items from the acquisition

You will find a 10-year overview on our website: www.fresenius.com / Investor Relations.

FRESENIUS MEDICAL CARE

DIALYSIS PRODUCTS,
DIALYSIS CARE,
EXTRACORPOREAL THERAPIES

	2008 in mill. US$	2007 in mill. US$	Change
Sales	**10,612**	9,720	9 %
EBIT	**1,672**	1,580	6 %
Net income	**818**	717	14 %
Operating cash flow	**1,016**	1,200	-15 %
Capital expenditure/ acquisitions	**1,011**	932	8 %
R&D expenses	**80**	67	19 %
Employees (December 31)	**68,050**	64,662	5 %

FRESENIUS KABI

INFUSION THERAPY, IV DRUGS,
CLINICAL NUTRITION,
MEDICAL DEVICES/
TRANSFUSION TECHNOLOGY

	2008 in million €	2007 in million €	Change
Sales	**2,495**	2,030	23 %
EBIT	**443**	332	33 %
Net income	**200**	183	9 %
Operating cash flow	**205**	179	15 %
Capital expenditure/ acquisitions	**3,749**	294	--
R&D expenses	**109**	86	27 %
Employees (December 31)	**20,457**	16,964	21 %

FRESENIUS HELIOS

HOSPITAL OPERATION

	2008 in million €	2007 in million €	Change
Sales	**2,123**	1,841	15 %
EBIT	**175**	155	13 %
Net income	**80**	64	25 %
Operating cash flow	**225**	202	11 %
Capital expenditure/ acquisitions	**140**	323	-57 %
Order Intake	**n/a**	n/a	
Employees (December 31)	**30,088**	30,043	0 %

FRESENIUS VAMED

ENGINEERING AND SERVICES
FOR HOSPITALS AND
OTHER HEALTH CARE FACILITIES

	2008 in million €	2007 in million €	Change
Sales	**524**	408	28 %
EBIT	**30**	26	15 %
Net income	**26**	23	13 %
Operating cash flow	**27**	72	-63 %
Capital expenditure/ acquisitions	**39**	10	--
Order Intake	**425**	395	8
Employees (December 31)	**2,802**	1,767	59 %

> for sustained success

In 2008, we tackled new challenges, made ongoing improvements, and achieved new record sales and earnings. Going forward, we will continue to seize opportunities with enthusiasm and determination, while pursuing our long-term strategy of profitable growth.

To Our Shareholders:

We seized our opportunities in the past year, expanding our business with confidence and determination. Fresenius Kabi was our main focus. With the acquisition of APP Pharmaceuticals, Fresenius Kabi gained a leading global position in the field of generic IV drugs. In addition, APP Pharmaceuticals provides Fresenius Kabi with a North American platform for its product portfolio, offering attractive mid-term growth opportunities. The APP Pharmaceuticals acquisition is the latest move in a series of significant strategic initiatives – such as the acquisition of the German hospital operator HELIOS Kliniken in 2005 and the US dialysis provider Renal Care Group in 2006.

Our other business segments also took full advantage of their business opportunities in 2008. Fresenius Medical Care continued its growth strategy in renal pharmaceuticals, broadening its product range with the addition of IV iron formulations. Fresenius Helios was a leading player in the German hospital privatization process and acquired six new clinics. Fresenius Vamed successfully leveraged its expertise in hospital projects and services, winning important new contracts.

Opportunities for growth are not only offered by acquisitions. Cutting-edge products and services, uncompromising quality, and international expansion help to improve the level of medical care for our patients around the globe. They also provide significant opportunities for organic growth. We present some of these opportunities in this annual report.

In addition to our significant strategic steps, we achieved excellent financial results in the past year. Sales grew to € 12.3 billion, an increase of 13 percent in constant currency. We saw outstanding organic growth in all our business segments. Net income before special items relating to the acquisition of APP Pharmaceuticals also increased by 13 percent in constant currency to € 450 million. Fresenius coped very well with

the challenging business environment in 2008 and I would like to sincerely thank the Group's employees for their achievements, exceptional commitment, and hard work.

We have ambitious targets for 2009. In constant currency, we expect to increase sales by more than 10 percent and net income before special items by approximately 10 percent. At the same time, we aim to improve our debt ratios, following the substantial investments of 2008.

The financial market crisis and the global economic slowdown make it all the more crucial that we achieve sustainable entrepreneurial success. In this regard, it is especially important that we integrate our acquisitions swiftly, generate industry-leading organic growth, and strive for cost and quality leadership. We will continue on our course, managing Fresenius with a strong focus on operational excellence and commercial prudence.

Thank you for your continued trust and support.

Dr. Ulf M. Schneider
Chairman of the Management Board

CONTENT

Seizing opportunities
Fresenius Medical Care
Page 6

Seizing opportunities
Fresenius Kabi
Page 8

58

106

Seizing opportunities
Fresenius Helios
Page 10

Seizing opportunities
Fresenius Vamed
Page 12

Seizing opportunities

Asia is an important growth market for Fresenius Medical Care. Approximately 620,000 patients with chronic kidney failure are currently being treated in this region, and every year this number increases by about 10 to 11 %. We will continue to take advantage of this growth potential. The significant demand for dialysis services offers substantial opportunities to expand our network of clinics in the Asian countries.

FRESENIUS MEDICAL CARE

In 2008, Fresenius Medical Care achieved sales of US$ 606 million in the Asia-Pacific region. Our goal is to continue our strong organic growth and to increase sales to more than US$ 800 million in constant currency by 2010.

FRESENIUS MEDICAL CARE IN ASIA

	2008	2007	Change
Sales (in million US$)	**606**	541	12 %
Employees (December 31)	**3,558**	3,095	15 %
Dialysis patients (December 31)	**9,158**	7,789	18 %
Dialysis treatments (million)	**1.34**	1.21	11 %
Dialysis clinics (December 31)	**125**	105	19 %

> in new markets

Seizing opportunities

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

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

APP PHARMACEUTICALS IN FIGURES

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

* Non-GAAP item

> for further growth

Seizing opportunities

At Fresenius Helios, our commitment is to provide the highest medical quality and care. We aim to offer advanced and proven best-in-class diagnosis and treatment methods for the benefit of our patients. We continuously invest in high-quality, state-of-the-art medicine, and aim to measure and improve the quality of medical care.

Our target ist that our quality indicators should be better than the German average. With a mortality rate of SMR < 1, this was accomplished, among others, for major illnesses shown below.

HELIOS QUALITY INDICATORS

Indications/ standardized mortality rate (SMR)*	**2008 SMR**	2007 SMR
Acute myocardial infarction	**0.73**	0.79
Heart failure	**0.73**	0.85
Stroke	**0.83**	1.01
Acute cerebral infarction	**0.81**	0.99
Pneumonia	**0.71**	0.85

* SMR of 1 corresponds to the German average.
SMR < 1 means that the mortality rate is below the German average, e.g. by 29 % for pneumonia.
More information is available at: www.helios-kliniken.de/ Medizinische Qualität/ Transparenz/ Medizinische Jahresberichte (in German only).

> for better health

Seizing opportunities

At Fresenius Helios, our commitment is to provide the highest medical quality and care. We aim to offer advanced and proven best-in-class diagnosis and treatment methods for the benefit of our patients. We continuously invest in high-quality, state-of-the-art medicine, and aim to measure and improve the quality of medical care.

Our target ist that our quality indicators should be better than the German average. With a mortality rate of SMR < 1, this was accomplished, among others, for major illnesses shown below.

HELIOS QUALITY INDICATORS

Indications/ standardized mortality rate (SMR)*	**2008 SMR**	2007 SMR
Acute myocardial infarction	**0.73**	0.79
Heart failure	**0.73**	0.85
Stroke	**0.83**	1.01
Acute cerebral infarction	**0.81**	0.99
Pneumonia	**0.71**	0.85

* SMR of 1 corresponds to the German average.
SMR < 1 means that the mortality rate is below the German average, e.g. by 29 % for pneumonia.
More information is available at: www.helios-kliniken.de/ Medizinische Qualität/ Transparenz/ Medizinische Jahresberichte (in German only).

> for greater efficiency

Summary of the Fiscal Year

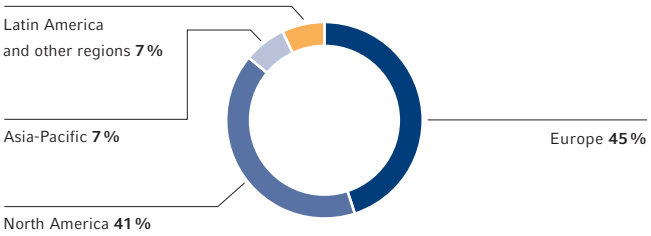
SALES

Consolidated sales increased by 9 % to € 12,336 million in 2008. Excellent organic growth of 8 % was achieved, while acquisitions contributed 5 % to growth. Currency translation effects reduced sales by 4 %.

EARNINGS

Operating income (EBIT) adjusted for special items relating to the acquisition of APP Pharmaceuticals grew by 11 % to € 1,727 million (2007: € 1,609 million). All the business segments contributed to this substantial growth.

SALES BY REGION



2008: € 12.3 billion

in million €	2008	2007	Change	Change in constant currency
EBIT, adjusted	**1,727**	1,609	7 %	11 %
Net interest	**- 431**	-368	-17 %	-20 %
Income taxes	**- 442**	-448	1 %	-3 %
Minority interest	**- 404**	-383	-5 %	-10 %
Net income, adjusted	**450**	410	10 %	13 %

- In North America, sales increased by 9 % in constant currency due to a good organic growth of 5 %. Net acquisitions contributed 4 %.
- In Europe, sales grew by 14 %, with organic sales contributing 9 %.
- In emerging markets, strong organic growth rates continued, achieving 17 % in Asia-Pacific and 18 % in Latin America.

- Group net interest was € - 431 million (2007: € - 368 million). The change compared to the prior-year figure is mainly due to the financing of the APP acquisition.
- Net income before special items relating to the APP acquisition was € 450 million, an excellent increase of 13 %. Adjusted earnings per ordinary and preference share rose by 11 %.

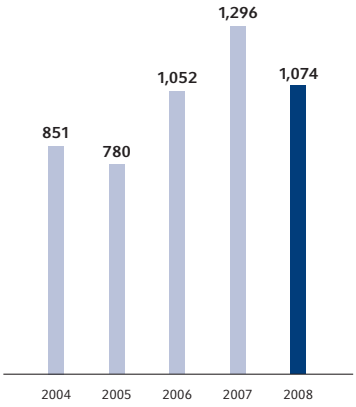
CASH FLOW

Operating cash flow of € 1,074 million was below previous year's € 1,296 million, mainly due to an increase in net working capital. This is attributable to higher trade accounts receivable and an increase in inventories.

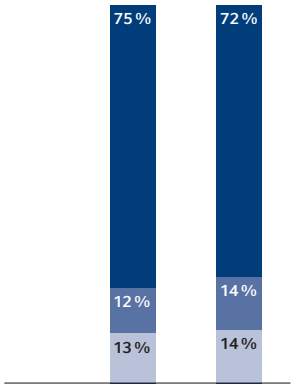
BALANCE SHEET

Total assets rose by 34 % to € 20,544 million. In constant currency, the increase was 31 %. Of the growth in total assets, 27 % is attributable to the companies acquired in 2008, mainly APP Pharmaceuticals.

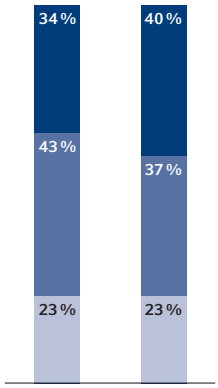
OPERATING CASH FLOW, IN MILLION €



ASSETS



EQUITY AND LIABILITIES



- The operating cash flow margin was 8.7 % (2007: 11.4 %).
- Cash flow before acquisitions and dividends decreased to € 338 million (2007: € 630 million), mainly due to high investments in property, plant, and equipment. Dividends were financed out of cash flow. Acquisitions were financed through new debt and equity.
- Shareholders' equity, including minority interest, increased by 15 % to € 6,943 million.
- The equity ratio, including minority interest, was 33.8 %.
- Debt increased to € 8,787 million (December 31, 2007: € 5,699 million), mainly as a result of the acquisition financing of APP Pharmaceuticals.
- The net debt/EBITDA ratio* increased to 3.6 (December 31, 2007: 2.6) due to the financing of the acquisitions.

* Pro forma APP Pharmaceuticals and excluding special items relating to the acquisition.

FRESENIUS

FRESENIUS SHARES AND CORPORATE GOVERNANCE REPORT

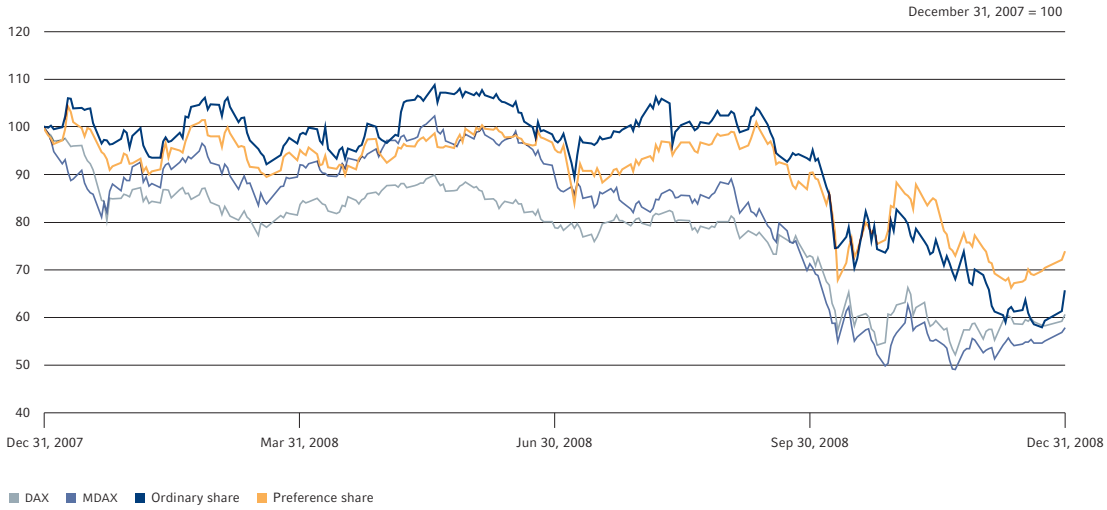
- SHARE PRICE PERFORMANCE IMPACTED BY THE GLOBAL FINANCIAL MARKET CRISIS.
- IN TERMS OF MARKET CAPITALIZATION, FRESENIUS IS ONE OF THE 30 LARGEST PUBLICLY TRADED COMPANIES IN GERMANY.
- DIVIDEND INCREASE PROPOSED.

In 2008, the stock markets were marked by the international financial market crisis and its impact on the real economy. In the course of the year, all stocks were buffeted by these events – resulting, in part, in correspondingly high share price losses. Despite the Fresenius Group's excellent financial results, neither the ordinary shares nor the preference shares were able to bypass this development.

STOCK MARKETS

The equity markets experienced strong price fluctuations in the first half of 2008. Although supported at first by the good company results released in the reporting season, the equity markets were not able to escape from the continuing turbulences on the money and credit markets. As early as January 2008, at 7,949 points, the DAX registered what would be its high for the year. By May 2008, the MDAX reached 10,069 points – its high for the year. From midyear, the effects of the financial crisis in the United States – triggered by the credit crisis on the US subprime mortgage market – spilled over with full force to the international capital markets. This led to a downward trend that persisted to the end of 2008. Despite the launch of global economic support programs for the industrial sector and huge rescue packages for banks, investors lost confidence. To limit their risks, many withdrew their capital from the stock market, leading to correspondingly high losses in stock prices and indices. The DAX lost heavily in the second half of the year, falling to 4,127 points in November 2008. At its low of 4,735 points in November the MDAX had lost over 50 % in value. Both indices recovered slightly by the end of the year but remained well below their levels at the beginning of 2008; the DAX and MDAX closed the year at 4,810 points and 5,602 points, respectively. Over the year the DAX lost 40 % and the MDAX 43 %. Despite the heavy losses, the DAX still did well compared to other European blue chip indices. The EuroStoxx 50 suffered considerable losses in 2008 with a decrease of 44 %. The European Dow Jones STOXX 600 Index, which comprises Europe's 600 largest companies, closed the year at 197 points, a decrease of 45 %. In this index the best performing sectors were Healthcare (-18 %), Food & Beverages (-30 %), and Telecommunications (-36 %), while Banks (-64 %), Basic Resources (-64 %), and Financial Services (-55 %) were the three worst performers. The leading US indices also lost heavily. The S & P 500 closed 2008 with a loss of 38 %, while the Dow Jones Industrial Average fell 34 %.

RELATIVE SHARE PRICE PERFORMANCE



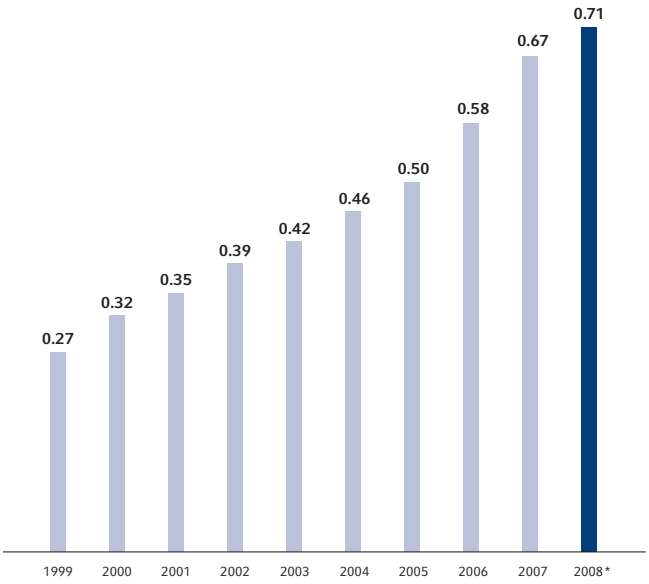
FRESENIUS SHARES

In 2008, the prices of both our ordinary shares and preference shares were affected by the repercussions of the global financial market crisis. At the end of the year, the ordinary share had lost 35 %, while the preference share was down 27 % from its price at the beginning of the year. Despite excellent financial results and a positive company outlook, Fresenius shares were unable to escape the general market trend. Both share classes exceeded the DAX and the MDAX but underperformed the Dow Jones Stoxx European Healthcare sector index (-18 %) and the German DAXsector Pharma & Healthcare index (-22 %). On December 22, 2008, at € 31.93, the ordinary share reached its low for the year, recovering only slightly to close the year at € 36.23. Its high for the year, € 60.87, was reached on May 19, 2008. The preference share registered its low for the year, € 37.23, on December 11, 2008 and its high, € 59.25, as early as January 9, 2008. It closed the year at € 41.59. Fresenius SE came 10th in the MDAX in terms of its full-year performance in 2008. Out of the 110 companies listed in the Deutsche Börse index, Fresenius was ranked 24th, at the end of 2008.

Fresenius SE's market capitalization as of December 31, 2008 was € 6.3 billion, a decrease of 28 % compared to December 31, 2007. As the following table shows, the average daily trading volume in Fresenius shares on Xetra has continued to rise.

	Average trading volume 2008	Average trading volume 2007	Change in %
Ordinary share	**79,081**	70,574	12
Preference share	**566,635**	534,660	6

DIVIDEND PREFERENCE SHARE IN €



* Proposal

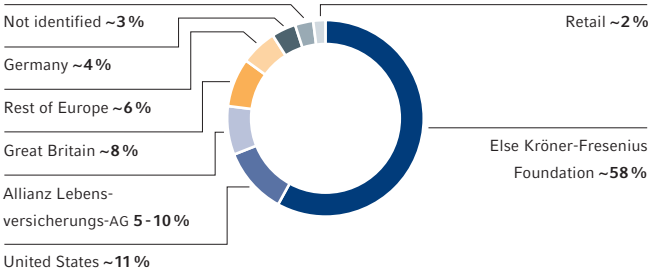
CAPITAL STRUCTURE

To partially finance the acquisition of APP Pharmaceuticals, we conducted a capital increase in authorized capital on August 12, 2008 with the issuance of 2,748,057 new ordinary shares and 2,748,057 new preference shares, generating gross proceeds of approximately € 289 million. The issue price was € 52.00 per ordinary share and € 53.00 per preference share. Existing shareholders' subscription rights were excluded. The new shares were included in the quotation of existing Fresenius SE shares in the Regulated Market at the stock exchanges in Frankfurt, Munich, and Düsseldorf on August 19, 2008. They have full dividend entitlement for the fiscal year 2008.

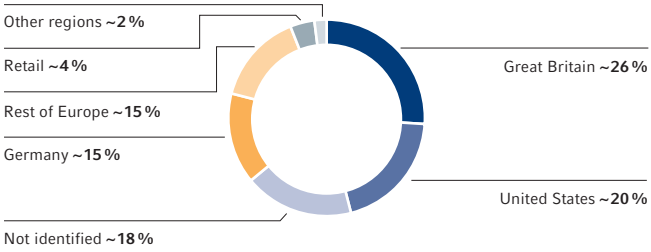
In addition, stock options on ordinary and preference shares under the 1998 and 2003 stock option plans were exercised to a small extent in 2008, increasing the number of ordinary and preference shares by 241,425 each. Further information on the stock option plan can be found on pages 173 to 179 of this Annual Report.

At the end of 2008, there were 80,571,867 bearer ordinary shares and 80,571,867 bearer preference shares outstanding.

SHAREHOLDER STRUCTURE ORDINARY SHARES



SHAREHOLDER STRUCTURE PREFERENCE SHARES



DIVIDEND

Based on the Group's excellent financial results, we are pleased to increase the dividend for 2008. We are therefore continuing our earnings-linked dividend policy. For the 16th consecutive year we are proposing to our shareholders a dividend increase to € 0.70 (2007: € 0.66) per ordinary share and € 0.71 (2007: € 0.67) per preference share – an increase of 6 % per share. The total proposed dividend distribution will be € 113.6 million, equivalent to 25 % of adjusted Group net income (before special items).

We have added a total return calculator as a service on our website at www.fresenius.com, see Investor Relations/ Shares/Share Price. You can use the calculator to determine the total return on your Fresenius shares including dividend payments.

SHAREHOLDER STRUCTURE

The Else Kröner-Fresenius Foundation is the largest shareholder of Fresenius SE, holding approximately 58 % of the voting shares. Allianz Lebensversicherungs-AG claims to hold between 5 and 10 % of the voting shares. In addition, we have received notifications pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz) from Fidelity (Great Britain: over 5 %; United States: over 3 %). For further details, please see pages 159 and 160 of the Notes.

At the beginning of 2009, a shareholder survey covering 90 % of our subscribed capital identified the ownership of 98 % of the ordinary shares and 82 % of the preference shares. According to this survey, a total of 289 institutional investors held about 86.8 million shares (54 % of subscribed capital). This was split into 24.0 million ordinary shares (30 % of the ordinary shares) and 62.8 million preference shares (78 % of the preference shares). 2.0 million ordinary shares and 3.5 million preference shares were identified as retail holdings.

The top ten investors hold approximately 16 % of the ordinary share capital and approximately 27 % of the preference share capital. Both share classes are mostly held by investors in Germany and Great Britain.

EARNINGS PER SHARE

Adjusted for special items relating to the acquisition of APP Pharmaceuticals, the Fresenius Group achieved adjusted earnings per ordinary share of € 2.85 and adjusted earnings per preference share of € 2.86 in 2008 (2007: € 2.64 per ordinary share; € 2.65 per preference share). This is an increase of 8 % for both share classes (11 % in constant currency). Further details on earnings and information on adjusted earnings per share can be found on page 74 of the Management Report and on page 137 of the Notes.

ANALYST RECOMMENDATIONS

The recommendations published by financial analysts are an important guide for institutional as well as private investors when making investment decisions. According to our survey, as of February 19, 2009 we were rated with 18 "buy" recommendations and 5 "hold" recommendations. This reflects analysts' confidence in the long-term earning power

KEY DATA OF THE FRESENIUS SHARES

	2008	2007	2006	2005	2004
Number of shares	**161,143,734**	155,164,770	51,451,292	50,722,280	40,971,038
Ordinary shares	**80,571,867**	77,582,385	25,725,646	25,361,140	20,485,519
Preference shares	**80,571,867**	77,582,385	25,725,646	25,361,140	20,485,519
Stock exchange quotation ordinary share[1] (€)					
High	**60.87**	63.35	51.32[6]	36.38[6]	27.83[6]
Low	**31.93**	50.17	35.47[6]	25.19[6]	20.10[6]
Year-end quotation	**36.23**	56.00	50.57[6]	35.33[6]	24.88[6]
Stock exchange quotation preference share[1] (€)					
High	**59.25**	63.12	55.32[6]	39.83[6]	24.09[6]
Low	**37.23**	50.70	37.41[6]	22.97[6]	16.96[6]
Year-end quotation	**41.59**	56.90	54.27[6]	38.22[6]	22.94[6]
Market capitalization[2] (million €)	**6,270**	8,759	8,091	5,596	2,939
Beta factor[3]	**0.85**	0.80	0.88	0.74	0.33
Total dividend distribution (million €)	**113.6**[4]	103.2	88.8	75.8	55.9
Per share in €					
Dividend ordinary share	**0.70**[4]	0.66	0.57	0.49[6]	0.45[6]
Dividend preference share	**0.71**[4]	0.67	0.58	0.50[6]	0.46[6]
Earnings per ordinary share	**2.85**[5]	2.64	2.15[6]	1.76[6]	1.36[6]
Earnings per preference share	**2.86**[5]	2.65	2.16[6]	1.77[6]	1.37[6]

[1] Xetra closing prices on the Frankfurt Stock Exchange
[2] Total number of ordinary and preference shares multiplied by the respective Xetra year-end quotation on the Frankfurt Stock Exchange
[3] Fresenius preference share (source: Bloomberg)
[4] Proposal
[5] Before special items relating to the APP acquisition
[6] Adjusted for share split

of the Fresenius Group and the potential both for our business and for our shares. The table on the next page lists the banks which provide regular analyst coverage on Fresenius and their latest recommendations.

INVESTOR RELATIONS

Our Investor Relations activities are in accordance with the transparency rules of the German Corporate Governance Code. We pursue comprehensive, timely, and open communication with private and institutional investors as well as financial analysts. The equal treatment of all market actors is very important to us in our day-to-day communication.

In 2008, we again intensified our dialogue with the capital market in order to enable investors and analysts to make a fair assessment of Fresenius Group's business situation and market conditions. In addition to the annual analysts' meeting and the quarterly conference calls, Fresenius also made

presentations in important financial markets in Europe and the United States. Regular contacts were further extended at ten international investor conferences, 17 roadshows, and numerous one-on-one meetings with institutional investors and analysts. A Capital Market Day was also held in December 2008 at which the managements teams of Fresenius Helios and Fresenius Vamed informed analysts and investors in detail about the business, strategies, and growth prospects.

We also used the Internet to intensify the dialogue with our private investors. Our private shareholders can follow live webcasts of the quarterly conference calls and annual analysts' meeting on our website at www.fresenius.com. Presentations can be downloaded shortly before and, of course, after the events in the Investor Relations section under "Presentations". We also publish all presentations by the Management Board given at international investor conferences. We intend to make further improvements in the ways we communicate with private shareholders, and would welcome any suggestions you may care to make. In 2009, we also plan to increase the information content of our website.

In 2008, we again received important commendations for the standard of our financial communications. In the competition for the best annual report conducted by the German business magazine manager magazin, which analyzed more than 200 annual reports published by German and European companies, we came fourth in the MDAX category and tenth in the overall ranking. In addition, we again received the Platinum Award for our annual report in the category "Health Care – Equipment & Supplies" from the League of American Communications Professionals (LACP). In the overall rating for all categories, Fresenius ranked a very good 21st, an improvement of four places over the previous year. Over 3,100 companies from 21 countries took part in this contest. Fresenius SE's online annual report won a prize at the ARC Awards in the Honor Award category. The independent US organization Mercomm, Inc. has been making internationally renowned awards for annual reports published by listed and private companies since 1987. In 2008, the jury reviewed a total of 2,100 annual reports from 28 countries, including 98 online reports. The jury was particularly impressed by the low-key design used to convey our healthcare group's image, the easy-to-read pages with a balanced mix of text and images, and the explanation of technical terms included directly in the text. In a study by the company NetFederation, Fresenius SE's Investor Relations website was ranked 6th under 110 websites of companies, listed in a Deutsche Börse index. Major criteria were story, service, technology and design. The annual study shows the quality of online Investor Relations of German companies.

Fresenius SE was awarded "Deal of the Year Award 2008" in the category Corporate Finance for its July issue of a Mandatory Excheangable Bond, to partially finance the acquisition of APP Pharmaceuticals. It was the last major equity-linked transaction in the market in 2008 and the only mandatory security in Europe during the year. The award was awarded by the Association of Corporate Treasurers (ACT), London.

ANALYST RECOMMENDATIONS

Bankhaus Lampe	February 2009	Buy
Bankhaus Metzler	February 2009	Buy
Cheuvreux	January 2009	Outperform
Citigroup	February 2009	Buy
Commerzbank	February 2009	Buy
Deutsche Bank	February 2009	Hold
DZ Bank	February 2009	Buy
equinet AG	February 2009	Hold
Euromobiliare	January 2009	Buy
Exane BNP Paribas	February 2009	Outperform
Goldman Sachs	January 2009	Hold
JP Morgan	February 2009	Buy
Landesbank Baden-Württemberg	April 2008	Buy
MainFirst Bank	December 2008	Buy
Merrill Lynch	January 2009	Buy
NordLB	July 2008	Buy
Piper Jaffray	February 2009	Buy
Redburn Partners LLP	August 2008	Buy
Sal. Oppenheim	January 2009	Buy
Societé Generale	December 2008	Hold
UBS	November 2008	Buy
UniCredit	January 2009	Hold
WestLB	February 2009	Add

CORPORATE GOVERNANCE REPORT

The German Corporate Governance Code (Code) was established to increase confidence in the corporate management of publicly traded companies. It aims to provide more transparency for investors regarding existing regulations covering the management and monitoring of companies. The Management and Supervisory Boards of Fresenius SE support the principles set out in the Code and are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Key elements of this approach are solid financial management, long-term corporate strategies, and strict adherence to legal and ethical business standards. Transparency in corporate communication is a further commitment. Good corporate governance is an integral part of corporate policy at Fresenius. Our value-enhancing strategies, as well as the majority of the guidelines, recommendations, and proposals for responsible management contained in the Code, have been basic components of our activities for many years.

Fresenius has published extensive information on the subject of corporate governance on the company website. The latest declaration of conformity and those for prior years are published there, where they can be downloaded.

SHAREHOLDERS

The shareholders uphold their rights at the Annual General Meeting, where they exercise their voting rights. Each ordinary share of Fresenius SE confers one vote. Although preference shares of Fresenius SE basically carry no voting rights, holders of these shares have precedence in the distribution of earnings and are entitled to a higher dividend. None of the shares carry multiple or preferential voting rights.

ANNUAL GENERAL MEETING

Our Annual General Meeting (AGM) was held on May 21, 2008 in Frankfurt am Main. Approximately 90 % of the ordinary share capital and over 59 % of the preference share capital was represented at the meeting. Those shareholders unable to attend the AGM were able to listen to the speech of the Chairman of the Management Board, which is broadcasted live over the Internet on the Investor Relations/Annual General Meeting section of our website at www.fresenius.com. Additionally, shareholders were able to have their voting rights exercised by proxy, or, in line with the recommendation in the Code, by a voting representative appointed by Fresenius SE. Those at the AGM voted on the appropriation of the distributable profits, gave their approval to the actions of the Management and Supervisory Boards and to the appointment of the auditors. Other resolutions passed at the AGM included the election of a new Supervisory Board and the approval of the 2008 stock option plan, including the creation of conditional capital and corresponding amendments of the Company Statutes. On each of the last two resolutions a special vote of the preference shareholders had to be taken.

MANAGEMENT BOARD

The Management Board of Fresenius SE is responsible for managing the Company and conducting its business, focusing its actions and decisions on the Company's interests. The Management Board's seven members are listed on page 192 of this Annual Report.

SUPERVISORY BOARD

The Supervisory Board of Fresenius SE consists of 12 members who are elected at the AGM. Of these, six have been proposed directly by the employees; the AGM is bound to these nominations. The term of office of the current Supervisory Board will end at the close of the Company's AGM in 2013.

One Supervisory Board member is a partner in a law firm that provides legal advice to the Group, a mandate approved by the Supervisory Board. Another Supervisory Board member is a partner and the supervisory board chairman of a company that provided consultancy services for the Fresenius Group in 2008. The Supervisory Board also approved this mandate. Yet another Supervisory Board member is the supervisory board chairman of a bank where the Fresenius Group maintains business accounts (on normal business terms). Fresenius SE has disclosed these details in the quarterly reports for 2008 and on page 179 of the Annual Report for 2008. There

DIRECTOR'S DEALINGS

2008	Name	Position	Class of share	Quantity	Price in €	Total volume in €	Type of transaction
June 4	Prof. Dr. R. Berger	SB	Ords	33,000	59.90	1,976,700.00	Sale
June 5	Prof. Dr. R. Berger	SB	Ords	18,000	60.04	1,080,720.00	Sale
June 10	Prof. Dr. R. Berger	SB	Ords	6,028	59.80	360,487.06	Sale
June 11	Prof. Dr. R. Berger	SB	Ords	3,882	59.85	232,330.32	Sale
June 12	Prof. Dr. R. Berger	SB	Ords	1,353	59.06	79,908.18	Sale
June 13	Prof. Dr. R. Berger	SB	Ords	13,009	59.27	771,043.43	Sale
August 8	Prof. Dr. R. Berger	SB	Ords	5,000	59.05	295,250.00	Sale
August 8	Prof. Dr. R. Berger	SB	Ords	4,009	59.20	237,332.80	Sale
July 7	R. Baule	MB	Prefs	200	48.68	9,736.00	Purchase
July 7	R. Baule	MB	Prefs	800	48.69	38,952.00	Purchase
August 28	B. Lipps	MB	Prefs	5,499	55.35	304,369.65	Sale
July 7	S. Sturm	MB	Prefs	1,000	49.90	49,907.68	Purchase
November 5	S. Sturm	MB	Ords	3,300	41.64	137,412.20	Purchase
November 5	S. Sturm	MB	Prefs	2,860	48.01	137,305.54	Sale
November 13	S. Sturm	MB	Ords	990	39.85	39,453.08	Purchase
November 13	S. Sturm	MB	Prefs	750	47.71	35,782.50	Sale
December 16	K. Berger	Wife of SB member	Ords	330	34.34	11,330.55	Sale

SB = Supervisory Board, MB = Management Board, Ords = Ordinary shares, Prefs = Preference shares

are no other consulting and service contracts between the Company and members of the Supervisory Board. The Supervisory Board is not aware of any conflicts of interest involving members of the Supervisory or Management Boards. Should such conflicts arise, members are required to notify the Supervisory Board immediately.

The Supervisory Board appoints the members of the Management Board, and supervises and advises the Management Board in its management of the Company. The Supervisory Board has established its rules of procedure in accordance with clause 5.1.3 of the Code. The Chairman of the Supervisory Board is responsible for coordinating the activities of the Board, chairing its meetings, and representing its interests externally. Regular dialogue with the Management Board insures that the Supervisory Board is well informed at all times about the Company's operating performance and corporate development and strategy. It approves all corporate planning and, taking into account the auditor's reports, approves the Group's annual financial statements. Another important part of the Supervisory Board's activities is the work conducted within committees formed in accordance with the requirements of the German Stock Corporation Act (Aktiengesetz) and the recommendations of the Code. The members of the Supervisory Board are listed on pages 193 to 194 of this Annual Report.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Fresenius SE has three permanent committees: the Audit Committee, consisting of five members, and the Personnel Committee and the Nomination Committee, each comprising three members. The members of the committees are listed on pages 193 and 194 of this Annual Report. The chairman of the Audit Committee is appointed in accordance with clause 5.3.2 of the Code. The Audit Committee's function is, among other things, to prepare the Supervisory Board's approval of the financial statements and the consolidated financial statements, review the quarterly reports before they are published, and – following discussion with

the Management Board – to appoint the auditor for the financial statements and determine the auditor's fees. Other matters within its remit are risk management and compliance issues.

The Personnel Committee is responsible for determining the conclusion, modification, and termination of the Management Board's employment contracts and the structuring of their compensation scheme. The Nomination Committee proposes suitable candidates to the Supervisory Board for the nominations it makes to the AGM for election to the Supervisory Board. It consists solely of shareholders' representatives.

In 2008, the Supervisory Board of Fresenius SE also set up a "Transaction Financing APP Pharmaceuticals, Inc." committee in connection with the acquisition of the US company APP Pharmaceuticals, Inc. The committee consisted of two shareholder representatives and two employee representatives. The functions delegated to this committee by the Supervisory Board included the provision of resolutions on the final acquisition price and on those terms of the transaction's financing that are subject to approval. In particular, the committee exercised the Supervisory Board's rights of consultation and approval with regard to the use of authorized capital pursuant to § 4 (5) of the Company Statutes (Authorized Capital II). The committee continued to exist after the end of 2008 in order to oversee the offering of unsecured Senior Notes in January 2009.

SUPERVISORY BOARD EFFICIENCY EVALUATION

The Supervisory Board deliberated on the efficiency evaluation in accordance with clause 5.6 of the Code at two of its meetings in 2008 and resolved to adopt a new procedure. The self-evaluations conducted so far have shown that the Supervisory Board is organized efficiently and that the Management Board and the Supervisory Board are cooperating effectively.

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARDS

Good corporate governance requires trusting and efficient cooperation between the Management Board and the Supervisory Board. The Management and Supervisory Boards of Fresenius SE work closely together in the interests of the Company. Open communication is of great importance. The Management Board discusses the Company's strategic focus with the Supervisory Board. As the monitoring body, the Supervisory Board also needs to be informed comprehensively about operating performance and corporate planning, as well as the risk situation, including risk management and compliance. Important business transactions require the approval of the Supervisory Board.

COMPENSATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

Details about the Management and Supervisory Board members' compensation, disclosures relating to the stock option plans, and on Directors & Officers (D & O) insurance policies can be found on pages 180 to 184 of the Notes.

DISCLOSURES ON DIRECTOR'S DEALINGS AND SHAREHOLDINGS IN 2008

Members of the Management and Supervisory Boards, other executive officers and persons closely related to them are required, pursuant to § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), to disclose purchases and sales of shares of Fresenius SE and financial instruments based on them (Director's Dealings). In compliance with clause 6.6 of the Code, ownership of company shares and financial instruments based on them must be disclosed by Management and Supervisory Board members if more than 1 % of the shares issued by Fresenius SE are held either directly or indirectly. No member of either board holds, directly and indirectly, more than 1 % of these shares. Furthermore, the combined holdings of all Management and Supervisory Board members of shares issued by Fresenius was less than 1 % in 2008. Nor did we receive any notifications that the shareholdings of members of the Management and Supervisory Boards had reached, exceeded, or fallen below the reporting thresholds stipulated in the German Securities Trading Act.

TRANSPARENCY AND COMMUNICATION

Fresenius adheres to all recommendations of clause 6 of the Code. Transparency is guaranteed by continuous communication with the public. In that way we are able to validate and extend the trust given to us. Of particular importance to us

is the equal treatment of all recipients. To insure that all market recipients receive the same information at the same time, we post all important publications on our website www.fresenius.com in the Investor Relations section. These publications include financial reports and director's dealings in accordance with § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz).

RISK MANAGEMENT

In our view, the responsible handling of risks is an element of good corporate governance. The systematic risk management that Fresenius practices allows the Management Board to make early identifications of market trends and to react promptly to relevant changes in our risk profile. The risk management system is reviewed as part of the annual audit. Further information can be found on pages 90 to 91 of the Management Report.

COMPLIANCE

At Fresenius, compliance with national and international legal and ethical principles is an integral part of our corporate culture. These principles, which underpin our professionalism, include honesty and integrity in relations with our patients, customers, suppliers, governments, employees, shareholders, and the general public. We make every effort to insure that our employees comply with the relevant national and international rules.

FINANCIAL ACCOUNTING AND REPORTING

Fresenius prepares its consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (US GAAP). As from the 2005 fiscal year, Fresenius, as a publicly traded company based in a member country of the European Union, has been required to prepare and publish its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), pursuant to § 315a of the German Commercial Code (HGB). Our largest subsidiary, Fresenius Medical Care, prepares its financial statements in accordance with US GAAP. We therefore publish our consolidated financial statements in accordance with US GAAP and our statutory consolidated financial statements in accordance with IFRS. This enables us to disclose our financial results to all our shareholders in a comparable and transparent manner.

IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE GUIDELINES

The Management and Supervisory Boards of Fresenius SE have issued a Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz) and have made it available to shareholders. In accordance with clause 3.10 of the Code, this declaration, as well as past declarations, is available on our website at www.fresenius.com; see Investor Relations/Corporate Governance. On May 21, 2008 the Management Board and the Supervisory Board of Fresenius SE declared in their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act that the recommendations of the German Commission on the German Corporate Governance Code of June 14, 2007, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, have been and are being met.

The Management Board and the Supervisory Board of Fresenius SE also intend to follow the recommendations of the Code in future.

Thus far, only the following recommendations have not been or are not being adhered to:

- Code clause 4.2.3 recommends that the Supervisory Board should agree to a cap for stock options and comparable instruments in the event of extraordinary, unforeseen developments. The Stock Option Plan 2008 does not contain such regulation.
- Pursuant to clause 5.4.1 of the Code, an age limit is to be specified for the members of the Supervisory Board. According to clause 5.1.2, the same shall apply for the members of the Management Board. As in the past, Fresenius will refrain from introducing an age limit for members of the Management and Supervisory Boards as this would limit the selection of qualified candidates.

FRESENIUS MEDICAL CARE

FACTS AND FIGURES 2008

- EXCELLENT OPERATING PERFORMANCE ACHIEVED.
- MARKET LEADERSHIP FURTHER STRENGTHENED.
- GROWTH STRATEGY IN RENAL PHARMACEUTICALS CONTINUED.

With sales increasing by 9 % and net income rising by 14 %, 2008 was an excellent year for Fresenius Medical Care. Operating performance in dialysis care was robust, while dialysis product sales achieved significant growth.

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for patients with chronic kidney failure. In 2008, we treated 184,086 patients at 2,388 dialysis clinics worldwide. The number of treatments increased by 5 % to 27.9 million. We market our comprehensive range of products in more than 100 countries. A global production network provides reliable patient care at any time. Fresenius Medical Care's largest plants are in the United States, Germany, and Japan.

BUSINESS DEVELOPMENT

In 2008, sales increased by 9 % to US$ 10,612 million (2007: US$ 9,720 million). This was driven by excellent organic growth of 7 %. Currency translation had a positive effect of 1 %. In constant currency, sales increased by 8 %. Fresenius Medical Care generated 66 % of its sales in North America, 24 % in Europe, and 10 % in the rest of the world.

Dialysis care accounted for 73 % of sales and dialysis products for 27 %. Revenues from dialysis care increased by 7 % to US$ 7,737 million (2007: US$ 7,213 million). Sales of dialysis products grew by 15 % to US$ 2,875 million (2007: US$ 2,507 million).

EBIT rose by 6 % to US$ 1,672 million (2007: US$ 1,580 million) resulting in an EBIT margin of 15.8 % (2007: 16.3 %). The margin reduction mainly reflected higher personnel expenses, and other operating and material costs, as well as lower utilization levels and reduced reimbursement rates for EPO and increased costs for the anticoagulant Heparin in North America. The margins were also influenced by a stronger growth of the dialysis services business outside North America (International segment) coupled with start-up costs for new clinics and unfavorable currency effects. Both segments experienced higher depreciation expense in 2008 compared to 2007 as a result of the expansion of production capacities. These effects were partially offset by increases in commercial payor revenue rates, higher volumes of products sold and other operational improvements.

Net income increased by 14 % to US$ 818 million (2007: US$ 717 million).

DIALYSIS CARE

Fresenius Medical Care is the market leader in dialysis care in North America. We treated about 33 % of all dialysis patients in the United States in 2008.

FRESENIUS MEDICAL CARE BY REGION

	North America	Europe	Latin America	Asia-Pacific	Total
Sales (in million US$)	7,005	2,510	491	606	10,612
Dialysis clinics (December 31)	1,686	400	177	125	2,388
Dialysis patients (December 31)	125,857	29,841	19,230	9,158	184,086
Treatments (in million)	19.1	4.5	2.9	1.4	27.9

DIALYSIS CARE IN NORTH AMERICA

	2008	2007	Change
Sales (in million US$)	**6,247**	6,002	4 %
Dialysis clinics (December 31)	**1,686**	1,602	5 %
Dialysis patients (December 31)	**125,857**	121,431	4 %
Treatments (in million)	**19.1**	18.5	4 %

Major growth drivers for the positive development of the dialysis care business in North America, Fresenius Medical Care's largest business region, were a higher average reimbursement per dialysis treatment and an increased number of treatments. In 2008, the average revenue per dialysis treatment in the United States was US$ 330; US$ 3 more than in 2007. The improvement in revenue per treatment is mainly due to increased commercial revenue rates. Organic sales growth in North America was 3 %. The average reimbursement per dialysis treatment and acquisitions contributed each 1 % to the growth. The divestiture and closure of clinics had a negative impact of 1 %.

Outside North America, dialysis care is a highly fragmented market. Here, Fresenius Medical Care is once again the largest provider and market leader. Sales rose by 23 % (18 % in constant currency). Our operating performance in Latin America and Europe was particularly successful in 2008, with growth rates of 22 % and 18 % in constant currency.

DIALYSIS CARE INTERNATIONAL

	2008	2007	Change
Sales (in million US$)	**1,490**	1,211	23 %
Dialysis clinics (December 31)	**702**	636	10 %
Dialysis patients (December 31)	**58,229**	52,432	11 %
Treatments (in million)	**8.7**	8.0	9 %

Reimbursement policies and market access differ considerably from country to country. In some countries, private companies are not permitted to operate dialysis clinics. However, clinic privatizations are offering additional growth opportunities. This trend can be observed especially in Eastern Europe.

DIALYSIS PRODUCTS

Fresenius Medical Care is also the world market leader for dialysis products, with a market share of about 32 % in 2008.

Sales from dialysis products increased by 15 % to US$ 2,875 million. Sales in North America grew by 15 % and in the International segment also by 15 % (11 % in constant currency). The main drivers were stronger sales of hemodialysis machines, dialyzers, blood lines, dialyses concentrates, products for peritoneal dialysis, as well as increased sales of the phosphate binder PhosLo and the intravenously administered iron products in the North American market. The iron products are the pivotal item of a recent license agreement.

SALES OF DIALYSIS PRODUCTS

in million US$	2008	2007	Change
Sales	**2,875**	2,507	15 %
Sales North America	**758**	661	15 %
Sales International	**2,117**	1,846	15 %

The main dialysis products are dialyzers, hemodialysis machines, and dialysis solutions, as well as products for peritoneal dialysis. Dialyzers and dialysis machines are our top-selling products. In 2008, Fresenius Medical Care produced about 80 million dialyzers, approximately 44 % of all dialyzers sold worldwide. The majority of all hemodialysis patients in the United States were being treated in 2008 with single-use dialyzers made by Fresenius Medical Care. In its own clinics, Fresenius Medical Care uses single-use dialyzers exclusively. This advance is expected to increase life expectancy and enhance patients' quality of life.

We are also the market leader for dialysis machines: Of the approximately 65,000 dialysis machines sold worldwide in 2008, over 55 % were produced by Fresenius Medical Care. International marketing of our 5008 therapy system, as well as the ongoing demand for the 4008 therapy system, contributed significantly toward this success. In the US market our 2008K series dialysis machines continued to be in strong demand. Our market share for these two product groups – dialyzers and dialysis machines – exceeded 70 % of the independent market. We define the independent market as comprising all dialysis clinics that do not belong to a major US-wide dialysis care provider, such as Fresenius Medical Care or DaVita.

The number of peritoneal dialysis patients grew by about 7 % to around 190,000 worldwide; the number of patients treated with our products increased to around 35,000. Worldwide, we hold an 18 % share of that market. Our market share in the United States was 26 % in 2008.

To meet the continuously growing global demand, Fresenius Medical Care began expanding its production capacities at various locations in Germany in 2008: At the St. Wendel plant in the Saarland, a total of approximately € 39 million was invested in the production of hollow fibers, the key component of dialyzers, and in expanding the production of peritoneal dialysis bags. Fresenius Medical Care is also investing about € 25 million in the plant in Schweinfurt, where production capacities for dialysis machines are being expanded. The growth in production will be driven both by currently produced models and by new product developments such as the 5008S dialysis machine.

RENAL PHARMACEUTICALS

Broadening our renal pharmaceuticals portfolio is an integral part of Fresenius Medical Care's growth strategy. By combining renal pharmaceuticals with our dialysis products and therapies, we intend to offer holistic therapy concepts that will give rise to even better treatment results for dialysis patients in the future.

We estimate that the global market for renal pharmaceuticals (excluding erythropoiesis-stimulating agents) is worth over US$ 2.2 billion. Fresenius Medical Care aims to generate sales of about US$ 400 million in this market by the year 2010.

In 2008, Fresenius Medical Care entered into a strategic joint venture with the Swiss health care group Galenica Ltd. and its subsidiary Vifor Pharma. The exclusive license agreements cover the intravenously administered (IV) iron products Venofer® and Ferinject®, used to treat the iron deficiency anemia experienced by dialysis patients. Venofer® is the world's leading IV iron product.

The purpose of the joint venture is to market and distribute Venofer® and Ferinject® in Europe, the Middle East, Africa, and Latin America. The cooperation agreement concerns all commercialization activities for both products in the field of dialysis and became effective on January 1, 2009. Outside the field of dialysis, commercialization of these IV iron products will remain fully the responsibility of Vifor Pharma and its existing key partners.

The total market for IV iron products in Europe, the Middle East, Africa, and Latin America was greater than US$ 120 million in 2007. After the first year of the agreement, Fresenius Medical Care expects combined annual sales from the two products to be in excess of US$ 50 million.

Fresenius Medical Care has also an exclusive US manufacturing and distribution sublicense for Venofer® for dialysis with Luitpold Pharmaceuticals, Inc. (Luitpold), which is a licensee of Galenica. In addition, the agreement includes a similar sublicense for the next generation of iron products for the United States and Canada. Known as Injectafer® (ferric carboxymaltose), this injection product is expected to enhance the treatment of anemia in dialysis patients through the application of innovative drug administration techniques.

Currently, the total purchases of IV iron products in the United States amount to approximately US$ 500 million. Venofer® has a US market share of approximately 55 %. As

part of the 10-year agreement for North America, Luitpold has contracted to continue to manufacture the products for Fresenius Medical Care.

We received regulatory approval for our phosphate binders PhosLo and OsvaRen in further European countries.

Cooperation with the pharmaceutical and biotech company Amgen for marketing the drug Aranesp® (darbepoetin alfa) in Europe continued successfully. Fresenius Medical Care supports Amgen by providing nephrologists and other dialysis specialists with scientific information about treating anemia.

NEW 5008S DIALYSIS SYSTEM

In 2008, three years after the successful launch of the 5008 therapy system, our new 5008S dialysis system was brought onto the market. The new system features online hemodiafiltration, the most advanced form of dialysis treatment currently available. This therapy allows that the special fluid required for the hemodiafiltration process is prepared inside the machine even when it is in operation, hence the term Online-HDF. Online hemodiafiltration has positive effects on the main cardiovascular risk factors for kidney patients and is a core element of Fresenius Medical Care's cardioprotective hemodialysis concept. This concept is designed to reduce cardiovascular disorders and helps further improve the prognoses for dialysis patients.

The 5008S system, for which our development engineers have retained the main features of the 5008 machine, was designed with the aim of making online hemodiafiltration available as a simple, safe, and efficient standard treatment. The ergonomic design, user friendliness, and level of automation of the 5008 generation have made them outstanding products.

The two therapy systems, the 5008 and the 5008S, thus exemplify a product philosophy characterized by the best possible therapy for the patient, the easiest administration for nursing staff, doctors, and technicians, and the optimal use of resources such as water and time.

TREATMENT QUALITY AND A PARADIGM SHIFT IN REIMBURSEMENT

In 2008, fundamental changes were introduced to reimbursement schemes for dialysis treatment in the United States and Europe. The modifications are aimed in particular at achieving more comprehensive patient care, improving its quality, and making healthcare systems more efficient.

A new reimbursement system was mandated in the United States for dialysis patients covered by the public health insurance plans, to take effect from January 1, 2011. End-stage kidney failure is one of the few chronic diseases that is covered by public health insurance in the United States. All products and services that are currently included in the basic reimbursement scheme (composite rate) and those services hitherto reimbursed separately, such as the administration of certain drugs and diagnostic laboratory tests, will in future be reimbursed by a single, flat-rate fee. The bundled reimbursement rate will be adapted to specific characteristics of the individual patient – such as age and weight. There will also be adjustments for those patients whose need for exceptional medical care results in high costs. In addition to the implementation of inflationary adjustments, the new regime will require the achievement of certain quality parameters. The reimbursement rate will, for example, be reduced for dialysis clinics that fail to meet certain quality standards. These standards include such things as the control of hemoglobin levels (anemia management), bone mineral metabolism, and patient satisfaction.

The changed reimbursement structures will offer advantages, opportunities, and challenges to Fresenius Medical Care. Thanks to its integrated business model, Fresenius Medical Care will not only be able to provide all the products and services included in the "therapy bundle" to the required quality; it can also work in a more focused way on the further development of its product and service portfolio.

In Portugal, where Fresenius Medical Care treats about 4,200 patients at 34 dialysis centers, the Ministry of Health and the National Association of privately run dialysis centers

agreed on a new reimbursement model for ambulatory care to hemodialysis patients at the beginning of 2008. The new flat-rate, is an integrated and quality-driven approach that no longer reimburses the costs of dialysis services and products individually but bundles a variety of dialysis related services and products. The objective is to achieve health benefits for the patient, quality improvement and system rationalization in the dialysis area. The new reimbursement model provides for payment of a national reimbursement rate per week per patient. The main characteristic is that the amount of this reimbursement will directly depend on the fulfilment of certain treatment results and quality control parameters with the dialysis services provided.

Given our existing high quality standards and proven methods of monitoring therapy results, Fresenius Medical Care has the best prerequisites to meet the new requirements. Including the new additional services in this reimbursement model, the reimbursement rate increased by about 50 % for Fresenius Medical Care. It also opens up completely new opportunities for quality oriented R&D on an integrated product and service offering for this market. Portugal is the first European country opting for a bundled reimbursement model in dialysis.

For further information, please see Fresenius Medical Care's Annual Report for 2008 or visit its website at www.fmc-ag.com.

FRESENIUS KABI

FACTS AND FIGURES 2008

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

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

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

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

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

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

BUSINESS DEVELOPMENT

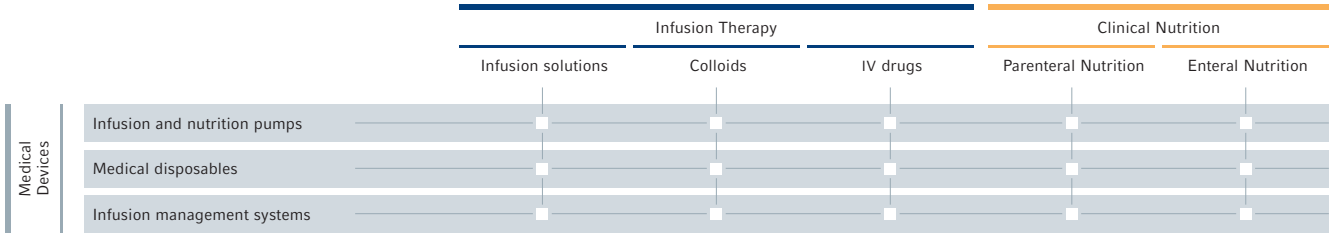
In 2008, Fresenius Kabi increased sales by 23 % to € 2,495 million (2007: € 2,030 million). Excellent organic growth of 9 % was achieved. Net acquisitions had an impact of 16 %, including the APP Pharmaceuticals and Dabur Pharma acquisitions, both of which were consolidated as from September 1, 2008. Currency translation had a negative impact of 2 % on sales, mainly due to the depreciation of the currencies in Great Britain, South Africa and Korea.

The sales growth by region was as follows:

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

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

FRESENIUS KABI – INTEGRATED PRODUCT PORTFOLIO



Sales by product segment were as follows:

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

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

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

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

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

ACQUISITIONS

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

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

  APP Pharmaceuticals is based in Schaumburg, Illinois, and has approximately 1,400 employees. The company has state-of-the-art production plants in Illinois, New York, and Puerto Rico as well as a sales subsidiary in Canada. In 2008, APP Pharmaceuticals achieved sales of US$ 777 million (2007: US$ 647 million). Adjusted EBITDA was € 317 million (2007: US$ 253 million).
- Dabur Pharma is a leading manufacturer of generic drugs and active pharmaceutical ingredients for cancer treatment. The company is based in New Delhi and has two production plants in India and one in Great Britain. Dabur Pharma achieved sales of approximately € 47 million in the fiscal year 2007/2008 (April 1, 2007 to March 31, 2008) and has about 960 employees. After acquiring 73.3 % directly from the controlling shareholders and 17.6 % through a public tender offer, Fresenius Kabi currently holds approximately 90.9 % of all shares in Dabur Pharma. Owing to regulatory requirements in India, Fresenius Kabi has to reduce its equity interest to a maximum of 90 %.

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

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

INFUSION THERAPY

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

For blood volume replacement, we offer so-called artificial colloids. By binding water in the cardiovascular system, they can compensate for blood loss. Our products contain hydroxyethyl starch (HES), which is derived from waxy maize starch. The products are used mainly in surgery and for emergency cases, and can be infused regardless of blood group. We are the world market leader for artificial colloids. Our Voluven® product is a reference product in this category. In 2008, we successfully launched a new blood volume substitute called Volulyte®. Volulyte® contains our proven HES active ingredient and was specially developed for patients with high blood loss or who need to be treated with volume substitutes over a longer period. This can be necessary for critically ill patients or after major surgery or for multiple injuries. Our new product is very similar to blood plasma in its electrolyte composition. This significantly reduces the risk of over-acidification (acidosis) of the blood by chloride. If the blood is overly acidified, the acid base balance in the blood is disturbed and the pH value becomes too low. Acidosis can cause nausea, vomiting, abdominal discomfort and in severe cases lead to impaired organ function and even death. Thanks to long years of medical experience with Voluven®, we expect our new product Volulyte® to establish itself quickly in the markets. Its market introduction was begun in Germany, the United Kingdom, and the Netherlands in June 2008.

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

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

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

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

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

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

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

CLINICAL NUTRITION

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

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

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

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

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

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

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

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

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

FRESENIUS HELIOS

FACTS AND FIGURES 2008

- POSITION IN THE GERMAN HOSPITAL MARKET EXPANDED.
- EXCELLENT ORGANIC GROWTH OF 5 % ACHIEVED.
- HELIOS CLINICS KREFELD SUCCESSFULLY INTEGRATED.

Fresenius Helios is a well-recognized partner in the German acute care market privatization. In 2008, we deliberately continued our growth strategy, acquired one hospital and announced the acquisition of five additional clinics. The integration of the HELIOS clinics in Krefeld was successfully continued. In the past year, Fresenius Helios achieved sales of € 2.1 billion and increased earnings significantly.

HELIOS operates 62 clinics with more than 18,000 beds, including five maximum care clinics in Berlin-Buch, Erfurt, Krefeld, Schwerin, and Wuppertal where about 600,000 inpatients were treated, today. In addition to the 43 acute care hospitals, the HELIOS Group includes 19 postacute care clinics. The company had over 30,000 employees at the end of 2008.

BUSINESS DEVELOPMENT

In 2008, Fresenius Helios increased its sales by 15 % to € 2,123 million (2007: € 1,841 million). Very good organic growth of 5 % was achieved (2007: 3 %), driven by a gratifying rise in the number of inpatient and outpatient admissions. Acquisitions, especially the acquisition of HELIOS Klinikum Krefeld, contributed 11 % to sales growth. Divestitures reduced sales by 1 %. Fresenius Vamed acquired four clinics in the Czech Republic from Fresenius Helios, with effect as of October 22, 2008. Together, the clinics generated total sales of approximately € 24 million.

As the table shows, earnings were much improved: EBITDA increased 14 % to € 251 million (2007: € 220 million). The EBITDA margin was 11.8 % (2007: 12.0 %). Fresenius Helios achieved an EBIT growth of 13 % to € 175 million (2007: € 155 million), corresponding to an EBIT margin of 8.2 % (2007: 8.4 %). We achieved this very good result despite a number of negative factors. Earnings were affected particularly by a loss at the HELIOS Klinikum in Krefeld in its first year of consolidation. An additional factor was the 0.5 % budget cut for the stabilization of public health costs. This will not apply in 2009. Net income rose by 25 % to € 80 million (2007: € 64 million).

At HELIOS' established clinics, sales rose by 5 % to € 1,921 million. EBIT improved by 18 % to € 181 million. The EBIT margin was 9.4 % (2007: 8.4 %). The acquired clinics (consolidation < 1 year) achieved sales of € 202 million and an EBIT of € -6 million.

in million €	2008	2007	Change
Sales	**2,123**	1,841	15 %
EBITDA	**251**	220	14 %
EBITDA margin (%)	**11.8**	12.0	
EBIT	**175**	155	13 %
EBIT margin (%)	**8.2**	8.4	
Net income	**80**	64	25 %

The hospital operations business exhibits stable cash flows, thanks to the reimbursement by health insurers. In 2008, days sales outstanding were 38 days (2007: 43 days). The loss on revenue was at 0.3 % (2007: 0.3 %).

GROWTH IN HOSPITAL ADMISSIONS AND TREATMENTS

The introduction of Diagnosis Related Groups (DRGs), with standardized base rates in each federal state, means hospitals in Germany face increasing competition for patients. The HELIOS clinics have successfully adjusted to the changed reimbursement and competitive conditions. Due to the broadening of services being offered and our high quality standards, we were again able to increase the number of inpatients

treated in Germany. These rose in 2008 to a total of 543,383, an excellent growth of 15 % (2007: 476,477). The number of outpatients treated rose substantially by 26 % to 1,418,325 (2007: 1,127,613).

	2008	2007	Change
Inpatient and semi-inpatient admissions	**548,383**	476,477	15 %
Acute care clinics	**513,990**	442,383	16 %
Postacute care clinics	**34,393**	34,094	1 %
Outpatient admissions	**1,418,325**	1,127,613	26 %

Other performance indicators were as follows: At the acute care hospitals, the average length of stay was 7.1 days (2007: 7.1 days). Occupancy at the postacute care clinics was 83 % (2007: 82 %).

	2008	2007	Change
Acute care clinics	**38**	40	-5 %
Beds	**13,733**	13,333	3 %
Length of stay (days)*	**7.1**	7.1	–
Postacute care clinics	**19**	20	-5 %
Beds	**3,516**	3,859	-9 %
Length of stay (days)*	**30.1**	31.9	-6 %
Occupancy*	**83 %**	82 %	–

* Germany only

INVESTMENTS IN HOSPITAL BUILDINGS

In 2008, Fresenius Helios invested € 200 million in its clinics (2007: € 401 million). Own investments amounted to € 135 million (2007: € 149 million). The slight decrease is due to the completion of the new Berlin-Buch hospital building in 2007. Approximately € 37 million was invested at this hospital in 2008 (2007: about € 75 million). HELIOS also invested about € 16 million of its own funds in Schwerin. In 2008, HELIOS approved the designs for the new buildings to be constructed at the two clinics in Krefeld. The overall investment cost is approximately € 180 million. These investments assure high standards of medical quality long-term and enhance the clinics' profitability.

in million €	2008	2007	Change
Investments	**200**	401	-50 %
Own investments in property, plant, and equipment	**135**	149	-9 %
Subsidies*	**60**	78	-23 %
Acquisitions	**5**	174	–

* Total of purpose-related public investment subsidies according to section 9 of the Hospital Funding Act (Krankenhausfinanzierungsgesetz).

WAGE TARIFF AGREEMENTS NEGOTIATED

HELIOS aims to present itself as an attractive employer. HELIOS concluded the first trade union wage tariff agreement in the German hospital market with ver.di (the United Services Union), in force since the end of 2006, followed by an agreement with the Marburger Bund, in force since the beginning of 2007. On October 1, 2008, HELIOS concluded a follow-on tariff agreement with the Marburger Bund.

The group wage tariff agreement with ver.di was also extended to cover other non-medical staff, particularly employees of the former HUMAINE acute care clinics in Bad Saarow, Dresden, and Plauen. All HELIOS clinic staff are to be successively integrated into the group wage tariff agreement. In this way, we shall be creating a homogeneous tariff structure that contains clear incentives, with a focus on career paths that cover training as well as reconciling the interests of family and career.

EXPANSION SUCCESSFULLY CONTINUED

HELIOS' business model is based on growth through acquisitions. One element of our acquisition strategy is the regional proximity of hospitals – sufficiently close to one another to form networks (clusters). Regional clustering enables cost savings, especially by concentrating non-medical services (for example, laundry or catering) in one hospital.

Our focus is on high standards of medical quality and patient care. In the postacquisition phase, the reorganization of processes and the implementation of HELIOS' proven

quality management system have led to focused, profit-oriented hospital management. The aim is to increase the EBITDA margin of a stand-alone hospital to 15 % within five years of consolidation.

HELIOS continued to expand successfully in the German hospital market in the past year. The Mariahilf hospital in Hamburg-Harburg was integrated into the HELIOS Kliniken Group in August 2008. The hospital has a total of 185 beds in the specialist areas of internal medicine, surgery, pediatrics, neonatology, gynecology, and obstetrics.

In December 2008, HELIOS announced the acquisition of three hospitals in the Mansfeld-Südharz county of Saxony-Anhalt and two hospitals in the Northeim county of Lower Saxony. Together, the five clinics generated total revenues of approximately € 136 million in 2007. HELIOS successfully closed the transactions in February 2009.

As an experienced privatization partner, HELIOS is in an excellent position to make further acquisitions and will continue to focus on expanding its market position in Germany.

Great strides were made in integrating the HELIOS clinics in Krefeld and Hüls that were first consolidated at the beginning of 2008. The number of admissions rose by 7 % in their first year of affiliation, attributable to the swift implementation of medical, structural, and personnel decisions. Their integration into the established HELIOS quality management system also contributed to this success.

GOAL: BEST-IN-CLASS MEDICAL RESULTS

In 2008, HELIOS continued its successful program for improving the quality of its medical results. A unique quality management system, developed in-house, assures continuous improvement in the standards of patient care. For more information on quality management and the medical quality initiative co-sponsored by HELIOS, please see the Management Report, page 88.

HELIOS has been pioneering the development of quality indicators on the basis of administrative data since 2000. The set of indicators currently used, which provides information on the medical services performed and the quality of the results for critical ailments in a standardized and comparable form, is the most comprehensive in the German hospital market. Not only applied at HELIOS, it is also considered at well over 200 other clinics in Germany and abroad – for instance in Switzerland. In many areas, mortality rates at the HELIOS clinics are 15 % to 25 % below the German average or a comparable international benchmark. For further information, please see page 10 of this annual report.

The QSR hospital reports (Qualitätssicherung der stationären Versorgung mit Routinedaten – Securing quality of inpatient treatment with administrative data) published by health insurer AOK are an important extension of the quality indicators based on hospital stays that HELIOS has already been publishing for years. Since the indicators measured within the hospital say nothing about how ailments may develop after patients are discharged, HELIOS clinics have been working with the National AOK Association and other partners to develop indicators for long-term quality results derived from health insurers' existing administrative data. The QSR hospital reports of AOK enable a standardized evaluation of long-term results of medical treatment in all German clinics. HELIOS was the first hospital group that published this new significant quality information for all HELIOS clinics. The QSR results, like the HELIOS indicators that have been published for some time, show HELIOS to have a quality lead over the national average in many areas.

Continuous quality improvement at HELIOS clearly requires an optimal cost-effective organization of the processes and the treatment procedures at our clinics. In 2009, we will continue to work in all major areas toward our goal of achieving levels of treatment quality that are higher than the German average or other generally accepted international standards.

You will find more information on the German hospital market on pages 70 to 71 and 101 to 102 in the Management Report.

FRESENIUS VAMED

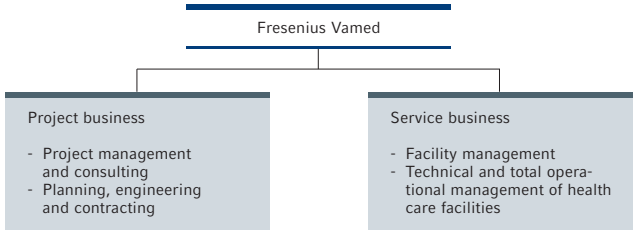
FACTS AND FIGURES 2008

- STRONG SALES AND EARNINGS GROWTH ACHIEVED.
- NEW RECORD IN ORDER INTAKE.
- WELL-POSITIONED FOR FURTHER GROWTH.

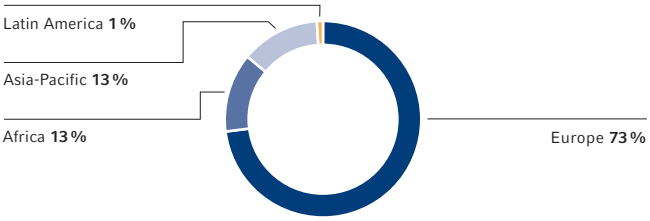
Fresenius Vamed had a successful year in 2008 with sales growth of 28 % and EBIT growth of 15 %. Order intake and order backlog also developed excellently and provide a solid basis for further growth.

Fresenius Vamed specializes in international projects for hospitals and other health care facilities. The portfolio ranges from project development, planning and turnkey construction, via maintenance, technical, commercial and infrastructure services as well as the total operational management. VAMED offers a complete value chain to support hospitals efficiently and successfully at each level of their life cycle. The company is also a pioneer in public-private partnership (PPP) models for hospitals in Central Europe. Founded in 1982, VAMED has grown from a small project company to become one of the world's leading providers of a full line of services for the health care industry. Meanwhile, we hold a unique position with our comprehensive portfolio of services. We have completed approximately 470 projects in 50 countries.

Fresenius Vamed has the following structure:



SALES BY REGION



2008: € 524 million

BUSINESS DEVELOPMENT

In 2008, Fresenius Vamed increased sales by 28 % to € 524 million (2007: € 408 million). The table shows the sales development by activity:

in million €	2008	2007	Change
Project business	**336**	259	30 %
Service business	**188**	149	26 %

In 2008, the strongest region was Europe with 73 % of total sales. Both Asia-Pacific and Africa accounted for 13 % of total sales.

In addition, VAMED was responsible for revenues of approximately € 470 million from management contracts in 2008. The related fees are included in VAMED's financial statements.

Order intake and order backlog for projects improved strongly as follows:

in million €	2008	2007	Change
Order intake	**425**	395	8 %
Order backlog (December 31)	**571**	510	12 %

Earnings performance at Fresenius Vamed was very positive. In 2008, EBIT rose by 15 % to € 30 million (2007: € 26 million), with an EBIT margin of 5.7 % (2007: 6.4 %).

Since the individual areas of activity are not capital intensive, Fresenius Vamed achieved an excellent return on equity (ROE) before taxes of 22.2 % (2007: 22.9 %).

Fresenius Vamed's net income was € 26 million, an increase of 13 % (2007: € 23 million).

PROJECT BUSINESS

The project business comprises the consulting, project development, planning, turnkey construction and financing management of projects. VAMED responds flexibly to clients' local needs, providing custom-tailored solutions, all from one source. VAMED also carries out projects in cooperation with partners. Among public clients in particular there is growing interest in public-private partnerships (PPPs). With these business models hospitals or other health care facilities are planned, constructed, financed and operated by public and private partners through a joint project company.

Our project business was again very successful in 2008. In Gabon, one of our key markets in Africa, VAMED completed and handed over three regional hospitals. Work was begun on the project development for the extension of the central hospital in Libreville and for a new regional hospital with attached oncology unit. We also won a contract for the construction and equipment of a supra-regional medical training center for African physicians. The center is located near the regional hospital at Libreville planned, constructed and operated by VAMED.

In Ghana, another key market, VAMED was awarded the contract for the turnkey construction of five polyclinics. In Nigeria, VAMED began work on the extension of six university clinics. We were able to win further projects as well.

In Sri Lanka, VAMED successfully entered the market with a contract for the supply of medical equipment for 20 hospitals across the country.

In China, a market where VAMED has already been operating successfully for many years, a total of five new contracts were won for the supply of medical equipment for a number of hospitals. To further strengthen our position, we also continued to pursue various joint venture projects. Here, the focus is especially on contracts for the turnkey construction of hospitals.

In Russia, work was successfully continued on the turnkey construction of a 300-bed hospital in Krasnodar. Our coverage of the markets in Azerbaijan, Kazakhstan, Uzbekistan and Turkmenistan was continued intensively in 2008. We have already won several planning contracts and a project for the supply of medical equipment.

In VAMED's home market, Austria, the focus was on the development of further PPP projects and holistic realization models. Additional project assignments were successfully executed within the framework of existing private-public partnerships. A number of other PPP projects are currently being developed in Central Europe.

In partnership with the City of Vienna, the thermal center in Vienna-Oberlaa is currently being expanded into a unique health and wellness center. This mega project – the only thermal center of this size in a European city – is due to be completed by the year 2011. The contract for this project is worth over € 100 million.

Work was begun on another thermal center project, the Tauern SPA World in the Kaprun/Salzburg region. VAMED is the developer, general contractor and future operator of this € 80 million project.

In Vorarlberg, the go-ahead was given for the construction of the 150-bed Montafon postacute care clinic. This clinic will remedy the lack of facilities for inpatient postacute care

in the region. When the project is completed, VAMED will also be responsible for the clinic's total operational management under long-term contract.

Approval was also issued in 2008 for the construction of the Neurological Therapy Center in Gmunderberg, Upper Austria, with about 150 beds. VAMED will be responsible for the planning and construction of this project and later for the total operational management of the facility.

SERVICE BUSINESS

VAMED offers a full range of facility management services for health care facilities from consulting, planning and execution to total operational management. Modular in design, our service offering encompasses every aspect of technical, commercial and infrastructural facility management, ranging from building and equipment maintenance, medical technology management, waste management, energy management, cleaning of buildings and outdoor facilities, security services, through to technical management. With this integrated portfolio of services we guarantee optimal operation of a facility over its entire life cycle, from the construction of the buildings to the end of primary use, modernization or renewal. In addition to facility management, VAMED also specializes in logistics for the health care industry. By optimizing the processes, logistics costs are minimized while still maintaining the necessary supply standards.

In the field of hospital services, the partnership with AKH in Vienna has been successfully continued. As well as VAMED's technical management role, which we have been performing since 1986, this also included a number of structural building projects. AKH comprises 31 clinics and institutes with a total of about 2,100 beds. With the PPP contract for the technical management of two hospitals in Lower Austria with a total of 1,230 beds, VAMED also succeeded in winning the second largest contract of this kind ever awarded in Austria.

A project of special interest is the PPP model in Oberndorf near Salzburg. Here, VAMED has been engaged to operate the existing acute care hospital, make structural improvements and extend it, and with the construction of a new medical and postacute care center develop the site into an integrated health care facility.

In Germany, the service contract with the university clinic in Hamburg Eppendorf was renewed for another three years until 2013 on the basis of the successful cooperation in the past. Under the service contract with the Charité University Clinic in Berlin the consortium headed by VAMED is responsible for all operations at Charité except the purely medical services. The approximately 2,300 employees of Charité CFM Facility Management GmbH, the company set up specially for this purpose, again carried out their services to the customer's complete satisfaction in 2008.

At the beginning of 2008, VAMED acquired the German company HERMED Technische Beratungs GmbH. HERMED specializes in the maintenance, repair and operation of medical equipment in hospitals, primarily for small to mid-sized units. HERMED also provides consulting and planning services in the medical equipment of hospitals. With the acquisition of HERMED and its further successful development in 2008, we gained access to new customer and market segments.

In Gabon, VAMED is responsible for the overall management of a total of seven regional hospitals and for the technical management of a hospital in Libreville. In Libya, the Medical Center Tripoli is one of the most important technical management reference projects. This service contract was renewed for another two years in 2008.

Our total operational management of both the 450-bed Al Ain Clinic in Abu Dhabi and the exclusive 330-bed Petronas Clinic in Kuala Lumpur, Malaysia, was successfully continued. These two projects are being conducted in cooperation with the Vienna University of Medicine and are important reference projects for VAMED's all-round competence in the Arab and South-east Asia regions.

In Europe, the focus of VAMED's activities will be on holistic realization and PPP projects in 2009. Outside Europe, the focus will be on custom-tailored solutions for hospitals along the VAMED value chain.

FRESENIUS

RESPONSIBILITY, ENVIRONMENT, SUSTAINABILITY

- CONTINUITY OF PERSONNEL DEVELOPMENT IS OF HIGHEST IMPORTANCE AT FRESENIUS.
- THE QUALITY OF OUR PRODUCTS AND THERAPIES IS ESSENTIAL FOR BEST-IN-CLASS MEDICAL CARE.
- WE ARE CONSTANTLY STRIVING TO IMPROVE OUR ENVIRONMENTAL MANAGEMENT.

By defining both our corporate goals and our internal processes for the long term, we can make sure that our activities meet the needs of patients, employees, and third parties on a sustainable basis.

Our products provide optimum care for the severely and chronically ill. To the patients' benefit, we are constantly striving to develop new therapies and to improve the performance of existing products.

Our employees are the foundation of our company's success. We are committed to further the development of our employees through a wide range of measures and actively promote international and divisional cooperation.

Our processes conform to the highest quality and safety standards as well as the needs of environmental protection and thus the conservation of natural resources.

EMPLOYEES

The high qualification standards and commitment of our employees are the basis of our growth, evidenced by the wide-ranging opportunities offered to employees for assuming responsibility early in their careers. The Fresenius Group is a favored employer, not only for national and international university graduates, school leavers, and qualified specialists but also for internships and degree projects.

The successes achieved in our personnel activities have encouraged us to address other challenging projects. In addition to employee development and personnel marketing, we are also focusing on the management of demographic change. A distinctive impact of the demographic development is that fewer young employees will be available. So, an important strategic task is to prepare our staff for a longer working life and to offer even more attractive career opportunities for young employees.

EMPLOYEE DEVELOPMENT AND PERSONNEL MARKETING

Employee development at Fresenius aims to prepare employees for the dynamic business developments that lie ahead, and to support them in responding to changes and opportunities early on by accepting these as a positive challenge. Since needs in the various business segments differ, all employee development concepts are formulated and implemented according to specific requirements.

In the development of international top management executives, we again collaborated successfully in the past year with our longstanding partner, the INSEAD Business School, with locations in Fontainebleau, Singapore, and Abu Dhabi. A special focus was on the international networking of the course participants. The resulting personal, strategic, and procedural challenges are part of the current program.

Another target is providing the various business segments and their employees with professional support when faced with growth-induced organizational changes. Organizational development measures can, for instance, build on segment-specific employee surveys which form the basis for tailored concepts.

Fresenius also continuously supports its employees through a comprehensive range of training measures to enhance their professional, personal, and leadership skills, designed to develop and tap their individual strengths. The targeted, organized transfer of an employee's know-how to a successor makes sure that the knowledge does not get lost.

An important module here is our trainee program, which has become an established entry opportunity for high-potential junior specialists and managers in all business segments.

We have continued to expand our personnel marketing activities in order to reach interested and suitable potential employees and persuade them to further their careers with Fresenius. This is particularly important since most people only come into contact with our products and services in extreme personal situations. Consequently, activities such as our presence at careers fairs at selected universities, and presentations given by our employees at careers events, are a vital aspect of our personnel marketing activities. We continually update the careers section of our website. A new element – an electronic e-recruiting system – has been added. This tool not only facilitates the job application process, making it faster and more transparent, but also enhances the contact between interested applicants and our company during the application phase. Our aim is to be the employer of choice for high-potential job applicants. More information is available at www.fresenius.com/Career.

To make HELIOS more attractive to job applicants, the company has also created an online application tool where applicants can find out about vacancies and apply online. The response to the HELIOS careers portal is very positive. Over 8,000 applications were received by the end of December 2008. More information is available at www.helios-kliniken.de/Careers.

In 2008, HELIOS again significantly widened the range of seminars the HELIOS Academy offers for various professional groups. The most important of these are the hands-on courses (e. g. basic principles of minimal invasion surgery) and specialist seminars (e. g. dealing with emergencies in anesthesia) in special simulation centers. Here, HELIOS employees have the opportunity to learn the basics or acquire specialist know-how, pool experiences, and improve procedures. The spectrum of modular training programs – especially for nursing care – has been extended. In addition to the fields of management, coaching, and anesthesia/intensive care, modules are now also offered for surgery staff. The seminars offered by the HELIOS Academy are being supplemented by an ever wider offering of online modules: All employees have round-the-clock access to online modules on specific themes, ranging from the right action in the event of clinical emergencies through to performing injections. More information on the training opportunities offered by HELIOS is available at www.helios-akademie.de.

We have also extended our development programs for middle management medical and nursing staff. As in the past, employees can broaden and deepen their leadership skills through a combination of seminars/workshops and work on an interdisciplinary project, in this way preparing themselves for advanced management positions at HELIOS. In 2009, we plan to resume our executive development program in the area of Management. To align the development of future management staff with the Group's sustained growth, we have significantly broadened our trainee programs in the areas of Hospital Management, Finance & Controlling, and Purchasing & Logistics, and added the field of Medical Equipment.

The Bachelor in Nursing Care, the first-ever degree course for nursing staff, was launched in Germany during the past year. This course, developed in collaboration by HELIOS and SRH Fachhochschule Gera, is directed at qualified nurses wishing to pursue further academic professional training and to acquire additional competence in nursing care management and medical science. Offered as a sandwich course, the degree course is practice-oriented. The major subjects are anesthesiology/anesthesia care or intensive medicine/intensive care, with a further module chosen from the areas of emergency medicine/emergency care, pain therapy/pain management, oncology and palliative medicine/care or diseases of old-age and diseases of civilization. The curriculum aims to provide for the future demands of day-to-day hospital life, thus catering for the concrete skill profiles required by German clinics.

VOCATIONAL TRAINING

The professional training of young people is an important means of securing a company's future. Fresenius is very well positioned in this respect. In Germany, at the end of 2008, we employed about 1,300 young people in apprenticeships in 34 different job categories and over 20 students were studying at vocational training academies. In 2008, we were again able to increase the number of apprenticeships offered at all our training locations by over 10 %, having previously increased our intake by over 30 % in 2007.

To promote entrepreneurial thinking and interpersonal, communication, and business skills in our apprentices, we organized a management game once again in 2008. It met with a strong response, with a total of 13 teams from different locations competing. The apprentices were required to run a fictitious firm for one year, where decisions had to be taken on investments, inventory levels, recruitments, marketing schemes, etc.

By making use of more intensive marketing in and with schools, we want to attract even more able young people to take up apprenticeships with Fresenius. We invite school students to visit us and provide job application guidance, and also offer various training courses within the Arbeitskreis SchuleWirtschaft (School and Industry Working Group) for teachers. In September 2008, with the title "Training Live," we held our second Open Day for vocational training at our corporate headquarters. The many guests were able to find out about the apprenticeships offered within the Group and the courses of study available at the vocational training academies, and recognize our appeal as a provider of vocational training. Our intensified marketing measures have already yielded positive results: Contrary to general trends in the apprenticeship market, we received many more high-quality applications in 2008.

Vocational training begins with a five-week course during which the apprentices not only learn computer skills but are also encouraged to develop their personal skills, with the emphasis on improving communication skills, teamwork, and project management. Additionally, the apprentices at our corporate headquarters can attend a free English-language course.

At the beginning of December 2008, our apprentices for the first time took part in the innovation game "Jugend denkt Zukunft" ("Youth Thinks Future"), held at many companies throughout Germany with government support. The aim is to encourage apprentices to think about their company's future and to devise new products and services for the 2020 market. The competitors spent one week at a future-workshop, where they considered the theme "Innovative Concepts for Future Customer Service" in discussions with company representatives regarding forward-looking product development and marketing processes. They put forward their ideas and recommendations in a concluding presentation.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

Fresenius employees in Germany have been sharing in the company's financial success for over 10 years. In the form of Fresenius SE preference shares, we provide a long-term, value-oriented performance incentive. The level of the annual bonus is based on Group operating profit (EBIT). Employees can receive either the full amount in shares or two-thirds of the amount in shares and the rest in cash.

Our executive employees also share in the company's performance. On May 21, 2008, the Annual General Meeting approved a new stock option plan for the Management Board of Fresenius SE and certain other executive employees. Under this plan a total of up to 6,200,000 subscription rights for Fresenius SE ordinary and preference shares can be issued over a period of five years. Since 1998, Fresenius has been providing a value-based incentive for its executive employees, linked to the company's performance. The subscription rights issued under the current plan can be exercised after a three-year vesting period if the adjusted net income has increased at an annual rate of at least 8 % during the vesting period. If this rate is not achieved in one or more years of the vesting period, the subscription rights granted are forfeited proportionally. The new stock option plan offers an internationally attractive compensation instrument, linking management's entrepreneurial responsibility to the risks and opportunities of our company's future development. In 2008, 1,099,102 subscription rights were issued under this plan. Further information can be found on page 173 of the Notes.

RESEARCH AND DEVELOPMENT

We place great importance on research and development at Fresenius, where we develop products and therapies for severely and chronically ill patients. High quality is crucial for providing patients with optimal care, improving their quality of life, and thus increasing their life expectancy. As an integral part of our corporate strategy, research and development also serves to secure the Company's economic growth and success.

DIALYSIS

Research and development at Fresenius Medical Care is focused on products and therapies for dialysis and other extracorporeal blood therapies. The company benefits from its vertical integration, covering both dialysis products and dialysis care. The daily experience we gain from treating around 184,086 patients provides important insights for the development of new products and therapies, and is therefore of enormous value. It also fosters the development of holistic therapies.

Hemodialysis

A main focus of our development work in 2008 was on online hemodiafiltration (Online-HDF) and the 5008S hemodialysis machine. With the development of the 5008 therapy system, we have upgraded Online-HDF from an exclusive technology for just a few users into a standard feature included in the basic version of the machine. The liquid required for the hemodiafiltration process – a sterile and pyrogen-free dialysis solution – is now produced from standard bicarbonate dialysate in the machine itself while it is running – hence the name "Online-HDF". There are no bags of liquid to be changed. In 2008, we launched the 5008S hemodialysis machine, a further development of the 5008 therapy system, on the European market. Its operation has been simplified and improved, and further safety and control mechanisms have been added. For instance, the flow rate of the dialysate is automatically adjusted to the dialysis patient's individual blood flow rate. We expect the 5008S dialysis system, which can be operated intuitively, to help establish Online-HDF worldwide in kidney replacement therapy. We will continue to use the 5008 therapy system as a platform for further improving our products and adding new features.

The Body Composition Monitor (BCM) was introduced on the market in 2007. The BCM is a device that can be used to determine the dialysis patient's body composition, i. e. body water, fat-free body mass, and fat. Exact knowledge of this data, especially the percentage of body water, is important for assessing the patient's condition and deciding on the therapy. As the BCM is not yet a standard medical device, Fresenius Medical Care is cooperating closely with clinical experts who report on their experience with the BCM at clinics after introducing the device. The findings will provide important guidance for our customer service's consulting work. The BCM and its further development will continue to be a focus of our development work in future.

With the acquisition of the US company Renal Solutions, Inc. (RSI) in 2007, an important step forward was made in integrating radically new functionalities in medical devices. RSI is an internationally renowned specialist in the field of dialysate regeneration using enzyme-based sorbent systems. RSI's SORB technology enables ordinary tap water to be prepared for dialysis, and for the dialysis solution to be reused. Only six liters of tap water are required per dialysis treatment, instead of the approximately 120 liters of ultra-pure water from reverse osmosis systems previously. In addition to ecological and financial considerations, this technology also allows a substantial reduction in the size of the dialysis machines. An aspect of this technology of particular interest to us is that it points to possibilities for selective toxin removal from the patient's blood. In the coming years we will be focusing on the development of further innovative solutions for home dialysis.

Peritoneal dialysis

Peritoneal dialysis is an optimal home therapy for early-stage treatment of kidney failure, when the kidney still partially functions. In peritoneal dialysis, our portfolio of individually tailored, biocompatible dialysis solutions – using toxicologically and ecologically compatible packaging systems – traditionally covers a broad spectrum of products for all applications. We are therefore excellently positioned in the market. We also have high-performance machines for automated peritoneal dialysis (APD) – so-called cyclers. In its efforts to offer high-quality ADPs worldwide at optimized cost, the R & D department is currently working on a global cycler. Developing a uniform technological platform for this cycler is an important step along this path. A cycler developed specifically for the US market was approved by the U.S. Food and Drug Administration (FDA) in 2008. The response from customers to date has been extremely positive. We are planning on enhancing this cycler to make it one of our core products in the US and contribute to gaining additional market share.

Fresenius Medical Care also offers software-assisted peritoneal dialysis treatment. With the PatientOnLine software, the clinic staff can monitor the patients' treatment individually, which is an important help in insuring the quality of the therapy. A new version of the software was released in 2008. This enables the doctor to assess the patient's current condition even more reliably. Owing to its high standard of quality the new version bears the CE (Conformité Européene) mark of conformity issued under the European Union Medical Device Directive. This means that this software version is a certified medical device. With the CE mark of conformity, Fresenius Medical Care guarantees that PatientOnLine conforms to the statutory health, safety and environmental protection standards prevailing in the EU.

INFUSION THERAPY AND CLINICAL NUTRITION

Fresenius Kabi's research and development activities are focused on infusion therapy and clinical nutrition. Our development competence spans all product-relevant components: the primary packaging, pharmaceutical solutions for infusion therapy and clinical nutrition, medical devices for application and the manufacturing technology for their production. We are also a leader in the development of generic drugs that are administered intravenously (IV drugs).

Our research and development strategy is built on two pillars:

- the development of innovative products in product areas where we hold a leading position, such as blood volume substitution and clinical nutrition;
- continuous improvement of our pharmaceutical products and medical devices.

In this way we are making an important contribution toward achieving medical advancements in the therapy of critically and chronically ill patients and for improving their quality of life.

Infusion therapy

For decades, the use of blood volume substitution products in emergency and intensive care medicine has been a focus of research and development at Fresenius Kabi. Our blood volume substitution products contain hydroxyethyl starch (HES) based on waxy maize starch. HES molecules adhere to the fluid in a blood vessel, thus insuring that the fluid remains in the vessel and does not pass rapidly into the surrounding cells and tissue. More than 100 studies have confirmed the clinical efficacy of HES.

In 2008, we continued our research and development efforts in the area of blood volume substitutes, thereby strengthening the evidence base for the high safety and

efficacy of our products. We are currently supporting four controlled, randomized, double-blind studies with our product Voluven® 6 % for sepsis, trauma, dialysis, and cesarean patients.

We also made further progress with our HESylation® technology. This enables an active pharmaceutical substance to be coupled to specific hydroxyethyl starch molecules, decisively modifying a drug's profile. Such coupled products usually have a longer half-life and a better the safety profile than unmodified drugs. In partnerships with pharmaceutical companies, we are working to further develop the potential of this technology.

In the field of intravenously administered generic drugs (IV drugs) we focus on antiinfectives, anesthetics, analgesics and drugs that are used in oncological diseases as well as with critically ill patients. In our development portfolio we have an extensive range of active substances that will be ready for market launch in the coming years. We are working on the registration dossiers for their marketing authorization in Europe and outside Europe. With the acquisition of APP Pharmaceuticals, United States, and Dabur Pharma, India, we have substantially enlarged our research and development capacities for IV drugs. Both companies have high competence in the further development of pharmaceutical active agents for intravenous administration and a strong pipeline of promising drugs in the regulatory approval phase.

In 2008, we submitted the registration files for the approval of 11 IV drugs to the European regulatory authorities and expect to be able to launch these products on the market in 2009 and 2010. We plan, for instance, to broaden our portfolio of antibiotics for severe infections and to introduce further anesthetics.

We have also begun an international rollout of the drugs obtained with the acquisition of Dabur Pharma. These products are cytostatics, drugs which inhibit cell growth or cell division and are used primarily in chemotherapy for the treatment of cancer. In 2008, we received regulatory approval for marketing further cytostatic products in several European countries.

The acquisition of APP Pharmaceuticals enabled us to integrate another development team with extensive know-how and experience in the development of IV drugs into our organization. Based in the United States, the team concentrates on pharmaceutical products used to treat critically ill patients in intensive and emergency care. Although APP Pharmaceuticals currently only operates in the US market, in the mid-term the APP Pharmaceuticals products will supplement our portfolio of IV products also outside the United States.

Clinical nutrition

In parenteral nutrition we concentrate on the development of pharmaceutical products that have a high therapeutic effect in the care of critically and chronically ill patients. We focus on two areas:

- innovative parenteral nutrition products to support and improve the therapy of patients in hospital;
- innovative containers, e. g. multi-chamber bags that allow maximum safety in application and convenient, and daily clinical use.

In 2008, we submitted documentation for regulatory approval of the use of SMOFlipid® in pediatric care. SMOFlipid® is a lipid emulsion with four different lipid components:

- soybean oil serves as a reliable source of essential fatty acids;
- medium-chain triglycerides (MCT) provide a quick supply of energy;
- olive oil supplies mono-unsaturated fatty acids that have an immune-neutral effect;
- fish oil supplies poly-unsaturated fatty acids that have an anti-inflammatory effect.

This special lipid concept has proven clinical benefits over traditional lipid emulsions and is very well established in the

market. We believe the high therapeutic relevance in parenteral nutrition can also play an important role in the treatment of critically ill children.

In 2008, we completed the registration procedure for SMOFKabiven® and plan to launch it in the market in 2009. SMOFKabiven® is a three-chamber bag containing SMOFlipid® as lipid component.

The use of the amino acid glutamine in parenteral nutrition therapy has been our development work for decades. In 2008, we received regulatory approval for higher intravenous doses of glutamine containing dipeptides for the European market. Our product Dipeptiven® is a concentrate of alanyl glutamine that, subject to compatibility, can be added to any parenteral nutrition regime. The amino acid glutamine is conditionally essential – not vital for healthy people but necessary for severely ill patients in a catabolic metabolic condition – for instance following trauma, surgery, or with sepsis. Glutamine is required in large amounts as a source of energy and nitrogen by the intestinal and immune cells of these patients, serving to maintain the structure and functioning of the intestine. If these patients are not supplied with glutamine, they can suffer a glutamine deficiency and associated functional disorders.

In the area of enteral nutrition products we continued our development projects, conducted within the framework of our innovation program. This aims to integrate the latest insights – not only in medical and nutritional science but also in food and process technology – into our product development. Here, our emphasis is currently on products for the therapy areas of diabetes, dysphagia, oncology, and for critically ill patients. An example of a project we have been working on is a product concept that can be used especially with diabetes mellitus patients who have impaired glucose tolerance.

We also continued our work on the development of a product line for dysphagia patients and will be launching the new products in 2009. Dysphagia is the term used to refer to difficulties in controlling the swallowing process. This condition can have a wide range of causes – for instance stroke, cancer diseases, neurological conditions, and Parkinson's disease. In patients with dysphagia the swallowing reflex is delayed or does not function at all. This can cause aspiration if as a result of the lack of muscle coordination, solid or liquid matter enters the respiratory tract. If aspiration goes undetected, there is a heightened risk of pneumonia. Both nutritional deficiencies and dehydration can be effectively remedied with a product line specially designed for this group of patients.

ANTIBODY THERAPIES

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer. For many years Fresenius Biotech has been successfully marketing ATG-Fresenius S, a polyclonal antibody. This is an immunosuppressive agent used to suppress and treat graft rejection following organ transplantation.

Trifunctional antibodies

Fresenius Biotech filed the application for approval of the trifunctional antibody Removab® (INN: catumaxomab) with the European regulatory authority, the European Medicines Agency (EMEA), at the end of 2007. Application has been made for the intraperitoneal treatment of patients with malignant ascites following epithelial tumors where standard therapies are not available or are no longer feasible. The review and the response to questions raised by the authority in May and October proceeded as planned. We received a positive opinion from EMEA's Committee for Medicinal Products for Human Use (CHMP) in February 2009. The approval by the European Commission is expected within a few months. The decision, which is usually based on the CHMP opinion, will apply to all EU member states. Removab® would be the first drug worldwide with a regulatory label for the treatment of malignant ascites. Fresenius Biotech is prepared to launch Removab® upon approval. Removab® has received orphan drug status in Switzerland for each of the indications of malignant ascites, gastric cancer and ovarian cancer.

The Swiss health authority (Swiss Medic) assigns orphan drug status to drugs for treating fatal or chronic diseases affecting not more than five out of 10,000 people in Switzerland for which there is currently no, or no adequate, possibility for treatment.

Parallel with the approval process, the CASIMAS study, a randomized phase IIIb study, was begun in key European countries. This study is examining tolerability, safety and effectiveness of treatment with Removab® of ascites patients receiving co-medication with a corticosteroid.

New data from further evaluations of the pivotal study in the area of malignant ascites that supported the clinical benefits of Removab® were delivered for the first time in an oral presentation at the Annual Congress of the American Society of Clinical Oncology (ASCO) in 2008. Analyses at the primary endpoint of the study and at important secondary endpoints had already shown that treatment with Removab® significantly prolongs median puncture-free survival. A positive trend was also observed for overall survival.

Clinical studies of the indications of gastric and ovarian cancer were continued and have produced their first results on the use of the trifunctional antibody catumaxomab as intra-operative medication in adjuvant treatment situations. An adjuvant therapy is administered at very early stages of cancer diseases and, following the complete removal of the tumor tissue, aims to destroy any tumor cells that might still exist but are not visible.

A Phase II study with the trifunctional antibody catumaxomab in the treatment of patients with gastric cancer showed the antibody was well tolerated. The primary endpoint of the study – safety and tolerability of Removab® administration after tumor resection – was achieved.

The recruitment of patients was completed for the development program for the phase II studies with ovarian cancer in the United States and Europe. For the first time the European study examined safety and tolerability on intra-operative administration of catumaxomab on ovarian cancer patients after a first treatment. In the US study, patients with advanced ovarian cancer were treated.

The trifunctional antibody ertumaxomab is being developed for the treatment of metastasized breast cancer and is currently being examined in phase II studies as a mono-therapy in Europe and the United States. The studies conducted in Europe focus on patients with low Her2/neu expression. The study currently in progress in the United States is examining the effect of ertumaxomab on patients with Her2/neu overexpression on whom previous therapies have failed.

Immunosuppressive agent ATG-Fresenius S

Sales of ATG-Fresenius S increased by 8 % to approximately € 21 million (2007: € 19 million). Preclinical and clinical development for other applications and distribution in new markets was continued. The clinical study for the use of ATG-Fresenius S in the prophylaxis of acute Graft-versus-Host disease (GvHd) in stem cell transplantation produced first positive intermediate results on its efficacy and safety. They were presented at the American Society for Hematology Congress. The final report will be published at the end of the two-year post-treatment observation period in 2009. A first approval has been issued for the prophylaxis of GvHd in a European country (Portugal). Others are expected to follow in 2009.

The study with ATG-Fresenius S in lung transplantation in the United States that was taken over in 2007 continued successfully. The study compares the effects of two different ATG dosage regimes and a placebo (double-blinded and placebo controlled) on organ rejection and mortality rates among patients six months and 12 months after transplantation. ATG-Fresenius S has received orphan drug status from the U.S. Food and Drug Administration (FDA) for the prophylaxis of acute organ rejection in the area of solid organ transplantation on adults.

ENVIRONMENTAL MANAGEMENT

We are committed to protecting nature as the basis of life and to using its resources responsibly. We strive to constantly improve our performance in environmental protection, occupational health, technical safety, product responsibility and logistics, and to comply with legal requirements. The international ISO Standard 14001:2004 provides the benchmark for

environmental protection 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 regard to emissions and waste. These international standards have been implemented at our various production plants and dialysis clinics.

FRESENIUS MEDICAL CARE

Fresenius Medical Care already established an environmental program in 2007 that covers Europe, the Middle East and Africa and defines specific goals to be achieved by the year 2010. These include:

- Definition of environment-relevant performance indicators for all participating production facilities
- Further improvement of energy efficiency and the avoidance of emissions
- Implementation of a feasibility study on the use of alternative energy generation methods at a sample production site
- Improvement of the recycling rate from currently just over 70 % to 85 %
- Training and raising the awareness of our employees on environmental protection and environmental management issues, and
- Optimization of the eco-controlling system for our fast-growing number of dialysis clinics in Europe.

In 2008, the extension to one of the production units at our plant in Schweinfurt, Germany, was taken into operation. The building is equipped with a heat recovery system and an automated fresh air supply system, dispensing with the need for air-conditioning and making it very economical in terms of energy consumption. Production processes were also improved and made more environment-friendly at a number of other plants in Germany, France and Italy: the scope of the plastic raw materials used was increased.

Another environmental project launched in 2008 was the implementation of the new EU chemicals directive REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals). A focus was on assessing the risks if certain raw materials are not available in future. This led to the formulation of appropriate precautionary measures, such as the exchange of information with suppliers and advance ordering of strategically important materials. Fresenius Medical Care is an active member of the REACH working group of the Federal Association of the Medical Device Industry (BVMed) in Germany.

At the largest industry trade fair EDTA (European Dialysis and Transplant Association), we presented the SmartBag, a resource-saving packaging solution. This primary container for dialysis concentrates is PVC-free, and contains 80 % less plastic and produces 90 % less waste than the conventional Duroplastic containers. It can also be recycled very well as it consists of polyolefins.

In the past years Fresenius Medical Care has introduced a number of environment-friendly products. Biofine® for instance is a proprietary plastic developed by us that consists only of carbon and hydrogen (polyolefin). It is 60 % thinner than PVC and is easy to recycle. Owing to its many advantages Fresenius Medical Care today produces most of its peritoneal dialysis products with Biofine®. A major achievement in 2008 was the award of the Nordic Ecolabel ("SWAN"). The Nordic Ecolabel organization certified several product lines and the related accessories, all of which are completely PVC-free. Nordic Ecolabel is the officially recognized labeling organization for eco-friendly products in Norway, Sweden and Finland, and in Iceland and Denmark. The Nordic Ecolabel is also recognized in other countries for its high quality standards. These standards apply not only to the environment-friendly product qualities, but also to the production processes.

The environmental system based on ISO 14001 is to be extended and further dialysis clinics will be certified in 2009. We will be focusing this year on our clinics in Spain and Romania. In Sweden, we are seeking certification to ISO 9001. In addition, we will be pressing on with our "Energy squeeze" efficiency initiative at our principal European plants. Our target is to reduce energy consumption at these plants by 5 %, which would represent cost savings of about € 1 million in the current year. We will continue implementing the objectives of our environmental program.

In the United States, we are already recycling an average of 1,752 tons of paper and cardboard each year. This avoids 1,226 tons of CO_2 emissions, saves some 160,000 liters of fuel, approximately 46.6 million liters of water and 7.2 million KWh of electricity, and prevents the felling of about 29,700 trees. We intend to continue pursuing our selectively focused environmental activities in future.

FRESENIUS KABI

Fresenius Kabi assumes active responsibility for environmental protection. The emphasis at Fresenius Kabi is on continuous improvement of product quality in order to benefit the patient. This goes hand in hand with environmental measures that take local regulations into account. In 2008, certification to environment standard 14001:2004 was rolled out to further locations, for instance in India and China.

The materials recycling system at our plant in Friedberg, Germany, was further optimized in 2008. About 5,900 tons of waste was recycled, the recycling rate increasing slightly to approximately 95 % in 2008 (2007: > 94 %). In addition to optimizing building facilities and process equipment, a new heating system for the high-bay warehouse achieved savings of 700,000 KWh in thermal energy in 2008 – equivalent to a reduction of CO_2 emissions by approximately 180,000 tons. The heating is controlled via the central building control system that regulates the rundown at night and switches off the air-conditioning systems or lowers their level of operation. The central building control system itself was also optimized. This now features a programmable control unit that rapidly detects and eliminates any faults, records any deviations from set values, and evaluates energy data. With this technology Fresenius Kabi not only reduced its energy consumption but CO_2 emissions were also lowered.

The water treatment plant for production was fitted with a membrane degassing module. In industrial processes, the quality and purity of the water used – in terms of concentrations of dissolved gases in the water – plays an important role. The membrane continuously removes the dissolved gases from the water. Since no chemicals are used, the membrane degassing process is especially environmentally friendly.

A project group had already been set up at the Friedberg plant in 2006 to implement energy-saving measures. In 2008, the lighting was switched to a modern, energy-saving technology. When completed, this project will result in annual electricity savings in the region of 78,000 KWh, equivalent to a reduction in CO_2 emissions of about 40,000 tons per year. Fresenius Kabi invested a total of € 140,000 in these measures at the Friedberg plant.

Fresenius Kabi will continue to implement measures that optimize energy consumption and thus reduce CO_2 emissions. The use of regenerative energies is currently being reviewed. We expect the first results in 2009. Parallel with this, Fresenius Kabi is constructing a combined heat and power unit for the plant's energy supply. It is expected to come onstream in mid-2009 and will generate approximately 1.8 million KWh of heat and about 1 million KWh of electricity per year. This will cover about 50 % of the heat and about 5 % of the electricity consumed at the Friedberg plant, and will also reduce CO_2 emissions significantly.

Beyond the primary objective of environmental protection, the measures undertaken in 2008 also significantly reduced energy costs.

At our plant in Graz, Austria, the implementation of the environmental management system to ISO 14001:2004 and its certification was successfully completed in January 2008. The certification of the Linz site is planned for 2009.

In 2008, projects were carried out in Graz to optimize existing energy provisions. We are analyzing the consumption of energy and other resources and conducting technical feasibility studies, partly in collaboration with universities, to identify potential savings. However, the aim of the projects is not only to reduce energy costs but also to optimize the technical equipment and to boost the responsible use of resources.

Fresenius Kabi also optimized the management of production materials at the Graz plant. Production materials are all those elements that have to be considered in the production process, i. e. not only input materials and intermediate products but also waste and any unforeseen contaminating substances that may be produced. A database-assisted system coordinates critical material data to assure optimum protection for employees and the environment. This includes instruction for employees, special storage for certain materials,

and transportation and handling regulations that have to be observed. The collection and sorting of waste was also improved. The recycling rate was further increased through extended sort-clean waste separation. Sort-clean waste separation is to be further improved by means of training and internal audits.

At our plants in Uppsala and Brunna, Sweden, we continued to reduce our emissions of greenhouse gases. In 2008, the volume of pharmaceutical waste was reduced by more than 30 %. In Uppsala alone our waste disposal costs were cut by about 50 %. Among other things, investments were made in a screw compactor and a compactor for corrugated cardboard. The screw compactor enables packaging materials for liquid medications to be completely drained, thus eliminating the reliance on outside parties to dispose of the bags. The waste compactor compresses the cardboard for disposal, significantly reducing transport costs. Several other waste management projects were initiated, aimed at reducing the volume of waste and, equally, at organizing the disposal of the waste in the most environmentally sound and efficient manner.

FRESENIUS HELIOS

HELIOS had already organized waste disposal at its clinics according to previously set legal standards. The goal is cost-efficient and environmentally compatible waste disposal. We see waste management as a process that begins with purchasing – employing all the instruments of the German Packaging Code – and ends with systematic recycling, for example recycling solvents or the resale of infusion glass bottles. All waste materials are recorded using a standardized system and classified in 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 groupwide contract with one company.

In 2008, HELIOS launched a pilot environmental project at the HELIOS clinic in Bad Berleburg. The aim is to achieve reductions in all important energy and emissions areas. In addition, extensive information is to be distributed to instruct employees and patients on how everyone can make a personal contribution toward active environmental protection by saving energy. HELIOS is training employees from various units at the Bad Berleburg clinic to serve as information contacts for colleagues and patients and by actively supporting them in implementing energy saving measures. A part of the energy costs saved at the clinic is being invested in an environmental project. An energy-savings barometer has been installed at the site to make the effectiveness of the measures evident to all the employees. It shows how much energy has been consumed, and the reduction achieved, in comparison to the previous year. The environmental project is due to end in April 2009 with a final recording of the amount of energy saved.

FRESENIUS VAMED

In the future, health care systems will also have to pay greater attention to sustainability. This factor must, especially, be taken into account in the hospital sector. As an active contribution toward environmental protection, VAMED already integrates national environmental standards and regulations into the planning and construction of a hospital or other health care facility. VAMED is responsible, among other things, for the technical management of the Vienna General Hospital and University Clinic (AKH), one of the largest hospitals in Austria with over 10,000 employees. Together with the AKH, VAMED has implemented a range of measures designed to conserve energy, especially in the areas of air-conditioning and heat recovery. The target set in the Kyoto Protocol, to reduce greenhouse gas emissions by 5.2 %, has already been achieved in 2008, representing a reduction of emissions by approximately 134,000 tons to about 123,000 tons of CO_2 per year. VAMED measures the hospital's emissions on a CO_2 equivalent basis. This is a standard measure that converts greenhouse gas emissions into the equivalent amount of CO_2, also taking into account other greenhouse gases in order to achieve the Kyoto target, enabling companies to demonstrate the effectiveness of environmental and climate protection measures. 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.

FRESENIUS

CONTENT MANAGEMENT REPORT

For the Fresenius Group, 2008 was an outstanding year. We again achieved record levels in sales and earnings in every business segment. The acquisition of APP Pharmaceuticals, a leading US manufacturer, enabled Fresenius Kabi to enter the North American market for intravenously administered generic drugs.

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

Fresenius is an international health care group providing products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius specializes in hospital operations and offers hospital engineering and services for hospitals and other health care facilities. Our legal form is that of a European Company (Societas Europaea or SE), having converted from a German stock corporation, or AG, when our entry in the Commercial Register became effective on July 13, 2007. The operational business comprises the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios, and Fresenius Vamed, all of which are legally independent entities managed by the operating parent company Fresenius SE. This group structure has been in place since January 1, 2008 and has not changed in the reporting period.

- Fresenius Medical Care concentrates on dialysis care, manufacturing and marketing products for the treatment of patients with end stage renal disease (ESRD).
- Fresenius Kabi specializes in the production and sale of products for infusion therapy and clinical nutrition as well as intravenously administered generic drugs (IV drugs) and transfusion technology.
- Fresenius Helios operates hospitals and had a network of 57 clinics, 56 in Germany and one in Switzerland, as of December 31, 2008.
- 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, 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 between the business segments.

The Fresenius Group operates internationally and all the business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the company's "entrepreneurship within the enterprise" management principle. Additionally, management responsibility is reinforced by an earnings orientated and target-linked compensation system. Fresenius has an international marketing and production network consisting of about 70 production sites worldwide. Key production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries, Latin America, Asia-Pacific, and South Africa. This international production network allows us to implement our business model while meeting the most exacting logistics and regulatory requirements. The decentralized structure of the production sites also substantially reduces transportation costs and currency exposure.

Management and control

The corporate bodies of the group are the Management Board, the Supervisory Board, and the General Meeting. In accordance with Regulation No. 2157/2001 on the Statute for a European Company (SE), Fresenius SE has a two-tier management and control system consisting of the Management Board and the Supervisory Board. The two boards work independently of each other and no one is allowed to be a member of both simultaneously.

The Management Board of Fresenius SE conducts the business and represents the company in dealings with third parties. As from January 1, 2008, the Management Board has seven members. According to the Management Board's rules of procedure, each member is accountable for their own area of responsibility, but all have joint responsibility for the management of the group. The Management Board is required to report to the Supervisory Board regularly, in particular on corporate policy and strategy, profitability, current operations, and any other matters that could be of significance for the company's profitability and liquidity.

The Supervisory Board appoints the members of the Management Board and advises and supervises the Management Board in its management of the Company, but is prohibited from managing the Company directly. However, the Management Board's rules of procedure require it to obtain the Supervisory Board's approval for specific activities.

The Supervisory Board is comprised of six shareholders' representatives and six employees' representatives. All 12 members of the Supervisory Board are appointed by the General Meeting. The employees' six representatives must be appointed on the basis of a proposal put forward by the employees and must be accepted by the General Meeting. In accordance with the legal form of an SE, the employee representatives may come from various European countries.

The Supervisory Board must meet at least twice per calendar half-year. The appointment and dismissal of the members of the Management Board is in accordance with Article 39 of the SE Regulations. The statutes of Fresenius SE also provide that deputy members of the Management Board may be appointed.

For information on Management Board and the Supervisory Board compensation, please see pages 180 to 184 of the Notes.

Key products, services and business processes

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis and provides dialysis care at its own clinics in over 30 countries. Dialysis products are sold both to group clinics and to external dialysis care providers in more than 115 countries. 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 sells its products mainly to hospitals in approximately 100 countries. Fresenius Helios operates hospitals mainly in Germany. Fresenius Vamed provides engineering and services for hospitals and health care facilities internationally.

Important markets and competitive position

Fresenius operates in more than 60 countries through its subsidiaries. The main markets are Europe and North America, where Fresenius generates 45 % and 41 % of its sales, respectively.

Fresenius Medical Care is the largest dialysis company in the world. Fresenius Kabi holds leading positions in Europe and in the growth markets of Asia-Pacific, Latin America, and South Africa. With the acquisition of APP Pharmaceuticals, Fresenius Kabi has become one of the leading suppliers of IV drugs in the United States. Fresenius Helios is a leading private hospital operator in Germany. Fresenius Vamed is one of the internationally leading companies in the field of health care engineering and services.

Legal and economic factors

The intrinsic importance of the life-saving and life-sustaining products and therapies that the group offers insures that the markets of the Fresenius Group are fundamentally stable and relatively independent of economic cycles. Furthermore, these markets are expanding, mainly for three reasons: demographics, the demand for innovative therapies in the industrialized countries, and the increasing availability of high-quality health care in the developing and newly industrializing countries.

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially the rate of the US dollar to the euro, which had a pronounced effect in 2008.

This impacted: first, on the statement of income due to the changed average annual exchange rate between these currencies of 1.47 in 2008 compared to 1.37 in 2007; and second, on the balance sheet due to the changed spot rate of 1.39 as of December 31, 2008 compared to 1.47 as of December 31, 2007.

There were no legal aspects that significantly affected the business performance in 2008.

Capital, shareholders, statutes

The summary below shows the subscribed capital of Fresenius SE.

The shares of Fresenius SE are non-par value bearer shares. The subscribed capital is divided into an equal number of ordinary and preference shares. Shareholders' rights are regulated by the Statute for a European Company (SE) and the German Stock Corporation Act (AktG). Additionally, the articles of association of Fresenius SE contain the following three provisions for the holders of non-voting preference shares:

1. From retained earnings for the year they will receive a dividend of least € 0.02 per preference share and higher by € 0.01 per preference share than that for an ordinary share.
2. The minimum dividend payable on preference shares takes precedence over payment of a dividend on ordinary shares.
3. If retained earnings in one or more fiscal years are not sufficient to pay a dividend of € 0.02 per preference share, the amounts not distributed will be paid in arrears, without interest, from the retained earnings in subsequent fiscal years, after distributing the minimum preference dividend for those fiscal years and before payment of a dividend on the ordinary shares. The deferred payment right is a constituent of the share of profits from retained earnings of that fiscal year for which the deferred payment is made.

The Management Board is authorized, with the agreement of the Supervisory Board, to increase the subscribed capital of Fresenius SE in accordance with the General Meeting's resolutions on approved capital. The Approved Capital II of originally € 5,496,115.20 was utilized for the capital increase of € 5,496,114.00 in August 2008. Hence, there are two authorizations:

- Authorization to increase the subscribed capital by a maximum nominal amount of € 12,800,000.00 by May 9, 2011 through one or more issues of bearer ordinary shares and/or non-voting bearer preference shares against contribution in cash and/or assets in kind (Approved Capital I).
- Authorization to increase the subscribed capital by a maximum nominal amount of € 1.20 by May 9, 2011 through one or more issues of bearer ordinary shares and/or non-voting bearer preference shares against contribution in cash and/or assets in kind (Approved Capital II). Shareholders' preemptive rights of subscription can be excluded. Approved Capital II has been reduced from € 6,400,000.00 to € 1.20 as a result of financing the acquisitions of HUMAINE in 2006 and APP Pharmaceuticals in 2008.

In addition, there is the following conditional capital:

- The subscribed capital is increased conditionally by a maximum nominal amount of € 1,536,612.00 by the issuance of new bearer ordinary shares and non-voting bearer preference shares (Conditional Capital I). The conditional capital increase will be executed only to the extent that subscription rights to ordinary and preference shares are issued under the 1998 Stock Option Plan and the holders of these rights exercise these rights.

	December 31, 2008			December 31, 2007	
	Number of shares	Subscribed capital €	% of subscribed capital	Number of shares	Subscribed capital €
Ordinary shares/capital	**80,571,867**	**80,571,867.00**	**50 %**	77,582,385	77,582,385.00
Preference shares/capital	**80,571,867**	**80,571,867.00**	**50 %**	77,582,385	77,582,385.00
Total	**161,143,734**	**161,143,734.00**	**100 %**	155,164,770	155,164,770.00

- The subscribed capital is increased conditionally by a maximum nominal amount of € 4,729,422.00 by the issuance of new bearer ordinary shares and non-voting bearer preference shares (Conditional Capital II). The conditional capital increase will be executed only to the extent that bonds convertible into ordinary and preference shares are issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.
- The subscribed capital is increased conditionally by a maximum nominal amount of € 6,200,000.00 by the issuance of new bearer ordinary shares and non-voting bearer preference shares (Conditional Capital III). The conditional capital increase will be executed only to the extent that subscription rights to ordinary and preference shares are issued under the 2008 Stock Option Plan and the holders of these rights exercise these rights. The conditional capital increase was in accordance with the resolution of the General Meeting on May 21, 2008, and was entered in the Commercial Register on July 11, 2008.

Fresenius SE does not have a share buyback program.

Direct and indirect ownership interests in Fresenius SE are listed on pages 159 and 160 of the Notes. The Else Kröner-Fresenius-Stiftung informed the company on December 14, 2008 that it holds 46,871,154 ordinary shares of Fresenius SE. This corresponds to a voting interest of 58.17 %.

Changes to the statutes are made in accordance with Article 59 of the SE Regulation pursuant to Section 18 (3) of the statutes. Unless mandatory legal provisions require otherwise, amendments to the statutes require a majority of two-thirds of the votes cast or, if at least half of the subscribed capital is represented, a simple majority of the votes cast. If, for the effectiveness of the passing of resolutions, mandatory legal provisions require that, in addition, a majority of the subscribed capital be represented when the resolution is passed, the simple majority of the subscribed capital represented shall be sufficient, to the extent that this is permitted by law. If the voting results in a tie, the motion will automatically be rejected. The statutes of Fresenius SE authorize the Supervisory Board to make changes to any statutes that relate to their wording in its respective relevant version without a resolution by the General Meeting.

Material agreements incorporating contingent conditions in the event of a change of control as the result of a takeover bid exist in respect of some of our long-term financing agreements. These agreements contain customary change of control clauses that grant creditors the right of premature call in the event of a change of control, whereby, generally, the change of control has to be 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 operating goals and through various financial ratios. In line with our growth strategy, organic growth is a key 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, taxes, depreciation, and amortization) is a good indicator of the business segments' ability to achieve positive financial results and to discharge their financial commitments. The operating cash flow contributions of our business segments are also controlled on the basis of days sales outstanding (DSO) and scope of inventory (SOI). A key performance indicator at the group level is the net debt/EBITDA ratio.

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

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 the value creation of the Group. Group ROIC is 7.3 % (2007: 8.4 %) and Group ROOA is 9.8 % (2007: 11.4 %). The decline in the two ratios compared to 2007 is due to the acquisition of APP Pharmaceuticals. We expect an improvement in ROIC and ROOA in the future.

The summary below shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2008**	2007	**2008**	2007
Fresenius Medical Care	**8.6**	8.4	**12.3**	12.5
Fresenius Kabi	**7.0**	14.0	**8.9**	17.7
Fresenius Helios	**5.9**	5.0	**6.3**	5.6
Fresenius Vamed*	**–**	–	**22.2**	22.8
Group	**7.3**	8.4	**9.8**	11.4

* ROIC: Invested capital is negative due to prepayments, cash, and cash equivalents.
2008: Pro forma APP Pharmaceuticals and excluding special items from the acquisition.

Strategy and goals

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 our market share. Fresenius Medical Care is the largest dialysis company in the world, with an especially strong market position in the United States. Future opportunities in dialysis will arise from international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the European market leader in infusion therapy and clinical nutrition. To strengthen the position, more products in its portfolio will be rolled out to growth markets. Further market share is also anticipated from the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. Mid-term, Fresenius Kabi plans to market products from its existing range in the United States; similarly, products from the newly acquired American company APP Pharmaceuticals will be sold globally. 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. Fresenius Vamed will be further strengthening its position as a specialist provider of engineering and services to 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 Asia-Pacific and Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to concentrate on markets that offer attractive growth potential. Fresenius also plans to make further selective acquisitions to improve the company's market position and to diversify its business geographically.
- To strengthen innovation in the development of new products and technologies: Fresenius' strategy is to continue building on its strong position in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage on 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 which can be tailored to meet individual patient needs. We shall continue to meet the requirements of best-in-class medical standards, developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to increase brand recognition for its health care services and innovative therapies.
- 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 imposing strict cost controls. Focusing on our operating cash flow and maintaining efficient working capital management will improve 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. Our net debt/EBITDA ratio rose to 3.6 as of

December 31, 2008 as a result of financing the acquisition of APP Pharmaceuticals. In 2010, we expect to bring down this ratio to a level of between 2.5 and 3.0 again.

We report on our goals in detail in the Outlook section of the Management Report on pages 97 to 105.

RESEARCH AND DEVELOPMENT

Fresenius centers its R&D efforts on its core activities. These are:

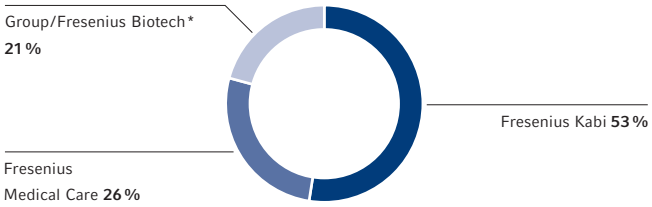
- dialysis and other extracorporeal therapies
- infusion and nutrition therapies and related medical devices
- antibody therapies.

Apart from products, we are concentrating on optimizing or developing completely new therapies, treatment methods, and services. In 2008, we successfully continued numerous projects, and several new products were launched.

Fresenius Medical Care continued to work hard to improve dialysis therapies. One project was the further development of the 5008 hemodialysis machine; the successor product 5008S was launched in 2008. In the field of home dialysis, our development work was primarily on a machine for automated peritoneal dialysis – a so-called cycler – for global use. Our overall goal is to offer high-quality peritoneal dialysis worldwide at optimized cost.

Fresenius Kabi concentrated on developing new products and product enhancements in its core areas of infusion therapy, clinical nutrition, IV drugs, and medical devices. Attention was centered on IV drugs, where we are working on filing dossiers for approval in and outside Europe. In 2008, we submitted the dossiers for 11 products to the European regulatory authorities. With the acquisition of APP Pharmaceuticals and Dabur Pharma, we have significantly expanded our R&D capabilities in this product segment. We began rolling out the Dabur products internationally last year. Dabur

R&D EXPENSES BY SEGMENT



* Excludes amortization of acquired in-process R&D activities of € 272 million from the acquisition of APP Pharmaceuticals

Pharma is a leading supplier of generic drugs and active agents for cancer treatment. In clinical nutrition, we submitted dossiers for the approval of SMOFlipid®, a lipid emulsion, for pediatric use in 2008. The approval process for SMOFKabiven® was completed. In enteral clinical nutrition, we continued our work on the development of a product line for dysphagia patients.

Important projects at Fresenius Biotech involved trifunctional antibody therapies: Fresenius Biotech has dispatched the marketing authorization application for Removab®, used for the indication of malignant ascites, to EMEA, the European Medicines Agency, at the end of December 2007. In February 2009, EMEA's Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion recommending approval of Removab®.

Expenditure for research and development was € 479 million in 2008 (2007: € 184 million). This amount includes € 272 million of acquired R&D activities from the acquisition of APP Pharmaceuticals. As in 2007, excluding this special item, we invested about 5% of our product sales in R&D. The pie chart shows the R&D figures by business segment. In 2008, Fresenius Medical Care increased R&D spending by 12% and Fresenius Kabi by 27%. In the segment Corporate/Other R&D, € 43 million were expended on the clinical development of trifunctional antibodies at Fresenius Biotech. Detailed figures are included in the segment reporting on pages 114 to 115.

As of December 31, 2008, 1,562 people were employed in research and development in the Group (2007: 999). Of that number, 427 were employed at Fresenius Medical Care (2007: 357), 1,019 at Fresenius Kabi (2007: 550), and 116 at Fresenius Biotech (2007: 92). The large increase at Fresenius Kabi is mainly due to the first-time consolidation of APP Pharmaceuticals and Dabur Pharma as of September 1, 2008.

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

	2008	2007	2006	2005	2004
R&D expenses (in million €)	**207***	184	167	149	133
R&D employees	**1,562**	999	911	856	819

* Excludes amortization of acquired in-process R&D activities of € 272 million from the acquisition of APP Pharmaceuticals

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

OVERALL BUSINESS DEVELOPMENT

Economic environment

The global economy was marked by the escalating financial market crisis, whose repercussions for the real economy, even outside the United States, were clearly felt in the course of 2008. The world economy cooled off appreciably, with growth in global gross domestic product (GDP) only 3.1 % (2007: 4.7 %). As a result, a number of industrial countries are in or are on the verge of recession and the expectation that the emerging economies could decouple from the economic trend in the industrial countries was not fulfilled.

There were extreme fluctuations in commodity prices in 2008, with a strong rise in the first half of the year followed by an even steeper fall later in the year. This development was driven not only by underlying factors but also by speculation. The price of Brent oil climbed from January to July to reach a new record high of about US$ 145 per barrel. The ensuing sharp fall by almost 70 % to a low of US$ 44 per barrel was largely attributable to the rapidly worsening outlook for the world economy.

The euro's strength against the US dollar also flagged considerably in the last months of the year. In mid-July the euro was worth US$ 1.57. By the end of the year it was worth only US$ 1.39, a substantial drop of about 11 %. That the US dollar firmed against the euro despite the lower level of US interest rates can be largely attributed to the repatriation of US investments abroad. US investors have increasingly pulled capital out of the emerging markets, with the resulting demand for dollars causing the US currency to appreciate relative to other currencies.

▸ Europe

The economic dynamic in the Eurozone weakened appreciably in 2008. GDP growth was 0.9 %, well below the previous year's level of 2.6 %. Despite the strong trade links within the single market, the weakness of the US economy and the global financial market crisis had a dampening effect on the economy in all member countries of the Eurozone, albeit to differing extents. Countries that had also witnessed a property boom, such as Spain and Ireland, were hit harder by the correction to the property market, with declining investment in residential construction and falling asset prices. Germany, on the other hand, was affected more by the indirect repercussions of the crisis, feeding through later in the form of weak foreign demand. The labor market continued to improve. The unemployment rate in the Eurozone was

7.4 %, the lowest since recording began. Given the massive economic downturn, the jobless rate in Europe is likely to rise significantly in 2009. Government budgets also felt the effects of the slowing economic momentum. Higher government spending, especially as a result of the support measures in response to the financial market crisis, caused deficit levels to rise. Another concern in the first half of 2008 was the steep rise in the inflation rate in the Eurozone to almost 4 %, with strong inflationary pressure coming especially from higher commodity and food prices. In the second half of the year, both the weakening economic dynamic and the strong fall in the oil price caused inflation to ease significantly. At the end of the year the inflation rate was close to the ECB's target of about 2 %.

GDP growth in the emerging economies of Central and Eastern Europe remained generally robust. In Germany, GDP grew by 1.3 % in 2008 (2007: 2.6 %). The level of activity in the corporate sector was increasingly affected by the slowdown in global economic growth. GDP contracted in the second half of the year, ending an upswing of more than three years. Since the third quarter of 2008, the German economy has technically been in recession. Although, by the fall, the decline in commodity and energy prices had caused inflation to ease and the euro had lost considerable strength, September marked the escalation of the financial crisis. In Germany, the turbulence reached a new dimension with the threatened collapse of the Hypo Real Estate and troubles at numerous regional state banks. With the passing of the Financial Markets Stabilization Act, the government introduced sweeping measures whose effective implementation will decisively shape the economy's future development. With the exception of the automotive industry, the financial crisis largely had no direct impact on the real economy in 2008. However, there are early indications that the economic situation is clearly worsening.

- United States

The development of the US economy was marked in 2008 by the impact of the financial and property crisis. There were bankruptcies, including that of investment bank Lehman Brothers, and the bailout of major financial institutions through takeovers, all of which led to a credit crunch, especially in the mortgage sector. Governments reacted to the worsening situation with far-reaching measures. This was particularly manifest in March when the Federal Reserve supported JP Morgan Chase & Co's takeover of the troubled investment bank Bear Stearns with extensive government guarantees. This was followed by direct government investment in troubled financial institutions – first with the takeover of the ailing mortgage lenders Fannie Mae and Freddie Mac and then with the nationalization of the insurance group AIG. The US government also launched a US$ 700 billion rescue plan. Initially, this was used to make further direct investments in and to recapitalize the biggest US financial institutions. To cushion the downturn in the real economy triggered by the financial and property crisis, the Federal Reserve cut its rates by a total of 400 basis points in 2008 to a new target corridor of 0 to 0.25 %.

Overall, GDP grew by 1.2 % (2007: 2.0 %). Given stagnating real incomes, rising gasoline and food prices in the early part of the year, and a marked labor market deterioration, private consumption – traditionally the strongest pillar of the US economy – was extremely subdued, with growth of 0.4 % in 2008. Exports were a much stronger prop, with growth of 7.3 %, mainly due to the much weaker dollar.

- Asia

In Asia (excluding Japan), economic development was more restrained than the year before, with GDP growth of 7.1 % (2007: 9.4 %). Nonetheless, despite this slowdown, Asia is still the fastest growing region in the world. In China, for the first time in five years, GDP growth, at

9.1 %, was not in double digits (2007: 11.9 %). In India, GDP growth was 7.2 %, down from 9.3 % in 2007. This decline is mostly due to weak global demand, especially from the industrial countries. India's economic downturn mainly affected the services industry, the biggest sector of the economy. China, on the other hand, suffering from a decline in foreign demand, experienced slower export growth. Japan's GDP growth fell appreciably from 2.1 % to 0.3 %. It's economy, which received strong support from exports in recent years, was hit particularly hard by the global economic downturn, especially by the sharp fall in exports to the United States. Exports to other economic regions, such as the European Union and China, on the other hand, developed very dynamically. The hope that the emerging economies of Southeast Asia could decouple from the leading industrial nations was not fulfilled. Given their strong dependence on exports, economic growth in Indonesia, Singapore, Korea, and Taiwan is also likely to weaken considerably.

▶ Latin America

The countries in Latin America were affected by the turbulence in the financial market and the global economic weakness only to a small extent at first, with the pace of growth merely slowing. GDP growth was relatively robust at 4.3 % in 2008 (2007: 5.5 %). These countries profited from higher export revenues, especially as a result of the strong rise in commodity prices in the first half of the year. In Brazil, private consumption, too, was boosted by relatively high wage increases. However, first effects of the economic downturn in the industrial countries began to be felt in the further course of the year, so the economic dynamic in Latin America also slackened more and more toward the end of the year. The financial sector was affected far less by the liquidity crisis since it is less dependent on foreign capital than Europe, for instance. Nonetheless, the central banks, especially in Brazil and Mexico, injected dollar liquidity into the financial sector from their reserves. Despite these interventions, investment activity still declined. GDP growth was 6.2 % in Argentina (2007: 8.6 %), 5.2 % in Brazil (2007: 5.4 %), and 1.9 % in Mexico (2007: 3.2 %). Exports continue to be the main economic drivers – 60 % of which were commodities. A further significant fall in global commodity prices therefore presents an additional risk for the Latin American economies.

Health care industry

The health care sector is one of the most stable industries in the generally difficult present market environment and, compared with other sectors, has set itself apart through years of continuous growth and its relative insensitivity to economic fluctuations. Its main drivers in the industrialized countries are aging populations, the demand for innovative therapies, and advances in medical technology. Growing health consciousness is also increasing the demand for health care services and facilities. In the emerging countries, the main growth driver is the increasing availability of primary health care.

At the same time, the cost of health care is rising and is claiming an ever increasing share of national income. Health spending averaged 8.9 % of GDP in the OECD countries in 2006, with an average of US$ 2,824 spent per capita. The United States had the highest per capita spending with US$ 6,714 followed by Norway, Switzerland, and Luxemburg with over US$ 4,000. Germany ranked tenth among the OECD countries with per capita spending of US$ 3,371.

Reforms and cost-containment measures are the main reactions to steadily rising health care expenditures. However, ever greater emphasis is being placed on disease prevention and innovative reimbursement models where the quality of treatment is the key parameter. Quality of treatment plays a crucial role in optimizing medical results and reducing overall treatment costs.

Source: German Council of Economic Experts Annual Report 2008/2009, bank research

Our most important markets developed as follows:

- The dialysis market

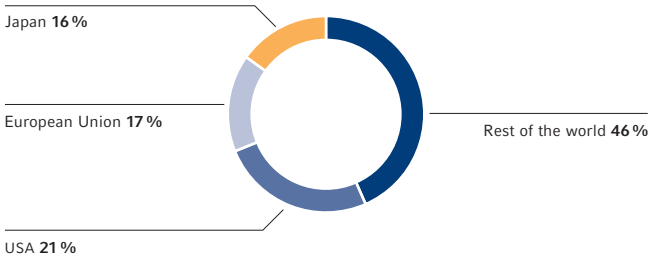
In 2008, the global dialysis market grew by around 5 % to approximately US$ 65 billion, with the market for dialysis care (including renal pharmaceuticals) accounting for approximately US$ 55 billion and the market for dialysis products for about US$ 10.5 billion. The number of dialysis patients increased by about 7 %.

Kidney failure has various causes. Diabetes and high blood pressure are the leading causes of terminal kidney failure. Aging populations, improved treatments, and higher living standards in the industrialized countries are additional reasons for the increase in patient numbers.

In more than 145 countries, patients with terminal kidney failure receive kidney replacement therapy in the form of dialysis. In these countries, patient numbers can be compared in terms of prevalence – in other words the number of people with terminal kidney failure treated per million population. Prevalence differs widely from region to region, ranging from well below 100 to over 2,000 patients per million population. Taiwan has the highest prevalence with 2,420 per million population, followed by Japan and the United States with approximately 1,780 per million population. The average for the 27 countries of the European Union is about 960. Worldwide, the average is 340. These figures show that in many countries the availability of life-saving dialysis treatment is still limited. A great many people with terminal kidney failure are not treated and therefore do not appear in the prevalence statistics.

In 2008, there were approximately 1.77 million patients receiving regular dialysis treatment. More than 89 % of these are treated with hemodialysis, while about 11 % choose peritoneal dialysis. The majority of hemodialysis patients are treated in dialysis clinics. There are about 28,000 dialysis clinics worldwide with an average of 55 hemodialysis patients per clinic. In 2008, about 21 % of the dialysis patients were treated in the United States, while 16 % were treated in Japan and 17 % in the European Union. The other 46 % were treated in a total of 120 other countries.

DIALYSIS PATIENTS BY REGION



In the United States, most of the approximately 5,000 dialysis clinics are run privately, with only about 1 % publicly operated. By contrast, some 60 % of the approximately 5,000 dialysis clinics in the European Union are publicly owned. In Japan, about 75 % of the dialysis clinics are run by private nephrologists.

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis care as well as in dialysis products. Dialyzers are by far the biggest product segment in the dialysis market. Approximately 180 million units were sold in 2008, of which about 80 million were produced by Fresenius Medical Care. Of the approximately 65,000 new dialysis machines that were brought onto the market in 2008, over 55 % were from Fresenius Medical Care. The top three manufacturers have a share of almost 70 % of the global market for dialysis products. Fresenius Medical Care is the market leader with a share of about 32 %.

Fresenius Medical Care is the leading provider of dialysis care in the United States with a market share of about 33 %. Together, Fresenius Medical Care and the second largest dialysis care provider DaVita treat almost 63 % of all US dialysis patients. Outside the United States, the markets for dialysis care are much more fragmented. With over 700 dialysis clinics outside the United States and more than 60,000 patients treated in over 30 countries, Fresenius Medical Care has by far the largest and most international network of dialysis clinics.

Because treatment costs in the United States are covered primarily by public health insurers, providers mainly compete on quality and availability. In most countries outside the United States, Fresenius Medical Care competes mainly with independent clinics and clinics that are affiliated to hospitals. Fresenius Medical Care has been operating for many years in countries with different health care systems and reimbursement structures. Thanks to this international experience, we are able to support the efforts of the national health care systems in creating suitable reimbursement structures, adjust our business to the local environment, and generate profitable growth.

Terminal kidney failure is one of the few chronic diseases whose treatment is covered by the public health insurers in the United States. The two public health care programs Medicare and Medicaid cover the medical services for more than 80 % of all dialysis patients in the United States. Changes in the reimbursement rates or in the method of reimbursement therefore have special relevance for our North America business.

In the United States, certain services and products provided or sold at the company's dialysis clinics are reimbursed by Medicare based on a basic case-mix adjusted prospective system. This system provides a fixed payment per dialysis treatment consisting of a composite rate and a drug add-on adjustment component. In this system the payment rates are adjusted from time to time through changes in the Medicare Statute or through annual reviews. For 2008, the CMS (Center for Medicare and Medicaid Services) increased the drug add-on adjustment by US$ 0.69, so it now represents 15.5 % of the total per-treatment prospective payment.

Certain other items and services are not included in the composite rate and are reimbursed separately by Medicare. The most significant of these are drugs or biologicals such as erythropoietin-stimulating agents (ESAs), vitamin D analogs, and iron supplements, which are reimbursed at a rate of 106 % of the average sales price (ASP) as reported by the manufacturer to the Center for Medicare and Medicaid Services (CMS).

▶ The market for infusion therapy and clinical nutrition

Demographic changes, the resulting increased need for medical services, and the demand for innovative therapies are the main growth drivers for this market. In addition, in the emerging economies, the growth in national incomes has been the trigger for higher health care spending.

However, market conditions for infusion therapy and clinical nutrition products vary widely from region to region:

In Central and Western Europe, therapies that lead to better clinical outcomes while reducing the length of hospital stays are increasingly gaining importance. Nutritional therapy measures are therefore becoming more and more important, not only on health grounds but also for economic reasons. Patients with nutritional deficiencies have poorer chances of recovery than patients with a normal nutritional status. These deficiencies can lead to higher treatment costs and longer hospital stays. Outpatient clinical nutrition therapies should also gain in importance. Cost pressures in hospitals, budget caps, and health care cost-containment schemes are continuing the shift away from inpatient care to more outpatient care.

In Central and Western Europe, the total market for infusion therapy and clinical nutrition is currently growing at a low single-digit rate.

Generic drugs are currently making a vital contribution to health care. Their importance will continue to grow in future. Faced by cost pressure, health care regulations are being introduced that facilitate the prescription of generics. More and more generics are being used to reduce costs. The expiration of patents for many original drugs will further accelerate this growth. The European market for generic IV drugs for hospitals is growing at a mid single-digit rate. The US market for IV drugs, which has acquired new relevance for Fresenius with the acquisition of APP Pharmaceuticals, is worth about US$ 3.6 billion, and is growing at rates of over 5 %.

The market for medical devices for infusion therapy and clinical nutrition in Europe is continuing to grow at mid single-digit rates. Here, the main growth drivers are technical innovations that focus on treatment safety and therapy efficiency.

In the growth regions of Asia-Pacific, Latin America, and Eastern Europe the main focus is on the provision of primary health care to the population. There is increasing demand for life-saving and life-prolonging health care services. Growth rates in our product markets here are in the high single to double digits.

Based on its own surveys, Fresenius Kabi considers its relevant market for infusion solutions and clinical nutrition to be in the range of € 9 billion.

▶ The German hospital market

In the current critical economic environment, the German hospital market is one of the most stable sectors. Demands from the aging German population are still increasing. Health care finance is regulated by statute. The introduction of the DRG system (Diagnosis Related Groups) in 2003 and 2004 and the following convergence phase provided an opportunity for efficient hospital operators to improve the sector's market position by increasing efficiency.

The total volume for hospital treatment (excluding research and teaching) in Germany was about € 67 billion in 2007. Personnel costs accounted for about 62 % and material costs for about 38 %. Personnel costs rose by 1.7 %, and material costs by 7.3 %.

The acute care clinic market in Germany continues to be marked by a highly regulated reimbursement regime for hospitals and structural overcapacity.

Between 2000 and 2007 the number of hospitals declined at an average annual rate of 1.0 % to 2,087 and the number of beds at an average annual rate of 1.4 % to 506,954. Nonetheless, with 6.16 beds per 1,000 population in 2007, Germany is still well above the OECD average of 3.9 (2006). Overall, it is estimated that further hospitals in Germany will close.

The average stay of a patient in an acute care clinic (excluding specialized psychiatric clinics) in Germany fell at an average annual rate of 2.1 % over the same period, and at the last count was 8.3 days. At the time of the introduction of the DRG system in 2003, the average stay in Germany was still 8.9 days.

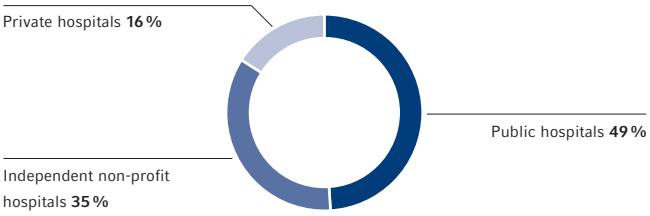
2007 KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2007	2006	Change
Hospitals	**2,087**	2,104	-0.8 %
Available beds	**506,954**	510,767	-0.7 %
Number of admissions (millions)	**17.18**	16.83	2.1 %
Beds per 1,000 population	**6.16**	6.20	
Average costs per admission (€)*	**4,028**	3,932	2.4 %
Length of stay (days)	**8.3**	8.5	

* total costs, gross

Source: OECD Health Data 2008, June 2008; IMS; own estimates

HOSPITAL BEDS BY OPERATOR 2007



Source: German Federal Statistics Office; research study "Perspectives for Hospital Care in Germany", McKinsey 2006.

After reaching a peak of 17.43 million in 2002, the number of inpatient admissions at acute care clinics in Germany declined at first to 16.54 million in 2005 after the introduction of DRG-based reimbursement. This was due, on the one hand, to a reduction in unnecessary referrals and growth in the number of outpatient treatments and, on the other, to technical changes in admission statistics following the introduction of DRGs. The number of admissions has risen slightly again since 2006, and at the last count was approximately 17.18 million or 209 admissions per 1,000 population. Other countries rank well below the German level, e. g. Switzerland with 173 admissions per 1,000 population. The pressure on inpatient hospital capacities in Germany is therefore likely to persist.

The difficult financial and economic situation at many hospitals has been compounded by rising investment needs, especially in response to technological advances and higher quality requirements. It is estimated that the current annual investment backlog is about € 5 billion. Hospital competitiveness is therefore also dependent on their ability to self-finance these investments.

The privatization trend in the German hospital market has continued unbroken, with the share of private hospital beds rising to approximately 16 % in 2007 (2006: about 14 %).

Quality continues to be a key competitive factor for the hospital market. The structured quality reports which all acute care hospitals in Germany have had to publish since 2005 provide information on the type and number of treatments and their quality. The transparency and comparability of the treatments for the patients and their doctors will play an increasingly decisive role.

In the postacute care market in Germany there were a total of 1,239 clinics with 170,845 beds in 2007. The total number of admissions in Germany in 2007 was 1.94 million and the average length of stay was 25.5 days.

The Management Board's assessment of the effect of general economic developments and those in the health care sector for Fresenius

The weakening of world economic growth in the second half of 2008 has had no impact on our industry as yet. On the whole, the health care sector, both in the mature and the growth markets, developed positively for Fresenius in 2008. While this was responsible for much of the Group's growth, strong demand for its products and services enabled Fresenius to outpace the growth of the health care industry as a whole.

Significant factors affecting operating performance

In 2008, the positive development was again driven to a large extent by the very good operating results in all business segments, where significant increases in sales and in earnings were achieved.

Currency changes, especially in the US dollar/euro exchange rate, had an important impact on currency translation.

The Group financial statements were also affected by a number of acquisitions and divestitures, partly from 2007. The principal transactions were: the acquisition of APP Pharmaceuticals and Dabur Pharma in 2008, and in 2007 the acquisition of Nestlé's enteral nutrition business in France (Novartis Nutrition S.A.S.) and Spain (Nestlé España), and the acquisition of Ribbon, a leading European manufacturer of antibiotic active agents. Städtische Kliniken Krefeld was

consolidated as of December 31, 2007. In addition, Fresenius Medical Care acquired a number of dialysis clinics and entered into two marketing and license agreements for intravenously administered iron products in its renal pharmaceuticals business. The acquisition of APP Pharmaceuticals had a sinificant impact on the Group's financial statements. APP shareholders received a cash purchase price of US$ 23.00 per share plus a registered and tradeable Contingent Value Right (CVR) that could deliver up to US$ 6.00 per share, payable in 2011, if APP Pharmaceuticals exceeds a cumulative adjusted EBITDA target for 2008 to 2010. Excluding the Contingent Value Rights, the total cash purchase for the fully diluted equity capital of APP Pharmaceuticals was approximately US$ 3.7 billion. In addition, US$ 0.9 billion of debt was assumed.

The annual financial statements for 2008 contain a number of special items resulting from the acquisition of APP Pharmaceuticals. These mainly relate to the amortization of acquired in-process R&D activities, resulting in a noncash charge of € 272 million. The adjusted earnings figures represent the Group's business operations in the reporting period.

The Management Board's assessment of the business results

The Management Board is of the opinion that the economic development of the Fresenius Group was excellent in 2008 – with sales and earnings increases in all business segments. The two business segments Fresenius Medical Care and Fresenius Kabi profited from the continued strong demand for their products and services and generally outperformed the market. This was reflected in sustained strong organic growth and significant increases in earnings. Fresenius Helios also achieved excellent organic growth and further improved its earnings. Fresenius Vamed was also able to report strong sales and earnings growth in 2008.

Comparison of the actual business results with the forecasts

As the summary below shows, all the targets set by Fresenius for 2008 were achieved or exceeded.

Based on the very good operating performance in the first three quarters, Fresenius again raised its forecasts for sales at the beginning of November 2008. The sales growth of 11 % in constant currency that Fresenius achieved (excluding APP Pharmaceuticals) is above its forecast of 9.5 to 10.5 %. The target of 10 to 15 % in constant currency forecast for net income was also fully achieved, with growth of 13 %. The outlook for 2008 was based on business excluding APP Pharmaceuticals and the special items resulting from the acquisition. Fresenius invested € 764 million in property, plant and equipment in 2008. That is slightly above the projected figure of approximately € 750 million.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS, AND LIABILITIES

In 2008, Fresenius undertook acquisitions in the areas of dialysis, infusion therapy, and hospital operations. The biggest acquisition was APP Pharmaceuticals. APP Pharmaceuticals is one of the leading manufacturers of IV drugs in North America. In 2008, APP achieved sales of US$ 777 million. The company was consolidated as from September 1, 2008.

Dabur Pharma, a leading supplier of generic drugs and active agents for cancer treatment based in New Delhi, India, was also consolidated as from September 1, 2008. The company achieved consolidated sales of approximately € 47 million in its 2007/2008 fiscal year (April 1, 2007 to March 31, 2008).

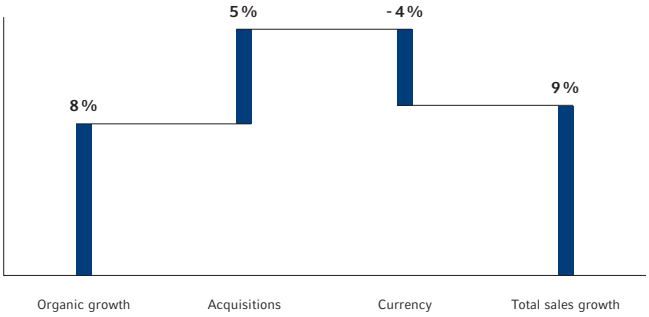
RESULTS OF OPERATIONS

Sales

In 2008, we increased Group sales by 13 % in constant currency and by 9 % at actual rates to € 12,336 million (2007: € 11,358 million). Very good organic growth of 8 % was achieved, while acquisitions contributed 5 % to the growth in sales.

Group	Targets for 2008 announced in February 2008	Raised target announced in November 2008	**Achieved in 2008**
Sales (growth, in constant currency)	8 to 10 %	9.5 to 10.5 %	**11 %**
Net income (growth, in constant currency)	10 to 15 %		**13 %**
Capital expenditure	€ ~ 750 million		**€ 764 million**

SALES GROWTH ANALYSIS



The chart below shows the various influences on Fresenius' Group sales. While there were no significant consequences from changes in product mix, price effects in the dialysis care business contributed positively. In the foreseeable future no significant changes are expected in these two factors.

The largest regions in the Group are Europe and North America , contributing 45 % and 41 % of total sales, followed by Asia-Pacific with 7 % and Latin America and Africa with 5 % and 2 %, respectively. Germany contributed 23 % to Group sales.

In North America, sales rose 9 % in constant currency. This was mainly driven by organic growth of 5 % and the first-time consolidation of APP Pharmaceuticals. In Europe, organic growth of 9 % was the main driver. We again registered strong organic growth in Asia-Pacific with 17 %, in Latin America with 18 %. The sales split by region is shown below.

Sales performance by business segment was as follows:

- Fresenius Medical Care achieved sales of € 7,213 million in 2008 (2007: € 7,093 million). Currency translation had an effect of - 6 %. Very good organic growth of 7 % was achieved. Acquisitions had an effect of 1 %. Fresenius Medical Care recorded good increases in constant currency, both in dialysis care and in dialysis products.
- Fresenius Kabi increased sales by 23 % to € 2,495 million (2007: € 2,030 billion). The company achieved excellent organic growth of 9 %. Net acquisitions had an effect of 16 %. This included the acquisitions of APP Pharmaceuticals and Dabur Pharma. Currency translation had an effect of - 2 % on sales. This was mainly attributable to the weaker currencies in the United Kingdom, South Africa, and Korea.

SALES BY REGION

in million €	2008	2007	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Europe	**5,549**	4,852	14 %	9 %	- 1 %	6 %	45 %
North America	**5,029**	4,932	2 %	5 %	- 7 %	4 %	41 %
Asia-Pacific	**935**	802	17 %	17 %	- 5 %	5 %	7 %
Latin America	**582**	488	19 %	18 %	- 5 %	6 %	5 %
Africa	**241**	284	- 15 %	- 11 %	- 7 %	3 %	2 %
Total	**12,336**	11,358	9 %	8 %	- 4 %	5 %	100 %

SALES BY BUSINESS SEGMENT

in million €	2008	2007	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**7,213**	7,093	2 %	7 %	- 6 %	1 %	59 %
Fresenius Kabi	**2,495**	2,030	23 %	9 %	- 2 %	16 %	20 %
Fresenius Helios	**2,123**	1,841	15 %	5 %	0 %	10 %	17 %
Fresenius Vamed	**524**	408	28 %	25 %	0 %	3 %	4 %

STATEMENT OF INCOME (SUMMARY)

in million €	2008	2007	Change	Change in constant currency
Sales	**12,336**	11,358	9 %	13 %
Cost of goods sold	**- 8,408**	- 7,680	- 9 %	- 14 %
Gross profit	**3,928**	3,678	7 %	11 %
Operating expenses	**- 2,451**	- 2,069	- 18 %	- 21 %
EBIT, adjusted	**1,727**	1,609	7 %	11 %
EBIT	**1,477**	1,609	- 8 %	- 3 %
Net interest	**- 431**	- 368	- 17 %	- 2 %
Other financial result	**68**	0	–	–
Income taxes	**- 440**	- 448	2 %	- 3 %
Minority interest	**- 404**	- 383	- 5 %	- 10 %
Net income, adjusted	**450**	410	10 %	13 %
Net income	**270**	410	- 34 %	- 27 %
Earnings per ordinary share (in €), adjusted	**2.85**	2.64	8 %	11 %
Earnings per ordinary share (in €)	**1.71**	2.64	- 35 %	- 29 %
Earnings per preference share (in €), adjusted	**2.86**	2.65	8 %	11 %
Earnings per preference share (in €)	**1.72**	2.65	- 35 %	- 29 %
EBITDA, adjusted	**2,203**	2,030	9 %	12 %
EBITDA	**2,260**	2,030	11 %	15 %
Depreciation and amortization	**783**	421	86 %	85 %

- Fresenius Helios increased sales by 15 % to € 2,123 million (2007: € 1,841 million). Net acquisitions contributed 10 % to the growth, especially the acquisition of the hospitals in Krefeld and Hüls. Fresenius Helios achieved very good organic growth of 5 % on the back of a much higher number of admissions compared to 2007.
- Fresenius Vamed achieved excellent sales growth of 28 % to € 524 million (2007: € 408 million). Acquisitions contributed 5 % to this growth. Deconsolidations had a negative impact of 2 %. Sales in the project business increased by 30 % to € 336 million (2007: € 259 million). Sales in the services business improved by 26 % to € 188 million (2007: € 149 million). Order intake in Fresenius Vamed's project business rose by 8 % to € 425 million (2007: € 395 million). Order backlog increased by 12 % to € 571 million (December 31, 2007: € 510 million).

Earnings structure

We achieved excellent growth rates in adjusted net income in 2008. Adjusted Group net income rose 10 % to € 450 million. Currency translation had an effect of - 3 %. Growth in constant currency was 13 %. All business segments contributed to this success. Adjusted earnings per ordinary share rose to € 2.85, and adjusted earnings per preference share to € 2.86 (2007: € 2.64 per ordinary share, € 2.65 per preference share). In each case this is an increase of 11 % in constant currency. Including the special items, Group net income was € 270 million. Including the special items, earnings per share came to € 1.71 for the ordinary shares and to € 1.72 for the preference shares. Inflation had no significant effect on results of operations in 2008.

Adjusted Group EBITDA rose by 12 % in constant currency and by 9 % at actual rates to € 2,203 million (2007: € 2,030 million). Adjusted Group EBIT increased by 11 % in constant currency and by 7 % at actual rates to € 1,727

million (2007: € 1,609 million). Group EBITDA and Group EBIT, including the special items, were € 2,260 million and € 1,477 million, respectively.

- Fresenius Medical Care achieved EBIT of € 1,137 million, which was below the previous year's figure of € 1,153 million due to currency translation effects. In constant currency, the increase was 4 %. The EBIT margin was 15.8 % (2007: 16.3 %). This development mainly reflected higher personnel expenses, and other operating and material costs, as well as lower utilization levels and reduced reimbursement rates for EPO and increased costs for the drug Heparin in North America. The margin was influenced as well by a stronger growth of the international dialysis services segment coupled with start-up costs for new clinics and unfavorable currency effects. In addition, higher depreciation expense was experienced in 2008 as a result of expanded production capacities. These effects were partially offset by increases in commercial payor revenue rates, higher volumes of products sold and other operational improvements.
- Fresenius Kabi increased EBIT by 33 % to € 443 million (2007: € 332 million). This includes amortization of € 8 million on intangible assets acquired from APP Pharmaceuticals. The EBIT margin improved to 17.8 % (2007: 16.4 %). Without acquisitions, the EBIT margin would have been 16.6 %. This was driven by good operating results in all regions, cost optimization, and efficiency improvement measures, and by changes in the product mix.
- Fresenius Helios achieved an exceptional EBIT performance. In 2008, this business segment reported EBIT of € 175 million (2007: € 155 million) thanks to the very good performance of the established clinics. Growth of 13 % was achieved. The EBIT margin was 8.2 % (2007: 8.4 %).
- Fresenius Vamed increased EBIT by 15 % to € 30 million (2007: € 26 million). The EBIT margin was 5.7 % (2007: 6.4 %).

Reconciliation to adjusted earnings

The table below shows the special items resulting from the acquisition of APP Pharmaceuticals in the reconciliation from adjusted Group EBIT and net income to earnings according to US GAAP:

The acquired in-process R & D activities have been written off in full at the time of acquisition in accordance with currently prevailing US GAAP accounting rules.

The valuation of inventories at market prices led to a valuation step-up in work-in-progress and finished goods. This amount will be written off over the average sales period of the respective products of four months.

	2008			
in million €	EBIT	Other financial result	Net income	Cash relevant
Earnings, adjusted*	**1,727**		**450**	
Purchase accounting adjustments:				
- in-process R & D acquired	**- 272**		**- 272**	–
- inventory step-up (market value)	**- 35**		**- 22**	–
Foreign exchange gain	**57**		**41**	partially
Other financial result:				
- Mandatory Exchangeable Bonds (mark-to-market accounting)		**28**	**20**	–
- Contingent Value Rights (mark-to-market accounting)		**75**	**75**	–
- One-time financing expenses**		**- 35**	**- 22**	partially
Earnings according to US GAAP	**1,477**	**68**	**270**	

* The special items are included in the column "Corporate/Other" in the segment reporting.
** In addition, € 73 million of transaction-related financing expenses have been capitalized and will be depreciated over the lifespan of the respective credit facility.

The foreign exchange gain has resulted from the firmer US dollar, which has increased the value of the US dollar intercompany loan to Fresenius Kabi Pharmaceuticals Holding, Inc.

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, with the change in market value (mark-to-market accounting), measured on a quarterly basis over the entire life of the instruments, resulting either in a gain or an expense.

The one-time financing expenses include commitment and funding fees for the bridge facility as well as the full write-off of the financing costs of a syndicated credit facility of APP Pharmaceuticals from the year 2007.

Development of other major items in the statement of income

Group gross profit increased to € 3,928 million, exceeding the € 3,678 million in 2007 by 7 % (11 % in constant currency). The gross margin was 31.8 % (2007: 32.4 %). The cost of sales rose 9 % to € 8,408 million (2007: € 7,680 million). This figure includes special items from the inventory step-up due to market price accounting. Cost of sales as a percentage of Group sales was 68.2 %, up from 67.6 % in 2007. Selling, general, and administrative expenses consisted primarily of personnel costs, marketing and distribution costs, as well as depreciation and amortization. These expenses rose by 5 % to € 1,972 million in 2008 (2007: € 1,885 million). Their ratio as a percentage of Group sales improved slightly to 16.0 % (2007: 16.6 %). This includes special items of € 57 million from the currency gain on US dollar intercompany loans. Depreciation and amortization (adjusted for special items) were € 476 million (2007: € 421 million). Their ratio as a percentage of sales was 3.9 % (2007: 3.7 %). Including special items, depreciation and amortization was € 783 million. This includes amortization of € 272 million on acquired in-process R & D and the valuation step-up of € 35 million in inventories.

Group net interest was € -431 million, an increase of € 63 million versus € -368 million in 2007. Lower average interest rates on liabilities at Fresenius Medical Care and currency translation had a positive effect, while higher debt especially as a result of the APP Pharmaceuticals and Dabur Pharma acquisitions had a negative impact. The currency translation effect was € 10 million since approximately 63 % of the debt is denominated in US dollars.

The other financial result of € 68 million consists of the change in market value recognized in the repayment value of Mandatory Exchangeable Bonds and Contingent Value Rights (mark-to-market accounting) and the one-time financing expenses associated with the APP acquisition.

The adjusted Group tax rate was 34.1 % (2007: 36.1 %). Including the special items, the Group's tax rate was 39.5 %.

Minority interest increased to € 404 million, mainly due to good earnings performance at Fresenius Medical Care (2007: € 383 million). Of this, 93 % was attributable to the minority interest in Fresenius Medical Care.

The table below shows the profit margin development (before special items):

in %	2008	2007
EBITDA margin, adjusted	**17.9**	17.9
EBIT margin, adjusted	**14.0**	14.2
Return on sales (before taxes and minority interest), adjusted	**10.5**	10.9

Value added

The value added statement shows Fresenius' total output in 2008 less purchased goods and services, and less depreciation and amortization. The value added of the Fresenius Group was € 5,903 million in 2008 (2007: € 5,754 million). This is an increase of 3 %. The distribution statement shows that, at € 4,332 million or 74 %, the largest portion of our value added went to our employees. Governments and lenders came next with € 534 million and € 431 million, or 9 % and 7 %, respectively. Shareholders received € 114 million and minority interest € 404 million. The Company retained € 88 million for reinvestment.

VALUE ADDED STATEMENT

in million €	2008	%	2007	%
Creation				
Company output	**12,390**	**100**	11,489	100
- Materials and services purchased	**5,704**	**46**	5,314	46
Gross value added	**6,686**	**54**	6,175	54
- Depreciation and amortization	**783**	**6**	421	4
Net value added	**5,903**	**48**	5,754	50
Distribution				
Employees	**4,332**	**74**	4,052	71
Governments	**534**	**9**	541	9
Lenders	**431**	**7**	368	6
Shareholders	**114**	**2**	103	2
Company and minority interest	**492**	**8**	690	12
Net value added	**5,903**	**100**	5,754	100

FINANCIAL POSITION

Financial management policies and goals

Insuring financial flexibility is key to the financing strategy of the Fresenius Group. We achieve this flexibility through a broad spectrum of financing instruments and the 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 the revolving syndicated credit lines 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 loans or credit agreements and no mutual guarantees. The Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE in order to avoid any structural subordination.

Financing

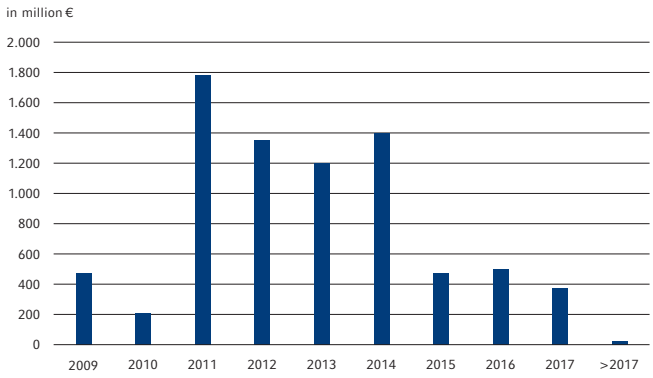
Fresenius meets its financing needs through a combination of operating cash flows generated in the business segments and short, mid-, and long-term debt. In addition to conventional bank loans, important financing instruments include the issuance of bonds, notes, trust preferred securities, a commercial paper program, a receivables securitization program, and mandatory exchangeable bonds.

In 2008, the Group's financing activities mainly involved the financing of the APP Pharmaceuticals acquisition, including the refinancing of its financial liabilities that totaled approximately US$ 4.8 billion (including financing expenses). This acquisition was financed by a mix of equity and debt. Thanks to the great advances the Group has made in lowering its leverage since 2006, it was possible to finance by far the greater part of this transaction with debt instruments. Consequently, the impact on Fresenius SE's credit ratings was minimized.

- On July 17, 2008 Fresenius SE successfully placed mandatory exchangeable bonds (MEB) with a total nominal amount of € 554 million. The bonds have a term of 3 years and may only be redeemed by exchanging them for ordinary shares of Fresenius Medical Care AG & Co. KGaA. At maturity, Fresenius has to deliver a minimum of 14.24 million shares and a maximum of 16.80 million shares, equivalent to about 4.8 % and about 5.6 %, respectively, of the total subscribed capital of Fresenius Medical Care AG & Co. KGaA. The bond carries an annual coupon of 5 5/8 %. The minimum exchange price is equal to the reference price of € 33.00 and the maximum exchange price has been set 18 % above the reference price. This structure enables Fresenius SE to participate in a rise in the price of the Fresenius Medical Care ordinary shares up to a maximum exchange price of € 38.94.
- On August 15, 2008 Fresenius SE completed a capital increase, with gross proceeds of approximately € 289 million. Priced at € 52.00, 2,748,057 new bearer shares were issued as well as 2,748,057 new preference shares at a price of € 53.00. The new shares were offered to institutional investors through an accelerated bookbuilt offering.
- On August 20, 2008, a US$ 2.45 billion senior secured credit facilities agreement was signed. Of this, US$ 2.25 billion was drawn to cover the purchase price, to refinance APP's existing debt, and to meet transaction-related expenses when the APP acquisition was closed on September 10, 2008. On October 6, 2008, in response to strong demand among investors, Fresenius SE increased the credit facilities by the equivalent of US$ 500 million to approximately US$ 2.95 billion. For greater financial flexibility, the credit facilities' revolving credit lines were increased from US$ 450 million to US$ 550 million on November 26, 2008. The total volume of the senior secured credit facilities is thus approximately US$ 3.05 billion, with US$ 550 million of revolving credit lines, a Loan A of US$ 1.0 billion, and a Loan B of approximately US$ 1.5 billion. Loan B consists of US dollar tranches of US$ 497.5 million, US$ 502.5 million and US$ 210.5 million, respectively, and a euro tranche of € 200 million. The revolving credit lines and Loan A have a term of 5 years. Loan B has a term of 6 years. When the APP Pharmaceuticals acquisition was closed, US$ 250 million of the revolving credit lines were drawn.
- On August 20, 2008 an agreement was signed for a bridge facility of US$ 1.3 billion, which was also drawn in full on September 10, 2008. This financing was reduced to US$ 650 million in October 2008, using proceeds from the increase in the senior secured credit facilities and funds from other credit lines.
- On January 21, 2009 Fresenius issued unsecured Senior Notes by its subsidiary Fresenius US Finance II, Inc. Proceeds were US$ 800 million. The euro tranche of € 275 million principal amount was issued at a price of 93.024 % and has a coupon of 8.75 %, resulting in a yield to maturity of 10.25 %. The US dollar tranche of US$ 500 million principal amount was issued at a price of 93.076 % and has a coupon of 9.00 %, resulting in a yield to maturity of 10.50 %. Both tranches will mature in 2015 and are noncallable. Proceeds of the Notes offering were used to replace the bridge facility of US$ 650 million used to finance the acquisition of APP Pharmaceuticals and to reduce short-term debt. This transaction completed the financing of the APP Pharmaceuticals acquisition.

A € 400 million private placement with European investors was completed on April 2, 2008. A syndicated senior unsecured note was offered in four tranches. The placement was divided into tranches of € 200 million with maturities of 4 and 6 years respectively, each with a fixed rate tranche and a floating rate tranche. The note was issued by Fresenius Finance B.V. and guaranteed by Fresenius SE.

MATURITY PROFILE OF THE FINANCING FACILITIES OF THE FRESENIUS GROUP



* as of December 31, 2008; based on utilization of major financing instruments, excluding the accounts receivables program of Fresenius Medical Care

A € 100 million bond, issued by Fresenius Finance B.V. in 2003, is due for refinancing in April 2009. A € 200 million note issued in 2005 of Fresenius Medical Care is due to mature in July 2009. Further refinancing on a major scale within the Fresenius Group is only due in 2011.

Fresenius SE 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, 2008 and December 31, 2007.

The Fresenius Group has drawn about € 5.1 billion in bilateral and syndicated credit lines. In addition, the Group had approximately € 1.1 billion in unused credit lines as of December 31, 2008 (including confirmed credit lines of € 0.7 billion). These credit facilities are generally used for covering working capital needs and are – with the exception of the Fresenius SE credit agreement of August 20, 2008 and the Fresenius Medical Care credit agreement – usually unsecured.

As of December 31, 2008, both 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 145 to 153 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 2008, key sources of liquidity were operating cash flows, short-, medium-, and long-term debt, and equity financing. 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 revolving credit facilities of Fresenius Medical Care, the revolving credit facilities of Fresenius SE, 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.

FINANCIAL POSITION – 5-YEARS OVERVIEW

in million €	**2008**	2007	2006	2005	2004
Operating Cashflow	**1,074**	1,296	1,052	780	851
in % of sales	**8.7**	11.4	9.8	9.9	11.7
Investments in property, plan and equipment, net	**736**	662	571	331	286
Cashflow before acquisitions und dividends	**338**	634	481	449	565
in % of sales	**2.7**	5.6	4.5	5.7	7.8

Dividend

The Management and Supervisory Boards will propose a dividend increase to the Annual General Meeting. For 2008, a dividend of € 0.70 per ordinary share and € 0.71 per preference share is proposed. This is an increase of about 6 %. The total dividend distribution will increase by 10 % to € 113.6 million (2007: € 103.2 million).

Cash flow analysis

Overall, the cash flow statement shows a sustainable development. Cash flow increased by 18 % to € 1,445 million in 2008 (2007: € 1,223 million). This is due to higher depreciation and amortization as a result of special items, while the special items reduced net income. The change in working capital was € -276 million (2007: € 73 million). This was due to the increase in trade accounts receivable and the growth in inventories.

Operating cash flow was € 1,074 million in 2008 (2007: € 1,296 million). The cash flow margin reached 8.7 % (2007: 11.4 %). 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 € 759 million and proceeds from the sale of property, plant, and equipment amounted to € 23 million (2007: € 700 million and € 38 million, respectively). Cash flow before acquisitions and dividends was therefore € 338 million (2007: € 634 million). Group dividends were financed in full from cash flow. The cash required for acquisitions was funded through equity measures and new debt.

Cash from financing activities (excluding dividend payments) was € 2,869 million (2007: € 83 million). In 2008, this was marked primarily by the equity and debt financing of the APP Pharmaceuticals acquisition. In addition to the acquisition expenditure, Group dividend payments led to a cash outflow of € 245 million in 2008 (2007: € 205 million). The Fresenius SE dividends accounted for € 103 million (2007: € 89 million). Cash and cash equivalents amounted to € 370 million as of December 31, 2008 (December 31, 2007: € 361 million).

CASH FLOW STATEMENT (SUMMARY)

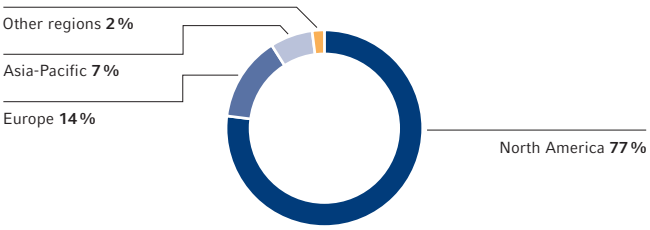
in million €	2008	2007
Net income before minority interest	**674**	793
Depreciation and amortization	**783**	421
Change in pension provisions	**-12**	9
Cash flow	**1,445**	1,223
Change in working capital	**-276**	73
Change in mark-to-market valuation of the mandatory exchangeable bonds and the CVR	**-95**	–
Operating cash flow	**1,074**	1,296
Property, plant and equipment	**-759**	-700
Proceeds from the sale of property, plant and equipment	**23**	38
Cash flow before acquisitions and dividends	**338**	634
Cash used for acquisitions/proceeds from disposals	**-2,957**	-396
Dividends	**-245**	-205
Cash flow after acquisitions and dividends	**-2,864**	33
Cash provided by/used for financing activities (without dividends paid)	**2,869**	83
Effect of exchange rate changes on cash and cash equivalents	**4**	-16
Change in cash and cash equivalents	**9**	100

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

Investments and acquisitions

The Fresenius Group invested € 4,617 million in 2008 (2007: € 1,318 million). At € 764 million (2007: € 700 million), investment in property, plant and equipment was well above the level of depreciation of € 476 million before special items and serves as the basis for preserving the company's value over the long term and for expansion. Of the total, about 49 % was invested in maintenance and about 51 % on expansion. Acquisitions incurred € 3,853 million (2007: € 618 million). Of the total investment volume in 2008, 17 % was invested in property, plant and equipment; 83 % was spent on acquisitions.

INVESTMENTS BY REGION



2008: € 4,617 million

The table below 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 APP Pharmaceuticals and the acquisition of Dabur Pharma in the Fresenius Kabi business segment. Fresenius Medical Care invested in expanding its global dialysis care business and its production of renal drugs. At Fresenius Helios, expenditure was for the acquisition of hospitals. Fresenius Vamed mainly invested into hospitals in the Czech Republic and the expansion of the service business.

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

- start-up of new dialysis clinics, primarily in the United States, and expansion and modernization of existing clinics for Fresenius Medical Care;
- expansion and optimization of production sites for Fresenius Medical Care and Fresenius Kabi;
- hospital modernization for Fresenius Helios. The largest single projects were the HELIOS clinics in Berlin-Buch and in Schwerin.

Investments in property and plant and equipment of € 138 million will be made in 2009 to continue the major investment projects that were already underway on the reporting date. These are chiefly investment obligations for hospitals for Fresenius Helios as well as investments to expand and optimize production plants. These projects will be financed from operating cash flow.

ASSETS AND LIABILITIES

Asset and liability structure

The total assets of the Group rose by € 5,220 million (34 %) to € 20,544 million (December 31, 2007: € 15,324 million). In constant currency, this is an increase of 31 %. Of this growth, 27 % is attributable to the acquisitions in 2008, especially APP Pharmaceuticals. The expansion of existing business activities accounted for 4 %. Inflation had no significant impact on the assets of Fresenius in 2008.

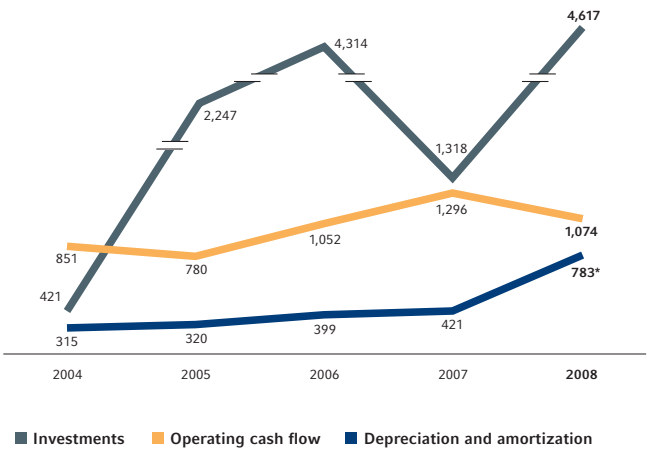
Non-current assets were € 15,466 million (2007: € 11,033 million). Based on the exchange rates as of December 31, 2007, this was an increase of 36 %, and was driven by additions to property, plant and equipment, as well as acquisitions. Goodwill from acquisitions was € 3,121 million as of December 31, 2008, of which € 2,637 million was attributable to the acquisition of APP Pharmaceuticals.

Current assets rose by 18 % to € 5,078 million (2007: € 4,291 million). In constant currency, this is also an increase

INVESTMENTS BY BUSINESS SEGMENT

in million €	2008	2007	Thereof property, plant and equipment and intangible assets	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**687**	680	467	220	1 %	15 %
Fresenius Kabi	**3,749**	294	137	3,612	–	81 %
Fresenius Helios	**140**	323	135	5	-57 %	3 %
Fresenius Vamed	**39**	10	4	35	–	1 %
Corporate/Other	**2**	11	21	-19	-82 %	–
Total	**4,617**	1,318	764	3,853	–	100 %

INVESTMENTS, OPERATING CASH FLOW, DEPRECIATION AND AMORTIZATION IN MILLION € – 5-YEARS OVERVIEW



* includes special items of € 307 million from the acquisition of APP Pharmaceuticals

of 18 %. Within current assets, trade accounts receivable rose by 15 % to € 2,477 million, primarily due to business expansion as a result of acquisitions (2007: € 2,159 million). Average days sales outstanding (DSO) of 71 days was on previous year's level. The acquisition of APP Pharmaceuticals had a positive effect while DSO increased at Fresenius Medical Care and Fresenius Kabi. Inventories rose by 29 % to € 1,127 million (2007: € 875 million). The scope of inventory (SOI) was 48 days in 2008 (2007: 42 days). This was affected by the first-time consolidation of APP Pharmaceuticals. The ratio of inventories to total assets slightly decreased to 5.5 % as of December 31, 2008 (December 31, 2007: 5.7 %).

Shareholders' equity, including minority interest, rose by 15 %, or € 884 million, to € 6,943 million (2007: € 6,059 million). In constant currency, this is an increase of 12 %. Group net income increased shareholders' equity by € 270 million. The capital increase in the third quarter of 2008 to finance the APP Pharmaceuticals acquisition added € 289 million. The equity ratio, including minority interest, was 33.8 % as of December 31, 2008 (December 31, 2007: 39.5 %).

The liabilities and equity side of the balance sheet shows a solid financing structure. Shareholders' equity of the Group, including minority interest, comprises 45 % of non-current assets (2007: 55 %). Together, shareholders' equity, minority interest, and long-term liabilities cover all non-current assets and 81 % of the inventories.

Long-term liabilities were € 9,432 million as of December 31, 2008, an increase of € 3,670 million compared to the previous year's figure of € 5,762 million. The large increase is mainly attributable to the financing of the APP Pharmaceuticals acquisition. Short-term liabilities were € 4,169 million, an increase of 19 % versus the previous year's figure of € 3,503 million.

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 (€ 83 million). Please see page 162 of the Notes for details.

Group debt was € 8,787 million. This is well above the previous year's level (2007: € 5,699 million) due to the financing of the APP Pharmaceuticals acquisition. In constant currency

ASSETS AND LIABILITIES – 5-YEARS OVERVIEW

in million €	**2008**	2007	2006	2005	2004
Total assets	**20,544**	15,324	15,024	11,594	8,188
Shareholders' equity*	**6,943**	6,059	5,728	5,130	3,347
As % of total assets*	**34**	40	38	44	41
Shareholders' equity*/non-current assets (%)	**45**	55	52	64	62
Debt	**8,787**	5,699	5,872	3,502	2,735
As % of total assets	**43**	37	39	30	33
Gearing (%)	**121**	88	98	63	78

* including minority interest

it was € 8,495 million. Its relative weight in the balance sheet increased to 42.8 % (2007: 37.2 %). Approximately 63 % of the Group's debt is denominated in US dollars. Liabilities due in less than one year were € 1,262 million (2007: € 932 million), while liabilities due in one to five years or more were € 7,525 million (2007: € 4,767 million).

The net debt to equity ratio including minority interest (gearing) has risen to 121.2 % (2007: 88.1 %). The return on equity after taxes reached 10.5 % (2007: 12.0 %), and the return on total assets after taxes and before minority interest was 4.0 % in 2008 (2007: 5.2 %); both pro forma APP Pharmaceuticals and including special items related to the acquisition.

The table below shows other key asset and capital ratios:

in million €	Dec 31, 2008	Dec 31, 2007
Debt/EBITDA*	**3.8**	2.8
Net debt/EBITDA*	**3.6**	2.6
EBITDA/interest ratio*	**4.0**	5.5

* pro forma APP acquisition (included for the full year 2008) and before special items

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was € 1,493 million as of December 31, 2008. These contracts had a market value of € 31 million. The nominal value of interest rate hedging contracts was € 3,470 million. These contracts had a market value of € -191 million. Please see the Risk Report on page 94 and the Notes on pages 166 to 169 for further details.

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

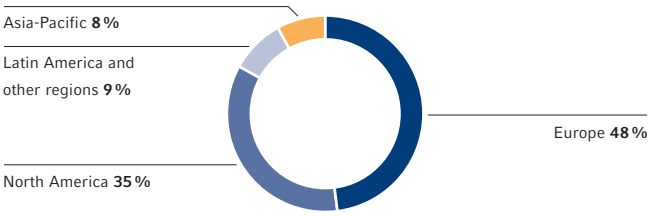
The Fresenius Group had 122,217 employees worldwide at the end of 2008. The increase of 8,036 or 7 % (December 31, 2007: 114,181) was mainly due to acquisitions.

Employee numbers in the business segments were as follows:

Number of employees	Dec 31, 2008	Dec 31, 2007	Change
Fresenius Medical Care	**68,050**	64,662	5 %
Fresenius Kabi	**20,457**	16,964	21 %
Fresenius Helios	**30,088**	30,043	0 %
Fresenius Vamed	**2,802**	1,767	59 %
Corporate/Other	**820**	745	10 %
Total	**122,217**	114,181	7 %

The chart shows the distribution of our employees by region. These percentages roughly correspond to the sales contributions of the respective continents. With an increase of 7 %, the number of employees has grown significantly in North America. This is mainly due to the APP Pharmaceuticals acquisition. The number of employees also rose strongly in Asia-Pacific, with an increase of 32 %. This reflects the acquisition

EMPLOYEES BY REGION



2008: 122,217

of Dabur Pharma and our fast-growing business in this region, where currency-adjusted sales growth was 22 %. In Germany, 37,078 people are employed, an increase of 4 % (2007: 35,789).

Personnel expenses for the Fresenius Group were € 4,332 million in 2008 (2007: € 4,052 million). Personnel expenses per employee were € 36.5 thousand (2007: € 37.4 thousand). There were no significant changes to compensation or employment agreements in 2008.

PROCUREMENT

An efficient management of the value chain is important for Group profitability. Global procurement management, which assures the availability of goods and services as well as the consistent quality of the materials used in production, is a key element. 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.

Within the Fresenius Group global procurement is coordinated centrally, enabling us to bundle similar requirements and negotiate global framework agreements. These central coordinating offices organize purchases for the production sites and arrange comprehensive quality and safety checks of purchased materials and goods. Current market and price developments are analyzed on an ongoing basis. In 2008, the cost of raw materials and supplies and purchased components and services was € 4,204 million (2007: € 3,769 million).

in million €	2008	2007
Cost of raw materials and supplies	**3,668**	3,266
Cost of purchased components and services	**536**	503
Total	**4,204**	3,769

Fresenius Medical Care

Fresenius Medical Care countered the increased purchasing prices in 2008 by bundling requirements, with a great many raw and other input materials being standardized across regions. We also stepped up our sourcing in regions with for us favorable currency exchange rates. In North America, the financial and economic crisis led in part to significantly higher price demands from suppliers. We are seeking additional suppliers to fuel competition for our procurement volumes. In 2008, we further optimized our procurement processes in the United States in order to achieve cost reductions. Outside the United States, in the International segment, the "Purchasing Excellence" initiative was continued. The aim of this initiative is in Europe to centralize the sourcing processes more strongly and rationalize them in order to save costs. For items purchased in very large quantities such as polysulphone, the material from which the fibers used in our dialyzers are made, we searched intensively for second suppliers in 2008 so as to additionally secure our supplies.

Fresenius Kabi

Fresenius Kabi's purchasing power was further strengthened by the acquisitions in 2008. The supplier portfolio was also optimized, and product specifications were increasingly standardized. In addition, long-range sourcing strategies have been devised that improve Fresenius Kabi's purchasing position in relevant markets.

To counter increases in raw materials and energy prices, Fresenius Kabi began extending the global bundling of requirements early on, also acting in coordination with other Fresenius companies. A focus in 2008 was on synergy projects, e. g. for dextrose derived from corn and for process filters used in the production of infusion solutions. Fresenius Kabi uses processed products derived from raw materials of agricultural origin – both milk and corn – in its infusion therapies and enteral nutrition. The price of corn, which is used

as a basic raw material for various processed products, rose strongly at times in the course of 2008. Following large price increases for processed milk products, supply grew in 2008. As a result of this development, Fresenius Kabi was able to enhance its negotiating results. A bidding process was developed together with Fresenius Medical Care for joint requirements in the area of solution filters. This will take effect in 2009.

The bundling of requirements for the strategic sourcing of active substances for the production of pharmaceuticals progressed successfully in 2007, resulting in a cost reduction in 2008.

The prices of energy, oil-based products, and all products based on energy-intensive production processes increased again in 2008. These include plastic granulate and foil used in the production of primary packaging for infusion solutions and other pharmaceutical products, glass for containers, and aluminum for fastenings. A supply agreement for aluminum fastenings was concluded in 2007 at slightly increased prices, but these were still below the level of market prices in 2008. There were further increases in the prices of cardboard boxes. Thanks to an agreement concluded in 2005, the price of electricity was held stable at the locations in Germany in 2008. Moreover, Fresenius Kabi had already examined the potential for cutting gas and electricity costs in a number of regional synergy projects in 2007. This will be continued and extended over the long term.

The "Fresenius Pool IT" sourcing project was also completed in 2008 with very good negotiating results. This led to the conclusion of new contracts for IT hardware for all Fresenius companies.

For the production of IV drugs in the United States, we require raw and other materials conforming to U.S. Food and Drugs Administration regulations. Some materials are only available from a limited number of suppliers, meaning that higher stocks of these materials may need to be maintained at times. Quality management and procurement management are therefore closely coordinated to assure stability of supply and the consistently high quality of the production materials together with optimum storage.

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.

Today, more than 85 % of our medical supplies are standardized. A system of 280 product groups promotes transparency, planning efficiency, and competition. The electronic configuration of all purchasing processes (e-procurement) – from ordering to billing – results in even greater efficiency and transparency. The process of consolidation among firms in the healthcare market can lead to temporary supply bottlenecks. Procurement management at HELIOS is successfully forestalling this by standardizing the drugs and medical devices used at its clinics.

In 2008, the HELIOS Drug List was introduced, with 45 supply contracts covering 90 % of our clinics' drug requirements. About 10 % of the product portfolio used at the clinics was standardized. For the first time, 170 generic active agents, representing an annual procurement volume of over € 4 million, were negotiated on a coordinated basis. The goal was to standardize the drugs used at the HELIOS clinics and agree with suppliers a minimum three-year period of stability for this broad range of products. This cut costs by over € 400,000 in 2008.

HELIOS actively involves suppliers in the procurement management evaluation process. This is done once a year and reviews the business relationship between HELIOS and its suppliers from the viewpoint of both partners. The resulting ratings and feedback are used to optimize business relations. A total of 59 suppliers took part in HELIOS' third partner rating process at the end of 2008.

In procurement management, the quality attributes of the products used are of essential importance. For example, in 2008 HELIOS Kliniken Group sourced new safety syringes for

blood collection and vein punctures where, after use, an irreversible guard is automatically fitted over the used syringe, excluding all risk of accidental injury and infection for staff and patients. Statutory regulations only require such safety syringes to be used where the risk of accidental injury from hypodermic needles is particularly high. HELIOS Kliniken Group, however, uses these syringes in all inpatient and working areas.

In 2008, there were further increases in energy and food prices. As a basis for its energy sourcing, HELIOS has created an energy benchmark database that provides transparency for all utilities (electricity, gas/heating oil, heat, water, and waste water) at all clinic locations. Variances in consumption and costs are promptly detected and directly acted upon. HELIOS monitors the price trends on the energy exchanges daily. Because pricing in the energy sector is not determined solely by the actual energy price itself but also by other components such as third-party access fees, HELIOS does not conclude framework agreements for energy supplies. In the second quarter of 2006, HELIOS purchased its electricity for 2007 and 2008. In comparison to what they were when HELIOS contracted, prices rose by over 30 % on average. Thanks to the transparency created and to monitoring current price trends, HELIOS is able to take advantage of opportunities to buy energy at the best possible times. For this purpose, HELIOS uses the enPortal online platform with links to about 150 energy utilities in Germany. If HELIOS tags all 57 clinic locations on this platform as buyers of electricity, all potential suppliers can quote within a day for each location. While negotiations without the platform would take about 10 to 12 weeks to complete, HELIOS can conduct the bidding process and the placement of contracts within three to four days.

QUALITY MANAGEMENT

Our quality management has the following three objectives:

- to identify value-enhancing processes oriented to the needs of our customers and to efficiency;
- to use performance indicators to monitor and steer these processes; and
- to improve procedures.

These objectives overlay the quality of our products and all services and therapies that we provide. Our quality management system integrates all product groups, including drugs, medical devices, and nutrition, as well as our clinics. The quality management system is regularly evaluated by internal audits and external certification bodies. Our products are closely controlled even at the development stage. Because our drugs are subject to regulatory approval, appropriate documentation has to be prepared and submitted in accordance with national and international regulations. Medical devices undergo a conformity assessment procedure that documents their compliance with the appropriate norms. In enteral nutrition, we follow the Hazard Analysis Critical Control Point (HACCP) principle during the development process. We have established quality assurance systems in all our production facilities. 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 production facilities are regularly inspected by regulatory authorities or other independent institutions. All audits and inspections have resulted in the renewal of the relevant manufacturing authorization or certification. 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. Although not based on ISO certification, within the hospital market this system is acknowledged as a highly innovative procedure. The system is even used as quality standard in more than 200 German hospitals outside HELIOS Group. Furthermore, in 2008 the Swiss Federal Office of Public Health (Bundesamt für Gesundheit) started a pilot project based on the HELIOS quality management system to evaluate quality indicators in the hospital market.

Fresenius Medical Care

As a supplier of products and services for treating people with kidney disease Fresenius Medical Care has a special responsibility for its patients and thus for maintaining quality standards. Its Integrated Management System (IMS) not only takes account of statutory regulations and standards applying to its products business and services but is also oriented to internal processes. It meets the requirements of ISO Standard 9001:2000 for quality management systems and combines this with those of ISO Standard 14001:2004 for environmental management systems. At the same time it takes account of the special standard for medical products ISO 13485:2003. IMS has been introduced at most production facilities in Europe. In the United States, the production sites in Odgen and Walnut Creek and in Mexico in Reynosa are certified to ISO 13485:2003.

The number of clinics in Europe conforming to quality management standard ISO 9001:2000 rose to 282.

Fresenius Medical Care monitors the effective implementation of IMS through so-called audits. To ensure that these audits can be carried out regularly and company-wide further employees were trained in 2008. Generally, quality management is to be even more firmly embedded among employees.

Fresenius Medical Care is currently developing a training management system. This holistic system, like IMS, will not only cover aspects of product quality but also environmental management, occupational safety and especially risk management issues.

To assess quality in dialysis care, we use the generally accepted quality parameters customary in dialysis, such as the hemoglobin values. Hemoglobin mainly serves to transport oxygen from the respiratory organs to the body tissues that use oxygen. Our patients should have a hemoglobin level of at least 11 grams per deciliter of blood. The average hemoglobin level for healthy people is slightly above that. Other indicators we use to assess treatment quality include the phosphate level and the so-called Kt/V value, which measures the effectiveness of the dialysis treatment by calculating the filtration rates for certain toxic molecules in relation to the length of treatment. Other quality indicators are albumin, which gives an idea of the patient's general nutritional condition, and the number of days which dialysis patients have to spend in the hospital. Measured on the basis of the above parameters, the quality of dialysis treatment at Fresenius Medical Care was further improved in 2008.

Fresenius Kabi

Quality management at Fresenius Kabi is subject to a great many national and international regulations, such as Good Clinical Practice (GCP), current Good Manufacturing Practice (cGMP), Good Distribution Practice (GDP), ISO Standard 13485:2003, the environmental management standard ISO 14001:2004 as well as regulatory, product-specific requirements. All of these requirements have been integrated into a quality management system conforming to ISO Standard 9001:2008. Fresenius Kabi has included virtually all its global production facilities and the majority of the local sales

organizations in the external certification process. Quality management at our production sites, in the sales divisions, and at a cross-functional level is reviewed regularly by national and international regulatory authorities and by customers. The high standards and exemplary functionality of the systems were again confirmed in 2008.

The focus in 2008 was on new certification for the sales organizations outside Europe. In addition to European sites, plants in India and China are included in the certification process to environmental standard 14001:2004. The existing electronic workflow systems were further refined to improve global communication in the area of quality management.

The diverse statutory requirements applying to drugs, medical devices, and nutritional products require Fresenius Kabi to meet a wide range of international and regional standards. Compliance with these standards is regularly audited. Worth special mention is the successful inspection of our pharmacovigilence system (drug safety system) by the British Medicines and Healthcare Products Regulatory Agency, which inspected our local drug safety system in Great Britain, and their cooperation with our central pharmacovigilence organization. The inspection covered gathering data, providing documentation, and reporting instances of drug side effects and failures as well as defects in pharmaceutical products. Successful inspections were also carried out by the U.S. Food and Drug Administration at a number of locations.

We have initiated the integration of our quality management processes at Dabur Pharma and APP Pharmaceuticals, and will be continuing this work in 2009. Since both companies already have a well-established and proven quality management system, Fresenius Kabi is concentrating on "best practice" solutions perfected to the Group-wide standard. Dabur Pharma is a leading supplier of generic drugs and active agents for cancer treatment. Active substances for cancer treatment need to be handled with extreme care, so special attention is paid in our quality management system to the safety of employees who come into contact with this group of products.

Another project in 2009 will be the certification of the compounding business to ISO 9001:2008.

Fresenius Helios

The HELIOS quality management system that was developed in-house is committed to a continuous improvement in patient care. Now, over 900 indicators (2007: about 700) cover all the main diseases, so that the number of services performed and partially also surgical procedures and, where possible, the quality of the outcomes, can be recorded. Utilizing over 142 indicators, our annual medical report regularly publishes the 30 most important diseases and surgical procedures for the HELIOS Group. The individual clinics provide this information in their hospital guidebooks. The results are also published on the Internet. These publications demonstrate the exemplary transparency of HELIOS' performance externally. Demanding targets were defined for 33 indicators. In these areas, the HELIOS clinics aim to be at least as good as the German average. Where benchmark data are available, HELIOS expects its clinics to match best-in-class international standards in surgical medicine. The Group met or significantly exceeded the targets for 24 of these indicators. Group-wide mortality rates for major diseases, such as heart attack, heart failure, stroke, and pneumonia, and for many major surgical procedures, were well below the German average – by as much as 29 % in some cases. For example, the mortality rate in the treatment of fractures of the neck of the femur, often caused by falls of elderly persons, was below the German average. Where 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 care in their various specialist areas.

HELIOS has taken yet another important step aimed at independent and transparent reporting of treatment quality: The Initiative of Quality Medicine (IQM) was launched in collaboration with six other hospital operators. Close to a million patients are treated at the 100 or so clinics covered by this initiative. Members undertake to conduct standardized measurements of the quality of the treatment results at their clinics, based on administrative data, and to publish the results. This voluntary commitment also includes a form of peer reviewing: Internal and external experts analyze the

treatment results that do not meet the initiative's quality goals and discuss concrete improvements with the clinic involved. The aim of this review is to achieve improvements in the procedures and structures of the treatment process. IQM is the first multi-operator, administrative data-based quality assurance initiative in Germany and furthers HELIOS' interest in improving the transparency of quality data for the German health care market.

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 (covering, for example, ambulance bays, admission and discharge areas, interdisciplinary emergency facilities, interdisciplinary outpatient clinics), differentiation according to modular care levels (from basic to intensive care), and the 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 after, when the services are established. Internally, the processes are 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).

VAMED was honored twice in the Austrian State Quality Awards in 2008. In addition to coming first in the large company category, VAMED won a jury prize for special achievements. This latter award was mainly in recognition of its close cooperation with the Vienna General Hospital and University Clinic (AKH). VAMED is the general contractor at the AKH, responsible for the buildings' utilities and operations, fleet management, waste management, environmental and energy management, and for servicing the approximately 48,000 medical devices.

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 to 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 the company 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 sales teams coordinate direct sales promotion measures, including visits to doctors, medical specialists, hospitals, and specialist clinics. 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, generally located not far from the production sites. These central warehouses dispatch the products to 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 at the company's production sites. 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. In dialysis care, approximately 35 % of Fresenius Medical Care's revenues are derived from the U.S. government's Medicare/Medicaid programs, with about 65 % from hospitals and private and other health care payors.

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 one source of revenue. In the United States, the products of APP Pharmaceuticals are distributed primarily through group purchasing organizations.

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 significant demand around the world. Operating performance in the first weeks of 2009 has been in line with our expectations, with further increases in sales and earnings.

OPPORTUNITIES AND RISK REPORT

Through the expansion, especially in international markets, and the complexity and dynamics of our business, the Fresenius Group is exposed to a number of risks. These risks are directly related to our business activities and have to be accommodated if opportunities are to be exploited.

As a provider of often life-saving products and services for the severely and chronically ill, we are relatively independent of economic cycles. 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 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. Opportunities management is closely linked to the Fresenius Group's long-term strategy and medium-term planning. 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 97.

RISK MANAGEMENT

Like opportunities management, risk management is a continuous process. Identifying, analyzing, and controlling risks are key tools of solid group management. The Fresenius risk management system is closely linked to corporate strategy and is based on its guidelines. Through the combination of our internal monitoring system, our risk controlling procedures, and an early-warning system derived from our risk management system, we can identify and counteract at an early stage those developments that might threaten the companies' future. Responsibilities for the processes and for 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.

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

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

RISK AREAS

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

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

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

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

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

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 arrangements with the major GPOs. To maintain these relationships, APP Pharmaceuticals believes it needs to be a reliable supplier, offer a broad high-quality product line, remain price competitive and comply with FDA regulations. The GPOs also have purchasing agreements with other manufacturers, and the bid process for products such as those of APP Pharmaceuticals is highly competitive. Most of APP Pharmaceuticals' GPO agreements can be terminated at short notice.

In addition, our close ties with the medical and scientific communities allow 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

We confront potential risks in production and services with the following measures: Compliance with product and manufacturing regulations is insured by quality management systems in accordance with the internationally recognized quality standards ISO 9001 and ISO 9002 and corresponding internal standards as defined, for example, in our quality and work procedure manuals. Regular audits are carried out by quality management officers 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) guidelines and other internationally and nationally recognized standards. In addition, the quality management and compliance programs document and make sure that business is carried out in line with high ethical standards and in accordance with official procedures. Internal and external audits review the legality and efficiency of our operations and the effectiveness of our internal monitoring systems. 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.

Performing medical procedures on patients in our hospitals and post-acute care clinics presents inherent risks; in addition, operational risks, for example the need for strict hygiene and sterile conditions, can arise. We counteract these risks with strict working procedures, continuous personnel training, and patient-oriented working methods.

Risks can also arise from increasing pressure on our product prices and from price increases on the procurement side. For instance, changes in the United States in the regulations concerning the reimbursement for erythropoietin (EPO), or a change in the dosage, 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. An interruption in supply or worsening procurement conditions for EPO could also reduce revenues and significantly increase Fresenius' costs. To counter this risk, Fresenius Medical Care has entered into an agreement with Amgen for the supply of EPO in the United States and Puerto Rico. Amgen is the sole supplier of EPO in the United States. The agreement runs until December 31, 2011. Reimbursement and revenues from the administration of EPO accounted for approximately 7 % of total sales of the Fresenius Group in 2008.

Growing competition could adversely affect the pricing and sale of our products and services. The introduction of new products and services by competitors could make products and services of the Fresenius Group less competitive. On the procurement side, we counter risks, which mainly involve possible price increases, 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, securing payment in advance through deposits, letters of credit and secured credits.

- Research and development

The development of new products and therapies always carries the risk that the ultimate goal is not achieved. 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 brought to the market continually and at the right time.

- Risks from the integration of acquisitions

The integration of acquisitions or potential acquisitions 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 legal questions and contractual obligations are being clarified. 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 as well as relationships with customers and employees 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 nonassertible.

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' acquistion 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. If, notwithstanding the opinion, the IRS were to audit the spin-off and successfully assert that the spin-off failed to qualify for the tax-free status as a result of the acquisition of APP Pharmaceuticals, this would lead to a material tax liability.

- Personnel risks

Risks in personnel marketing are not considered to be significant. Nevertheless, the Group uses comprehensive recruiting and personnel development programs to counteract a possible shortage of skilled personnel. By using targeted personnel marketing measures to recruit a qualified and dedicated workforce, Fresenius counters the general shortage of specialized hospital personnel, thus insuring 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. HELIOS, for instance, pays a monthly stipend to medical students during their one-year internship. This practice puts HELIOS at a considerable competitive advantage over other hospital operators in recruiting staff.

- Financial risks

The international operations of the Fresenius Group expose us to a variety of currency risks. In addition, the manner of financing 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 nonexchange traded, marketable instruments, used exclusively to hedge our operations and not for trading or speculative purposes.

The Fresenius Group's currency and interest rate risk management activities are based on a policy approved by the Management Board that defines the targets, organization, and handling of the risk management processes. In particular, the guidelines assign responsibilities for risk determination, the execution of hedging transactions, and for the regular reporting of risk management activities. These responsibilities are coordinated with the management structures in the residual business processes of the Group. Hedging transactions using derivatives are carried out solely 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 insures 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, 2008, approximately 69 % of the Fresenius Group's debt is protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 31 %, or € 2,724 million, is exposed to an interest rate risk. A rise of 0.5 % in the reference rates relevant for Fresenius would have a less than 1.5 % 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 US dollar

to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. As a globally active company, we have production facilities in all the main currency areas. In our service businesses, the revenue and cost base coincide. The exposure to currency risks arising from our business activities does not rise to the same extent as sales.

Potential financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed in advance. We perform careful and in-depth reviews of the projects, sometimes assisted by external consultants.

Fresenius' debt has increased significantly as a result of the financing of the APP Pharmaceuticals acquisition reaching € 8,787 million as of December 31, 2008. The debt could limit the ability to pay dividends, to arrange refinancing, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. This is counteracted through a long-term spread maturities profile. In addition, the Group has no material short-term refinancing requirements.

▶ Government reimbursement payments

Fresenius is subject to comprehensive government regulations 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. Changes in the law, or changes in the reimbursement method affecting the amounts of these payments, 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 issues are continually identified, analyzed, and communicated. 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 court. Claims made out of court by certain private US health insurers were also settled by an agreement. Consequently, all legal issues resulting from the NMC transaction have been finally concluded subject to plan confirmation. FMCH and its subsidiaries, including RCG (before its acquisition by Fresenius Medical Care) received in April 2005 (RCG in August 2005) a subpoena from the U.S. Department of Justice in St. Louis (Missouri) in connection with civil and criminal investigations. Documentation must be provided on clinical quality programs, business development activities, compensation of clinic managers, contractual relationships with doctors, joint ventures, and anemia treatment therapies, RCG's suppliers,

pharmaceutical and other services which RCG has provided for patients, RCG's relations to companies in the pharmaceutical industry and RCG's procurement of dialysis machines from FMCH. The Inspector General of the U.S. Department of Health and the Attorney General for the Eastern District of Texas confirmed their involvement in the review of the anemia management program.

In July 2007, the U.S. Attorney General filed a civil action against 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. The company believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously. Fresenius Medical Care will continue to cooperate in the ongoing investigation.

Please see pages 162 and 165 of the Notes for further information.

Furthermore, the Fresenius Group is 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, are not considered to be significant. IT risks are countered through security measures, such as 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.

ASSESSMENT OF OVERALL RISK

The basis for evaluating overall risk is the risk management system 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, 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. Currently, there are 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 operational results. We have created organizational structures that include all the conditions needed to rapidly alert us to emerging risk situations.

CORPORATE RATING

Fresenius' credit quality is assessed and regularly reviewed by the two leading rating agencies Moody's and Standard & Poor's. Standard & Poor's overall rating for Fresenius SE is BB and Moody's rating is Ba1. Following the financing of the APP Pharmaceuticals acquisition, Standard & Poor's changed its rating outlook from "stable" to "negative" in 2008. Moody's confirmed its rating, which was raised from Ba2 to Ba1 in May 2008. Moody's adjusted its outlook from "stable" to "negative". Standard & Poor's has assigned a BB rating to the Senior Notes, while Moody's assigned a Ba1 rating. This is in line with Fresenius SE's existing unsecured Senior Notes and its corporate credit rating. The agencies' ratings for Fresenius are as follows:

RATING OF FRESENIUS SE

	Standard & Poor's	Moody's	Fitch
Rating	BB	Ba1	BB
Outlook	negative	negative	negative

SUBSEQUENT EVENTS

On January 21, 2009 Fresenius issued a US$ 800 million equivalent of unsecured Senior Notes by its subsidiary Fresenius US Finance II, Inc. Please see page 78 for further details.

Apart from that, there have been no significant changes in the Fresenius Group's corporate position or operating environment since the beginning of 2009. At present, the Fresenius Group is not planning to carry out any significant changes in its structure, administration, or in the area of personnel. No other events of material importance 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. 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 Risk Report on pages 90 f.

GENERAL AND MID-TERM OUTLOOK

The outlook for the Fresenius Group for the coming years continues to be positive. Good growth opportunities for Fresenius are presented above all by:

- The sustained growth of the markets in which we operate: Here, Fresenius sees very good opportunities to profit from the considerable health care needs, primarily in the developing and emerging countries.
- 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 and the reliability of our products and therapies is key to being able to exploit opportunities for expansion.
- The expansion of our regional presence: The fast-growing markets in Asia-Pacific and Latin America especially offer further opportunities for increasing our market shares.
- 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 will enable us over time to introduce infusion and nutrition therapy products to the US market. Similarly, Fresenius Kabi's international marketing and sales network will provide us with a global market for APP Pharmaceutical's products in future.
- The broadening of our services business: Fresenius Helios has concrete 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 the operation of dialysis clinics for private commercial enterprises there could open up new sales potential for Fresenius Medical Care, since Japan is one of the world's biggest dialysis markets.
- Selective acquisitions: We will continue to take opportunities to grow by making 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 and profitability enhancement measures. These include plans for a further optimized procurement process and cost-efficient production.

Given sustained market growth and a long-term strategy oriented toward profitable growth, Fresenius has set itself a mid-term goal under the slogan "15/15." Fresenius aims to attain the following in 2010:

1. Group sales of € 15 billion. Based on the sales of € 12.3 billion generated in 2008, this represents a compounded annual growth rate of about 10 % p. a. It is to be achieved through strong organic growth flanked by selective acquisitions.
2. An EBIT margin of 15 %.

Acquisitions, primarily the acquisition of APP Pharmaceuticals, have led to appreciably higher Group debt with a corresponding impact on net interest. Our goal is therefore to improve the Group's leverage ratios again. The net debt/EBITDA ratio of 3.6 as of December 31, 2008 is to be returned to a range of 2.5 – 3.0 by the year 2010.

This forecast takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2009 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 100 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. Consequently, we anticipate that there will be opportunities for Fresenius to penetrate new markets, both by expanding its regional presence and by extending its product portfolio. In the United States, since Fresenius Medical Care and its competitor DaVita already share about two-thirds of the market, acquisitions are likely to be few; potential antitrust restrictions are an additional factor. Other new markets will open up for Fresenius as we successively roll out our existing product portfolio in other regions. With the acquisition of APP Pharmaceuticals and Dabur Pharma, Fresenius Kabi now has further access to attractive growth markets.

ECONOMIC OUTLOOK

In view of the continuing strained situation on the global financial markets, world economic growth can be expected to be weaker in the foreseeable future. The outlook may brighten a little in the second half of 2009, when the fiscal policy measures already initiated should start to take effect. However, experts do not believe this is likely to trigger a sustained upswing dynamic such as that witnessed in 2004 to 2007. According to current estimates, it is expected that global GDP growth will decrease by 0.1 % in 2009. From a global perspective, 2009 is likely to be a generally weak year, especially in view of the pronounced weakening of the economic dynamic in the industrial countries and the resulting repercussions for the hitherto booming emerging economies.

▶ Europe

The Eurozone is set for its worst recession since World War II, with a drop of 2.5 % in GDP in 2009. On the whole, the economy in the Eurozone will recover only very slowly. Europe's governments will be continuing their efforts to stabilize the situation on the financial markets with rescue plans and economic programs. Although the European Central Bank (ECB) has already cut its rates by 225 basis points since October 2008 to 2.0 %, there is likely to be room for further monetary policy moves in 2009 since the continued easing of world commodity prices is helping to bring down inflation closer to the ECB's target level. Nonetheless, the process of transmitting the cheaper credit conditions to firms and consumers is likely to remain disrupted.

In Germany, GDP is set to contract sharply in 2009, with a drop of 2.5 % according to current estimates. Economic momentum has been hit especially by the dramatic fall in global demand for Germany's exports. Nor is private consumption likely to provide much stimulus in 2009. Given the subdued global outlook, private investment may be expected to be extremely weak.

Growth is currently expected to slow appreciably in the emerging economies of Central and Eastern Europe.

▸ United States

The development of the US economy in the coming year will again be affected to a large extent by the course of the crisis on the financial and real estate markets. Private consumption will be depressed by the continued fall in property prices. Furthermore, the worsening situation on the labor market will be reflected in much higher unemployment, which will additionally frustrate the development of real incomes. Unemployment increased strongly in the United States at the end of 2008. Whether net exports of goods and services can fill the gap left by domestic demand appears extremely doubtful, given the worsening outlook for the world economy. It remains to be seen how far the new government can succeed in stimulating demand through economic programs. In view of the challenging macroeconomic environment, the US economy is also likely to contract strongly in 2009, with a drop of 2.0 %.

▸ Asia

There are considerable risks for economic development in Asia in 2009. The still strong reliance on exports is also likely to lead to a further weakening of the economic dynamic in Asia. Although in the short term the current account balances are benefiting from the fall in world commodity prices, in the mid-term the sharp fall in demand in the industrial countries can be expected to spill over to the Asian economies.

Compared to other emerging economies, relatively robust growth is forecast for China, with private consumption and public investment as the main drivers. Lower interest rates should stimulate investment by private enterprise. However, the extent to which these trends can compensate for the drop in foreign demand will depend on how strong the downturn in the world economy is, and on the scale of government investment programs. GDP growth is expected to sink to 7.0 % in 2009.

India's economy is less vulnerable than China's to a slump in global demand, but Indian firms, too, face more difficult credit conditions and monetary strains. However, the monetary policy measures announced by India's central bank should have a stimulating effect in the mid-term. It is estimated that GDP growth will slow to 4.8 % in 2009.

Japan's economy will continue to suffer as a result of the country's strong reliance on exports. Domestic consumption is expected to compensate for the fall in exports only to a very small extent. On the other hand, Japan's large companies should provide stimulus in the coming year thanks to their high liquidity and rigorous focus on forward-looking technologies, for instance in environmental technology. Despite this, Japan's economy is expected to contract by 1.7 % in 2009.

▸ Latin America

Latin America is proving to be comparatively crisis resistant. Thanks to the buoyancy of the world economy and rising commodity prices, current account deficits have been reduced in recent years, and in many countries have swung into surpluses. At the same time, Latin America's foreign exchange reserves have more than doubled since 2005. For the future there are two main risks: the massive and rapid fall in commodity prices, and the economic downswing in the industrial nations. Currency weakness, on the other hand, is seen as positive because this can damp down the growth in imports and prevent major external imbalances. Mexico will be hit particularly due to its strong exposure to the United States. GDP growth of 0.5 % is expected in Mexico, -0.9 % in Argentina, and 2.7 % in Brazil. Overall, growth of 1.8 % is forecast for Latin America in 2009.

Source: German Council of Economic Experts Annual Report 2008/2009, bank research

HEALTH CARE SECTOR AND MARKETS

The health care sector is one of the world's biggest industries. The generally difficult conditions in 2009 should have a moderate impact on the industry because of its defensive and, compared to other sectors, less cyclically sensitive character. The demand for life-saving and life-sustaining products and services, especially, will remain intact since they are medically necessary. However, in the mid to long-term, funds channeled into economic programs to contend with the financial crisis in other sectors may not be available for the health industry.

▶ The dialysis market

We expect the number of dialysis patients to rise by 5 to 7 % in the coming years, although significant regional differences are anticipated. In industrialized nations, such as the United States, Japan, and the countries of Central and Western Europe, where people already have broad access to dialysis treatment, we expect below-average patient growth. In many developing countries, however, where the needs of patients with chronic kidney failure are still not met sufficiently, we expect above-average growth rates of up to 10 % in these markets. That more than 80 % of the world's population lives in these growth regions highlights the enormous potential of the dialysis market there. The global dialysis market will probably grow by approximately 5 % p. a. to clearly more than US$ 70 billion by the year 2010.

Reimbursement schemes for dialysis treatment vary from country to country. Reimbursement structures may also differ within individual countries. They may depend, for instance, on regional factors, the method of treatment, regulatory aspects, or the status of the dialysis care provider. Reimbursement for dialysis treatments according to quality-based criteria also remains a central issue. In this reimbursement model, the quality of treatment should increase while the total cost of treating a dialysis patient should remain constant.

Fresenius Medical Care has been active for many years in numerous countries, involving a variety of health care systems and reimbursement schemes. Thanks to this international experience, we are able to support the varying activities of the national health care systems, to adjust our business to the local environment, and to generate profitable growth. Patients covered by the public health insurers Centers for Medicare and Medicaid Services (CMS) in the United States account for about 35 % of Fresenius Medical Care's dialysis care revenues.

The Medicare Improvements for Patients and Providers Act of 2008 was passed in 2008. The act increases the composite rate by 1 % from January 1, 2009 and by another 1 % from January 1, 2010. It also provides for the introduction of a bundled payment system for ESRD (end stage renal disease) from January 1, 2011. Under this scheme, CMS will reimburse the dialysis clinics with a single payment for (i) all items and services currently included in the composite rate, (ii) all erythropoietin-stimulating agents and other pharmaceuticals (other drugs and biologicals, other than vaccines) furnished to the patients that were previously reimbursed separately, (iii) diagnostic laboratory tests and (iv) other services furnished to individuals for the treatment of ESRD. The bundled reimbursement rate is initially fixed at 98 % of the estimated costs of the Medicare program for dialysis care in 2011. This estimate is calculated on the basis of the lowest per patient utilization data from 2007, 2008, or 2009 under the present reimbursement system.

From 2012 the bundled payment amount will be subject to yearly increases, based on the increase in the cost of a mix of dialysis items and services still to be defined by HHS (U.S. Department of Health and Human Services) minus 1 %.

The act will establish pay-for-performance quality standards that will take effect in 2012. If dialysis clinics

do not meet the set quality standards, their payments will be cut by 2 %. Quality standards will probably be developed for clinics in the areas of anemia management, patient satisfaction, iron management, bone mineral metabolism, and vascular access.

Introduction of the bundled system will be phased over a period of four years, with full implementation for all dialysis clinics as from January 1, 2014. However, providers may elect at any time prior to 2011 to become fully subject to the new system.

▸ The market for infusion therapies and clinical nutrition

Demographic developments, medical advances, and the often still insufficient availability of medical care in developing countries will continue to be the growth drivers in this market.

We expect further cost-containment pressure and health care reforms in Central and Western Europe. Despite these trends, we believe that there will be continued growing demand for innovative and cost-effective products and therapies. We expect growth in the low single digits for the infusion therapy and clinical nutrition market in Central and Western Europe. For Eastern Europe, we expect market growth rates in the high single digits.

The market for IV drugs should see growth rates in the mid single digits. In the United States, market growth for intravenously administered generic drugs should also be in the mid single digits.

There continues to be high growth potential in Asia-Pacific – especially China – and Latin America. The rising demand for better primary care, and thus for high-quality therapies, should result in continued strong growth rates.

We expect the markets of Asia-Pacific and Latin America to continue growing at high single- to double-digit rates. We also expect a rising demand for medical devices in the coming years.

▸ The German hospital market

The proposed Hospital Funding Reform Act (KHRG) will have a decisive influence on the development of the hospital market and hospital finances in Germany. An important element in the law is the end of the convergence phase for virtually all German acute care hospitals at the beginning of 2009. From then onward, hospitals will have to bill on the basis of the standardized base rates valid throughout individual federal states. This practice will encourage further competition since it enables the budgets agreed with the health insurers to be increased if performance is enhanced because additional services will no longer have to be provided at a low marginal revenue rate. As the legislative process is not over, the details of the last adjustment step in the convergence phase that has been underway since 2005 are not clear as yet. The law will probably be passed in February 2009. In light of the experience with the DRG system so far, and the convergence steps already completed, HELIOS does not expect any fundamental changes in the framework conditions.

As from 2009, the KHRG will also abolish the 0.5 % budget cut, a contribution hospitals are required to make towards improving the finances of public health insurers, and the deduction hitherto of up to 1 % on billings under integrated health care contracts.

In the mid-term, we expect legislative initiatives 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 is also excellently prepared for this future development.

No consequences from changes in the law are expected in the post-acute care segment. However, pricing and other controls by health insurers will continue to increase. As a result of the growth in acute care cases and the continuous improvements in HELIOS' internal referral

management, we expect to be able to leverage the potentials from the combination of acute care and post-acute care, thereby increasing our number of post-acute care admissions.

Given that reimbursement schemes for hospitals are largely regulated by law, the generally difficult environment is unlikely to have any direct impact on hospital revenues.

The rationalization trend in the German hospital market is expected to continue in 2009 and beyond. According to a study by management consultants Ernst & Young, by the year 2020 there will be only 1,500 hospitals operating in Germany; 2.9 beds will be available per 1,000 population, and the average length of stay will fall to 4.0 days (2007: 6.16 beds, 8.3 days).

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 have the potential to secure cost advantages in procurement and generally have more advantageous financing prospects. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures.

Against this background, we expect the concentration and privatization process to accelerate further, especially among public hospitals. Overall, experts expect the market share of private operators in terms of beds to rise from approximately 16 % at present to about 35 to 40 % by the year 2015.

Crucial factors for a clinic's success will be excellent medical standards, well-trained staff, well-organized processes, and a well-structured treatment spectrum that focuses on high-quality, complex medical services.

Source: Ernst & Young survey "Gesundheitsversorgung 2020", bank research

GROUP SALES AND GROUP EARNINGS

With its international production and sales platform and its market-oriented products and services, the Fresenius Group is excellently 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 2009, we therefore expect to increase sales by more than 10 % at 2008 exchange rates. 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 very high because access to medical care is still limited. This will also be reflected in sales.

We expect to increase Group net income once again in 2009. We aim to achieve this through the growth in sales described above and by ongoing measures to lower costs as a percentage of sales, especially in production. Despite a market environment which continues to be marked by cost-containment and price pressure, we expect to increase adjusted net income (before special items due to mark-to-market accounting of the mandatory exchangeable bonds and the contingent value rights) by approximately 10 % in constant currency.

GROUP FINANCIAL TARGETS

	Targets 2009	Fiscal year 2008
Sales, growth (in constant currency)	>10 %	€ 12,336 million
Net income, growth* (in constant currency)	~10 %	€ 450 million
Capital expenditure	~€ 700–750 million	€ 764 million
Dividend	Profit-driven dividend policy	Proposal: +6 % per ordinary and preference share

* before special items due to mark-to-market accounting of the mandatory exchangeable bonds and the contingent value rights

SALES AND EARNINGS BY BUSINESS SEGMENT

We expect further improvements in sales and earnings in 2009 in each of our business segments. The table gives an overview.

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2009	Fiscal year 2008
Fresenius Medical Care		
Sales	> US$ 11.1 billion	US$ 10,612 million
Net income	US$ 850–890 million	US$ 818 million
Fresenius Kabi		
Sales growth (in constant currency)	25–30 %	€ 2,495 million *
EBIT margin ***	19.5–20.5 %	17.8 %
Fresenius Helios		
Sales	> € 2.3 billion	€ 2,123 million
EBIT	€ 180–200 million	€ 175 million
Fresenius Vamed		
Sales growth	5–10 %	€ 524 million *
EBIT growth	5–10 %	€ 30 million **
Fresenius Biotech		
EBIT	€ -40 – -50 million	€ -47 million

* Sales
** EBIT
*** Translation effects may impact Fresenius Kabi's margin as APP provides a significant earnings contribution from the US$ area. This guidance is based on the US$/€ exchange rate from early 2009.

The number of dialysis patients worldwide should rise by about 5 to 7 % in 2009, leading to continued growth in demand for dialysis products and a higher number of treatments. In 2009, Fresenius Medical Care expects revenues to grow to more than 11.1 billion in US dollars, its reporting currency. Net income is expected to be between US$ 850 and 890 million.

Fresenius Kabi expects its positive operating performance to continue in 2009, influenced to a large extent by the first full-year consolidation of APP Pharmaceuticals. The company estimates sales growth of 25 to 30 % in constant currency. Good growth potential is expected again in the Asia-Pacific region and in Latin America. Based on its positive sales projection, further cost optimizations, especially in production, and an improved product mix, Fresenius Kabi again expects to increase earnings significantly in 2009. Fresenius Kabi forecasts an EBIT margin of 19.5 to 20.5 %. Translation effects may impact Fresenius Kabi's margin as APP provides a significant earnings contribution from the US$ area. This guidance is based on the US$/€ exchange rate from early 2009. The strong margin improvement versus 2008 will be largely attributable to the full-year consolidation of APP Pharmaceuticals.

Fresenius Helios expects a continued good performance in the hospital operations business. The company forecasts revenues of more than € 2.3 billion in 2009. EBIT is expected to increase to € 180 to 200 million.

Given its positive order book, Fresenius Vamed expects a good performance in 2009. Sales growth of 5 to 10 % is forecast. Fresenius Vamed also expects to increase EBIT by 5 to 10 %.

Fresenius Biotech will continue its clinical study program. We expect that the expenditures for our biotechnology projects will lead to negative EBIT of about € -40 to -50 million in 2009.

FINANCING

In 2008, we generated a sustained operating cash flow of € 1,074 million. The key driver was our good earnings performance. The cash flow margin was 8.7 %. We estimate that a cash flow margin of this order can be achieved again in 2009.

The net debt/EBITDA ratio is a key financial target figure for the Fresenius Group. The financing of the APP Pharmaceuticals acquisition caused this ratio to rise to 3.6 as of December 31, 2008. Our goal is to bring this ratio down to a level of between 2.5 and 3.0 by 2010, primarily through earnings improvements and continued positive cash flows.

Overall, unused credit lines under syndicated or bilateral credit facilities from banks will provide us with a sufficient financial cushion. Fresenius SE's € 250 million commercial paper program was not utilized. For further details, please see page 79 of the Management Report.

Only limited financing will be required in 2009 and 2010. This can be met from cash flow and, if necessary, from existing credit facilities.

INVESTMENTS

Fresenius plans to invest in further growth in 2009, increasing capital expenditure in property, plant, and equipment by about € 700 to 750 million, a figure slightly below the very high € 764 million invested in 2008. About 60 % of the capital expenditure will be invested at Fresenius Medical Care, while Fresenius Kabi and Fresenius Helios will each account for over 15 %. Investments at Fresenius Medical Care will be concentrated on the construction and expansion of dialysis clinics, and on the maintenance and expansion of production plants. Fresenius Kabi will invest in expanding and maintaining production facilities and in introducing new manufacturing technologies, enabling further improvements in production efficiency. At Fresenius Helios, we will be investing primarily in modernizing hospitals and in hospital equipment. The regional focus of the investments 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 the funds will be invested in Germany.

PROCUREMENT

As a result of the fluctuation in energy and raw material prices, the ongoing optimization of our procurement management, including price, conditions, and product quality, is a key factor for securing further earnings growth.

In the current year, Fresenius Medical Care will primarily be implementing measures that have been developed in projects, for instance regarding supplier management. This will yield further cost savings in the areas of procurement and logistics. Material costs will again be a challenge in 2009. In future, we will therefore be searching more intensively for new suppliers. To which extend the generally unfavorable economic outlook will lead to a decline in the demand for raw and other materials, and thus in prices, too, has to be seen. The markets in the Asia-Pacific region will still place strains on supply capacities for selected material groups. We will therefore continue to pursue cost reductions in 2009 and ensure our production capacities. The potentials of the North American and Asian-Pacific markets will become increasingly important. The corresponding initiatives are already underway.

Fresenius Kabi expects procurement costs for electricity and natural gas to rise in 2009. The prices of other production materials such as cardboard boxes should remain stable. We will continue bundling our procurement processes on a global, cross-company basis. Individual processes will also be streamlined over the longer term through the introduction of electronic requisitioning procedures. It remains to be seen whether the trends in the second half of 2008 in the prices of energy and oil-based products will continue in 2009. We expect price reductions for processed corn products in Europe as a result of the good harvest in 2008, but a continued high price level in the United States. The prices of processed milk products will probably come down from their present level since the supply has increased. We will be successively integrating the procurement management processes at APP Pharmaceuticals from 2009 onward.

Fresenius Helios will start implementing a master article database in 2009. The project analysis was performed in 2008. As a first step, the HELIOS product group catalog will be completely revised, with an improved structure, hierarchy, and specification system that will make effective materials control easier. All materials negotiated will then be assigned to new groups, with designations, volumes, and supplier names harmonized across all regions. The structure of the groupwide updating and administration of the master data

will be developed together with related IT. This will enable further cost savings and improve cost control in future. The integration of more clinics will support these goals, increasing purchasing power by ordering in larger quantities, and by requiring sourcing to be conducted through the HELIOS Kliniken procurement management system.

By using the enPortal online platform, HELIOS was able to hold the increase in the price of its electricity purchases for 2009 in the third quarter of 2008 below the market level. The electricity for 2010, purchased in the fourth quarter of 2008, is priced below the level for 2009.

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. We are concentrating our R&D on products for the treatment of patients with chronic kidney failure. Here, the emphasis will continue to be on dialysis membranes and dialysis machines.

Another focus is infusion and nutrition therapies and the development of IV drugs.

We are also concentrating on targeted development in the biotechnology sector, in the field of antibody therapies. Biotechnology research opens up possibilities for treating diseases which cannot be cured at present, and offers Fresenius potential for further growth with innovative cancer therapies. In February 2009, the European Medicines Agency's (EMEA) Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion recommending approval of Removab® for the treatment of malignant ascites. Fresenius Biotech expects a possible market introduction of this product – subject to approval – in 2009.

We are planning to invest more in research and development in 2009 (on a comparable base, i. e. excluding in-process R&D activitities acquired from the APP acquisition). The increase should be higher than the expected organic growth rate in sales. 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.

CORPORATE LEGAL STRUCTURE AND ORGANIZATION

Fresenius completed its conversion from a German stock corporation (AG) into a Societas Europaea (SE) in 2007. No further change in the company's legal form is planned for the foreseeable future.

Since January 1, 2008, the Fresenius Group has been 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 strong organic expansion. However, the growth in the number of employees will further be held below the expected rate of organic sales growth. The regional distribution of our employees will not change significantly – about 48 % will be located in Europe, about 34 % in North America, and about 18 % in Asia-Pacific, Latin America, and Africa.

DIVIDEND

Continuity in our dividend policy remains an important priority, clearly demonstrated by dividend increases over the last 15 years. We want to remain true to this policy in the 2009 fiscal year and offer our shareholders a dividend in line with our positive earnings forecasts.

FRESENIUS

CONTENTS

Consolidated statement of income

January 1 to December 31, in million €	Note	2008	2007
Sales	4	**12,336**	11,358
Cost of sales	5	**-8,408**	-7,680
Gross profit		**3,928**	3,678
Selling, general and administrative expenses	8	**-1,972**	-1,885
Research and development expenses		**-479**	-184
Operating income (EBIT)		**1,477**	1,609
Interest income	9	**25**	27
Interest expenses	9	**-456**	-395
Other financial result	10	**68**	0
Financial result		**-363**	-368
Earnings before income taxes and minority interest		**1,114**	1,241
Income taxes	11	**-440**	-448
Minority interest	26	**-404**	-383
Net income		**270**	410
Basic earnings per ordinary share in €	12	**1.71**	2.64
Fully diluted earnings per ordinary share in €	12	**1.58**	2.61
Basic earnings per preference share in €	12	**1.72**	2.65
Fully diluted earnings per preference share in €	12	**1.59**	2.62

The following Notes are an integral part of the Consolidated Financial Statements.

Consolidated balance sheet
Assets

as of December 31, in million €	Note	2008	2007
Cash and cash equivalents	13	**370**	361
Trade accounts receivable, less allowance for doubtful accounts	14	**2,477**	2,159
Accounts receivable from and loans to related parties		**22**	8
Inventories	15	**1,127**	875
Prepaid expenses and other current assets	16	**773**	603
Deferred taxes	11	**309**	285
I. Total current assets		**5,078**	4,291
Property, plant and equipment	17	**3,420**	2,971
Goodwill	18	**10,379**	7,094
Other intangible assets	18	**1,078**	546
Other non-current assets	16	**433**	290
Deferred taxes	11	**156**	132
II. Total non-current assets		**15,466**	11,033
Total assets		**20,544**	15,324

Liabilities and shareholders' equity

as of December 31, in million €	Note	2008	2007
Trade accounts payable		**598**	485
Short-term accounts payable to related parties		**6**	5
Short-term accrued expenses and other short-term liabilities	19, 20	**2,129**	1,897
Short-term borrowings	21	**729**	362
Short-term loans from related parties		**2**	–
Current portion of long-term debt and liabilities from capital lease obligations	21	**431**	115
Current portion of Senior Notes	22	**100**	0
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	25	**0**	455
Short-term accruals for income taxes		**104**	158
Deferred taxes	11	**70**	26
A. Total short-term liabilities		**4,169**	3,503
Long-term debt and liabilities from capital lease obligations, less current portion	21	**5,716**	2,887
Senior Notes, less current portion	22	**1,354**	1,434
Mandatory Exchangeable Bonds	23	**554**	0
Long-term accrued expenses and other long-term liabilities	19, 20	**475**	326
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	25	**455**	446
Pension liabilities	24	**282**	270
Long-term accruals for income taxes		**147**	87
Deferred taxes	11	**449**	312
B. Total long-term liabilities		**9,432**	5,762
I. Total liabilities		**13,601**	9,265
II. Minority interest	26	**3,033**	2,644
Subscribed capital	27	**161**	155
Capital reserve	27	**2,048**	1,739
Other reserves	27	**1,803**	1,636
Accumulated other comprehensive income (loss)	28	**-102**	-115
III. Total shareholders' equity		**3,910**	3,415
Total liabilities and shareholders' equity		**20,544**	15,324

The following Notes are an integral part of the Consolidated Financial Statements.

Consolidated cash flow statement

January 1 to December 31, in million €	Note	2008	2007
Cash provided by/used for operating activities			
Net income		**270**	410
Minority interest	26	**404**	383
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	16, 17, 18	**783**	421
Change in deferred taxes	11	**113**	12
Gain on sale of fixed assets		**-71**	-1
Change in assets and liabilities, net of amounts from businesses acquired or disposed of			
Change in trade accounts receivable, net	14	**-230**	-112
Change in inventories	15	**-107**	-125
Change in prepaid expenses and other current and non-current assets	16	**-93**	76
Change in accounts receivable from/payable to related parties		**-10**	-1
Change in trade accounts payable, accruals and other short-term and long-term liabilities		**15**	152
Change in accruals for income taxes		**0**	81
Cash provided by operating activities		**1,074**	1,296
Cash provided by/used for investing activities			
Purchase of property, plant and equipment		**-759**	-700
Proceeds from sales of property, plant and equipment		**23**	38
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 32	**-3,053**	-448
Proceeds from divestitures		**96**	52
Cash used for investing activities		**-3,693**	-1,058

January 1 to December 31, in million €	Note	2008	2007
Cash provided by/used for financing activities			
Proceeds from short-term borrowings	21	**141**	175
Repayments of short-term borrowings	21	**-186**	-108
Proceeds from long-term debt and liabilities from capital lease obligations	21	**2,417**	224
Repayments of long-term debt and liabilities from capital lease obligations	21	**-231**	-495
Repayments of trust preferred securities of Fresenius Medical Care Capital Trusts	25	**-461**	0
Proceeds from liabilities from Senior Notes	22	**0**	353
Proceeds from the issuance of bearer ordinary shares	27	**143**	0
Proceeds from the issuance of bearer preference shares	27	**146**	0
Payments of additional costs of capital increase	27	**-6**	0
Proceeds from the issuance of mandatory exchangeable bonds	23	**554**	0
Changes of accounts receivable facility	21	**309**	-132
Proceeds from the exercise of stock options	34	**43**	55
Dividends paid		**-245**	-205
Change in minority interest	26	**-2**	–
Exchange rate effect due to corporate financing		**2**	11
Cash provided by/used for financing activities		**2,624**	-122
Effect of exchange rate changes on cash and cash equivalents		**4**	-16
Net increase in cash and cash equivalents		**9**	100
Cash and cash equivalents at the beginning of the year	13	**361**	261
Cash and cash equivalents at the end of the year	13	**370**	361

The following Notes are an integral part of the Consolidated Financial Statements.

Consolidated statement of shareholders' equity

		Ordinary shares		Preference shares		Subscribed Capital	
	Note	Number of shares in thousand	Amount in thousand €	Number of shares in thousand	Amount in thousand €	Amount in thousand €	Amount in million €
As of December 31, 2006		77,177	77,177	77,177	77,177	154,354	154
Proceeds from the exercise of stock options	34	405	405	405	405	810	1
Compensation expense related to stock options	34						
Dividends paid	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss) related to							
Cash flow hedges	28, 30						
Foreign currency translation	28						
Adjustments relating to pension obligation	24, 28						
Comprehensive income (loss)							
As of December 31, 2007		77,582	77,582	77,582	77,582	155,164	155
Issuance of bearer ordinary and bearer preference shares	27	2,748	2,748	2,748	2,748	5,496	5
Proceeds from the exercise of stock options	34	242	242	242	242	484	1
Compensation expense related to stock options	34						
Dividends paid	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss) related to							
Cash flow hedges	28, 30						
Foreign currency translation	28						
Adjustments relating to pension obligation	24, 28						
Comprehensive income (loss)							
As of December 31, 2008		**80,572**	**80,572**	**80,572**	**80,572**	**161,144**	**161**

	Note	Reserves		Other comprehensive income (loss)			Total in million €
		Capital reserve in million €	Other reserves in million €	Foreign currrency translation in million €	Cash flow hedges in million €	Pensions in million €	
As of December 31, 2006		1,702	1,315	34	30	-67	3,168
Proceeds from the exercise of stock options	34	20					21
Compensation expense related to stock options	34	17					17
Dividends paid	27		-89				-89
Comprehensive income (loss)							
Net income			410				410
Other comprehensive income (loss) related to							
Cash flow hedges	28, 30				-39		-39
Foreign currency translation	28			-120			-120
Adjustments relating to pension obligation	24, 28					47	47
Comprehensive income (loss)			410	-120	-39	47	298
As of December 31, 2007		1,739	1,636	-86	-9	-20	3,415
Issuance of bearer ordinary and bearer preference shares	27	278					283
Proceeds from the exercise of stock options	34	12					13
Compensation expense related to stock options	34	19					19
Dividends paid	27		-103				-103
Comprehensive income (loss)							
Net income			270				270
Other comprehensive income (loss) related to							
Cash flow hedges	28, 30				-95		-95
Foreign currency translation	28			111			111
Adjustments relating to pension obligation	24, 28					-3	-3
Comprehensive income (loss)			270	111	-95	-3	283
As of December 31, 2008		**2,048**	**1,803**	**25**	**-104**	**-23**	**3,910**

The following Notes are an integral part of the Consolidated Financial Statements.

Segment Reporting

by business segment

in million €	Fresenius Medical Care			Fresenius Kabi		
	2008	2007	Change	**2008**	2007	Change
Sales	**7,213**	7,093	2 %	**2,495**	2,030	23 %
thereof contribution to consolidated sales	**7,209**	7,089	2 %	**2,458**	1,986	24 %
thereof intercompany sales	**4**	4	0 %	**37**	44	-16 %
contribution to consolidated sales	**59 %**	62 %		**20 %**	18 %	
EBITDA	**1,419**	1,418	0 %	**544**	408	33 %
Depreciation and amortization	**282**	265	6 %	**101**	76	33 %
EBIT	**1,137**	1,153	-1 %	**443**	332	33 %
Net interest	**-229**	-271	15 %	**-145**	-49	-196 %
Net income	**556**	523	6 %	**200**	183	9 %
Operating cash flow	**691**	875	-21 %	**205**	179	15 %
Cash flow before acquisitions and dividends	**233**	479	-51 %	**83**	67	24 %
Total assets	**10,720**	9,626	11 %	**6,240**	2,310	170 %
Debt	**4,123**	3,833	8 %	**4,288**	1,121	--
Capital expenditure	**467**	418	12 %	**137**	116	18 %
Acquisitions	**220**	262	-16 %	**3,612**	178	--
Research and development expenses	**55**	49	12 %	**109**	86	27 %
Employees (per capita on balance sheet date)	**68,050**	64,662	5 %	**20,457**	16,964	21 %
Key figures						
EBITDA margin	**19.7 %**	20.0 %		**21.8 %**	20.1 %	
EBIT margin	**15.8 %**	16.3 %		**17.8 %**	16.4 %	
Depreciation and amortization in % of sales	**3.9 %**	3.7 %		**4.0 %**	3.7 %	
Operating cash flow in % of sales	**9.6 %**	12.3 %		**8.2 %**	8.8 %	
ROOA	**12.3 %**	12.5 %		**8.9 %** [2]	17.7 %	

[1] Prior year's segment data have been adjusted according to the new company structure as of January 1, 2008.
[2] The underlying pro-forma EBIT does not include special items from the acquisition of APP Pharmaceuticals, Inc. (APP).
[3] including special items from the APP acquisition
[4] before special items from the APP acquisition

	Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
	2008	2007 [1]	Change	**2008**	2007 [1]	Change	**2008** [3]	2007 [1]	Change	**2008**	2007	Change
	2,123	1,841	15 %	**524**	408	28 %	**-19**	-14	-36 %	**12,336**	11,358	9 %
	2,123	1,841	15 %	**524**	408	28 %	**22**	34	-35 %	**12,336**	11,358	9 %
	0	0		**–**	0		**-41**	-48	15 %	**0**	0	
	17 %	16 %		**4 %**	4 %		**0 %**	0 %		**100 %**	100 %	
	251	220	14 %	**35**	31	13 %	**11**	-47	123 %	**2,260**	2,030	11 %
	76	65	17 %	**5**	5	0 %	**319**	10	--	**783**	421	86 %
	175	155	13 %	**30**	26	15 %	**-308**	-57	--	**1,477**	1,609	-8 %
	-60	-53	-13 %	**6**	6	0 %	**-3**	-1	200 %	**-431**	-368	-17 %
	80	64	25 %	**26**	23	13 %	**-592**	-383	-55 %	**270**	410	-34 %
	225	202	11 %	**27**	72	-63 %	**-74**	-32	-131 %	**1,074**	1,296	-17 %
	94	65	45 %	**23**	68	-66 %	**-95**	-45	-111 %	**338**	634	-47 %
	3,092	3,072	1 %	**469**	390	20 %	**23**	-74	131 %	**20,544**	15,324	34 %
	1,090	1,136	-4 %	**2**	0		**-716**	-391	-83 %	**8,787**	5,699	54 %
	135	149	-9 %	**4**	4	0 %	**21**	13	62 %	**764**	700	9 %
	5	174	-97 %	**35**	6	--	**-19**	-2	--	**3,853**	618	--
	–	1	-100 %	**0**	0		**315**	48	--	**479**	184	160 %
	30,088	30,043	0 %	**2,802**	1,767	59 %	**820**	745	10 %	**122,217**	114,181	7 %
	11.8 %	12.0 %		**6.7 %**	7.6 %					**17.9 %** [4]	17.9 %	
	8.2 %	8.4 %		**5.7 %**	6.4 %					**14.0 %** [4]	14.2 %	
	3.6 %	3.5 %		**1.0 %**	1.2 %					**3.9 %** [4]	3.7 %	
	10.6 %	11.0 %		**5.2 %**	17.6 %					**8.7 %**	11.4 %	
	6.3 %	5.6 %		**22.2 %**	22.8 %					**9.8 %** [2]	11.4 %	

The segment reporting is an integral part of the Notes.
The following Notes are an integral part of the Consolidated Financial Statements.

Segment Reporting

by region

in million €	Europe			North America		
	2008	2007	Change	**2008**	2007	Change
Sales	**5,549**	4,852	14 %	**5,029**	4,932	2 %
contribution to consolidated sales	**45 %**	43 %		**41 %**	43 %	
EBIT	**640**	557	15 %	**602**[1)]	843	-29 %
Depreciation and amortization	**252**	219	15 %	**482**[2)]	162	198 %
Total assets	**7,545**	6,726	12 %	**11,350**	7,354	54 %
Capital expenditure	**390**	378	3 %	**271**	244	11 %
Acquisitions	**272**	331	-18 %	**3,278**	195	--
Employees (per capita on balance sheet date)	**59,310**	56,830	4 %	**42,885**	40,076	7 %

[1)] Before special items from the APP acquisition, EBIT was € 851 million.
[2)] Before special items from the APP acquisition, depreciation and amortization were € 176 million.

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2008	2007	Change	**2008**	2007	Change	**2008**	2007	Change	**2008**	2007	Change
	935	802	17 %	**582**	488	19 %	**241**	284	-15 %	**12,336**	11,358	9 %
	7 %	7 %		**5 %**	4 %		**2 %**	3 %		**100 %**	100 %	
	129	119	8 %	**71**	52	37 %	**35**	38	-8 %	**1,477**	1,609	-8 %
	29	23	26 %	**17**	14	21 %	**3**	3	0 %	**783**	421	86 %
	1,082	720	50 %	**493**	450	10 %	**74**	74	0 %	**20,544**	15,324	34 %
	42	33	27 %	**55**	39	41 %	**6**	6	0 %	**764**	700	9 %
	269	73	--	**34**	17	100 %	**0**	2	-100 %	**3,853**	618	--
	9,114	6,917	32 %	**10,021**	9,481	6 %	**887**	877	1 %	**122,217**	114,181	7 %

The segment reporting is an integral part of the Notes.
The following Notes are an integral part of the Consolidated Financial Statements.

FRESENIUS

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 Fresenius SE, the operating activities were split into the following legally-independent business segments (subgroups) in the fiscal year 2008:

- 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 184,086 patients in its 2,388 own dialysis clinics.

Fresenius Kabi is Europe's leading company in the field of infusion therapy and clinical nutrition with subsidiaries and distributors worldwide. Fresenius Kabi's products are used in hospitals as well as in out-patient medical care to treat critically and chronically ill patients. Fresenius Kabi is also a leading provider of transfusion technology products in Europe.

As of January 1, 2008, Fresenius has reorganized its hospital business. The business segment Fresenius ProServe has been replaced by the two new business segments, Fresenius Helios and Fresenius Vamed, which so far have formed Fresenius ProServe. Fresenius Helios is focused on hospital operations. Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

Fresenius SE owned 36.27 % of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and 35.80 % of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2008. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly-owned subsidiary of Fresenius SE. Due to this structure, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group.

Fresenius SE 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, 2008. In addition, Fresenius SE 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 which are lower than € 1 million after they have been rounded are marked with "–".

II. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP).

Since January 1, 2005, Fresenius SE as a stock exchange listed company with a domicile in a member state of the European Union 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). Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with US GAAP.

In order to improve clarity of presentation, various items are aggregated in the consolidated balance sheet and statement of income. These items are analyzed separately in the Notes where this provides useful information to the users of the consolidated financial statements.

The consolidated balance sheet is classified on the basis of the liquidity of assets and liabilities; the consolidated statement of income is classified using the cost-of-sales accounting format.

III. 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 according to FAS 141 (Business Combinations) and FAS 142 (Goodwill and Other Intangible Assets) by offsetting investments in subsidiaries

against the underlying equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.

Associated companies are consolidated under the equity method according to APB No. 18 (The Equity Method of Accounting for Investments in Common Stock).

All significant intercompany revenues, 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.

Minority interest comprises the interest of minority shareholders in the consolidated equity of Group entities. Profits and losses attributable to the minority shareholders are separately disclosed in the statement of income.

b) Composition of the Group

The consolidated financial statements include all material companies in which Fresenius SE has legal or effective control. In addition, the Fresenius Group consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary. If material, the equity method of accounting is used for investments in associated companies (usually 20 % to 50 % of voting rights). All other investments are recorded at acquisition costs.

Fresenius Medical Care entered into various arrangements with certain dialysis clinics to provide management services, financing and product supply. A group of these clinics have negative equity and are unable to provide their own funding, therefore Fresenius Medical Care has agreed to fund their operations for at least a six year period.

The funding carries no interest but Fresenius Medical Care is entitled to a prorata share of profits, if any, and has a right of first refusal in the event the owners sell the business or assets. These clinics are VIEs under FIN 46R (Consolidation of Variable Interest Entities (revised)) in which Fresenius Medical Care has been determined to be the primary beneficiary and which therefore have been fully consolidated. They generated approximately € 60 million (US$ 89 million) and € 58 million (US$ 79 million) in revenue in 2008 and 2007, respectively. Relating to the VIEs, Fresenius Medical Care consolidated assets in an amount of € 36 million (US$ 50 million), liabilities in an amount of € 21 million (US$ 29 million) and € 15 million (US$ 21 million) in equity. The interest held by the other shareholders in these consolidated VIEs is reported as minority interest in the consolidated balance sheet at December 31, 2008.

Fresenius Vamed participates in long-term project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. Some of these project entities qualify as VIEs, in which Fresenius Vamed is not the primary beneficiary based on the cash flow analysis of the involved parties. The project entities generated approximately € 42 million in annual revenue in 2008 (€ 43 million in 2007). The VIEs finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the VIEs are not material. Fresenius Vamed made no payments to the VIEs that where not contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these VIEs.

The consolidated financial statements of 2008 include, in addition to Fresenius SE, 132 (2007: 133) German and 898 (2007: 854) foreign companies.

The composition of the Group changed as follows:

	Germany	Abroad	Total
December 31, 2007	**133**	**854**	**987**
Additions	**11**	**72**	**83**
of which newly founded	6	38	44
of which acquired	3	28	31
Disposals	**12**	**28**	**40**
of which no longer consolidated	10	23	33
of which merged	2	5	7
December 31, 2008	**132**	**898**	**1,030**

16 companies (2007: 18) were accounted for under the equity method.

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

In 2008, 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
Fresenius Kabi	
Fresenius HemoCare GmbH	Bad Homburg v. d. H.
Fresenius HemoCare Beteiligungs GmbH	Frankfurt am Main
Fresenius Kabi AG	Frankfurt am Main
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
MC Medizintechnik GmbH	Alzenau
V. Krütten Medizinische Einmalgeräte GmbH	Idstein
Fresenius Helios	
D.i.a.-Solution GmbH	Erfurt
HELIOS Agnes Karll Krankenhaus GmbH	Bad Schwartau
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 Kliniken GmbH	Berlin
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Pflege Dresden GmbH	Dresden
HELIOS Privatkliniken GmbH	Berlin
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
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
Corporate/Other	
Fresenius Biotech GmbH	Gräfelfing
Fresenius Biotech Beteiligungs GmbH	Frankfurt am Main
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	Berlin
Fresenius ProServe GmbH	Bad Homburg v. d. H.
Fresenius ProServe Beteiligungs 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

c) Classifications

Certain items in the consolidated financial statements of 2007 have been reclassified to conform with the presentation in 2008.

d) Sales recognition policy

Sales from services are recognized at amounts estimated to be received under reimbursement arrangements with third party payors. Sales are recognized on the date services and related products are provided and the payor 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 are recognized for long-term production contracts depending on the individual agreement and in accordance with the percentage of completion (PoC) method. 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 revenue transaction (e. g. sales tax) is excluded from revenues and reported on a net basis.

e) 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 it is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

f) 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 and development costs are expensed as incurred.

g) Impairment

The Fresenius Group reviews the carrying amount 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 of these assets may not be recoverable in accordance with FAS 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). Recoverability of these assets is measured by a comparison of the carrying amount of an asset to the future net cash flow directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount exceeds the fair value of the asset. The Fresenius Group uses a discounted cash flow approach or other methods, if appropriate, to assess fair value. In accordance with FAS 144, long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell and depreciation is ceased.

h) 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 in accordance with FAS 34 (Capitalization of Interest Costs). For the fiscal years 2008 and 2007, interest of € 6 million each, based on an average interest rate of 5.52 % and 5.60 %, respectively, was recognized as a component of the cost of assets.

i) Deferred taxes

In accordance with FAS 109 (Accounting for Income 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. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward where future recoverability is more likely than not.

Deferred taxes are computed using enacted or adopted tax rates in the relevant national jurisdictions when the amounts are recovered. Tax rates, which will be valid in the future, but are not adopted till the balance sheet date, are not considered.

The recoverability of the carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. The reduction is reversed to the date and extent that it becomes probable that sufficient taxable profit will be available.

j) Unrecognized tax benefits

The Fresenius Group adopted FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109, Accounting for Income Taxes (FAS 109) as of January 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS 109. FIN 48 prescribes a two step approach to the recognition and measurement of all tax positions taken or expected to be taken in a tax return. The enterprise must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the

tax position is measured at the largest amount of benefit that is greater than 50 % likely of being realized upon ultimate settlement and is recognized in the financial statements. The implementation of this interpretation had no impact on the assets and liabilities of the Fresenius Group.

k) Earnings per ordinary share and preference share

Basic earnings per ordinary share and preference share for all years presented have been calculated in accordance with FAS 128 (Earnings per Share) using the two-class method based upon the weighted-average number of ordinary and preference shares outstanding. Basic earnings per ordinary share is computed by dividing net income less preference amounts by the weighted-average number of ordinary shares and preference shares outstanding during the year. Basic earnings per preference share is 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.

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 normal course of business (finished products), in the process of production for such sale (work in progress) or consumed in the production process or in the rendering of services (raw materials and supplies).

Inventories are stated at the lower of acquisition or manufacturing cost (determined by using the average or first-in, first-out method) or market 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 17 years) and 3 to 15 years for machinery and equipment (with a weighted-average life of 10 years). Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment.

p) Intangible assets with definite useful lives

In accordance with FAS 142 (Goodwill and Other Intangible Assets), intangible assets with definite useful lives, for example non-compete agreements, technology and 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 in accordance with FAS 144 (Accounting for Impairment or Disposal of Long-Lived Assets) (see Note 1. III g, Impairment). Non-compete agreements with definite useful lives have useful lives ranging from 7 to 25 years with an average useful life of 8 years. Technology has a 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.

q) Goodwill and other intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives such as product rights, tradenames and certain qualified management contracts acquired in a purchase method business combination are recognized and reported apart from goodwill, pursuant to the criteria specified by FAS 141 (Business Combinations). 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 reporting units in accordance with FAS 142 and determined the carrying amount of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. At least once a year, the Fresenius Group compares the fair value of each reporting unit to the reporting unit's carrying amount. The fair value of a reporting unit is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the reporting unit. In case that the fair value of the reporting unit 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 fair values of these intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach and other methods, if appropriate.

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated balance sheet was verified. As a result, the Fresenius Group did not record any impairment losses in 2008 and 2007.

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 in accordance with FAS 13 (Accounting for Leases) and measured on receipt date at their present values of 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.

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 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

Until now the Fresenius Group classified its financial instruments as follows: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount and derivatives designated as hedging instruments. According to new financial instruments in 2008, the Fresenius Group defined two further classes: assets recognized at fair value and liabilities recognized at fair value.

The class of assets recognized at carrying amount corresponds to the balance sheet item trade accounts receivable (including intercompany receivables). The class of assets recognized at fair value consists of derivative financial instruments embedded in mandatory exchangeable bonds (MEB).

The embedded derivates are included in the balance sheet item prepaid expenses and other current assets. Due to their special character and the difference in valuation, the embedded derivatives are classified separately from other prepaid expenses and current assets. Liabilities recognized at carrying amount comprise trade accounts payable, short-term accounts payable to related parties, short-term borrowings (including intercompany borrowings), the current and non-current portion of debt and liabilities from capital lease obligations, Senior Notes, MEB and the current and non-current portion of trust preferred securities of the Fresenius Medical Care Capital Trusts (without capital lease obligations). Liabilities recognized at fair value contain Contingent Value Rights (CVR). The CVR are included in the balance sheet item other long-term liabilities. Like the embedded derivatives, the CVR are classified separately from their balance sheet item, because of their special character and different valuation.

In accordance with FAS 133 (Accounting for Derivative Instruments and Hedging Activities), derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet. 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 (see Note 30, Financial instruments). The ineffective portion of cash flow hedges is recognized in earnings immediately.

t) Liabilities

Liabilities are generally stated at present value which normally corresponds to the value of products or services which are delivered. As a general policy, short-term liabilities are measured at their repayment amount.

u) Legal contingencies

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. 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

In accordance with FAS 5 (Accounting for Contingencies), 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.

w) Pension liabilities and similar obligations

The Fresenius Group recognizes the underfunded status of its defined benefit plans, measured as the difference between the benefit obligation and plan assets at fair value, as a liability. Changes in the funded status of a plan, net of tax, resulting from actuarial gains or losses, prior service costs or costs that are not recognized as components of the net periodic benefit cost, will be recognized through accumulated other comprehensive income (loss) in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of the standards.

x) Debt issuance costs

Debt issuance costs are amortized over the term of the related obligation.

y) Stock option plans

Effective January 1, 2006, the Fresenius Group adopted the provisions of Statement of Financial Accounting Standard No. 123R (revised 2004), Share-Based Payment (FAS 123(R)) using the modified prospective transition method. Under this transition method, compensation cost recognized in 2007 and in 2008 include applicable amounts of: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of, January 1, 2006 (based on the grant-date fair value estimated in accordance with the original provisions of FAS 123 and previously presented in Fresenius Group's pro forma footnote disclosures); (b) compensation cost for all stock-based payments subsequent to January 1, 2006 (based on the grant-date fair value estimated in accordance with the new provisions of FAS 123(R)).

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 the Fresenius Group, located in North America, is partially self-insured for professional liability claims. For all other coverages, this subsidiary 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. The Fresenius Group follows the provisions of FAS 52 (Foreign Currency Translation). Substantially all assets and liabilities of the foreign subsidiaries are translated at mid-closing rate on balance sheet date, while revenues 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. Besides the gains shown under Note 3, Special items relating to acquisitions, further immaterial gains resulted out of this transaction in the fiscal year 2008.

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

	Year-end exchange rate[1] Dec 31, 2008	Year-end exchange rate[1] Dec 31, 2007	**Average exchange rate 2008**	Average exchange rate 2007
US-Dollar per €	**1.3917**	1.4721	**1.4713**	1.3705
Pound sterling per €	**0.9525**	0.7334	**0.7961**	0.6845
Swedish krona per €	**10.8700**	9.4415	**9.6138**	9.2507
Chinese renminbi per €	**9.4956**	10.7524	**10.2287**	10.4183
Japanese yen per €	**126.14**	164.93	**152.47**	161.26

[1] mid-closing rate on balance sheet date

bb) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

cc) 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 21 % and 22 % of the 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 2008 and 2007, respectively.

dd) Recent pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued **Statement No. 160**, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 (FAS 160), which establishes a framework for reporting of noncontrolling or minority interests, the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. FAS 160 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The Fresenius Group will adopt this standard as of January 1, 2009.

In December 2007, FASB issued **Statement No. 141** (revised), Business Combinations (FAS 141(R)). This Statement replaces FASB Statement No. 141, Business Combinations and retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control.

In general, the main points of this Statement are that the assets acquired, liabilities assumed and non-controlling interests in the acquiree are stated at fair value as of the date of acquisition, that assets acquired and liabilities assumed arising from contractual contingencies are recognized as of the acquisition date, measured at their acquisition date fair values and that contingent consideration is recognized at the acquisition date, measured at its fair value at that date.

This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this Statement is the same as that of the related FAS 160. The Fresenius Group will adopt this standard as of January 1, 2009.

In March 2008, FASB issued **Statement No. 161**, Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133 (FAS 161). This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

The requirements of this Statement are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages comparative disclosures for earlier periods at initial adoption. The Fresenius Group will adopt this standard as of January 1, 2009 and will implement its disclosure requirements in 2009.

On December 30, 2008, FASB issued final staff position **FSP FAS 132R-1**, Employers' Disclosures about Postretirement Benefit Plan Assets (FSP 132R-1). The FSP 132R-1 requires more disclosure about pension plan assets mainly regarding the following areas:

- how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies,
- the major categories of plan assets,
- the inputs and valuation techniques used to measure the fair value of plan assets,
- the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period, and
- significant concentrations of risk within plan assets.

The disclosures about plan assets required by this FSP shall be provided for fiscal years ending after December 15, 2009. Upon initial application, the provisions of this FSP are not required for earlier periods that are presented for comparative purposes. Earlier application of the provisions of this FSP is permitted. The Fresenius Group will comply with the disclosure requirements of this standard in its report on its consolidated financial statements beginning for the fiscal year ended December 31, 2009.

IV. 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 judgments 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, 2008 and December 31, 2007, the carrying amount of goodwill and non-regularly amortizable intangible assets with indefinite useful lives was € 10,703 million and € 7,411 million, respectively. This represented 52 % and 48 %, respectively, of total assets.

In accordance with FAS 142 (Goodwill and Other Intangible 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 comply with the regulations of FAS 142 and determine possible impairments of these assets, the fair value of the reporting units determined in accordance with FAS 142 is compared to the reporting units' carrying amount. The fair value of each reporting unit is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that reporting unit. 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 reporting unit its three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. These growth rates are 0 % to 4 % for Fresenius Medical Care, 2 % for Fresenius Kabi and 1 % for Fresenius Helios and for Fresenius Vamed. This discount factor is determined by the WACC of the respective reporting unit. Fresenius Medical Care's WACC consisted of a basic rate of 6.47 % for 2008. This basic rate is then adjusted by a country specific risk rate within each reporting unit for determining the reporting unit's fair value. In 2008, this rate ranged from 0 % to 7 %. In the business segments Fresenius Kabi, Fresenius Helios and Fresenius Vamed, the WACC was 7.28 %, country specific adjustments did not occur. If the fair value of the reporting unit 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 by 0.5 % would not have resulted in the recognition of an impairment loss in 2008.

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 lives which could materially and adversely affect the 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 29, 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 € 2,477 million and € 2,159 million in 2008 and 2007, 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 US Medicare and Medicaid health care programs with 14 % as well as private insurers in the US with 16 % at December 31, 2008. 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 € 257 million and € 223 million as of December 31, 2008 and December 31, 2007, 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 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 the Fresenius Group, 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. III z, self-insurance programs.

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions of € 3,853 million and € 618 million in 2008 and 2007, respectively. Of this amount, € 3,053 million were paid in cash and € 800 million were assumed obligations in 2008.

Fresenius Medical Care

In the year 2008, acquisition spending of Fresenius Medical Care in an amount of € 220 million related mainly to the purchase of dialysis clinics and license agreements. In July 2008, Fresenius Medical Care entered into license and distribution agreements to market and distribute intravenous iron products. For further details on these license and distribution agreements, please see Note 18, Goodwill and other intangible assets.

Fresenius Medical Care made acquisitions of € 262 million in 2007. The main acquisition took place on November 26, 2007, as Fresenius Medical Care completed the acquisition of all of the common stock of Renal Solutions, Inc., (RSI), an Indiana corporation with principal offices in Warrendale, Pennsylvania, United States. The RSI acquisition agreement provided for total consideration of up to US$ 204 million, consisting of US$ 20 million, previously advanced to RSI in the form of a loan, US$ 100 million paid at closing, US$ 60 million paid in November 2008, US$ 3 million receivable related to a working capital adjustment, which was received in 2008, and up to US$ 30 million in milestone payments over a three year period contingent upon the achievement of certain performance criteria, none of which were due or paid in 2008. In 2007, Fresenius Medical Care recorded a liability of US$ 27.4 million representing the net present value of the US$ 30 million milestone payments as it was deemed beyond reasonable doubt that the future performance criteria would be achieved. Furthermore, acquisitions of € 115 million were mainly attributable to the purchase of dialysis centers.

Fresenius Medical Care sold the perfusion business unit of Fresenius Medical Care Extracorporeal Alliance (FMCEA) during the second quarter of 2007. In 2006, FMCEA's perfusion business contributed revenue of approximately € 83 million. The US perfusion business was deconsolidated effective May 9, 2007.

Fresenius Kabi

Acquisitions in 2008

In the year 2008, Fresenius Kabi spent € 3,612 million which mainly referred to the acquisitions of APP Pharmaceuticals, Inc. (APP), United States, and Dabur Pharma Ltd., India.

Acquisition of APP Pharmaceuticals, Inc.

In July 2008, Fresenius Kabi has signed definitive agreements to acquire 100 % of the share capital of APP. APP is a leading manufacturer of intravenously administered generic drugs (IV generics) in North America. Through the acquisition of APP, Fresenius Kabi enters the US pharmaceuticals market and achieves a leading position in the global IV generics market. APP focuses on IV generics for hospital use and distributes its products in the US and Canada. The company employs around 1,400 people and has modern production facilities in Illinois, New York and Puerto Rico as well as a distribution company in Toronto, Canada. In 2008, APP achieved sales of US$ 777 million and an adjusted EBITDA of US$ 317 million.

After receipt of all necessary regulatory approvals and fulfillment of further closing conditions, Fresenius Kabi has completed the acquisition of APP on September 10, 2008. APP shareholders received a Cash Purchase Price of US$ 23.00 per share. Based on the Cash Purchase Price, the transaction values the fully diluted equity capital of APP at approximately US$ 3.7 billion. Furthermore, the shareholders received a registered and tradable Contingent Value Right (CVR) that could deliver up to US$ 6.00 per share additionally, payable in 2011, if APP exceeds a cumulative adjusted EBITDA target for 2008 to 2010. In addition, US$ 0.9 billion of net debt was assumed. The net debt was refinanced by the financial instruments described below.

The acquisition was financed with the following mix of debt and equity:

- Mandatory exchangeable bonds with an aggregate nominal amount of € 554.4 million (US$ 871 million) (see Note 23, Mandatory Exchangeable Bonds)
- Capital increase in an amount of approximately € 289 million (US$ 453 million) (see Note 27, Shareholders' Equity)
- Senior secured credit facilities in an amount of US$ 2.45 billion (see Note 21, Debt and liabilities from capital lease obligations)

- Bridge Credit Agreement of US$ 1.3 billion (see Note 21, Debt and liabilities from capital lease obligations)

In October 2008, the senior secured credit facilities were increased by US$ 500 million. These proceeds together with other available funds were used to reduce the Bridge Credit Agreement to US$ 650 million. In January 2009, the residual amount of the Bridge Credit Agreement was redeemed using the proceeds of new Senior Notes (see Note 36, Subsequent events).

As of September 1, 2008, the Fresenius Group consolidated APP for the first time. APP contributed € -233 million to the net income of the Fresenius Group. Included therein are special revenues in an amount of € 75 million resulting from the valuation of the CVR (see Note 10, Other financial result) as well as one-time special charges in an amount of € 311 million in connection with the first-time consolidation and the financing of the acquisition. The one-time special charges include acquired in-process R&D in an amount of € 272 million, which were according to US GAAP fully amortized.

The following table summarizes the fair values of assets acquired and liabilities assumed at the date of the acquisition. This allocation of the purchase price is based upon the best information available to management at present. Due to the relatively short interval between the closing date of the acquisition and the balance sheet date, this information may be incomplete. Any adjustments to the preliminary allocation, net of related income tax effects, would be recorded with a corresponding adjustment to goodwill.

The purchase price allocation is as follows:

in million US$	
Net working capital and other assets/liabilities	195
Property, plant and equipment	133
In-process research and development	366
Identifiable intangible assets	542
Goodwill	3,670
Total	**4,906**

The acquisition increased the total assets of the Fresenius Group by € 3.5 billion. The identifiable intangible assets acquired in an amount of US$ 542 million (€ 389 million) mainly comprise product rights and have an average useful life of 20 years. The capitalized goodwill in an amount of US$ 3.7 billion (€ 2.6 billion) is not deductible for tax purposes.

The following financial information on a pro forma basis reflects the consolidated results of operations as if the acquisition of APP had been consummated at the beginning of 2008 and 2007, respectively. To achieve better comparability, special items were solely adjusted in 2008. The pro forma information includes adjustments mainly for interest expense on acquisition debt and income taxes. The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the acquisition of APP been consummated at the beginning of the respective periods.

	2008		2007	
in million €	**as reported**	**pro forma**	as reported	pro forma
Sales	**12,336**	**12,641**	11,358	11,825
Adjusted net income [1]	**450**	**412**	410	321
Net income	**270**	**232**	410	321
Basic earnings per ordinary share in €	**1.71**	**1.46**	2.64	2.07
Fully diluted earning per ordinary share in €	**1.58**	**1.50** [2]	2.61	2.10 [2]
Basic earnings per preference share in €	**1.72**	**1.47**	2.65	2.08
Fully diluted earning per preference share in €	**1.59**	**1.51** [2]	2.62	2.11 [2]

[1] Before special items relating to the APP acquisition (for details see Note 3, Special items relating to acquisitions)
[2] Under consideration of dilution effects which positively influence the earnings per share

Acquisition of Dabur Pharma Ltd.

In April 2008, Fresenius Kabi has entered into agreements to acquire 73.3 % of the share capital of the Indian company Dabur Pharma Ltd. for a price of Indian rupee 76.50 per share in cash (total amount: € 139 million). In accordance with Indian regulations, Fresenius Kabi also announced a public offer to acquire up to a further 20 % shareholding for a price of Indian rupee 76.50 per share in cash. In the third quarter of 2008, the public offer was successfully completed. After closing of the transaction on August 11, 2008, Fresenius Kabi holds about 90 % of the shares. The total cash purchase price of Dabur Pharma Ltd. was € 177 million.

Acquisitions in 2007

In 2007, Fresenius Kabi spent € 178 million on acquisitions mainly related to the acquisition of Nestlé's enteral nutrition businesses in France (Novartis Nutrition S.A.S.) and in Spain (Nestlé España S.A.), the artificial colloid product business of Kyorin Pharmaceuticals Co. Ltd., Japan, the purchase of the remaining shares in Pharmatel Fresenius Kabi Pty Ltd., Australia, as well as the acquisition of all shares of Laboratorios Filaxis S.A., Argentina. In December 2007, Fresenius Kabi has reached an agreement to acquire Laboratorio Sanderson S.A., Chile, and Ribbon S.r.L., Italy. Both acquisitions were closed in January 2008.

Fresenius Helios

In December 2008, Fresenius Helios entered into agreements to acquire five acute care hospitals. These transactions were closed in the first-quarter of 2009.

In 2007, Fresenius Helios spent € 174 million on acquisitions mainly related to the acquisition of the remaining 40 % of the shares of HUMAINE Kliniken GmbH, Germany, and the acquisition of a majority stake of 75 % in the Krefeld Municipal Hospitals, Germany.

Fresenius Vamed

In 2008, Fresenius Vamed spent € 35 million on acquisitions mainly related to the intercompany purchase of the hospital group Mediterra, Czechia, from Fresenius Helios and to the purchase of HERMED Technische Beratungs GmbH, Germany.

Corporate/Other

In the first quarter of 2008, in the segment Corporate/Other additional shares of HELIOS Kliniken GmbH, Germany, were acquired for a purchase price of € 31 million.

In the first quarter of 2007, Fresenius ProServe GmbH closed the divestiture of its subsidiary Pharmaplan GmbH, Germany, to NNE A/S, Denmark. Furthermore, Fresenius ProServe GmbH sold its subsidiary Pharmatec GmbH, Germany, to Robert Bosch GmbH, Germany. This transaction was completed on June 30, 2007.

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

In the fiscal year 2008, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. Except for the acquisition of APP, each single acquisition is not material. The excess of the total acquisition costs over the fair value of the net assets acquired was € 3,659 million and € 585 million in 2008 and 2007, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was € 3,121 million and the other intangible assets were € 538 million. Of this goodwill, € 65 million is attributable to the acquisitions of Fresenius Medical Care, € 3,014 million to Fresenius Kabi's acquisitions, € 32 million to the acquisitions of Fresenius Helios, mainly resulting from the purchase of additional shares of HELIOS Kliniken GmbH and € 10 million to Fresenius Vamed's acquisitions.

The acquisitions completed in 2008 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:

	2008	
in million €	as reported	before special items
Sales	626	626
EBITDA	167	110
EBIT	-168	82
Net interest	-104	-104
Other financial result	68	0
Net income	-201	-21

The acquisitions increased the total assets of the Fresenius Group by € 4,073 million.

Notes on the consolidated statement of income

3. SPECIAL ITEMS RELATING TO ACQUISITIONS

The consolidated statement of income for the year 2008 includes special items relating to the acquisition of APP. The table below reconciles adjusted EBIT and adjusted net income to earnings according to US GAAP.

Acquired in-process R & D activities have to be fully depreciated at the closing under US GAAP accounting principles valid at balance sheet date.

The inventory step-up reflects the excess of fair value over book value of acquired semi-finished and finished products. The amount is realized in line with the sale of the respective products.

in million €	EBIT	Other financial result	Net income
Earnings, adjusted	1,727		450
Purchase accounting adjustments			
In-process R & D	-272		-272
Inventory step-up	-35		-22
Foreign exchange gain	57		41
Other financial result			
MEB (mark-to-market)		28	20
CVR (mark-to-market)		75	75
One-time financing expenses		-35	-22
Earnings according to US GAAP	**1,477**	**68**	**270**

4. SALES

Sales by activity were as follows:

in million €	2008	2007
Sales of services	**7,614**	7,293
Sales of products and related goods	**4,380**	3,786
Sales from long-term production contracts	**341**	278
Other sales	**1**	1
Sales	**12,336**	11,358

A sales analysis by business segment and region is shown in the segment information on pages 114 to 117.

5. COST OF SALES

Cost of sales comprised the following:

in million €	2008	2007
Costs of services	**5,771**	5,489
Manufacturing cost of products and related goods	**2,353**	1,965
Cost of long-term production contracts	**284**	226
Other cost of sales	**–**	–
Cost of sales	**8,408**	7,680

6. COST OF MATERIALS

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

in million €	2008	2007
Costs of raw materials, supplies and purchased components	**3,668**	3,266
Cost of purchased services	**536**	503
Cost of materials	**4,204**	3,769

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and expenses on research and development included personnel expenses of € 4,332 million and € 4,052 million in 2008 and 2007, respectively.

Personnel expenses comprised the following:

in million €	2008	2007
Wages and salaries	**3,508**	3,252
Social security contributions, cost of retirement pensions and social assistance	**824**	800
thereof retirement pensions	99	103
Personnel expenses	**4,332**	4,052

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

	2008	2007
Production and service	**95,610**	86,898
Administration	**13,858**	12,965
Sales and marketing	**7,931**	7,429
Research and development	**1,269**	970
Total employees (per capita)	**118,668**	108,262

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were € 513 million (2007: € 467 million) and mainly included expenditures for sales personnel of € 250 million (2007: € 223 million).

General and administrative expenses amounted to € 1,459 million (2007: € 1,418 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

9. NET INTEREST

The net interest expenses of € 431 million included interest expenses of € 456 million and interest income of € 25 million. Interest expenses resulted from the Fresenius Group's financial liabilities (see Note 30, Financial instruments).

10. OTHER FINANCIAL RESULT

The item other financial result includes the following special charges and revenues with regard to the acquisition of APP and its financing:

The registered and tradable Contingent Value Rights (CVR) 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 a revenue of € 75 million as of December 31, 2008.

Due to its contractual definition, the issued Mandatory Exchangeable Bonds (MEB) include derivative financial instruments that have to be measured at fair value. This measurement resulted in a revenue of € 28 million as of December 31, 2008. 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 (FMC-AG & Co. KGaA) upon maturity, but mainly reflects the share price development of these shares (see Note 23, Mandatory Exchangeable Bonds).

Furthermore, in the year 2008, the Fresenius Group incurred one-time financing expenses in an amount of € 35 million relating to the APP acquisition.

11. TAXES

INCOME TAXES

Earnings before income taxes and minority interest was attributable to the following geographic regions:

in million €	**2008**	2007
Germany	**463**	264
International	**651**	977
Total	**1,114**	1,241

Income tax expenses (benefits) for 2008 and 2007 consisted of the following:

in million €	Current taxes	Deferred taxes	**Income taxes**
2007			
Germany	112	6	118
International	324	6	330
Total	436	12	448
2008			
Germany	**69**	**61**	**130**
International	**258**	**52**	**310**
Total	**327**	**113**	**440**

In 2007, Fresenius SE was subject to German federal corporation income tax at a base rate of 25 % plus a solidarity surcharge of 5.5 % on federal corporation taxes payable.

The German Business Tax Reform Act (Unternehmensteuerreformgesetz 2008) was enacted in the third quarter of 2007 resulting in a reduction of the corporate income tax rate from 25 % to 15 % (plus a solidarity surcharge of 5.5 % on federal corporation taxes) for German companies. This reduction together with technical changes to trade tax rules has reduced Fresenius Group's German entities' combined corporate income tax rate effective as of January 1, 2008. Deferred tax assets and liabilities for German entities expected to be realized in 2008 and beyond were revalued in 2007 to reflect the changes in the enacted tax rate. The revaluation of deferred tax assets and liabilities resulted in deferred tax expenses of € 5 million which have been included in operations for the year 2007.

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 and minority interest. The respective combined tax rates were 29.00 % for the fiscal year 2008 and 38.05 % for the fiscal year 2007.

in million €	2008	2007
Computed "expected" income tax expense	**323**	472
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**88**	10
Foreign tax rate differential	**27**	-35
Tax-free income	**-29**	-41
Taxes for prior years	**33**	36
Changes in valuation allowances on deferred tax assets	**19**	4
Change of German tax rate	**0**	5
Other	**-21**	-3
Income tax	**440**	448
Effective tax rate	**39.5 %**	36.1 %

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 million €	2008	2007
Deferred tax assets		
Accounts receivable	**33**	35
Inventories	**52**	47
Other current assets	**19**	23
Other non-current assets	**46**	52
Accrued expenses	**218**	213
Other short-term liabilities	**76**	35
Other liabilities	**27**	11
Benefit obligations	**36**	28
Losses carried forward from prior years	**138**	108
Deferred tax assets, before valuation allowance	**645**	552
less valuation allowance	**87**	68
Deferred tax assets	**558**	484
Deferred tax liabilities		
Accounts receivable	**9**	11
Inventories	**7**	8
Other current assets	**66**	28
Other non-current assets	**439**	321
Accrued expenses	**68**	29
Other short-term liabilities	**7**	2
Other liabilities	**16**	6
Deferred tax liabilities	**612**	405
Accumulated deferred taxes	**-54**	79

In the balance sheet, the accumulated amounts of deferred tax assets and liabilities are included as follows:

	2008		2007	
in million €		thereof long-term		thereof long-term
Deferred tax assets	**465**	**156**	417	132
Deferred tax liabilities	**519**	**449**	338	312
Accumulated deferred taxes	**-54**	**-293**	79	-180

As of December 31, 2008, Fresenius Medical Care has not recognized a deferred tax liability on approximately € 1.1 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 million €
2009	19
2010	4
2011	12
2012	15
2013	19
2014	7
2015	9
2016	11
2017	8
2018	63
Thereafter	16
Total	**183**

The total remaining operating losses of € 363 million can mainly be carried forward for an unlimited period.

In assessing the realizability of deferred tax assets, the Management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. 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. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible,

the Management of Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008.

UNRECOGNIZED TAX BENEFITS

Fresenius SE 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, except for Fresenius Helios. With respect to Fresenius Helios, the tax audit for the fiscal year 2001 has not been finalized yet. All results of the completed tax audits are already sufficiently recognized in the financial statements as of December 31, 2007. The fiscal years 2002 to 2005 are currently under audit. All further fiscal years are open to tax audits. Fresenius Medical Care filed a lawsuit against the decision of the tax authority regarding the disallowance of certain deductions taken for fiscal year 1997 and has included the related unrecognized tax benefit in the total unrecognized tax benefit noted on the following page. An adverse determination in this litigation could have a material adverse effect on Fresenius Medical Care's results of operations and liquidity in the relevant reporting period.

In the United States, Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions of civil settlement payments in prior year tax returns. As a result of a settlement agreement with the IRS to resolve the appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 investigation, Fresenius Medical Care received a refund in September 2008 of US$ 37 million, inclusive of interest. The settlement agreement preserves the right to continue to pursue claims in the US Federal courts for refund of all other disallowed deductions. The unrecognized tax benefit relating to these deductions is included in the total unrecognized tax benefit noted on the following page. The Federal tax audit in the United States for the years 2002 through 2004 has been completed and the IRS has issued its report. The audit report includes disallowance of a material amount of deductions taken during the audit period for interest expense related to intercompany mandatorily redeemable preferred securities. Fresenius Medical Care has filed a protest over the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to any of the disputed disallowances could have a material adverse effect on Fresenius Group's cash flows, tax expenses, net income and earnings per share. Fiscal years 2005 and 2006 are currently under audit, 2007 and 2008 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 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.

Upon adoption of FIN 48 in 2007, the Fresenius Group had € 250 million of unrecognized tax benefits including the amounts relating to the tax audit items for Germany and the United States noted before.

The following table shows the changes to unrecognized tax benefits during the year 2008:

in million €	2008
Balance at January 1, 2008	**269**
Increase in unrecognized tax benefits prior periods	32
Decrease in unrecognized tax benefits prior periods	-25
Increase in unrecognized tax benefits current periods	20
Changes related to settlements with tax authorities	-1
Foreign currency translation	28
Balance at December 31, 2008	**323**

Included in the balance at December 31, 2008 are € 323 million of unrecognized tax benefits, which would affect the effective tax rate if recognized. The Fresenius Group is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits.

It is Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense. During the fiscal year 2008, the Fresenius Group recognized € 12 million in interest and penalties. Fresenius Group had € 73 million for the payment of interest and penalties accrued at December 31, 2008.

12. 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 MEB.

	2008	2007
Numerators in million €		
Net income	**270**	410
less preference on preference shares	**1**	1
less effect from dilution due to Fresenius Medical Care shares and MEB	**17**	1
Income available to all classes of shares	**252**	408
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**78,855,197**	77,394,080
Weighted-average number of preference shares outstanding	**78,855,197**	77,394,080
Weighted-average number of shares outstanding of all classes	**157,710,394**	154,788,160
Potentially dilutive ordinary shares	**592,526**	792,851
Potentially dilutive preference shares	**592,526**	792,851
Weighted-average number of ordinary shares outstanding assuming dilution	**79,447,723**	78,186,931
Weighted-average number of preference shares outstanding assuming dilution	**79,447,723**	78,186,931
Weighted-average number of shares outstanding of all classes assuming dilution	**158,895,446**	156,373,862
Basic earnings per ordinary share in €	**1.71**	2.64
Preference per preference share in €	**0.01**	0.01
Basic earnings per preference share in €	**1.72**	2.65
Fully diluted earnings per ordinary share in €	**1.58**	2.61
Preference per preference share in €	**0.01**	0.01
Fully diluted earnings per preference share in €	**1.59**	2.62

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

Notes on the consolidated balance sheet

13. CASH AND CASH EQUIVALENTS

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

in million €	2008	2007
Cash	**361**	349
Securities (with a maturity of up to 90 days)	**9**	12
Total cash and cash equivalents	**370**	361

As of December 31, 2008 and December 31, 2007, committed funds of € 78 million and € 65 million, respectively, were included in cash and cash equivalents.

14. TRADE ACCOUNTS RECEIVABLE

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

in million €	2008	2007
Trade accounts receivable	**2,734**	2,382
less allowance for doubtful accounts	**257**	223
Trade accounts receivable, net	**2,477**	2,159

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 million €	2008	2007
Allowance for doubtful accounts at the beginning of the year	**223**	218
Change in valuation allowances as recorded in the consolidated statement of income	**159**	152
Write-offs and recoveries of amounts previously written-off	**-129**	-132
Foreign currency translation	**4**	-15
Allowance for doubtful accounts at the end of the year	**257**	223

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

in million €	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	1,566	459	233	188	288	**2,734**
less allowance for doubtful accounts	8	28	31	42	148	**257**
Trade accounts receivable, net	1,558	431	202	146	140	**2,477**

15. INVENTORIES

As of December 31, inventories consisted of the following:

in million €	2008	2007
Raw materials and purchased components	**289**	209
Work in process	**180**	129
Finished goods	**713**	579
less reserves	**55**	42
Inventories, net	**1,127**	875

The companies of the Fresenius Group are obliged to purchase approximately € 1,940 million of raw materials and purchased components under fixed terms, of which € 344 million was committed at December 31, 2008 for 2009. The terms of these agreements run one to ten years. Advance payments from customers of € 83 million (2007: € 6 million) have been offset against inventories.

Inventories as of December 31, 2008 and December 31, 2007 included approximately € 25 million and approximately € 21 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. Revenues from EPO accounted for approximately 7 % and 8 % of total sales of the Fresenius Group in 2008 and 2007, respectively.

16. PREPAID EXPENSES AND OTHER CURRENT AND NON-CURRENT ASSETS

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

in million €	2008	thereof short-term	2007	thereof short-term
Tax receivables	**170**	**164**	116	113
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**128**	**101**	150	120
Capitalized debt financing costs	**116**	**7**	49	2
Investments and long-term loans	**98**	**3**	52	0
Derivative financial instruments	**87**	**74**	18	17
Prepaid expenses	**39**	**13**	77	16
Advances made	**32**	**32**	20	20
Re-insurance claims	**27**	**0**	29	0
Accounts receivable from management contracts in clinics	**10**	**10**	10	10
Other assets	**508**	**378**	383	312
Prepaid expenses and other assets, gross	**1,215**	**782**	904	610
less allowances	**9**	**9**	11	7
Prepaid expenses and other assets, net	**1,206**	**773**	893	603

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.

Depreciations on other non-current assets in an amount of € 2 million and € 5 million were recognized in the fiscal years 2008 and 2007, respectively. In 2008 as well as in 2007, there were no reclassifications to other non-current assets.

17. 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 million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of December 31, 2008
Land and land facilities	168	0	26	6	0	1	**199**
Buildings and improvements	2,108	19	60	201	51	15	**2,424**
Machinery and equipment	2,598	-19	129	321	95	101	**3,023**
Machinery, equipment and rental equipment under capital leases	137	1	0	4	0	4	**138**
Construction in progress	300	-2	22	217	-189	2	**346**
Property, plant and equipment	5,311	-1	237	749	-43	123	**6,130**

Depreciation

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of December 31, 2008
Land and land facilities	2	0	0	0	0	0	**2**
Buildings and improvements	752	11	9	136	0	10	**898**
Machinery and equipment	1,526	-11	44	276	-2	89	**1,744**
Machinery, equipment and rental equipment under capital leases	59	0	0	9	0	3	**65**
Construction in progress	1	0	0	0	0	0	**1**
Property, plant and equipment	2,340	0	53	421	-2	102	**2,710**

Acquisition and manufacturing costs

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of December 31, 2007
Land and land facilities	171	-1	0	9	-9	2	**168**
Buildings and improvements	1,837	-81	60	170	195	73	**2,108**
Machinery and equipment	2,405	-94	50	297	118	178	**2,598**
Machinery, equipment and rental equipment under capital leases	135	0	0	6	1	5	**137**
Construction in progress	412	-13	3	217	-314	5	**300**
Property, plant and equipment	4,960	-189	113	699	-9	263	**5,311**

Depreciation

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of December 31, 2007
Land and land facilities	0	0	0	2	0	0	**2**
Buildings and improvements	709	-34	1	130	0	54	**752**
Machinery and equipment	1,483	-47	11	242	0	163	**1,526**
Machinery, equipment and rental equipment under capital leases	55	1	0	8	0	5	**59**
Construction in progress	1	0	0	0	0	0	**1**
Property, plant and equipment	2,248	-80	12	382	0	222	**2,340**

Carrying amounts

in million €	December 31, 2008	December 31, 2007
Land and land facilities	**197**	166
Buildings and improvements	**1,526**	1,356
Machinery and equipment	**1,279**	1,072
Machinery, equipment and rental equipment under capital leases	**73**	78
Construction in progress	**345**	299
Property, plant and equipment	**3,420**	2,971

Depreciation on property, plant and equipment for the years 2008 and 2007 was € 421 million and € 382 million, respectively. They are allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the area in which the asset is used.

LEASING

Machinery and equipment as of December 31, 2008 and 2007 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 € 215 million and € 187 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 21, Debt and liabilities from capital lease obligations.

18. 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 million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2008**
Goodwill	7,098	166	3,079	50	8	18	**10,383**
Patents, product and distribution rights	64	-15	403	89	0	1	**540**
Tradenames	168	7	1	0	-9	1	**166**
Technology	68	3	0	0	0	0	**71**
Non-compete agreements	144	9	5	0	0	0	**158**
Other	432	9	11	29	42	4	**519**
Goodwill and other intangible assets	7,974	179	3,499	168	41	24	**11,837**

Amortization

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2008**
Goodwill	4	0	0	0	0	0	**4**
Patents, product and distribution rights	39	0	0	15	0	0	**54**
Tradenames	0	0	0	0	0	0	**0**
Technology	3	0	0	5	0	0	**8**
Non-compete agreements	88	4	0	10	0	0	**102**
Other	200	-6	1	23	0	6	**212**
Goodwill and other intangible assets	334	-2	1	53	0	6	**380**

Acquisition cost

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2007**
Goodwill	7,111	-528	408	93	15	1	**7,098**
Patents, product and distribution rights	112	-3	4	5	-42	12	**64**
Tradenames	185	-17	0	0	0	0	**168**
Technology	49	-7	25	1	0	0	**68**
Non-compete agreements	154	-15	5	0	0	0	**144**
Other	384	-30	20	30	35	7	**432**
Goodwill and other intangible assets	7,995	-600	462	129	8	20	**7,974**

Amortization

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Goodwill	4	0	0	0	0	0	**4**
Patents, product and distribution rights	47	0	0	4	-1	11	**39**
Tradenames	0	0	0	0	0	0	**0**
Technology	0	0	0	3	0	0	**3**
Non-compete agreements	90	-10	0	8	0	0	**88**
Other	199	-12	0	19	0	6	**200**
Goodwill and other intangible assets	340	-22	0	34	-1	17	**334**

Carrying amounts

in million €	**December 31, 2008**	December 31, 2007
Goodwill	**10,379**	7,094
Patents, product and distribution rights	**486**	21
Tradenames	**166**	168
Technology	**63**	65
Non-compete agreements	**56**	56
Other	**307**	236
Goodwill and other intangible assets	**11,457**	7,640

The split of intangible assets into amortizable and non-amortizable intangible assets is shown in the following table:

Amortizable intangible assets

	December 31, 2008			December 31, 2007		
in million €	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**540**	**54**	**486**	61	40	21
Technology	**71**	**8**	**63**	68	3	65
Non-compete agreements	**158**	**102**	**56**	144	88	56
Other	**361**	**212**	**149**	286	199	87
Total	**1,130**	**376**	**754**	559	330	229

Non-amortizable intangible assets

	December 31, 2008			December 31, 2007		
in million €	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**166**	**0**	**166**	168	0	168
Management contracts	**158**	**0**	**158**	149	0	149
Goodwill	**10,383**	**4**	**10,379**	7,098	4	7,094
Total	**10,707**	**4**	**10,703**	7,415	4	7,411

Amortization on intangible assets amounted to € 53 million and € 34 million for the years 2008 and 2007, respectively. They are allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the area in which the asset is used.

Estimated regular amortization expenses of intangible assets for the next five years are shown in the following table:

in million €	2009	2010	2011	2012	2013
Estimated amortization expenses	72	69	65	61	58

The carrying amount of goodwill has developed as follows:

in million €	
Carrying amount as of January 1, 2008	**7,094**
Additions	3,129
Disposals	-18
Reclassifications	8
Foreign currency translation	166
Carrying amount as of December 31, 2008	**10,379**

The increase of the carrying amount mainly results from the addition of the goodwill from the acquisition of APP.

LICENSE AND DISTRIBUTION AGREEMENTS

In July 2008, Fresenius Medical Care entered into two separate licence and distribution agreements, one for the US (with Galenica Ltd. and Luitpold Pharmaceuticals Inc., the US Agreement) and one for certain countries in Europe and the Middle East (with Galenica AG and Vifor International AG, the International Agreement), to market and distribute Galenica Ltd.'s and Luitpold Pharmaceuticals, Inc.'s intravenous iron products, such as Venofer® and Ferinject® for dialysis treatment. In North America, the license agreement among Fresenius Medical Care's subsidiary, FUSA Manufacturing Inc. (FMI), Luitpold Pharmaceuticals Inc., American Regent, Inc. and Vifor (International), Inc. provides FMI with exclusive rights to manufacture and distribute Venofer® to freestanding (non-hospital based) US dialysis facilities. In addition, it grants FMI similar rights for Injectafer® (ferric carboxymaltose), a proposed new intravenous iron medication currently under clinical study in the US. The US license agreement has a term of ten years, includes FMI extension options, and requires payment by FMI over the ten year term of approximately US$ 2 billion, which Fresenius Medical Care will expense as incurred (based upon the annual estimated units of sale of the licensed product), subject to certain early termination provisions.

In addition to these payments, Fresenius Medical Care will pay a total of approximately US$ 47 million over a four year period for the US Agreement of which US$ 22 million (€ 15 million) was paid in 2008. Fresenius Medical Care recorded a liability of US$ 23 million (€ 17 million) for the balance. The cost of the US Agreement and related transaction costs of US$ 6 million will be amortized over their 10-year expected useful life (based upon the annual estimated units of sale of the licensed product). Fresenius Medical Care paid US$ 15 million (€ 10 million) upon signing of the International Agreement in 2008 and could pay up to € 40 million more upon certain milestones being met. The International Agreement costs will be amortized over their expected 20-year useful life. Milestone payments will be capitalized and amortized over their useful lives at the time the milestone payments are made.

19. OTHER ACCRUED EXPENSES

As of December 31, other accrued expenses consisted of the following:

in million €	2008	thereof short-term	2007	thereof short-term
Personnel expenses	**365**	**320**	364	320
Invoices outstanding	**137**	**137**	101	101
Self-insurance programs	**93**	**93**	100	100
Special charge for legal matters	**83**	**83**	78	78
Bonuses and discounts	**76**	**76**	48	48
Legal matters, advisory and audit fees	**40**	**40**	50	50
Warranties and complaints	**27**	**23**	24	19
Commissions	**17**	**17**	17	17
Physician compensation	**9**	**9**	11	11
All other accrued expenses	**318**	**288**	299	271
Other accrued expenses	**1,165**	**1,086**	1,092	1,015

The following table shows the development of other accrued expenses in the fiscal year:

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Utilized	Reversed	As of December 31, 2008
Personnel expenses	364	6	1	195	-2	-178	-21	**365**
Invoices outstanding	101	-4	8	106	–	-60	-14	**137**
Self-insurance programs	100	4	1	2	–	-14	–	**93**
Special charge for legal matters	78	5	0	0	0	0	0	**83**
Bonuses and discounts	48	–	10	66	2	-48	-2	**76**
Legal matters, advisory and audit fees	50	–	3	15	–	-26	-2	**40**
Warranties and complaints	24	–	–	19	-1	-9	-6	**27**
Commissions	17	–	1	22	–	-22	-1	**17**
Physician compensation	11	–	0	0	0	-2	0	**9**
All other accrued expenses	299	-4	17	194	1	-152	-37	**318**
Total	1,092	7	41	619	–	-511	-83	**1,165**

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 (Merger), 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 (€ 83 million), without interest, upon plan confirmation (see Note 29, 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.

20. OTHER LIABILITIES

As of December 31, other liabilities consisted of the following:

in million €	2008	thereof short-term	2007	thereof short-term
Derivative financial instruments	**239**	**100**	34	10
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**187**	**174**	187	172
Interest liabilities	**98**	**98**	75	75
Tax liabilities	**96**	**93**	99	96
Accounts receivable credit balance	**95**	**23**	83	24
Personnel liabilities	**73**	**70**	66	64
Advance payments from customers	**69**	**32**	82	57
All other liabilities	**582**	**453**	505	384
Other liabilities	**1,439**	**1,043**	1,131	882

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.

Of the total amount of other non-current liabilities € 396 million at December 31, 2008, € 315 million were due between one and five years and € 81 million were due later than five years. The balance sheet line item long-term accrued expenses and other long-term liabilities of € 475 million also included long-term accrued expenses of € 79 million as of December 31, 2008.

21. DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

Borrowings

Short-term borrowings of € 729 million and € 362 million at December 31, 2008, and 2007, respectively, consisted of € 342 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and € 387 million outstanding short-term borrowings under the accounts receivable facility described on the next page. The average interest rates on these borrowings (excluding the accounts receivable facility) at December 31, 2008 and 2007 were 5.17 % and 5.15 %, respectively.

The rise of short-term borrowings mainly refers to the increase of Fresenius Medical Care's short-term borrowings under its accounts receivable facility. Fresenius Medical Care used the proceeds, together with borrowings under its other existing long-term credit facilities, to redeem its trust preferred securities that became due on February 1, 2008.

Accounts receivable facility

Fresenius Medical Care has an asset securitization facility (accounts receivable facility), which is typically renewed in October of each year and was renewed most recently in October 2008. 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 to recall all transferred interests in the accounts receivable assigned to the banks under the facility. As Fresenius Medical Care has the right at any time to recall the then outstanding interests, the receivables remain on the consolidated balance sheet and the proceeds from the transfer of percentage ownership interests are recorded as short-term borrowings.

At December 31, 2008, there were outstanding short-term borrowings under the accounts receivable facility of US$ 539 million (€ 387 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 at December 31, 2008 was 3.89 %. Annual refinancing fees, which include legal costs and bank fees (if any), are amortized over the term of the facility.

LONG-TERM DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

As of December 31, long-term debt and liabilities from capital lease obligations consisted of the following:

in million €	2008	2007
Fresenius Medical Care 2006 Senior Credit Agreement	**2,419**	2,151
2008 Senior Credit Agreement	**1,896**	0
Bridge Credit Agreement	**467**	0
Euro Notes	**800**	440
European Investment Bank Agreements	**309**	169
Capital lease obligations	**42**	42
Other	**214**	200
Subtotal	**6,147**	3,002
less current portion	**431**	115
Long-term debt and liabilities from capital lease obligations, less current portion	**5,716**	2,887

Maturities of long-term debt and liabilities from capital lease obligations are shown in the following table:

in million €	up to 1 year	1 to 5 years	more than 5 years
Fresenius Medical Care 2006 Senior Credit Agreement	96	2,323	0
2008 Senior Credit Agreement	67	816	1,013
Bridge Credit Agreement	0	0	467
Euro Notes	200	300	300
European Investment Bank Agreements	8	163	138
Capital lease obligations	8	24	10
Other	52	104	58
Long-term debt and liabilities from capital lease obligations	**431**	**3,730**	**1,986**

Aggregate annual repayments applicable to the above listed long-term debt and liabilities from capital lease obligations for the five years subsequent to December 31, 2008 are:

for the fiscal years	in million €
2009	431
2010	269
2011	1,299
2012	1,378
2013	784
Subsequent years	1,986
Total	**6,147**

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care entered into a US$ 4.6 billion syndicated credit agreement (Fresenius Medical Care 2006 Senior Credit Agreement) with Bank of America, N.A. (BofA); Deutsche Bank AG New York Branch; The Bank of Nova Scotia; Credit Suisse, Cayman Islands Branch; JP Morgan Chase Bank, National Association; and certain other lenders (collectively the Lenders) on March 31, 2006 which replaced a prior credit agreement.

The following table shows the available and outstanding amounts under the Fresenius Medical Care 2006 Senior Credit Agreement at December 31:

	Maximum amount available		Balance outstanding	
in million US$	**2008**	2007	**2008**	2007
Revolving Credit	**1,000**	1,000	**305**	38
Term Loan A	**1,491**	1,550	**1,491**	1,550
Term Loan B	**1,570**	1,578	**1,570**	1,578
Total	**4,061**	4,128	**3,366**	3,166

In addition, at December 31, 2008, US$ 112 million and at December 31, 2007, US$ 87 million were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

The Fresenius Medical Care 2006 Senior Credit Agreement consists of:

- A 5-year US$ 1 billion revolving credit facility (of which up to US$ 250 million is available for letters of credit, up to US$ 300 million is available for borrowings in certain non-US currencies, up to US$ 150 million is available as swing line loans in US dollars, up to US$ 250 million is available as a competitive loan facility and up to US$ 50 million is available as swing line loans in certain non-US currencies, the total of which cannot exceed US$ 1 billion which will be due and payable on March 31, 2011.
- A 5-year term loan facility (Term Loan A) of US$ 1,850 million, also scheduled to mature on March 31, 2011. The Fresenius Medical Care 2006 Senior Credit Agreement requires 19 quarterly payments on Term Loan A of US$ 30 million each that permanently reduce the term loan facility which began June 30, 2006 and continue through December 31, 2010. The remaining amount outstanding is due on March 31, 2011. As a result of the voluntary repayment made in July 2007 from the proceeds of the issuance of Senior Notes (see Note 22, Senior Notes), which reduced the principal balance outstanding, the quarterly payments were reduced to US$ 29 million beginning with the payment for September 30, 2008.
- A 7-year term loan facility (Term Loan B) of US$ 1,750 million scheduled to mature on March 31, 2013. The terms of the Fresenius Medical Care 2006 Senior Credit Agreement require 28 quarterly payments on Term Loan B that permanently reduce the term loan facility. The repayment began June 30, 2006. The first 24 quarterly payments are US$ 4.4 million and payments 25 through 28 are US$ 411 million with the final payment of the remaining balance due on March 31, 2013, subject to an early repayment requirement on March 1, 2011 if the Trust Preferred Securities due June 15, 2011 are not repaid or refinanced or their maturity is not extended prior to that date. As a result of the voluntary repayment made in July 2007 from the proceeds of the issuance of senior notes (see note 22, Senior Notes) the balance of the remaining payments of US$ 4.4 million were reduced to US$ 4.0 million beginning with the September 30, 2008 payment and payments 25 through 28 were reduced to US$ 379 million.

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$ 30 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 30, 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 Fresenius Medical Care and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and investments by 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$ 280 million for dividends paid in 2009, and increases in subsequent years. Fresenius Medical Care paid dividends of US$ 252 million (€ 160 million) in May of 2008 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, 2008, Fresenius Medical Care was 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 which are being amortized over the life of this agreement.

During the fourth quarter of 2008, one of the participating banks defaulted on its obligation to provide funds under the terms of the revolving facility of the Fresenius Medical Care 2006 Senior Credit Agreement. As Fresenius Medical Care deemed the amount in default immaterial, it took no action to amend the Fresenius Medical Care 2006 Senior Credit Agreement to replace the defaulting bank. Fresenius Medical Care believes it has enough availability under this agreement and other credit facilities to meet its immediate needs.

In July 2007, Fresenius Medical Care voluntarily repaid portions of the term loans outstanding utilizing a portion of the proceeds from the issuance of Senior Notes (see Note 22, Senior Notes). Under the terms of the Fresenius Medical Care 2006 Senior Credit Agreement, advance payments on the term loans are applied first against the next four quarterly payments due with any amounts in excess of the four quarterly payments applied on a pro-rata basis against any remaining payments. As a result of the advance payments on the Term Loans, no payments were made or were due for either Term Loan A or B until the third quarter of 2008.

In June 2007, the Fresenius Medical Care 2006 Senior Credit Agreement was amended in order to enable Fresenius Medical Care to issue US$ 500 million in Senior Notes (see Note 22, Senior Notes). Furthermore, on January 31, 2008, it was amended to increase certain types of permitted borrowings and to remove all limitations on capital expenditures.

2008 Senior Credit Agreement

In connection with the acquisition of APP, the Fresenius Group entered into a US$ 2.45 billion syndicated credit agreement (2008 Senior Credit Agreement) on August 20, 2008.

The 2008 Senior Credit Agreement consists of:

- five-year Term Loan A Facilities (Term Loan A) in the aggregate principal amount of US$ 1 billion (of which US$ 500 million is available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE, and US$ 500 million is available to APP Pharmaceuticals, LLC). Term Loan A amortizes and is repayable in 10 unequal semi-annual installments commencing on June 10, 2009 with a final maturity date on September 10, 2013;

- six-year Term Loan B Facilities (Term Loan B) in the aggregate principal amount of US$ 1 billion (of which US$ 502.5 million is available to Fresenius US Finance I, Inc. and US$ 497.5 million is available to APP Pharmaceuticals, LLC). Term Loan B amortizes and is repayable in 11 substantially equal semi-annual installments commencing on June 10, 2009 with a final bullet payment equal to 94.25 % of such loans on September 10, 2014; and
- five-year Revolving Credit Facilities in the aggregate principal amount of US$ 450 million (of which US$ 150 million is available to APP Pharmaceuticals, LLC and US$ 300 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE).

The interest rate on each borrowing under the 2008 Senior Credit Agreement is a rate per annum equal to the aggregate of (a) the applicable margin (as described below) and (b) LIBOR or, in relation to any loan in euro, EURIBOR for the relevant interest period, subject, in the case of Term Loan B, to a minimum LIBOR or EURIBOR of 3.25 %. The applicable margin for Term Loan A and the Revolving Credit Facilities is variable and depends on the Leverage Ratio as defined in the 2008 Senior Credit Agreement.

To hedge part 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 (see Note 30, Financial instruments).

In addition to scheduled principal payments, indebtedness outstanding under the 2008 Senior Credit Agreement will be reduced by mandatory prepayments in some events. This means especially portions of the net cash proceeds from certain sales of assets, incurrence of additional indebtedness, equity issuances and certain intercompany loan repayments.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE, Fresenius ProServe GmbH and Fresenius Kabi AG. The obligations of APP Pharmaceuticals, LLC under the 2008 Senior Credit Agreement that refinance outstanding 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, among others, limitations on liens, sale of assets, incurrence of debt, investments and acquisitions and restrictions on the payment of dividends. The 2008 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE 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, 2008, Fresenius SE was in compliance with all covenants under the 2008 Senior Credit Agreement.

In October 2008, the 2008 Senior Credit Agreement was amended to increase Term Loan B available to Fresenius US Finance I, Inc. by US$ 210.5 million and € 200 million (US$ 273 million). The proceeds were used for the repayment of the bridge credit agreement described in the following. In November 2008, Fresenius SE agreed with the lenders upon an increase of the revolving credit facility available to Fresenius Finance I S.A. by US$ 100 million.

The following table shows the available and outstanding amounts under the 2008 Senior Credit Agreement at December 31, 2008:

	Maximum amount available		Balance outstanding	
		in million €		in million €
Revolving Credit Facilities	US$ 550 million	395	US$ 150 million	108
Term Loan A	US$ 1,000 million	718	US$ 1,000 million	718
Term Loan B (in US$)	US$ 1,211 million	870	US$ 1,211 million	870
Term Loan B (in €)	€ 200 million	200	€ 200 million	200
Total		**2,183**		**1,896**

Bridge Credit Agreement

On August 20, 2008, the Fresenius Group entered into a Bridge Credit Agreement of US$ 1.3 billion to fund part of the purchase price of APP. The facility was available to Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE, and was fully drawn down on September 10, 2008. Under certain conditions, the availability of the facility extended to September 10, 2015. In October 2008, the Bridge Credit Agreement was reduced to US$ 650 million using proceeds of the increase of Term Loan B under the 2008 Senior Credit Agreement and funds obtained under other existing credit facilities.

The Bridge Credit Agreement was guaranteed on a senior basis by Fresenius SE, Fresenius Kabi AG and Fresenius ProServe GmbH and contained covenants substantially identical to those contained in the 2008 Senior Credit Agreement. Interest on the initial loans was variable and based on LIBOR plus applicable margin.

On January 21, 2009, the residual amount of the Bridge Credit Agreement was redeemed using the proceeds of new Senior Notes (see Note 36, Subsequent events).

Euro Notes

As of December 31, 2008, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

	Maturity	Interest rate	**Book value in million €**
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51 %	**26**
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75 %	**38**
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**
Fresenius Finance B.V. 2008/2012	April 2, 2012	5.59 %	**62**
Fresenius Finance B.V. 2008/2012	April 2, 2012	variable	**138**
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98 %	**112**
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	4.57 %	**126**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	variable	**74**
Euro Notes			**800**

The nominal amount of the Euro Notes equals the book value.

In April 2008, Fresenius Finance B.V., a wholly-owned subsidiary of Fresenius SE, issued Euro Notes in an amount of € 400 million in four tranches with four and six year terms. The proceeds from the issuance of the Euro Notes were mainly utilized to finance acquisitions as well as for the repayment of short-term debt and to redeem Euro Notes of € 40 million that were due in May 2008.

In July 2007, Fresenius Finance B.V. issued Euro Notes of € 200 million.

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE. The Euro Notes of FMC Finance S.à.r.l. Luxembourg IV are guaranteed by FMC-AG & Co. KGaA.

The Euro Notes issued by FMC Finance S.à.r.l. Luxembourg IV are shown as current portion of long-term debt and liabilities from capital lease obligations in the balance sheet.

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 30, Financial instruments). Only the floating-rate tranche of the Euro Notes of FMC Finance S.à.r.l. Luxembourg IV in an amount of € 74 million is 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, 2008:

	Maximum amount available in million €	Maturity	**Book value in million €**
Fresenius SE	96	2013	**96**
FMC-AG & Co. KGaA	221	2013/2014	**125**
HELIOS Kliniken GmbH	88	2019	**88**
Loans from EIB	405		**309**

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 capital investment and research and development projects. The facilities were granted to refinance certain research and development projects, to invest in expansion and the optimization of existing production facilities in Germany and for the construction of a hospital.

Repayment of the loan of HELIOS Kliniken GmbH already started in December 2007 and will continue through December 2019 with constant half-yearly payments.

Some advances under these agreements can be denominated in certain foreign currencies including US dollar. Accordingly, the liabilities of FMC-AG & Co. KGaA comprise loans of US$ 49 million and € 90 million. FMC-AG & Co. KGaA borrowed this € 90 million loan under a credit agreement with the EIB which was entered into in December 2006. This facility was fully drawn down on February 1, 2008. The loan matures on February 1, 2014.

The above mentioned loans bear variable interest rates that change quarterly. As of December 31, 2008, the US dollar borrowings of FMC-AG & Co. KGaA and the euro borrowings of FMC-AG & Co. KGaA bore an interest rate of 2.026 % and 4.767 %, respectively. The borrowings of Fresenius SE and HELIOS Kliniken GmbH had an interest rate of 3.349 %. To some extent, the borrowers may opt to convert those interest rates into fixed rates. The loans under these EIB Agreements are secured by bank guarantees and have customary covenants.

Capital lease obligations

Details of capital lease obligations are given below:

in million €	2008
Capital lease obligations (minimum lease payments)	**48**
due within one year	10
due between one and five years	27
due later than five years	11
Interest component included in future minimum lease payments	**6**
due within one year	2
due between one and five years	3
due later than five years	1
Present value of capital lease obligations (minimum lease payments)	**42**
due within one year	8
due between one and five years	24
due later than five years	10

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 reporting date. As of December 31, 2008, the additional financial cushion resulting from unutilized credit facilities was approximately € 1.1 billion.

Syndicated credit facilities accounted for € 706 million. This portion comprises the Fresenius Medical Care 2006 Senior Credit Agreement in the amount of US$ 583 million (€ 419 million) and the 2008 Senior Credit Agreement in the amount of US$ 400 million (€ 287 million). Furthermore, bilateral facilities of approximately € 400 million were available. They include the already described credit facilities with the EIB and 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 has a commercial paper program under which up to € 250 million in short-term notes can be issued. As of December 31, 2008, no commercial papers were outstanding.

Additional financing of up to US$ 550 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$ 539 million as of December 31, 2008.

22. SENIOR NOTES

As of December 31, 2008, Senior Notes of the Fresenius Group consisted of the following:

	Notional amount	Maturity	Interest rate	Book value in million €
Fresenius Finance B.V. 2003/2009	€ 100 million	April 30, 2009	7.50 %	**100**
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan 31, 2013	5.00 %	**500**
Fresenius Finance B.V. 2006/2016	€ 500 million	Jan 31, 2016	5.50 %	**500**
FMC Finance III S.A. 2007/2017	US$ 500 million	July 15, 2017	6⅞ %	**354**
Senior Notes				**1,454**

The Senior Notes issued by Fresenius Finance B.V. which mature on April 30, 2009 are shown as current portion of Senior Notes in the balance sheet. The Senior Notes of Fresenius Finance B.V. maturing in 2016 may be redeemed at the option of the issuer from January 31, 2011 onwards. The respective redemption prices have already been fixed at the date of issuance in the indentures.

All Senior Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius SE 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 and its subsidiaries (excluding FMC-AG & Co. KGaA and its subsidiaries). These covenants include, amongst other things, 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. Some of these restrictions are lifted automatically when the rating of Fresenius SE reaches investment grade. In the event of non-compliance with the terms of the Senior Notes, the bond-holders (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, 2008, the Fresenius Group was in compliance with all of its covenants.

In July 2007, FMC Finance III S.A., a wholly-owned subsidiary of FMC-AG & Co. KGaA, issued US$ 500 million aggregate principal amount of 6 7/8 % Senior Notes due 2017 at a discount resulting in an effective interest rate of 7 1/8 %. The Senior Notes are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA and by its subsidiaries FMCH and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH). Fresenius Medical Care may redeem the Senior Notes at any time at 100 % of principal amount plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have a right to request that Fresenius Medical Care repurchases the Senior Notes at 101 % of principal amount plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the Senior Notes.

23. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP, Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of € 554.4 million were launched. 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 who placed the MEB in the market. The bonds carry a coupon of 5 5/8 % per annum and will mature on August 14, 2011. Upon maturity, the bonds will be mandatorily exchangeable into ordinary shares of FMC-AG & Co. KGaA with a maximum of 16.80 million and a minimum of 14.24 million shares 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). 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 credit ratings of Fresenius SE fall below certain benchmarks and such benchmarks are subsequently not reinstated. Moreover, in the event of a change of control of Fresenius SE 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 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 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.

The derivative financial instruments embedded in the MEB are measured at fair value and are shown separately under the balance sheet item prepaid expenses and other current assets.

24. 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, salary and pension level trends. 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. A pension liability is recognized in the balance sheet if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the balance sheet 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.

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, 2008, the benefit obligation (PBO) of the Fresenius Group of € 505 million (2007: € 498 million) included € 213 million (2007: € 219 million) funded by plan assets and € 292 million (2007: € 279 million) covered by pension provisions. The current portion of the pension liability in an amount of € 10 million is recognized in the balance sheet as short-term accrued expenses and other short-term liabilities. The non-current portion of € 282 million is recorded as pension liability.

66 % of the pension liabilities in an amount of € 292 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.

FMCH, a subsidiary of Fresenius Medical Care, 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 2008. FMCH voluntarily contributed US$ 0.7 million (€ 0.5 million) during the year 2008. Expected funding for 2009 is US$ 0.8 million (€ 0.6 million).

The Fresenius Group's benefit obligations relating to fully or partly funded pension plans were € 242 million. Benefit obligations relating to unfunded pension plans were € 263 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 million €	2008	2007
Benefit obligations at the beginning of the year	**498**	553
Changes in entities consolidated	**0**	1
Foreign currency translation	**2**	-21
Service cost	**15**	17
Prior service cost	**2**	2
Interest cost	**28**	27
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-1**	-3
Actuarial losses/gains	**-25**	-60
Benefits paid	**-15**	-19
Amendments	**–**	–
Benefit obligations at the end of the year	**505**	498
thereof vested	437	427
Fair value of plan assets at the beginning of the year	**226**	235
Changes in entities consolidated	**1**	–
Foreign currency translation	**1**	-21
Actual return on plan assets	**-15**	14
Contributions by the employer	**6**	8
Contributions by plan participants	**1**	1
Settlements	**-1**	0
Transfers	**–**	–
Benefits paid	**-6**	-11
Fair value of plan assets at the end of the year	**213**	226
Funded status as of December 31	**292**	272

As of December 31, 2007, the fair value of plan assets relating to the North American pension plan exceeded the corresponding benefit obligations. The resulting amount of € 7 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 € 279 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 %	2008	2007
Discount rate	**6.21**	5.80
Rate of compensation increase	**3.56**	3.66
Rate of pension increase	**1.94**	1.80

At December 31, 2008, the accumulated benefit obligations for all defined benefit pension plans were € 471 million (2007: € 430 million).

The following table relates to pension plans with projected benefit obligations and accumulated benefit obligations in excess of plan assets:

in million €	2008	2007
Projected benefit obligation (PBO)	**505**	350
Accumulated benefit obligation (ABO)	**444**	283
Fair value of plan assets	**213**	71

The pre-tax changes of other comprehensive income (loss) relating to pension liabilities during the years 2008 and 2007 are provided in the following tables:

in million €	As of January 1, 2008	Releases [1]	Additions	Foreign currency translation	As of December 31, 2008
Actuarial gains and losses	-47	2	-6	-2	**-53**
Prior service cost	7	1	-2	–	**6**
Transition obligation	-1	–	0	–	**-1**
Adjustments related to pension liabilities	-41	3	-8	-2	**-48**

[1] effects recognized in the consolidated statement of income

in million €	As of January 1, 2007	Releases [1]	Additions	Foreign currency translation	As of December 31, 2007
Actuarial gains and losses	-112	5	57	3	**-47**
Prior service cost	6	1	–	0	**7**
Transition obligation	-1	–	–	0	**-1**
Adjustments related to pension liabilities	-107	6	57	3	**-41**

[1] effects recognized in the consolidated statement of income

For the tax effects on other comprehensive income at December 31, 2008 see Note 28, Other comprehensive income (loss).

The Fresenius Group expects the following amounts to be amortized from other comprehensive income into net periodic pension cost in the year 2009:

in million €	2009
Actuarial gains and losses	**5**
Prior service cost	**–**
Transition obligation	**–**

Defined benefit pension plans' net periodic benefit costs of € 28 million (2007: € 35 million) were comprised of the following components for each of the years ended December 31:

in million €	2008	2007
Service cost	**15**	17
Interest cost	**28**	27
Expected return on plan assets	**-15**	-16
Amortization of unrealized actuarial losses, net	**-1**	5
Amortization of prior service costs	**1**	1
Amortization of transition obligations	**–**	–
Settlement loss	**–**	1
Net periodic benefit cost	**28**	35

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 %	2008	2007
Discount rate	**5.80**	5.02
Expected return of plan assets	**7.06**	7.03
Rate of compensation increase	**3.66**	3.75

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2008 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses outside the 10 % corridor for each defined benefit plan were € 53 million (2007: € 47 million).

The following table shows the expected benefit payments for the next ten years:

for the fiscal years	in million €
2009	17
2010	18
2011	19
2012	21
2013	23
2014 bis 2018	139
Total expected benefit payments	**237**

The Fresenius Group uses December 31, 2008 as the measurement date in determining the funded status of all plans.

Pension liabilities at December 31, related to the following geographical regions:

in million €	2008	2007
Germany	**238**	244
Europe (excluding Germany)	**31**	34
North America	**22**	0
Asia-Pacific	**0**	–
Latin America	**1**	1
Africa	**0**	0
Total pension liabilities	**292**	279

Approximately two thirds of the beneficiaries are located in North America, 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 2008.

The investment policy, utilizing a revised target investment allocation of 31 % equity and 69 % long-term US bonds, 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 FMC-AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, Russell 2000 Growth Index, MSCI EAFE Index, Barclays Capital Long Term Government Credit Index and Barclays Capital US Strips 20+ Year Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	**Allocation 2008**	Allocation 2007	Target allocation
Equity securities	**34.27**	36.20	33.22
Debt securities	**61.94**	60.81	63.70
Real estate	**1.63**	0.41	1.75
Other	**2.16**	2.58	1.33
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 7.08 % compounded annually. Contributions to plan assets for the fiscal year 2009 are expected to amount to € 5 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2008 was € 22 million (2007: € 20 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$ 15,500 if under 50 years old (US$ 20,500 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, 2008 and 2007 was € 18 million and € 17 million, respectively.

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. 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, FMC D-GmbH and 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 by FMC-AG & Co. KGaA through a series of undertakings by Fresenius Medical Care and 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 ten 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 Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit Fresenius Medical Care's indebtedness and its investments, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. As of December 31, 2008, Fresenius Medical Care was in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of December 31, 2008 and 2007 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2008 in million €**	2007 in million €
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7 7/8 %	Feb 1, 2008	**0**	301
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7 3/8 %	Feb 1, 2008	**0**	154
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7 7/8 %	Jun 15, 2011	**156**	149
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7 3/8 %	Jun 15, 2011	**299**	297
Trust preferred securities					**455**	901

The trust preferred securities of Fresenius Medical Care Capital Trust II und III were due on February 1, 2008 and are therefore classified as a short-term liability and shown as current portion in an amount of € 455 million at December 31, 2007. Fresenius Medical Care used existing credit facilities for the repayment on February 1, 2008.

26. MINORITY INTEREST

As of December 31, minority interest in the Group was as follows:

in million €	**2008**	2007
Minority interest in FMC-AG & Co. KGaA	**2,751**	2,426
Minority interest in HELIOS Kliniken GmbH	**4**	8
Minority interest in VAMED AG	**30**	25
Minority interest in the business segments		
Fresenius Medical Care	**115**	72
Fresenius Kabi	**32**	27
Fresenius Helios	**99**	85
Fresenius Vamed	**2**	1
Corporate/Other	**–**	–
Total minority interest	**3,033**	2,644

Minority interest increased in 2008 by € 389 million to € 3,033 million. The change resulted from the minorities' share of profit of € 404 million, dividend payments of € -142 million and from negative currency effects as well as first-time consolidations in a total amount of € 127 million.

27. SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

On August 15, 2008, Fresenius SE successfully closed a capital increase to finance part of the acquisition of APP. In connection with the capital increase, 2,748,057 new ordinary shares were issued at a price of € 52.00 and 2,748,057 new preference shares were issued at a price of € 53.00. The transaction has generated gross proceeds of approximately € 289 million and increased the subscribed capital by € 5.5 million. The new shares have full dividend entitlement for the fiscal year 2008.

During the fiscal year 2008, 482,850 stock options were exercised.

Accordingly, at December 31, 2008, the subscribed capital of Fresenius SE was divided into 80,571,867 bearer ordinary shares and 80,571,867 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.

Notification by shareholders

The contents of the notifications disclosed in accordance with Section 26 (1) of the German Securities Trading Act (WpHG) by the balance sheet date are set out below. These reflect the most recent notifications made to Fresenius SE about the level of investments held:

The Else Kröner-Fresenius-Stiftung notified Fresenius SE on December 14, 2008, that it holds 46,871,154 ordinary shares of Fresenius SE representing 58.17 % of the voting rights.

On May 28, 2008, FIL Limited, Hamilton, Bermuda, crossed above the threshold of 5 % of the voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v. d. H., Germany. On that date, FIL Limited held 5.19 % of

the voting rights in Fresenius SE arising from 4,028,297 voting rights. All voting rights in Fresenius SE were attributed to FIL Limited pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

Furthermore, Fidelity International, with its registered office in Great Britain, Kingswood Fields, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RB, notified Fresenius SE in the name of and on behalf of Fidelity Investment Trust, Boston, Massachusetts, United States, pursuant to Section 21 (1) WpHG of the following: On January 22, 2008, Fidelity Investment Trust exceeded the threshold of 3 % of voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v. d. H., Germany. On that date, Fidelity Investment Trust held 3.02 % of the voting rights in Fresenius SE arising from 2,341,614 voting rights.

Artio Global Management LLC, with its registered office in New York, United States, has notified Fresenius SE pursuant to Section 21 (1) WpHG that on December 16, 2008 its voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v. d. H., Germany, crossed below the threshold of 3 % and amounted to 2.97 % (equivalent to 2,396,313 voting rights) in relation to the total number of voting rights of the issuer. The voting rights in the amount of 2.97 % (equivalent to 2,396,313 voting rights) are entirely attributable to Artio Global Management LLC, pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

All notifications by shareholders in the fiscal year 2008 are published on the website of the Company www.fresenius.com under Investor Relations/The Fresenius Shares/Shareholder Structure.

APPROVED CAPITAL

By resolution of the Annual General Meeting on May 10, 2006, the previous Approved Capital II was revoked. The Management Board of Fresenius SE was authorized, with the approval of the Supervisory Board, until May 9, 2011,

- to increase Fresenius SE's subscribed capital by a nominal total amount of up to € 12,800,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions (Approved Capital I). A subscription right must be granted to shareholders.
- to increase Fresenius SE's subscribed capital by a nominal total amount of up to € 6,400,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions and/or contributions in kind (Approved Capital II). The Management Board is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (§§ 203 (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG)). As of December 31, 2008, the Approved Capital II decreased by € 5,496,114.00 to € 1.20 due to the capital increase in connection with the acquisition of APP. In 2006, it was already reduced by € 903,884.80 due to the payment in shares in connection with the acquisition of HUMAINE Kliniken GmbH.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III which exist to secure the subscription rights in connection with already issued stock options on bearer ordinary shares and bearer preference shares of the stock option plans of 1998, 2003 and 2008 (see Note 34, Stock options).

Due to the capital increase from the Company's funds enacted on December 4, 2006, the Conditional Capital increased in the same proportion as the subscribed capital by operation of law (cf. Section 218 sentence 1 of the German Stock Corporation Act (AktG)). After the registration of the share split in the commercial register on January 24, 2007, the Conditional Capital I amounted to € 1,971,966.00 (as of December 31, 2006: € 1,682,744.32), divided into 985,983 bearer ordinary and bearer preference shares, and the Conditional Capital II amounted to € 5,104,962.00 (as of December 31, 2006: € 4,356,234.24), divided into 2,552,481 bearer ordinary and bearer preference shares.

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the Fresenius SE Stock Option Plan 2008 (2008 Plan) by authorizing the granting of subscription rights to members of the Management Board and managerial employees of Fresenius SE and affiliated companies. To fulfill the subscription rights under the 2008 Plan, the subscribed capital of Fresenius SE was increased conditionally by up to € 6.2 million through the issue of up to 3.1 million no par value bearer ordinary shares and 3.1 million no par value bearer preference shares (Conditional Capital III). The change in Fresenius SE's Articles of Association with regard to the Conditional Capital III became effective after its registration in the commercial register on July 11, 2008.

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	768,306.00	768,306.00	1,536,612.00
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,364,711.00	2,364,711.00	4,729,422.00
Total Conditional Capital as of January 1, 2008	**3,133,017.00**	**3,133,017.00**	**6,266,034.00**
Fresenius AG Stock Option Plan 1998 – options exercised	-85,839.00	-85,839.00	-171,678.00
Fresenius AG Stock Option Plan 2003 – options exercised	-155,586.00	-155,586.00	-311,172.00
Conditional Capital III, approved on May 21, 2008	3,100,000.00	3,100,000.00	6,200,000.00
Total Conditional Capital as of December 31, 2008	**5,991,592.00**	**5,991,592.00**	**11,983,184.00**

CAPITAL RESERVES

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

In the third quarter of 2008, the capital reserves increased by € 284 million in connection with Fresenius SE's capital increase to finance part of the acquisition of APP. The accrued expenses in an amount of € 6 million were charged against the capital reserves.

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 as reported in its balance sheet determined in accordance with the German Commercial Code (HGB).

At the Annual General Meeting in May 2008, a resolution was passed to pay a dividend of € 0.66 per bearer ordinary share and € 0.67 per bearer preference share, i.e. a total dividend of € 103 million was resolved and paid.

28. 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 as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2008 and 2007 were as follows:

	2008			2007		
in million €	**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	**-147**	**52**	**-95**	-65	26	-39
Change in unrealized gains/losses	-146	52	-94	-62	25	-37
Realized gains/losses due to reclassifications	-1	–	-1	-3	1	-2
Benefit obligation adjustment	**-7**	**4**	**-3**	66	-19	47
Foreign currency translation adjustment	**111**	**0**	**111**	-120	0	-120
Other comprehensive income (loss)	**-43**	**56**	**13**	-119	7	-112

Other notes

29. 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, 2008 and 2007 was € 379 million and € 372 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2008 are:

for the fiscal years	in million €
2009	329
2010	284
2011	242
2012	195
2013	158
Thereafter	550
Total	**1,758**

As of December 31, 2008, future investment commitments existed up to the year 2014 from the acquisition contracts for hospitals at projected costs of up to € 173 million. Thereof € 39 million relate to the year 2009.

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 the 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 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

Fresenius Medical Care was originally formed as a result of a series of transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius SE (formerly: Fresenius AG) (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. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly: 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 confirmation of a plan that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

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 alleged 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 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the Court of Appeals for the Federal Circuit. Fresenius Medical Care is confident that it will prevail on appeal or as a result of the pending U.S. Patent and Trademark Office re-examinations of the underlying Baxter patents and has made no provision in its financial statements for any potential liability in this matter. If Fresenius Medical Care is unsuccessful on all appeals, including any appeal of the royalty, the royalties payable to Baxter on the machines and disposable supplies that are subject to the court's order will be approximately US$ 56 million for sales through December 31, 2008 and are estimated to be in the range of US$ 2 million to US$ 3 million per month thereafter. In the interim period until its appeal is decided, Fresenius Medical Care is funding a court-approved escrow account at the royalty rates noted above. If Fresenius Medical Care wins the appeal, the escrowed funds will be returned to it with interest. In October 2008, Fresenius Medical Care completed design modifications to the 2008K machine that Fresenius Medical Care expects will eliminate any incremental hemodialysis machine royalty payment exposure under the court order and permit the continued sale of the modified machine in compliance with the injunction, irrespective of the outcome of Fresenius Medical Care's appeal.

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 recently issued patents (late 2007-2008), 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 pressure). The court has stayed the case pending the outcome of the appeal in the April 2003 Baxter case. Fresenius Medical Care believes that its hemodialysis machines do not infringe any valid claims of the Baxter patents at issue.

On October 17, 2006, Baxter and Deka Products Ltd. (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 alleges that FMCH's Liberty peritoneal cyclers infringe certain patents owned by or licensed to Baxter. Sales of the Liberty cyclers commenced in July 2008. Fresenius Medical Care believes that the Liberty peritoneal cycler does not infringe any valid claims of the Baxter/DEKA patents.

Two patent infringement actions have been pending in Germany between Gambro Industries (Gambro) on the one side and FMC D-GmbH, one of Fresenius Medical Care's German subsidiaries, and FMC-AG & Co. KGaA on the other side (hereinafter collectively: Fresenius Medical Care). Gambro herein alleged patent infringements by Fresenius Medical Care concerning a patent on a device for the preparation of medical solutions. The first case was dismissed as being unfounded. Such decision has already become final. In the second case, the District Court of Mannheim rendered a judgment on June 27, 2008 deciding in favor of Gambro and declaring that Fresenius Medical Care has infringed a patent claim. Accordingly, the court ordered Fresenius Medical Care to pay compensation (to be determined in a separate court proceeding) for alleged infringement and to stop offering the alleged patent infringing technology in its original form in Germany. FMC D-GmbH brought an invalidity action in the Federal German Patent Court (BPatG) against Gambro's patent. This case is currently pending with the Federal Court of Justice as the court of appeal. Fresenius Medical Care has also filed an appeal against the District Court's verdict. On January 5, 2009, Gambro enforced such verdict provisionally by way of security to be deposited by Gambro. However, preceding such enforcement Fresenius Medical Care had already developed design modifications, as an alternative technical solution, and replaced the alleged patent infringing technology in nearly all of the affected devices. In view of the pending appeal against BPatG's verdict and Fresenius Medical Care's appeal against the District Court's verdict, Fresenius Medical Care continues to believe that the alleged patent infringing technology does not infringe any valid patent claims of Gambro.

Other litigation and potential exposures

Renal Care Group, Inc. (RCG) was named as a nominal defendant in a second amended complaint filed September 13, 2006, in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville against former officers and directors of RCG which purports to constitute a class action and derivative action relating to alleged unlawful actions and breaches of fiduciary duty in connection with Fresenius Medical Care's acquisition of RCG (the RCG acquisition) and in connection with alleged improper backdating and/or timing of stock option grants. The amended complaint was styled Indiana State District Council of Laborers and Hod Carriers Pension Fund, on behalf of itself and all others similarly situated and derivatively on behalf of RCG, Plaintiff, vs. RCG, Gary Brukardt, William P. Johnston, Harry R. Jacobson, Joseph C. Hutts, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray, Peter J. Grua, C. Thomas

Smith, Ronald Hinds, Raymond Hakim, and R. Dirk Allison, Defendants. The complaint sought damages against former officers and directors and did not state a claim for money damages directly against RCG. On August 30, 2007, this suit was dismissed by the trial court without leave to amend. Plaintiff subsequently appealed and the matter remains pending in the appellate court of Tennessee.

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, and anemia management programs, RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, and RCG's purchase of dialysis equipment from FMCH. The Office of the Inspector General of the U.S. Department of Health and Human Services and the U.S. Attorney's office for the Eastern District of Texas have also confirmed that they are participating in the review of the anemia management program issues raised by the U.S. Attorney's office for the Eastern District of Missouri. On July 17, 2007, the U.S. Attorney's office filed a civil complaint against RCG and FMCH in its capacity as RCG's current corporate parent in the United States District Court, Eastern District of Missouri. 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 the date of FMCH's acquisition of RCG. 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. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously. Fresenius Medical Care will continue to cooperate in the ongoing investigation.

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 (Qui tam is a legal provision under the United States False Claims Act, which allows for private individuals to bring suit on behalf of the U.S. federal government, as far as such individuals believe to have knowledge of presumable fraud committed by third parties). The first complaint alleges 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 alleges 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. Counsel for the nephrologist asserted that a criminal investigation of the relator's allegations was in process and therefore moved the Court to stay all activity in the qui tam until the alleged criminal investigation concluded. The Court denied the nephrologist's motion to stay and the litigation is processing.

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 (€ 83 million) payment under the Settlement Agreement, 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.

30. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157), which establishes a framework for reporting fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. FASB Staff Position No. 157-2 (FSP 157-2) issued February 12, 2008, delayed application of this Statement for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. FAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in estimating fair value: (i) Level 1 is defined as observable inputs, such as quoted prices in active markets, (ii) Level 2 is defined as inputs other than quoted prices in active markets, that are directly or indirectly observable, and (iii) Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the Fresenius Group to develop its own assumptions. The Fresenius Group adopted this standard, except for those sections affected by FSP 157-2, as of January 1, 2008.

The Fresenius Group holds interest rate swaps and foreign exchange contracts which are carried at fair value initially and on a recurring basis. 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 balance sheet date. 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 balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the respective currency. Under FAS 157, the Fresenius Group is now required to take into account credit risks when measuring the fair value of derivative financial instruments. In accordance with these requirements, the Fresenius Group's own credit risk is incorporated in the fair value estimation of interest rate derivatives that are liabilities. However, for foreign exchange forward derivatives that are liabilities, due to the relatively short term of the contracts, the Fresenius Group did not take into account its own credit risk in the fair value estimation. Counterparty credit-risk adjustments are negligible due to the high credit ratings of the counterparties and is therefore not factored into the valuation of derivatives that are assets.

The following table presents the carrying amounts and fair values of the Group's financial instruments as of December 31:

	2008		2007	
in million €	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**370**	**370**	361	361
Assets recognized at carrying amount	**2,499**	**2,499**	2,167	2,167
Assets recognized at fair value	**8**	**8**	0	0
Liabilities recognized at carrying amount	**9,903**	**9,793**	6,147	6,118
Liabilities recognized at fair value	**41**	**41**	0	0
Derivatives designated as hedging instruments	**-160**	**-160**	-16	-16

For the fair value measurement of derivatives and derivative financial instruments embedded in the MEB, significant other observable inputs are used. Therefore, they are classified as Level 2 in accordance with FAS 157. The valuation of the CVR is based on the current stock exchange price at the US stock exchange, they are therefore classified as Level 1. Derivatives designated as hedging instruments as well as derivatives embedded in the MEB were recognized at gross values as other current assets in an amount of € 87 million and other liabilities in an amount of € 239 million.

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.

Short-term financial instruments like accounts receivable and payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The fair values of senior notes and trust preferred securities are based on market prices and quotes as of the balance sheet date. The fair values of other fixed-rate financial liabilities, for which market quotes are not available, are calculated as present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the balance sheet date are used.

The fair values of financial liabilities with floating interest rates approximate their carrying amounts as the interest rates for these liabilities are predominantly updated every three months with interest rates reflecting actual market conditions at the time of update.

The fair values of derivative financial instruments embedded in the MEB and the CVR correspond with their carrying amounts. 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. The embedded derivatives have to be measured at fair value, which is estimated based on a Black-Scholes model.

The estimation of the fair value of derivatives is described on the previous page in connection with the description of FAS 157 under fair value of financial instruments.

Effects of non-derivative financial instruments recorded in the consolidated statement of income

The effects of non-derivative financial instruments recorded in the consolidated statements of income consisted of interest income of € 25 million, interest expenses of € 456 million, as well as allowance for doubtful accounts in an amount of € 159 million and revenues in an amount of € 75 million resulting from the fair value measurement of the CVR.

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 balance sheet items bearing fixed interest rates.

In order to manage the risks 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 used 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 reasonable 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 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, US 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.

As of December 31, 2008, the notional amounts of foreign exchange contracts totaled € 1,493 million with a fair value of € 31 million. These foreign exchange contracts included foreign exchange options with a nominal value of € 6 million and a market value of € 0 million. The foreign exchange contracts have been entered into to hedge risks from operational business and in connection with intercompany 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.

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 as well as interest income or expenses in the same period in which the hedged transaction affects earnings. After-tax gains of € 13 million (€ 20 million pre-tax) for the year ended December 31, 2008 are deferred in accumulated other comprehensive income and will mainly be reclassified into earnings during 2009. During 2008, the Fresenius Group reclassified after-tax unrealized gains of € 2 million (€ 3 million pre-tax) from accumulated other comprehensive income (loss) into the profit and loss statement.

As of December 31, 2008, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 34 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 € 12 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. In addition, the Fresenius Group used interest rate swaps to hedge against changes of the fair value of the underlying fixed rate financial liabilities.

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 rate 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 balance sheet date. The corresponding additional annual interest

expense is then compared to the Group net income. This analysis shows that an increase of 0.5 % in the relevant reference rates would have an effect of less than 1.5 % on the Group's consolidated net income and shareholders' equity.

Cash Flow Hedge

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) mainly denominated in US dollars or euros, into fixed interest rate payments. The US dollar interest rate swaps with a notional volume of US$ 4,250 million (€ 3,054 million) and a fair value of US$ -241 million (€ -173 million) expire at various dates between 2009 and 2014. These interest rate derivatives include interest rate swaps with a notional amount of US$ 1.4 billion entered into in connection with the acquisition of APP. The Euro interest rate swaps with a notional volume of € 416 million and a fair value of € -18 million expire between 2011 and 2014. The US dollar interest rate swaps bear an average interest rate of 4.21 % and the Euro interest rate swaps bear an average interest rate of 4.34 %.

At December 31, 2008, pre-tax losses of € 184 million (2007: € 26 million), were recognized in accumulated other comprehensive income (loss). The equivalent amounts of after-tax losses were € 117 million and € 16 million, respectively. 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.

Fair Value Hedge

Fresenius Medical Care entered into US dollar interest rate swaps designated as fair value hedges to hedge the risk of changes in the fair value of parts of its US dollar fixed rate borrowings. At December 31, 2007, US dollar interest rate swaps at Fresenius Medical Care had a notional volume of US$ 450 million. On February 1, 2008, the fair value hedges of Fresenius Medical Care expired together with the mandatory redemption of the underlying debt. These interest rate swaps effectively converted the fixed interest payments on Fresenius Medical Care Capital Trust II trust preferred securities denominated in US dollars into variable interest rate payments and were reported at fair value in the balance sheet. The reported amount of the hedged portion of fixed rate trust preferred securities includes an adjustment representing the change in fair value attributable to the interest rate risk being hedged. The effect of hedged underlyings recognized in the income statement amounted to € -4 million (2007: € -7 million) and was mainly offset by the effect of the hedging instruments recognized in the income statement in an amount of € 4 million (2007: € 7 million). At December 31, 2008, no fair value hedges existed within the Fresenius Group.

CREDIT RISK

The Fresenius Group is exposed to potential losses in the event of non-performance by counterparties to derivative financial instruments. 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 € 0 million for interest rate derivatives and € 79 million for foreign exchange derivatives at December 31, 2008. 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 14, 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 21, Debt and liabilities from capital lease obligations).

31. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

Fresenius 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 the use of 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, high, stable, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial liabilities. Moreover, Fresenius Group's customers are almost invariably of high credit quality.

Equity and debt have developed as follows:

Shareholders' equity

in million €	December 31, 2008	December 31, 2007
Shareholders' equity including minority interest	**6,943**	6,059
Total assets	**20,544**	15,324
Equity ratio	**33.80 %**	39.54 %

Fresenius SE is not subject to any capital requirements provided for in its Articles of Association. Fresenius SE 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 34, Stock options).

Debt

in million €	December 31, 2008	December 31, 2007
Debt	**8,787**	5,699
Total assets	**20,544**	15,324
Debt ratio	**42.77 %**	37.19 %

According to the definitions in the underlying agreements, the MEB and the CVR 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. The Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium and long-term financings. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

A key financial performance indicator for the Fresenius Group is the net debt/EBITDA ratio, which is measured on the basis of US GAAP figures. This ratio was 3.6 as of December 31, 2008 including the EBITDA of APP for the full year 2008. The aim is to reduce this further. To achieve this goal, Fresenius Group's focus is primarily on earnings growth and sustained strong cash flows as well as debt reduction. The Fresenius Group expects this ratio to be in the range of 2.5 to 3.0 by 2010.

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:

	Standard & Poor's	Moody's	Fitch
Company rating	BB	Ba1	BB
Outlook	negative	negative	negative

32. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

The cash flow statements of the Fresenius Group for the fiscal years 2008 and 2007 are shown on pages 110 to 111.

Cash funds reported in the cash flow statement and in the balance sheet 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.

The following summaries provide additional information with regard to the consolidated cash flow statement:

in million €	2008	2007
Interest paid	**410**	388
Income taxes paid	**359**	323

Cash paid for acquisitions (without investments in licenses) consisted of the following:

in million €	2008	2007
Assets acquired	**4,238**	779
Liabilities assumed	**-421**	-135
Minority interest	**2**	-9
Notes assumed in connection with acquisitions	**-767**	-169
Cash paid	**3,052**	466
Cash acquired	**-105**	-22
Cash paid for acquisitions, net	**2,947**	444

33. NOTES ON SEGMENT REPORTING

GENERAL

The segment reporting tables shown on pages 114 to 117 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, 2008.

The key data disclosed in conjunction with 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 FAS 131 (Disclosures about Segments of an Enterprise and Related Information), 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 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 184,086 patients in its 2,388 own dialysis clinics.

Fresenius Kabi is Europe's leading company in the field of infusion therapy and clinical nutrition with subsidiaries and distributors worldwide. Fresenius Kabi's products are used in hospitals as well as in out-patient medical care to treat critically and chronically ill patients. Fresenius Kabi is also a leading provider of transfusion technology products in Europe.

As of January 1, 2008, Fresenius has reorganized its hospital business. The business segment Fresenius ProServe has been replaced by the two new business segments, Fresenius Helios and Fresenius Vamed, which so far have formed Fresenius ProServe. Fresenius Helios is focused on hospital operations. Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE 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 regarding the acquisition of APP.

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 is defined as earnings after income taxes and minority interest.

The operating cash flow is the cash provided by/used for 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, liabilities from capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities. The MEB and the CVR are not categorized as debt (see Note 31, 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 cash flow statement, 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 million €	2008	2007
Total EBITDA of reporting segments	**2,249**	2,077
Depreciation and amortization	**-783**	-421
General corporate expenses Corporate/Other (EBITDA)	**11**	-47
Interest expenses	**-456**	-395
Interest income	**25**	27
Other financial result	**68**	0
Total earnings before income taxes and minority interest	**1,114**	1,241
Total EBIT of reporting segments	**1,785**	1,666
General corporate expenses Corporate/Other (EBIT)	**-308**	-57
Interest expenses	**-456**	-395
Interest income	**25**	27
Other financial result	**68**	0
Total earnings before income taxes and minority interest	**1,114**	1,241
Depreciation and amortization of reporting segments	**464**	411
Depreciation and amortization Corporate/Other	**319**	10
Total depreciation and amortization	**783**	421

Reconciliation of net debt with the consolidated balance sheet

in million €	December 31, 2008	December 31, 2007
Short-term borrowings	**729**	362
Short-term liabilities and loans from related parties	**2**	–
Current portion of long-term debt and liabilities from capital lease obligations	**431**	115
Current portion of Senior Notes	**100**	0
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	**0**	455
Long-term debt and liabilities from capital lease obligations, less current portion	**5,716**	2,887
Senior Notes, less current portion	**1,354**	1,434
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portin	**455**	446
Debt	**8,787**	5,699
less cash and cash equivalents	**370**	361
Net debt	**8,417**	5,338

The following table shows the non-current assets by geographical region:

in million €	December 31, 2008	December 31, 2007
Germany	**3,052**	2,711
Europe (excluding Germany)	**1,893**	1,838
North America	**9,459**	5,765
Asia-Pacific	**641**	358
Latin America	**221**	192
Africa	**31**	36
Total non-current assets [1]	**15,297**	10,900

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets and derivative financial instruments.

In 2008, the Fresenius Group generated sales of € 2,793 million (2007: € 2,476 million) in Germany.

34. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

The Fresenius Group recognized compensation cost in an amount of € 33 million for stock options granted since 2004. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the then current market values of the underlying stock.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group elected to adopt FAS 123(R) prospectively.

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 and Fresenius Medical Care. 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 Fresenius SE stock option plans made during the years 2008 and 2007 are as follows:

	2008		2007
	December Grant	August Grant	
Expected dividend yield	**2.39 %**	**1.63 %**	0.94 %
Risk-free interest rate	**2.88 %**	**4.20 %**	4.48 %
Expected volatility	**28.91 %**	**27.82 %**	29.06 %
Life of options	**7 years**	**7 years**	10 years
Exercise price per option in €	**43.52**	**53.56**	56.74

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 STOCK OPTION PLANS

Description of the Fresenius SE stock option plans in place

On December 31, 2008, Fresenius SE 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 new stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). The latter is the only plan under which stock options were granted during 2008.

Stock Option Plan 2008

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the Fresenius SE Stock Option Plan 2008 (2008 Plan) by authorizing the granting of subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies. To fulfill the subscription rights under the 2008 Plan, the subscribed capital of Fresenius SE was increased conditionally by up to € 6.2 million through the issue of up to 3.1 million no par value bearer ordinary shares and 3.1 million no par value bearer preference shares.

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 of the Fresenius Group, adjusted for extraordinary effects, has increased by at least 8 % compared to the respective adjusted net income 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 shall be calculated on the basis of the calculation method of the accounting principles according to US GAAP. For the purposes of the 2008 Plan, the adjusted net income is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. The performance target for 2008 is 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. Bonds which were not financed by a note from Fresenius SE are recognized as a liability on Fresenius Group's consolidated balance sheet. 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 1/3 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, and one third of them vest on each of the second, third and fourth anniversary of the grant date. 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.

Transactions during the year 2008

In 2008, Fresenius SE awarded 1,099,102 stock options, including 180,600 options to members of the Management Board of Fresenius SE, at a weighted-average exercise price of € 52.63, a weighted-average fair value of € 15.15 each and a total fair value of € 17 million, one third of which will be amortized evenly over three years.

During the fiscal year 2008, Fresenius SE received cash of € 13 million from the exercise of 482,850 stock options. The average stock price at the exercise date was € 57.63 for ordinary shares and € 54.25 for preference shares. The intrinsic value of options exercised in 2008 was € 14 million.

At December 31, 2008, out of 644,154 outstanding and exercisable options issued under the 1998 Plan, 25,800 were held by the members of the Fresenius SE Management Board. The number of outstanding stock options issued under the 2003 Plan was 2,997,342, of which 1,258,814 were exercisable. The members of the Fresenius SE Management Board held 514,500 options. Out of 1,099,102 outstanding stock options issued under the 2008 Plan, 180,600 were held by the members of the Fresenius SE Management Board.

Stock option transactions are summarized as follows:

Ordinary shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2006	**2,090,406**	**27.97**	**855,960**
Granted	456,710	56.90	
Exercised	405,447	23.90	
Forfeited	19,673	32.51	
Balance 2007	**2,121,996**	**34.93**	**822,094**
Granted	549,551	53.48	
Exercised	241,425	26.31	
Forfeited	59,823	37.62	
Balance 2008	**2,370,299**	**40.05**	**951,484**

Preference shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2006	**2,090,406**	**29.21**	**855,960**
Granted	456,710	56.58	
Exercised	405,447	25.68	
Forfeited	19,673	33.10	
Balance 2007	**2,121,996**	**35.74**	**822,094**
Granted	549,551	51.78	
Exercised	241,425	27.75	
Forfeited	59,823	38.88	
Balance 2008	**2,370,299**	**40.21**	**951,484**

The following tables provide a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2008:

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	129,807	4.50	13.65	129,807	4.50	13.65
15.01–20.00	122,874	3.59	19.64	122,874	3.59	19.64
20.01–25.00	191,878	4.62	22.04	191,878	4.62	22.04
25.01–30.00	312,017	6.45	28.55	190,547	6.41	28.49
30.01–35.00	176,946	2.18	30.74	176,946	2.18	30.74
35.01–40.00	431,706	7.39	39.26	135,439	7.31	38.91
40.01–45.00	50,765	6.92	41.62	0		
45.01–50.00	10,662	7.50	48.81	3,993	7.50	48.81
50.01–55.00	498,786	6.58	54.69	0		
55.01–60.00	430,706	8.50	56.43	0		
70.01–75.00	14,152	8.50	70.54	0		
	2,370,299	**6.33**	**40.05**	**951,484**	**4.77**	**26.01**

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	141,162	4.50	12.04	141,162	4.50	12.04
15.01–20.00	158,266	5.50	19.00	158,266	5.50	19.00
20.01–25.00	111,519	3.50	21.13	111,519	3.50	21.13
25.01–30.00	345,629	5.87	28.95	224,159	5.53	28.67
30.01–35.00	110,676	2.58	34.73	110,676	2.58	34.73
35.01–40.00	45,552	6.50	38.52	25,402	6.50	38.52
40.01–45.00	452,424	6.62	40.78	176,307	5.24	41.14
45.01–50.00	50,765	6.92	45.40	0		
50.01–55.00	509,448	6.60	52.44	3,993	7.50	53.01
55.01–60.00	430,706	8.50	56.11	0		
70.01–75.00	14,152	8.50	70.14	0		
	2,370,299	**6.33**	**40.21**	**951,484**	**4.77**	**27.09**

At December 31, 2008, the aggregate intrinsic value of exercisable options for ordinary shares and preference shares was € 10 million and € 14 million, respectively.

At December 31, 2008, total unrecognized compensation costs related to non-vested options granted under the 2003 Plan and the 2008 Plan were € 22 million. These costs are expected to be recognized over a weighted-average period of 2.2 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 (2006 Plan) was established by resolution of FMC-AG & Co. KGaA's Annual General Meeting with a conditional capital increase up to € 15 million subject to the issue of up to 15 million no par value bearer ordinary shares with a nominal value of € 1.00 each. Under the 2006 Plan, up to 15 million options can be issued, each of which can be exercised to obtain one ordinary share, with up to three million options designated for members of the Management Board of Fresenius Medical Care Management AG (FMC Management AG), the General Partner, up to three million options designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to nine million options designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. With respect to participants who are members of the FMC Management AG's Management Board, its Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the 2006 Plan (including decisions regarding certain adjustments and forfeitures). The FMC Management AG's Management Board has such authority with respect to all other participants in the 2006 Plan.

Options under the 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 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 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 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 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 2008 and 2007 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. Upon exercise of vested options, FMC-AG & Co. KGaA has the right to reissue treasury shares or issue new shares.

Options granted under the 2006 Plan to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

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 balance sheet.

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 the year 2008

During 2008, Fresenius Medical Care awarded 2,523,729 options, including 398,400 to members of the Management Board of FMC Management AG, at a weighted-average exercise price of € 35.48, a weighted-average fair value of € 9.77 each and a total fair value of € 25 million, which will be amortized on a straight-line basis over the three-year vesting period.

During 2008, FMC-AG & Co. KGaA received cash of € 25 million from the exercise of stock options and € 5 million from a related tax benefit. The intrinsic value of options exercised in 2008 was € 18 million.

At December 31, 2008, the Management Board members of the FMC Management AG, held 2,159,720 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 9,120,123 stock options for ordinary shares and 241,776 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, 2008 as compared to December 31, 2007.

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2007 (options for ordinary shares)	**9,973**	**26.64**
Granted	2,524	35.48
Exercised	1,145	21.27
Forfeited	72	29.82
Balance at December 31, 2008 (options for ordinary shares)	**11,280**	**29.15**
Balance at December 31, 2007 (options for preference shares)	**275**	**16.16**
Exercised	32	16.01
Forfeited	1	16.42
Balance at December 31, 2008 (options for preference shares)	**242**	**16.18**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2008:

	Number of options in thousand	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	3,470	4.50	21.24	42
Options for preference shares	217	3.21	15.49	4

At December 31, 2008, total unrecognized compensation costs related to non-vested options granted under all plans were € 36 million. These costs are expected to be recognized over a weighted-average period of 1.6 years.

35. RELATED PARTY TRANSACTIONS

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE, is a member of the management board of Allianz SE and the chairman of the management board of Allianz Deutschland AG. Dr. Gerd Krick, chairman of the Supervisory Board of Fresenius SE, and Dr. Franceso De Meo, member of the Management Board of Fresenius SE, have been members of the supervisory board of Allianz Private Krankenversicherungs-AG in 2008. In 2008, the Fresenius Group paid € 7 million for insurance premiums to Allianz. Furthermore, the Fresenius Group paid € 2 million for services in connection with the commitment relating to the financing for the APP acquisition to Dresdner Bank. The Dresdner Bank has been a wholly-owned subsidiary of Allianz until it was acquired by Commerzbank in January 2009. Moreover, the Fresenius Group keeps business accounts under customary conditions with Dresdner Bank.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE, is a partner in the law firm Nörr Stiefenhofer Lutz that provides legal services to the Fresenius Group. In 2008, the Fresenius Group paid this law firm € 1 million for services rendered.

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Roland Berger Strategy Consultants. In the year 2008, the Fresenius Group paid this company € 4 million for consulting services rendered.

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Commerzbank AG. In the year 2008, the Fresenius Group paid € 2 million for services in connection with the commitment relating to the financing for the APP acquisition to Commerzbank. Furthermore, the Fresenius Group keeps business accounts with Commerzbank under customary conditions.

36. SUBSEQUENT EVENTS

Fresenius US Finance II, Inc. has successfully issued unsecured Senior Notes on January 21, 2009.

The Notes comprise separate euro and US dollar tranches. The euro tranche of € 275 million principal amount has been issued at a price of 93.024 % and has a coupon of 8.75 %, resulting in a yield to maturity of 10.25 %. The US dollar tranche of US$ 500 million principal amount has been issued at a price of 93.076 % and has a coupon of 9.00 %, resulting in a yield to maturity of 10.50 %. Both tranches will mature in 2015 and are non-callable.

Proceeds of the Senior Notes offering in an amount of approximately US$ 800 million will be used to repay the bridge credit agreement (see Note 21, Debt and liabilities from capital lease obligations), to repay other debt and for general corporate purposes.

With this transaction, the financing of the APP acquisition is completed.

Other than that, there were no significant changes in the Group position or environment sector since the end of the year of 2008. At present, the Fresenius Group is not planning to carry out any significant changes in its structure, administration or legal form or in the area of personnel.

Notes in accordance with the German Commercial Code (HGB)

37. COMPENSATION REPORT

The compensation report of Fresenius SE summarizes the principles applied for the determination of the compensation of the members of the Management Board of Fresenius SE and explains the amounts and structure of the Management Board compensation. The compensation report is based on the recommendations of the German Corporate Governance Code and also includes the disclosures in accordance with the German Commercial Code extended by the German Act on the Disclosure of Management Board Compensation.

COMPENSATION OF THE MANAGEMENT BOARD OF FRESENIUS SE

The personnel committee of the Supervisory Board determines the compensation of the Management Board. The personnel committee is composed of the Supervisory Board members Dr. Gerd Krick, Dr. Karl Schneider and Wilhelm Sachs.

The objective of the compensation system is to enable the members of the Management Board to participate in the development of the business relative to their duties and performance and the successes in managing the economic and the financial position of the Company taking into account its comparable environment.

The compensation of the Management Board is, as a whole, performance oriented and consisted of three elements in the fiscal year 2008:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options)

Furthermore, three 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 2008. In addition, 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 2008 as a variable bonus. The amount of the bonus in each case depends on the achievement of the individual targets relating to the net income of the Fresenius Group and its segments. For the total performance-related compensation, the maximum achievable bonus is fixed.

For the fiscal years 2008 and 2007, the amount of cash payment of the Management Board of Fresenius SE consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[1]		Bonus			
in thousand €	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Dr. Ulf M. Schneider	**800**	800	**39**	41	**1,165**	952	**2,004**	1,793
Rainer Baule	**425**	425	**40**	38	**900**	801	**1,365**	1,264
Dr. Francesco De Meo (since January 1, 2008)	**425**		**18**		**490**		**933**	
Andreas Gaddum (until December 31, 2007)		325		86		501		912
Dr. Jürgen Götz (since July 1, 2007)	**325**	162	**29**	10	**360**	157	**714**	329
Dr. Ben Lipps[2]	**816**	766	**202**	230	**963**	1,647	**1,981**	2,643
Stephan Sturm	**425**	425	**84**	86	**850**	701	**1,359**	1,212
Dr. Ernst Wastler (since January 1, 2008)	**375**		**17**		**390**		**782**	
Total	**3,591**	2,903	**429**	491	**5,118**	4,759	**9,138**	8,153

[1] Includes insurance premiums, private use of company cars, contributions to pension and health insurance as well as other benefits.
[2] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE held 35.80 % of the total subscribed capital. As Dr. Ben Lipps is a member of the Management Board of Fresenius SE, his compensation has to be included in the compensation report of the Fresenius Group.

In the fiscal year 2008, stock options based on the Fresenius SE Stock Option Plan 2008 and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 were granted as components with long-term incentive effects. The principles of both plans are described in more detail in Note 34, Stock options.

For the fiscal years 2008 and 2007, the number and value of convertible bonds and stock options issued is shown in the following table:

Long-term incentive components

Stock options and convertible bonds [1]

	Number		Value in thousand €	
	2008	2007	**2008**	2007
Dr. Ulf M. Schneider	**51,600**	43,860	**815**	838
Rainer Baule	**25,800**	21,930	**408**	419
Dr. Francesco De Meo (since January 1, 2008)	**25,800**		**408**	
Andreas Gaddum (until December 31, 2007)		21,930		419
Dr. Jürgen Götz (since July 1, 2007)	**25,800**	21,930	**408**	419
Dr. Ben Lipps	**99,600**	99,600	**976**	967
Stephan Sturm	**25,800**	21,930	**408**	419
Dr. Ernst Wastler (since January 1, 2008)	**25,800**		**408**	
Total	**280,200**	231,180	**3,831**	3,481

[1] Stock options and convertible bonds that were granted in 2008 and 2007 under the stock option plans of Fresenius SE. Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2008 correspond to their fair value at the time of grant, namely a value of € 15.80 (2007: € 19.11) per stock option of Fresenius SE and € 9.80 (2007: € 9.71) per stock option of FMC-AG & Co.KGaA.

As the financial targets of the year 2008 were achieved, Dr. Ben Lipps is entitled to a stock-based compensation in an amount of € 425 thousand (2007: € 910 thousand). 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 2008, the members of the Management Board held a total of 720,900 (2007: 540,300) stock options and convertible bonds of Fresenius SE and 818,411 (2007: 824,280) stock options and convertible bonds of FMC-AG & Co.KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2008 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, 2008								
number	219,300	135,450	30,000	36,930	824,280	87,720	30,900	**540,300**
average exercise price in €	32.62	30.30	49.13	48.86	22.31	39.52	42.05	**35.72**
Options granted during fiscal year								
number	51,600	25,800	25,800	25,800	99,600	25,800	25,800	**180,600**
average exercise price in €	53.56	53.56	53.56	53.56	35.49	53.56	53.56	**53.56**
Options exercised during fiscal year								
number	0	0	0	0	105,469	0	0	**0**
average exercise price in €					17.25			
average stock price in €					35.60			
Options outstanding on December 31, 2008								
number	270,900	161,250	55,800	62,730	818,411	113,520	56,700	**720,900**
average exercise price in €	36.61	34.02	51.18	50.79	24.57	42.71	47.29	**40.19**
average remaining life in years	6.5	6.0	7.4	7.4	3.7	7.1	7.0	**6.7**
range of exercise prices in €	13.59 to 57.27	13.59 to 57.27	40.98 to 57.27	29.92 to 57.27	14.47 to 35.49	29.92 to 57.27	21.33 to 57.27	**13.59 to 57.27**
Exercisable options on December 31, 2008								
number	131,574	91,584	4,998	6,000	519,611	36,546	10,098	**280,800**
average exercise price in €	22.84	22.17	40.98	35.45	19.55	32.13	30.94	**24.72**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plans
[2] Only stock options and convertible bonds of Fresenius SE, excluding stock options of Dr. Ben Lipps

The following table shows the total compensation for the years 2008 and 2007:

in thousand €	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
	2008	2007	**2008**	2007	**2008**	2007
Dr. Ulf M. Schneider	**2,004**	1,793	**815**	838	**2,819**	2,631
Rainer Baule	**1,365**	1,264	**408**	419	**1,773**	1,683
Dr. Francesco De Meo (since January 1, 2008)	**933**		**408**		**1,341**	
Andreas Gaddum (until December 31, 2007)		912		419		1,331
Dr. Jürgen Götz (since July 1, 2007)	**714**	329	**408**	419	**1,122**	748
Dr. Ben Lipps	**1,981**	2,643	**1,401**	1,877	**3,382**	4,520
Stephan Sturm	**1,359**	1,212	**408**	419	**1,767**	1,631
Dr. Ernst Wastler (since January 1, 2008)	**782**		**408**		**1,190**	
Total	**9,138**	8,153	**4,256**	4,391	**13,394**	12,544

The components with long-term incentive effect 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 2008 and 2007 are stated in the following table.

in thousand €	Expenses for long-term incentive components	
	2008	2007
Dr. Ulf M. Schneider	**714**	597
Rainer Baule	**357**	298
Dr. Francesco De Meo (since January 1, 2008)	**68**	
Andreas Gaddum (until December 31, 2007)		334
Dr. Jürgen Götz (since July 1, 2007)	**219**	75
Dr. Ben Lipps	**1,348**	837
Stephan Sturm	**383**	334
Dr. Ernst Wastler (since January 1, 2008)	**68**	
Total	**3,157**	2,475

The non-performance related compensation components and the basic structures of the performance-related compensation components are agreed in the service agreements with the individual Management Board members. The stock options are granted on an annual basis by the personnel committee of the Supervisory Board to the Management Board.

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 and Stephan Sturm based on their service agreements. With regard to these pension commitments, the Fresenius

Group had pension obligations of € 2,787 thousand as of December 31, 2008 (2007: € 2,028 thousand). The additions to pension liability in the fiscal year 2008 amounted to € 759 thousand (2007: € 275 thousand). 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 starting percentage of 30 % increases with every year of service by 1.5 percentage points, 45 % being the attainable maximum. 30 % of the gross amount of any later income from an occupation of the Management Board member is set-off against the pension.

With the Management Board member Dr. Ben Lipps, there is an individual agreement, instead of a pension provision, to the effect that, taking account of a competitive restriction after the ending of the service agreement between him and FMC 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 FMC Management AG in return would amount to approximately 33 % of the non-performance related compensation components paid to him in the fiscal year 2008.

The service agreements of the members of the Management Board contain no express provisions for the case of a change of control and for the event of the ending of their service agreement.

MISCELLANEOUS

In the fiscal year 2008, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius SE.

As far as legally permitted, Fresenius SE 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 appropriate excess. 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.

At December 31, 2007, Andreas Gaddum resigned from the Management Board of Fresenius SE. Until the expiration of his service agreement on June 30, 2008, he received his stipulated non-performance-related compensation in an amount of € 162,500 as well as related benefits and a performance-related compensation on a pro rata basis according to the service agreement. For the period from July 1, 2008 to June 30, 2009, Andreas Gaddum will obtain a waiting allowance of € 262,500 for the agreed non-competition clause.

Based on these agreements and on pension commitments, to former members of the Management Board and their surviving dependents, € 1,386 thousand and € 483 thousand were paid in the years 2008 and 2007, respectively. The benefit obligation for these persons amounted to € 10,056 thousand in 2008 (2007: € 9,870 thousand).

38. INFORMATION ON THE SUPERVISORY BOARD

The Supervisory Board appoints the members of the Management Board and supervises and advises the Management Board in managing the Company. However, the Supervisory Board is fundamentally prohibited from managing the Company in any way. 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. Each member of the Supervisory Board shall receive a fixed compensation of € 13 thousand. The members of the Audit Committee and the Personnel Committee of the Supervisory Board 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 provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) and on an adequate excess amount basis.

For the years 2008 and 2007, the compensation for the members of the Supervisory Board of Fresenius SE were as follows:

in thousand €	Fixed compensation		Compensation for commitee services		Variable compensation		Total compensation	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Dr. Gerd Krick	**26**	26	**30**	25	**173**	162	**229**	213
Dr. Dieter Schenk	**20**	16	**0**	0	**129**	100	**149**	116
Niko Stumpfögger (since July 16, 2007)	**20**	8	**0**	0	**129**	49	**149**	57
Prof. Dr. h. c. Roland Berger (since May 21, 2008)	**8**	0	**12**	0	**53**	0	**73**	0
Gerhard Herres (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Dario Ilossi (since July 16, 2007)	**13**	6	**0**	0	**86**	38	**99**	44
Konrad Kölbl (since July 16, 2007)	**13**	6	**10**	3	**86**	38	**109**	47
Dr. Gabriele Kröner (until May 21, 2008)	**5**	13	**0**	0	**33**	81	**38**	94
Dr. Bernd Mathieu (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Klaus-Peter Müller (since May 21, 2008)	**8**	0	**0**	0	**53**	0	**61**	0
Christel Neumann (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Ilona Oesterle (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Dr. Gerhard Rupprecht	**13**	13	**0**	0	**86**	81	**99**	94
Wilhelm Sachs	**13**	13	**10**	3	**86**	80	**109**	96
Dr. Karl Schneider	**13**	13	**20**	11	**86**	81	**119**	105
Stefan Schubert (since July 16, 2007)	**13**	6	**0**	0	**86**	38	**99**	44
Rainer Stein (since July 16, 2007)	**13**	6	**10**	3	**86**	38	**109**	47
Volker Weber (until July 13, 2007)	**0**	10	**0**	11	**0**	64	**0**	85
Dr. Bernhard Wunderlin (until May 21, 2008)	**5**	13	**8**	16	**33**	81	**46**	110
Total	**183**	177	**100**	72	**1,205**	1,103	**1,488**	1,352

39. D&O INSURANCE

Fresenius SE 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 Fresenius SE and 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 2009. 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.

40. AUDITOR'S FEES

In 2008 and 2007, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

in million €	2008		2007	
	Total	**Germany**	Total	Germany
Audit fees	**13**	**5**	11	4
Audit-related fees	**2**	**2**	1	–
Tax consulting fees	**1**	**–**	–	–
Other fees	**–**	**0**	–	–
Total auditor's fees	**16**	**7**	12	4

41. CORPORATE GOVERNANCE

The Management and Supervisory Boards of Fresenius SE have issued a Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and have made it available to shareholders. On May 21, 2008 the Management Board and the Supervisory Board of Fresenius SE declared in their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act that the recommendations of the German Commission on the German Corporate Governance Code of June 14, 2007, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, have been and are being met. The Management Board and the Supervisory Board of Fresenius SE also intend to follow the recommendations of the Code in future.

42. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The Management Board of Fresenius SE proposes to the Annual General Meeting that the earnings for 2008 of Fresenius SE be distributed as follows:

in €	
Payment of a dividend of € 0.70 per bearer ordinary share on the 80,571,867 ordinary shares entitled to dividend	56,400,306.90
Payment of a dividend of € 0.71 per bearer preference share on the 80,571,867 preference shares entitled to dividend	57,206,025.57
Additions to other reserves	88,161,179.56
Balance to be carried forward	42,730.64
Retained earnings	**201,810,242.67**

43. 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 26, 2009

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

AUDITOR'S REPORT

To the Fresenius Societas Europaea, Bad Homburg v. d. Höhe

We have audited the consolidated financial statements prepared by the Fresenius Societas Europaea, Bad Homburg v. d. Höhe, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In addition, we have been engaged to express an opinion as to whether the voluntarily prepared group management report is in agreement with the group management report of Fresenius Societas Europaea, Bad Homburg v. d. Höhe, prepared in accordance with § 290 and § 315 HGB [Handelsgesetzbuch "German Commercial Code"] apart from appropriate incorporation of US GAAP financial data.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 management, as well as evaluating the overall presentation of the consolidated financial statements. 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 US GAAP 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 voluntarily prepared group management report is consistent with the consolidated financial statements prepared in accordance with US GAAP and is, apart from appropriate incorporation of US GAAP financial data, in agreement with the group management report of Fresenius Societas Europaea prepared in accordance with § 290 and § 315 HGB, on which we issued an unqualified statutory audit opinion. Based on this, the group management report 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 26, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(former
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)


Hölzl
German Public Auditor

Hommel
German Public Auditor

Report of the Supervisory Board

In 2008, the Supervisory Board performed the duties assigned to it by law and by the Company's Articles of Association, regularly advising and monitoring the Management Board. It was closely involved in all decisions that were of major importance to 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 timely manner and comprehensively, both in writing and orally – about the business development, the economic and financial position, and the profitability of the Company and the Group, the corporate strategy and planning, the risk situation and compliance, and important business events. In all, the Supervisory Board of Fresenius SE convened seven times in 2008. It convened for an extraordinary meeting in January 2008. A regular meeting was held in March 2008 and a constitutive meeting of the newly elected Supervisory Board was held after the Annual General Meeting in May 2008. The Supervisory Board met for a briefing in June 2008. A further extraordinary meeting was held in July 2008. This was followed by two regular meetings of the Supervisory Board in October and December 2008. Before all the Supervisory Board meetings detailed Management Board reports and comprehensive approval documents concerning the agenda were distributed to its members. At each of its regular meetings the Supervisory Board used 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 after 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 and, in urgent cases, was requested to pass resolutions by written proceeding. In addition, the chairman of the Management Board informed in individual discussions the chairman of the Supervisory Board regularly 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 2008.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

The Supervisory Board's monitoring and advisory activities were mainly centred on overall business operations as well as on business segment investments and acquisitions, and any related financing. A focus was the acquisition of Dabur Pharma in India and APP Pharmaceuticals in the United States. The Supervisory Board discussed these strategically important acquisitions in detail with the Management Board and carefully considered the opportunities and risks. The financing of the APP acquisition through an issue of shares from authorized capital, an issue of mandatory exchangeable bonds convertible into ordinary shares of Fresenius Medical Care & Co. KGaA and debt was also discussed with the Management Board and was approved by the Supervisory Board. After detailed consultations and discussions the Supervisory Board also approved the 2008 stock option plan for the Management Board and other executive officers.

The Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. It approved the budget for 2009 and the Fresenius Group's medium-term planning, following a detailed review and discussions with the Management Board. At its regular meetings and within the Audit Committee, the Supervisory Board also kept itself informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

Further development of corporate governance at Fresenius was reviewed by the Supervisory Board. On May 21, 2008, the Management Board and the Supervisory Board jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code in its version as of June 14, 2007.

For more information on corporate governance at Fresenius, please see the Corporate Governance Report issued jointly by the Management and Supervisory Boards on pages 22 to 25 of this Annual Report.

WORK OF THE COMMITTEES

The Personnel Committee, which is responsible, among other things, for concluding, amending, and terminating employment contracts with the members of the Management Board, held two meetings and one conference call.

The Audit Committee held four meetings. There was also one conference call. The main focus of its activities was on the preliminary audit of the annual financial statements of Fresenius SE and the Group for 2007 and discussions with the auditors about their report and the terms of reference of the audit. The Audit Committee also reviewed the 2008 quarterly reports and the risk management system, an audit plan as well as the audit results of the internal audit department and a controlling report on the development of the acquisitions. The Audit Committee also discussed in detail the effects on the accounting resulting from the acquisition of APP Pharmaceuticals.

The Supervisory Board delegated the resolutions on the terms of the financing of the APP Pharmaceuticals acquisition, especially the exercise of the Supervisory Board's rights of consultation and approval with regard to the use of the authorized capital pursuant to § 4 (5) of the Articles of Association (Authorized Capital II), to the special "Transaction Financing APP Pharmaceuticals, Inc." Committee set up for this purpose. This committee held several conference calls.

The chairmen of the committees reported regularly to the next Supervisory Board meeting on the work of the committees.

The Nomination Committee convened and deliberated on the Supervisory Board's proposals to the General Meeting for the appointment of the Supervisory Board. The Nomination Committee held three meetings and several conference calls.

The Mediation Committee has ceased to exist as the German Co-determination Act (MitbestG), which provided for this committee, does not apply to Fresenius SE.

Information on the present composition of the committees can be found on pages 193 and 194 of this Annual Report.

PERSONNEL – NOMINATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The mandates of all members of the Supervisory Board of Fresenius SE ended at the close of the Annual General Meeting of Fresenius SE on May 21, 2008. We wish to thank the members who left the Supervisory Board for their valuable work.

The Annual General Meeting elected the members of the Supervisory Board of Fresenius SE anew on May 21, 2008. The shareholder representatives on the Supervisory Board are Prof. Dr. h. c. Roland Berger, Dr. Gerd Krick, Klaus-Peter Müller, Dr. Gerhard Rupprecht, Dr. Dieter Schenk and Dr. Karl Schneider. The employee representatives on the Supervisory Board are Mr. Dario Ilossi, Mr. Konrad Kölbl, Mr. Wilhelm Sachs, Mr. Stefan Schubert, Mr. Rainer Stein and Mr. Niko Stumpfögger.

At its constitutive meeting on May 21, 2008 the Supervisory Board elected Dr. Gerd Krick as chairman of the Supervisory Board of Fresenius SE. Dr. Dieter Schenck, nominated by the shareholder representatives, and Mr. Niko Stumpfögger, nominated by the employee representatives, were elected as deputy chairmen of the Supervisory Board.

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 Fresenius SE for 2008 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft (formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft), Berlin. They were elected as auditors at Fresenius SE's Annual General Meeting on May 21, 2008 and were subsequently commissioned by the Supervisory Board. The auditors issued their unqualified audit opinion for these statements. The same applies to the consolidated financial statements of Fresenius SE prepared according to IFRS accounting principles and to the consolidated financial statements of Fresenius SE prepared voluntarily according to US GAAP.

Management Reports were added to the consolidated financial statements. The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Supervisory Board of Fresenius SE within the required time. The Supervisory Board noted and approved the auditors' findings. The Supervisory Board's own review found no objections to the financial statements of Fresenius SE or the consolidated financial statements. The Supervisory Board agrees with the Management Reports and the statements contained therein with respect to future development.

At its meeting on March 13, 2009, the Supervisory Board approved the financial statements of Fresenius SE for 2008 as presented by the Management Board, thereby adopting them as official. The Supervisory Board also approved the consolidated financial statements of Fresenius SE prepared according to IFRS standards and the consolidated financial statements for 2008 prepared voluntarily according to US GAAP.

The auditors delivered a detailed report on the results of the audit during this meeting. They attended all meetings of the Supervisory Board and the Audit Committee.

The Supervisory Board concurs with the proposal by the Management Board on the appropriation of the 2008 retained earnings.

The Supervisory Board would like to thank the Management Board and all employees for their outstanding achievements in a difficult economic environment.

Bad Homburg v. d. H., March 13, 2009

The Supervisory Board

Dr. Gerd Krick
Chairman

MANAGEMENT BOARD

Dr. Ulf M. Schneider

Frankfurt am Main

Chairman

Corporate Offices
Supervisory Board
Eufets AG (Chairman)
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi Austria GmbH, Austria
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 (since September 10, 2008)
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (since August 14, 2008; Chairman since September 8, 2008)

Rainer Baule

Ettlingen

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Calea Ltd., Canada
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
Fresenius Kabi Italia S.p.A., Italy (since January 15, 2008)

Board of Directors
APP Pharmaceuticals, Inc., USA (since September 10, 2008)
FHC (Holdings) Ltd., Great Britain

Dr. Francesco De Meo

Petersberg

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Klinikum Bad Saarow GmbH (Chairman)
HELIOS Klinikum Emil von Behring GmbH (Chairman)
HELIOS Kliniken Krefeld GmbH (since February 1, 2008)
HELIOS Kliniken Schwerin GmbH (Chairman)

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG (since April 16, 2008)

Dr. Jürgen Götz

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Dr. Ben Lipps

Boston, Massachusetts (USA)

Business Segment Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman)

Stephan Sturm

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, Österreich (since March 17, 2008; Deputy Chairman since June 5, 2008)
Wittgensteiner Kliniken GmbH

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler

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)

SUPERVISORY BOARD

Dr. Gerd Krick

Königstein
Former Chairman of the Management Board of Fresenius SE
Chairman

Member of the Audit Committee
Chairman of the Nomination Committee
Chairman of the Personnel Committee

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG (until April 16, 2008)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
VAMED AG, Austria (Chairman)

Advisory Board
HDI Haftpflichtverband der deutschen Industrie V.a.G. (until December 31, 2008)

Prof. Dr. h. c. Roland Berger

(since May 21, 2008)
Munich
Management Consultant

Chairman of the Audit Committee
(since May 21, 2008)

Offices
Supervisory Board
HELIOS Kliniken GmbH (until April 30, 2008)
Indatex Services for Finance and Insurance AG (until April 8, 2008)
Live Holding AG (since June 4, 2008; Deputy Chairman)
Prime Office AG (Chairman)
Roland Berger Strategy Consultants Holding GmbH (Chairman)
Schuler AG
Senator Entertainment AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
Fiat S.p.A., Italy
Roland Berger AG, Switzerland (Chairman)
Special Purpose Acquisition Company (SPAC) Germany 1 Acquisition Limited, Guernsey (since July 21, 2008; Co-Chairman)
Telecom Italia S.p.A., Italy (since April 14, 2008)

Dario Anselmo Ilossi

Rome, Italy
Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Konrad Kölbl

Hof am Laithagebirge, Austria
Full-time Works Council member
Member of the Manual Workers' Works Council VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.
Chairman of the Group Works Council VAMED AG
Member of the SE -Works Council of Fresenius SE

Member of the Audit Committee

Corporate Offices
Supervisory Board
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Dr. Gabriele Kröner

(until May 21, 2008)
Berg
Doctor

Klaus-Peter Müller

(since May 21, 2008)
Bad Homburg v. d. H.
Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (since May 15, 2008; Chairman)
Eurohypo AG (until November 11, 2008; Chairman)
Fraport AG (since May 28, 2008)
Linde AG
Steigenberger Hotels AG

Administrative Board
Assicurazioni Generali S.p.A., Italy
Commerzbank International S.A., Luxembourg (until April 9, 2008; President)
KfW Kreditanstalt für Wiederaufbau
Liquiditäts-Konsortialbank GmbH

Board of Directors
Parker Hannifin Corporation, USA

Dr. Gerhard Rupprecht

Gerlingen
Member of the Management Board Allianz SE
Chairman of the Management Board Allianz Deutschland AG

Offices
Supervisory Board
Allianz Beratungs- und Vertriebs-AG (Chairman)
Allianz Elementar Versicherungs-AG (since February 7, 2008; Chairman since March 3, 2008)
Allianz Elementar Lebensversicherungs-AG (since February 7, 2008; Chairman since March 3, 2008)
Allianz First Life Insurance Co. Ltd., Korea (until December 31, 2007)
Allianz Investmentbank AG (since February 7, 2008; Deputy Chairman since March 3, 2008)
Allianz Lebensversicherungs-AG (Chairman)
Allianz Private Krankenversicherungs-AG (Chairman)
Allianz Suisse Lebensversicherungs-AG, Switzerland (since January 1, 2008)
Allianz Suisse Versicherungs-AG, Switzerland (since January 1, 2008)
Allianz Versicherungs-AG (Chairman)
Heidelberger Druckmaschinen AG

Wilhelm Sachs

Friedrichsdorf
Full-time Works Council member
Deputy Chairman of the Works Council Friedberg plant
Member of the Joint Works Council Fresenius SE/Friedberg plant
Chairman of the General Works Council Fresenius SE
Member of the SE-Works Council of Fresenius SE

Member of the Personnel Committee

SUPERVISORY BOARD

Dr. Dieter Schenk

Munich

Lawyer and tax consultant

Deputy Chairman

Member of the Nomination Committee

Offices
Supervisory Board
Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG (Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
NSL Consulting AG (until September 12, 2008; Chairman)
TOPTICA Photonics AG (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman Südzucker AG

Member of the Audit Committee
Member of the Nomination Committee
Member of the Personnel Committee

Offices
Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

Stefan Schubert

Limburg-Staffel

Hospital nurse and full-time Works Council member

Chairman of the Works Council of HELIOS Klinik Bad Schwalbach, HELIOS Klinik Idstein and Kreisaltenzentrum Bad Schwalbach

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Member of the SE-Works Council of Fresenius SE

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH

Rainer Stein

Berlin

Full-time Works Council member

Chairman of the Group Works Council HELIOS Kliniken GmbH

Chairman of the SE-Works Council of Fresenius SE

Member of the Audit Committee

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH

Niko Stumpfögger

Zeuthen

Secretary of the Trade Union ver.di, Betriebs- und Branchenpolitik im Bereich Gesundheit und Soziales

Deputy Chairman

Offices
Supervisory Board
HELIOS Kliniken GmbH

Dr. Bernhard Wunderlin

(until May 21, 2008)

Bad Homburg v. d. H.

Former Managing Director Harald Quandt Holding GmbH

Chairman of the Audit Committee (until May 21, 2008)

Offices
Supervisory Board
Equita Management GmbH

Advisory Board
Marsh & McLennan Deutschland GmbH
Von Rautenkranz Nachfolger GbR

GLOSSARY

Health care terms

Administrative data
Data transmitted to sickness funds as part of the billing process or to federal agencies like the German Federal Statistics Office due to legal requirements. In Germany, this includes information about coded diagnoses and procedures.

Adsorber systems
These are treatments for selective blood purification. A housing filled with a specific material (powder/gel) is passed through blood or plasma. The material consists of a solid carrier material with a big surface bound to active groups/molecules which selectively bind/adsorb harmful substances/pathogens from the blood/plasma.

Albumin
A protein that can be used to monitor a patient's nutritional condition.

Ambix® activ
Infusion pump for the application of parenteral nutrition, which is specially designed for the needs in outpatient care. It offers patients and those caring for them maximum independence thanks to its easy and safe handling.

Antibodies
Antibodies are proteins that bind specifically to a particular substance, its antigen. Antibodies are known collectively as immunoglobulins. They are produced by B-lymphocytes and plasma cells in response to infection or immunization, and bind to and neutralize pathogens, thus preparing them for uptake and destruction of phagocytes.

AOK
Allgemeine Ortskrankenkasse; The AOK is Germany's largest public health insurance company.

Apheresis
Process of obtaining blood from a donor or patient to separate or remove certain components (thrombocytes plasma) before re-infuding the remainder.

Ascites
Accumulation of excess fluid in the abdomen due to disturbed balance of influx and efflux as a result of a malignant disease.

Blood volume replacement
Infusion solution to compensate blood loss.

CHMP
The Committee for Medicinal Products for Human Use (CHMP) is responsible for preparing the EMEA's opinions on all questions concerning medicinal products for human use.

Colloids
Blood and plasma substitutes.

Compounding
Mixing of different solutions or components for IV or parental nutrition therapy.

CompoDock Data Management
CompoDock is a device for the sterile connection of two PVC blood bag tubes. Sterile means that the closed system of each bag is maintained during the connection process, thus no contamination enters from the outside. The data management feature, a software, allows automatic documentation of this sterile connection process in terms of GMP.

Dialysis
A type of renal replacement therapy where a semi-permeable membrane – in peritoneal dialysis the peritoneum of the patient, and in hemodialysis the membrane of the dialyzer – is used for selective solute removal.

Dialysis machine
The hemodialysis process is controlled by a dialysis machine which pumps blood, adds anticoagulants, regulates the cleansing process, and controls the mixture of dialysate and its flow rate through the system.

Dialysis solution
Fluid used in the process of dialysis

Dialyzer
Special filter used in hemodialysis for removing toxic substances and excess water from the blood.

Enteral nutrition
Application of liquid nutrition as a tube or sip feed via the gastrointestinal tract.

EPO (Erythropoietin)
Hormone that stimulates red blood cell production. Recombinant (i.e. artificially produced) human EPO is commonly prescribed to patients on dialysis who suffer from anemia.

Extracorporeal
Taking place outside the body.

Graft-versus-Host-Disease (aGvHD)
Rejection of a transplanted organ, caused by T-cells in the donor graft that attack the host organism.

GLOSSARY

Health care terms

HACCP Concept (Hazard Analysis Critical Control Point)
A process that proves conformity with valid norms.

Hemodiafiltration (HDF)
Special mode of ESRD (end-stage renal disease) treatment, combining advantages of hemodialysis and hemofiltration, i. e. high elimination rates for small and large molecular weight substances via diffusive and convective mechanisms, respectively.

Hemodialysis (HD)
A treatment method for dialysis patients where the blood of the patient is cleansed by a dialyzer. The solute exchange between blood and dialysate is dominated by diffusive processes.

Immunosuppressive agent
Drug that artificially suppresses or weakens the immune reaction of the organism. It is used in the treatment of autoimmune diseases or to prevent transplanted organs being rejected.

Infusion disposables
Single-use medical devices for the administration of infusion solutions or IV drugs to a patient.

Infusion management system
A modular infusion system, consisting of infusion and syringe pumps, which allows the simultaneous administration of different intravenously administered drugs and infusion solutions and at the same time records the infused volume.

INN (International non-proprietary name)
Official non-proprietary or generic name given to a pharmaceutical substance, as designated by the World Health Organization (WHO).

Intraperitoneal
Administration of a drug directly into the peritoneal cavity.

KabiPac®
The KabiPac® plastic bottle is a new primary container for infusion solutions. It is designed for safe and easy handling, and is light, break-proof and impermeable to oxygen and air. Other advantages are offered by the two separate ports. As both the infusion port and the injection port are sterile inside, the ports do not need to be disinfected before they are used for the first time.

Lipid emulsions
Lipid emulsions are elements of parenteral nutrition and primarily provide energy and essential fatty acids.

Parenteral nutrition
Application of nutrients directly into the bloodstream of the patient (intravenously).

Peritoneal dialysis (PD)
Dialysis treatment method using the patient's peritoneum as a "filter" to cleanse his blood.

Polyclonal antibodies
Antibodies that recognize one specific structure, but are produced by different cell clones.

Port
A fully implantable subcutaneous small housing with membrane and catheter for chemotherapy, infusion therapy, parenteral nutrition etc.

Prevalence
The prevalence of a disease in a statistical population is defined as the total number of cases of the disease in the population at a given time, or the total number of cases in the population, divided by the number of individuals in the population.

Single-use dialyzer
Dialyzer which is not used several times (re-use) but only one single time.

Trifunctional antibodies
Antibodies that bind to three different cell types in parallel (e. g. tumor cells, T-cells and accessory cells) resulting in a tumor-specific immune reaction.

Triglyceride
Fats made up of one glycerine molecule and three fatty acids.

Volumetric pumps
Electronic pumps for intravenous infusion of fluids and drugs for parental nutrition with high accuracy (volumetric-based)

Financial terms

Beta factor
The beta factor shows the correlation of a share to a specific index.
ß > 1 means:
the share is fluctuating more than the index.
ß = 1 means:
the share movements are in line with the index.
ß < 1 means:
the share is fluctuating less than the index.

Commercial paper program
Is short-term unsecured promissory notes issued by corporations in need of short-term loans. Typically commercial paper maturities range from a few days up to under two years.

EBIT
Earnings before interest and income taxes.

EBITDA
Earnings before interest, income taxes, depreciation and amortization.

Gearing
Net debt to equity ratio, including minority interest.

ROE (Return on Equity)
The ROE measures a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested.
ROE = fiscal year's net income/total equity x 100.

ROIC (Return on Invested Capital)
Calculated by:
(EBIT – taxes): Invested capital
Invested capital = total assets + amortization of goodwill (accumulated) – deferred tax assets – cash and cash equivalents – trade accounts payable – accruals (without pension accruals) – other liabilities not bearing interest.

ROOA (Return on Operating Assets)
Calculated by:
EBIT x 100: operating assets (average)
Operating assets = total assets – deferred tax assets – trade accounts payable – payments received on account – approved subsidies.

SE (Societas Europaea)
The SE is the legal form of a European stock corporation. The supranational legal entity is based on the European Community law. Subject to the European regulations, the SE is treated in all member states of the European Union as a stock corporation according to the national law of the member state in which the SE is incorporated.

US GAAP
United States Generally Accepted Accounting Principles.

Working Capital
Current assets (including deferred assets) – accruals – trade accounts payable – other liabilities – deferred charges.

Products and services

ATG-Fresenius (anti T-lymphocyte globulin)
Protein which suppresses T-lymphocytes.

FX-class dialyzer
A new generation of dialyzers with increased performance and outstanding biocompatibility. Helixone® capillaries with their special three-dimensional microwave structure are built in high capillary density into a specifically-designed housing which, among other benefits, leads to an optimized flow distribution within the dialyzer.

Three chamber bag
The three chamber bag contains all the macronutrients like – amino acids, glucose, lipids and as well electrolytes in three separate chambers. One bag includes concentrated solutions covering a patient's daily nutritional requirements. Immediately before infusion all nutrients are mixed thoroughly within the bag simply by opening individual chambers. This reduces the risk of contamination and saves time when preparing the infusions.

INDEX

FRESENIUS MEDICAL CARE

HEMODIALYSIS

- Machines for
  - Hemodialysis
  - ONLINE Hemodiafiltration
  - Hemofiltration
- High- and Low-Flux dialyzers (Fresenius Polysulfone®)
- FX-class High- and Low-Flux dialyzers (Helixone®)
- Heparin syringes
- Dialysis fluid filters
- Blood lines
- Dialysis cannulae
- Hemodiafilters
- Dialysis concentrates (liquid, dry)
- Rinsing solutions
- Disinfectants
- Water treatment systems
- Analysis devices
- Data management systems
- Dialysis chairs, bed and trays

ACUTE DIALYSIS

- Machines for acute dialysis
- Hemofilter
- Hemofiltration solutions
- Dialysis fluid concentrates
- Dialysis catheters
- Blood lines
- Plasmafilters
- Citrate calcium anticoagulation

PERITONEAL DIALYSIS

- Cyclers and tubing systems for Automated Peritoneal Dialysis (APD)
- Systems for Continuous Ambulatory Peritoneal Dialysis (CAPD)
- Peritoneal dialysis solutions
- Peritoneal dialysis catheters
- Accessories
- Data management systems (PatientOnLine)
- Paediatric Peritoneal Dialysis Systems

DIALYSIS CARE

- Dialysis clinics for chronic hemodialysis treatment
- Acute in-patient dialysis treatment
- Training (hemodialysis and peritoneal dialysis)
- Planning and installation of water treatment systems for hemodialysis
- Planning of hemodialysis centers

SPECTRA LABORATORIES

- Laboratory and diagnostic dialysis-related services
- Data management
- Managed care services for dialysis patients

LIVER SUPPORT THERAPY

- Machines for liver support therapy
- Albumin filters
- Anion exchanger
- Neutral resin adsorber

THERAPEUTIC APHERESIS

LDL-apheresis:

- DALI®
- MONET®

Immunoadsorption:

- Immunosorba
- GLOBAFFIN

FRESENIUS KABI

INFUSION THERAPY

- Basic solutions
- Infusion solutions for osmotic therapy
- Irrigation solutions/urology
- Infusion solutions for blood volume replacement and hemodilution therapy
- IV drugs
  - Anti-neoplastics
  - Anesthetics und analgesics
  - Anti-infectives
  - Critical care products
- Patient specific infusion therapies of anti-neoplastics, analgesics and anti-infectives
- Innovative packaging for IV drugs
- Medical devices
  - Volumetric infusion pumps and syringe pumps
  - Disposable infusion pump
  - Infusion and clinical fluid management systems
  - IV disposables and accessories
  - IV anesthesia and analgesia systems
  - Clinical medical systems for wound drainage
  - Technical equipment for irrigation solutions
  - Suprapubic drainage systems
  - In-dwelling venous cannulae
  - Implantable port systems
  - Portable drug pumps
- Disinfectants

CLINICAL NUTRITION

Parenteral nutrition

- Industrially compounded admixtures (2 and 3 chamber bags, all-in-one bags)
- Standard and special amino acid solutions
- Standard and special lipid emulsions
- Additives
- Compounding systems including empty bags and calculation software for nutrition therapy
- Patient-individual concept for out-patient parenteral nutrition
- Scientific support and information
- Medical devices
  - Devices for parenteral nutrition and its application
  - Volumetric infusion pumps
  - Disposables and accessories

Enteral nutrition

- Sip and tube feeds
  - Standard diets
  - Disease-specific diets
  - Nutritional supplements
- Oral amino acids/Keto acids
- Scientific support and information
- Training and education
- Management and provision of out-patient therapies
- Medical devices
  - Feeding tubes
    - Transnasal tubes
    - Percutaneous tubes
  - Application technology
    - Feeding pumps
    - Giving sets
  - Accessories

FRESENIUS HELIOS

HELIOS KLINIKEN GROUP

- Group of clinics with acute care hospitals for all medical disciplines
- High quality medical treatment of patients at all levels of care, up to maximum care
- Operation and management of postacute care hospitals

FRESENIUS VAMED

VAMED GROUP

Worldwide projects and services for health facilities:

- Feasibility studies
- Operational and organisational planning
- IT planning
- Architectural planning
- Planning of medical-technical equipment
- Complete medical-technical and technical equipment/packages
- Medical-technical maintenance
- Building technology planning
- Facility management
- Project development and management
- Turn-key projects
- Financial engineering
- PPP projects
- General and technical management of health facilities

FRESENIUS BIOTECH

BIOTECHNOLOGY

- Immunosuppressive agent ATG-Fresenius S
- Fluids and disposables for organ perfusion and preservation
- Cell and gene therapy products for research and clinical development
- Vector production gene therapy

TRANSFUSION TECHNOLOGY

- Blood bags
- Blood bag systems with in-line filters
- Leukocyte filters
- Cryopreservation systems
- Mixing devices
- Cooling and transportation systems
- Automatic blood component processing systems
- Sealing devices
- Sterile docking devices
- Platelet shakers
- Hemoglobin measuring device
- Blood cell separators for
  - Hemapheresis
  - Therapeutic apheresis
- Stem cell bags
- Solutions
- Autotransfusion

FINANCIAL CALENDAR

Report on 1st quarter 2009	
Conference call	
Live webcast	April 30, 2009
Annual General Meeting, Frankfurt am Main, Germany	May 8, 2009
Payment of dividend*	May 11, 2009
Report on 1st half 2009	
Conference call	
Live webcast	August 4, 2009
Report on 1st–3rd quarters 2009	
Conference call	
Live webcast	November 3, 2009

* subject to the prior approval by the Annual General Meeting

Fresenius SE's Annual Report was published on March 18, 2009 at our website http://www.fresenius.com.

FRESENIUS SHARE INFORMATION

	Ordinary share	Preference share
Securities identification no.	578 560	578 563
Ticker symbol	FRE	FRE3
ISIN	DE0005785604	DE0005785638
Bloomberg symbol	FRE GR	FRE3 GR
Reuters symbol	FREG.de	FREG_p.de
Main trading location	Frankfurt/Xetra	Frankfurt/Xetra

Corporate Head Office
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

Postal address
Fresenius SE
61346 Bad Homburg v. d. H.
Germany

Contact for shareholders
Investor Relations
Telephone: ++49 61 72 608-26 37
Telefax: ++49 61 72 608-24 88
e-mail: ir-fre@fresenius.com

Contact for journalists
Corporate Communications
Telephone: ++49 61 72 608-23 02
Telefax: ++49 61 72 608-22 94
e-mail: pr-fre@fresenius.com

Commercial Register: Amtsgericht Bad Homburg v. d. H.; HRB 10660
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 Annual Report is legally binding.

The financial statements of Fresenius SE and the consolidated statements in accordance with IFRS accounting principles 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 Annual 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 Holdings, Inc. – the actual results could differ materially from the results currently expected.

Design concept/Realization: Hilger & Boie Design, Wiesbaden, Germany
Print: Ziegler GmbH & Co KG, Neckarbischofsheim, Germany